Halliburton Denmark ApS

Storstrømsvej 6
6715 Esbjerg
Denmark

CVR no. 19 60 60 74

Annual report 2019

The annual report was presented and approved at the Company's annual general meeting on

10 July 2020

Torben Lass Johansen
chairman

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Halliburton Denmark ApS for the financial year 1 January – 31 December 2019.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, of the results for the year and of the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Esbjerg 10 July 2020
Executive Board:

Torben Lass Johansen

Board of Directors:

Wael Khairy Elsayed Mekkawy Chairman	Martin Robert White	Torben Lass Johansen

Independent auditor's report

To the shareholder of Halliburton Denmark ApS

Opinion

We have audited the financial statements of Halliburton Denmark ApS for the financial year 1 January – 31 December 2019 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

Independent auditor's report

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent auditor's report

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Kolding, 10 July 2020
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Nikolaj Møller Hansen
State Authorised
Public Accountant
mne33220

Management's review

Company details

Halliburton Denmark ApS
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6715 Esbjerg
Denmark

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Fax:	+45 79 14 54 10
Website:	Halliburton.com
CVR no.:	19 60 60 74
Financial year:	1 January – 31 December

Board of Directors

Wael Khairy Elsayed Mekkawy, Chairman
Martin Robert White
Torben Lass Johansen

Executive Board

Torben Lass Johansen

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Jupitervej 4
6000 Kolding
Denmark

Management's review

Financial highlights

DKK'000	2019	2018	2017	2016	2015
Key figures					
Gross profit/loss	11,295	-24,319	-28,283	34,418	59,204
Operating profit/loss	-13,944	-49,601	-22,406	31,715	25,157
Profit/loss from financial income and expenses	-9,305	11,070	4,148	7,354	-7,606
Profit/loss for the year	-20,655	-61,037	-20,853	31,110	13,637
Fixed assets	163,309	100,518	55,721	92,528	130,675
Current assets	86,886	63,179	35,470	148,894	186,452
Total assets	250,195	163,697	91,191	241,422	317,127
Equity	29,417	-50,067	10,970	180,591	149,481
Current liabilities other than provisions	167,761	213,152	77,391	52,215	161,023
Investment in property, plant and equipment	57,704	104,349	31,649	34,213	48,170
Ratios					
Current ratio	51.18%	29.64%	45.83%	285.16%	115.79%
Solvency ratio	11.76%	-30.59%	12.02%	74.80%	47.00%
Average number of full-time employees	81	44	34	80	103

The comparative figures for 2015 – 2018 have not been restated. The comparative figures for these years have been stated in accordance with IAS 17.

Financial ratios are calculated in accordance with the guidelines "Recomendations and Ratios" issued by the Danish Society of Financial Analysts. The financial ratios have been calculated as follows:

Current ratio $\dfrac{\text{Current assets x 100}}{\text{Current liabilities}}$

Solvency ratio $\dfrac{\text{Equity ex. non-controlling interests at year end x 100}}{\text{Total equity and liabilities at year end}}$

Management's review

Operating review

Principal activities

Halliburton Denmark ApS´ principal activities comprise establishment and stimulation of oil and gas wells in the Danish North Sea sector.

Development in activities and financial position

Profit/loss for the year and the balance sheet total are affected by the fact that the Company has changed its interpretation of leases to which the Company is the lessee from IAS 17 to IFRS 16.

In the income statement, EBITDA and EBIT for 2019 are affected, whereas profit/loss for the year remains substantially unchanged. This is due to the depreciation of the right-of-use assets and interest costs from the lease liability be substantially equal the operating lease costs previously recognised in the income statement.

Profit/loss for the year

The Company's income statement for 2019 shows a loss of DKK 20,655 thousand as against DKK -61,037 thousand for 2018. The results for the year are negatively affected by depreciation of new equipment purchased from group, high rented equipment, materials and outside personnel cost.

Equity in the Company's balance sheet at 31 December 2019 stood at DKK 29,417 thousand as against a negative of DKK 50,067 thousand last year.

The operating result is lower than expected also due to still difficult market conditions and pressure on pricing in addition to the currency exchange rate challenge vis-à-vis the US dollars.

Investments

No major investments were made in 2019 other than investments related to intra-group transfers of production equipment.

Capital resources

The solvency ratio of the Company accounted for a negative of 11.76% (2018: 12.02%). The share capital has been re-established by a capital injection from Haliburton Company, GmbH. at DKK 100 million.

The Parent Company has confirmed not to require the repayment of any outstanding account within a 12-month period unless other creditors have been paid.

Management's review

Operating review

Outlook

Although Halliburton Denmark ApS holds two ongoing long term contracts. Our activities dropped at the end of Q1/2020 drastically due to the COVID-19 pandemic. The revenue expectations for 2020 reduced by approx. 120M DKK (from 220M DKK to 100M DKK) due to activity decrease following the COVID-19 outbreak.

We expect though a positive effect from the restructuring measures Halliburton is undertaking.

Particular risks

Operational risks

The Company's major risks relate to potential claims from its main activities. The Halliburton Group is a world leading and recognised supplier of services for oil and gas wells, and there is much focus on delivering high-quality services and products.

The Company's services to customers are performed in challenging environments that can be dangerous. Catastrophic events such as a well blowout, fire or explosion can occur, resulting in property damage, personnel injury, death, pollution and environmental damage. Agreements with certain customers require them to indemnify us for these types of events and any resulting damage or injuries (except in some cases, claims by our employees, loss or damage to our property and any pollution emanating directly from our equipment). The Company will be exposed to significant potential losses should such catastrophic events occur.

Currency risks

The Company's functional currency is DKK. However, the majority of costs as well as intragroup and intercompany accounts are settled in USD. The Company is therefore exposed to USD/DKK currency fluctuations. The risk is managed centrally for the entire Halliburton Group, and it is group policy not to provide any hedging to the individual group companies.

Credit risks

The Company is exposed to credit risks in the ordinary course of business.

All new customers are credit rated when signing new contracts.

Based on experience and the customer's portfolio, the credit risk of the Company is acceptable.

Corporate social responsibility

The Company is covered by the Halliburton Group's ethical guidelines and rules for corporate social responsibility, including climate and human rights. Therefore, the Company has decided not to prepare a separate report on Corporate Social Responsibility.

Reference is made to Halliburton Group's Corporate Sustainability report for 2019 for a comprehensive description of policies, activities and results.

The Corporate sustainability report is available at:

https://asr.halliburton.com/reports/halliburton/annual/2019/gb/English/0/home.html

Management's review

Operating review

Goals and policies for the underrepresented gender

Halliburton strives to foster a culture that is free from discrimination. This is one of the main points of our ethical rules. Halliburton Denmark currently has many nationalities across all cultures working in Denmark.

Halliburton is committed to giving men and women equal opportunities in an industry that has a preponderance of male employees. The Board of Directors consists of three females of ten members in total.

The proportion of women in the organization receives a high degree of focus and this will be taken into consideration when new additions to the board and leadership are relevant.

Environmental matters

Our objective is that the Company should not have any negative impact on the environment. This is embodied in the Company's HSE policy.

Chemicals are used in production which can be hazardous to the environment if not handled properly. Necessary safety precautions have been taken, and the Company has an ongoing dialogue with local environmental authorities. Any incidents are immediatelyrreported and followed up on.

Research and development activities

The Company does not have its own research and development activity. Such activities are handled by other companies in the organisation.

Intellectual capital

Competent and trained employees are crucial to the Company's operations. Employees therefore attend relevant training programs (instructor led and / or online) and are supported by group functions.

Events after the balance sheet date

Due to COVID-19 pandemic there has been activity stop and restructuring which has resulted in an impairment of fixed assets of around DKK 46 million.

Besides above there have been no events after the balance sheet date significantly affecting the financial position of the Company.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2019	2018
Gross profit/loss	2	11,295	-24,319
Distribution costs	2	-9,066	-6,034
Administrative expenses	2	-24,589	-25,725
Other operating income	3	8,416	6,477
Operating loss		-13,944	-49,601
Financial expenses	4	-9,305	-11,070
Loss before tax		-23,249	-60,671
Tax on profit/loss for the year	5	2,594	-366
Loss for the year		-20,655	-61,037

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2019	31/12 2018
ASSETS			
Fixed assets			
Property, plant and equipment	7		
Land and buildings		66,772	13,460
Property, plant and equipment under construction		11,931	28,713
Plant and machinery		82,440	56,530
Fixtures and fittings, tools and equipment		1,713	1,362
		162,856	100,065
Investments	8		
Deposits		453	453
Total fixed assets		163,309	100,518
Current assets			
Inventories			
Raw materials and consumables		20,631	16,948
Receivables			
Trade receivables		48,707	40,826
Receivables from group entities		15,982	3,100
Other receivables		1,337	697
Corporation tax		0	1,417
Prepayments	9	229	191
		66,255	46,231
Total current assets		86,886	63,179
TOTAL ASSETS		250,195	163,697

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2019	31/12 2018
EQUITY AND LIABILITIES			
Equity			
Contributed capital	10	1,000	600
Retained earnings		28,417	-50,667
Total equity		29,417	-50,067
Provisions	11		
Other provisions		612	612
Total provisions		612	612
Liabilities other than provisions			
Non-current liabilities other than provisions	12		
Lease obligations		52,405	0
Current liabilities other than provisions			
Current portion of non-current liabilities	12	988	0
Trade payables		25,445	19,892
Payables to group entities		131,752	184,517
Other payables		9,576	8,743
		167,761	213,152
Total liabilities other than provisions		220,166	213,152
TOTAL EQUITY AND LIABILITIES		250,195	163,697

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Contributed capital	Retained earnings	Total
Equity at 1 January 2019	600	-50,667	-50,067
Cash capital increase	400	99,739	100,139
Transferred over the distribution of loss	0	-20,655	-20,655
Equity at 31 December 2019	1,000	28,417	29,417

Financial statements 1 January – 31 December

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1 Accounting policies

The annual report of Halliburton Denmark ApS for 2019 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act with opt-in from higher reporting classes.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Halliburton Company GmbH, Germany.

Change in accounting policies

With effect from 1 January 2019, the Company has chosen to use IFRS 16 Leases as the basis of interpretation for recognising and measurement of leases to which the Company is the lessee.

Consequently, with effect from 1 January 2019, the Company recognises all finance and operating leases in the balance sheet as a right-of-use asset and a lease liability except from:

Short-term leases with a maximum lease term of 12 months.

Leases for low-value assets.

For such leases, lease payments are recognised on a straight-line basis in the income statement over the lease term. When changing its basis of interpretation, the Company has used the lessee accounting model under IFRS 16 from 1 January 2019 without restatement of comparative figures. The effect of the change as of 1 January 2019 has been recognised directly in equity. The Company has applied the following practical expedients for right-of-use assets and lease liabilities previously accounted for as operating leases:

— Applied a single discount rate to a portfolio of leased assets with reasonably similar characteristics.

— Not recognised leases for which the lease term ends within 12 months from the date of transition.

— Excluded initial direct costs from the measurement of the right-use-assets at 1 January 2019.

— At 1 January 2019, the right-of-use asset is measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments.

— Not applied the new lease definition to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

— On 1 January 2019, not separated non-lease components from lease components, but considered them a single lease component.

Profit/loss for the year remains substantially unchanged. This is due to the depreciation of the right-of-use assets and interest costs from the lease liabilities being almost equal to the operating lease expense.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Gross profit

Pursuant to Section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

Revenue

Income from the sale of goods, comprising the sale of goods for resale, finished goods and services to the offshore industry, is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are deducted from revenue.

Production costs

Production costs comprise costs incurred in generating revenue for the year. Such costs include direct and indirect costs of raw materials and consumables, wages and salaries, rent and leases and depreciation of production plant.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Distribution costs

Costs incurred in distributing goods sold and in conducting sales campaigns as well as travelling expenses, etc., during the year are recognised as distribution costs. Also, costs relating to sales staff are recognised as distribution costs.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for company management and administration, including expenses for administrative staff, management, office premises and office expenses and depreciation.

Other operating income

Other operating income comprises items secondary to the activities of the entity, including gains on the disposal of property, plant and equipment.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to profit/loss for the year is recognised in the income statement, and the tax expense relating to equity is recognised directly in equity.

The Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish tax subjects. The subjects are included in the joint taxation from the date on which they are included in the consolidated financial statements at group level and up to the date when they are excluded from the consolidation.

The Company is the administrative company under the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

On payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable profit.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Balance sheet

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Land and buildings	25 - 40 years
Plant and machinery	3 -15 years
Fixture and fittings, tools and equipment	3 -12 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Land is not depreciated.

Fixed assets under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Leased assets and lease liabilities

When entering into a contract, the Company assesses whether the contract is a lease or contains a lease component. A lease is defined as a contract or part of a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. When an assessing whether a contract contains a lease component, it must be considered whether, during the period of use, the lessee has the right to substantially all economic benefits from the use of the identified asset and the right to direct the use of the identified asset.

The Company recognises a right-of-use asset and a lease liability at the commencement date.

The Company leases cars including a service component in the payments to the lessor. This service is separated from the lease payment when measuring the lease liability. If the Company is unable to reliably separate lease components and non-lease components, it is considered a single lease component.

Lease liabilities recognised as "Credit institutions and interest-bearing liabilities" are initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate.

The lease payments consist of fixed and variable lease payments that depend on an index or a rate, guaranteed residual values, purchase options and extension options if the Company is reasonably certain to exercise the option and termination penalties if the lease term reflects the Company exercising an option to terminate the lease. The lease liability is subsequently adjusted as follows if:

— The value of the index or rate on which the lease payments are based is changed.

— The exercise of options is changed in order to extend or terminate the lease due to significant events or a significant change in circumstances within the Company's control.

— The lease term is changed if the option is exercised in order to extend or terminate the lease.

— Estimated residual value guarantee is changed.

— The contract is renegotiated or modified.

Any subsequent adjustment of the future lease liability is recognised as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is DKK 0, a negative adjustment to the right-of-use asset is, however, recognised in the income statement.

The right-of-use asset is initially measured at cost comprising amount of initial measurement of the lease liability plus any initial direct costs and any estimated costs of dismantling and removal of the asset at the end of the lease term which the Company is under an obligation to incur and any prepaid lease payments and less any lease incentives received.

The right-of-use asset is depreciated over the shorter of the lease term and the useful life of the right-of-use asset.

Short-term leases with a maximum lease term of 12 months and leases for low-value assets are not recognised in the balance sheet.

Impairment of fixed assets

The carrying amount of property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flow from the use of the asset or the group of assets including expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Inventories

Inventories are measured at weighted average cost. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Equity

Dividends

The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Provisions

Provisions comprise anticipated costs of restoration. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at value in use.

When it is probable that total costs will exceed total income from a construction contract, the total projected loss on the work is recognised as a provision. The provision is recognised as production costs.

Liabilities other than provisions

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Finance lease obligation comprise the capitalised residual lease obligation of finance leases.

Other liabilities are measured at net realisable value.

Financial statements 1 January – 31 December

Notes

2 Staff costs

DKK'000	31/12 2019	31/12 2018
Wages and salaries	62,158	35,505
Pensions	4,890	2,674
Other staff costs	688	647
	67,736	38,826

Wages and salaries, pensions and other social security costs are recognised as follows:

Production costs	63,524	34,633
Distribution costs	2,716	1,861
Administrative expenses	1,496	2,332
	67,736	38,826
Average number of full-time employees	81	44

According to Section 98 b of the Danish Financial Statements Act, remuneration etc., of the Board of Directors has not been disclosed. The Board of Directors does not receive any remuneration.

3 Other operating income

Other operating income for 2019 is represented by gain on disposal of fixed assets amounting to DKK 8,416 thousand.

DKK'000	2019	2018
4 Financial expenses		
Interest expense to group entities	4,634	2,824
Other financial costs	34	127
Exchange losses	4,637	8,119
	9,305	11,070
5 Tax on profit/loss for the year		
Deferred tax for the year	0	-2,221
Adjustment of tax concerning previous years	-2,594	2,587
	-2,594	366

Financial statements 1 January – 31 December

Notes

6 Proposed distribution of loss

Retained earnings	-20,655	-61,037

7 Property, plant and equipment

DKK'000	Land and buildings	Property, plant and equipment under construction	Plant and machinery	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2019	15,660	28,713	147,959	3,027	195,359
Net effect of change in accounting policy	54,681	0	0	0	54,681
Additions for the year	0	8,200	47,006	2,498	57,704
Disposals for the year	0	0	-101,174	-1,444	-102,618
Transfers for the year	0	-24,982	25,769	-787	0
Cost at 31 December 2019	70,341	11,931	119,560	3,294	205,126
Depreciation and impairment losses at 1 January 2019	-2,200	0	-91,429	-1,665	-95,294
Impairment losses for the year	0	0	-619	0	-619
Depreciation for the year	-1,369	0	-31,120	-631	-33,120
Reversed depreciation and impairment losses on assets sold	0	0	86,048	715	86,763
Depreciation and impairment losses at 31 December 2019	-3,569	0	-37,120	-1,581	-42,270
Carrying amount at 31 December 2019	66,772	11,931	82,440	1,713	162,856
Assets held under finance leases	53,726	0	0	0	0

DKK'000	31/12 2019	31/12 2018
Depreciation costs are recognised as follows:		
Production costs	33,739	42,392

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8 Investments

DKK'000	Deposits
Cost at 1 January 2019	453
Cost at 31 December 2019	453
Carrying amount at 31 December 2019	453

9 Prepayments

Prepaid include prepaid expenses such as insurance, IT-expenses, rentals etc.

10 Equity

The contributed capital consists of 10,000 shares of DKK 100 each. All shares carry the same voting rights.

11 Provisions

Provisions consists of reserve for retirement obligation.

12 Non-current liabilities other than provisions

DKK'000	31/12 2019	Repayment, first year	Outstanding debt after five years
Lease obligations	53,393	988	48,589
	53,393	988	48,589

13 Contractual obligations, contingencies, etc.

Contingent liabilities
Halliburton Denmark ApS is jointly taxed with the Danish activities of Halliburton Manufacturing And Services Limited. The companies included in the joint taxation have joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc. may entail an increase in the entities' liability.

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14 Related party disclosures

Halliburton Denmark ApS' related parties comprise the following:

Control

Halliburton Company Germany GmbH, Hens Heinrich Warnke Str 12, Germany.

Halliburton Company Germany GmbH holds the majority of the contributed capital in the Company

Halliburton Denmark ApS is part of the consolidated financial statements of Halliburton Company, Houston, USA, which is the smallest and largest group, respectively, in which the Company is included as a subsidiary.

The consolidated financial statements are available on the Company's website, www.halliburton.com.

Related party transactions

In accordance with section 98 c(7) of the Danish Financial Statements Act, the Company has not disclosed any related party transactions as they were conducted on an arm's length basis.

15 Disclosure of events after the balance sheet date

Due to COVID-19 pandemic there has been activity stop and restructuring which has resulted in an impairment of fixed assets of around DKK 46 million.

Besides above there have been no events after the balance sheet date significantly affecting the financial position of the Company.