

M-I Swaco Danmark ApS

Trankhavnsvej 7 1 6700 Esbjerg

CVR no 78 84 07 14

Annual report 2015

Approved at the annual general meeting of shareholders on 31 May 2016

Chairman



Bolette Sten

Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditors' report	3
Management's review	5
Company details	5
Financial highlights	6
Operating review	7
Financial statements for the period 1 January - 31 December	9
Income statement	9
Balance sheet	10
Statement of changes in equity	12
Notes to the financial statements	13

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 M I Swaco Danmark ApS for the financial year 1 January - 31 December 2015


The annual report is 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 financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January - 31 December 2015

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

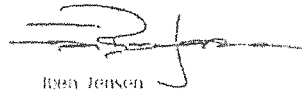
We recommend that the annual report be approved at the annual general meeting

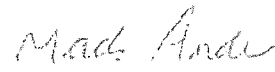
Copenhagen, 31 May 2016
Executive Board


Mads Andersen

Board of Directors


Frank Lind
Chairman


Ibba Jensen


Mads Andersen

Independent auditors' report

To the shareholders of M-I Swaco Danmark ApS

Independent auditors' report on the financial statements

We have audited the financial statements of M-I Swaco Danmark ApS for the financial year 1 January - 31 December 2015, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulations. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

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

Our audit has not resulted in any qualification.

Opinion


In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of its operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Independent auditors' report

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Hellerup, 31 May 2016
PRICEWATERHOUSECOOPERS
Statsautoriseret Revisionspartnerselskab
CVR No. 33 77 12 31


Ole T. Thomsen
State authorised public accountant

Management's review

Company details

Name M-I Swaco Danmark ApS
Address, Postal code, City Trafikhavnskaj 7, 1., 6700 Esbjerg

CVR No. 78 84 07 14
Registered office Esbjerg
Financial year 1 January - 31 December

Board of Directors Frank Lind, Chairman
Iben Jensen
Mads Andersen

Executive Board Mads Andersen

Auditors Pricewaterhousecoopers Statsautoriseret
Revisionspartnerselskab
Strandvejen 44, 2900 Hellerup

Management's review

Financial highlights

DKK	2015	2014	2013	2012	2011
Key figures					
Gross profit	109,298,116	99,275,007	86,737,009	72,212,900	114,338,000
Operating profit	64,346,612	57,289,197	28,417,985	13,893,420	48,754,041
Net financials	356,152	753,808	710,707	229,688	157,452
Profit/loss for the year	49,371,905	43,583,132	21,077,887	9,413,746	35,595,990
Total assets					
Investment in property, plant and equipment	1,573,265	253,389	5,333,536	1,839,643	3,931,740
Equity	65,860,518	81,488,613	37,905,481	46,827,595	37,413,853
Financial ratios					
Return on assets	44.3%	42.5%	27.3%	12.9%	40.5%
Solvency ratio	49.0%	52.2%	33.4%	49.5%	31.1%
Return on equity	67.0%	73.0%	49.8%	22.3%	72.0%
Average number of employees					
	47	46	56	54	68

Management's review

Operating review

The Company's business review

M-I SWACO Danmark ApS is the leading supplier in Denmark of drilling fluid systems engineered to improve drilling performance by anticipating fluids-related problems, fluid systems and specialty equipment designed to optimize wellbore productivity and production technology solutions formulated to maximize production rates. M-I SWACO also provides engineered managed pressure drilling and underbalanced drilling solutions, as well as environmental services and products to safely manage waste volumes generated in both drilling and production operations.

Recognition and measurement uncertainties

No particular uncertainties are considered to have an impact on the recognition of the Company's assets and liabilities.

Financial review

The income statement for 2015 shows a profit of DKK 49,371,905 against a profit of DKK 43,583,132 last year, and the balance sheet at 31 December 2015 shows equity of DKK 65,860,518. The profit for the year exceeds expectations.

Special risks

Demand for the majority of the services depends substantially on the level of expenditures by the oil and gas industry for the exploration, development and production of oil and natural gas reserves. These expenditures are generally dependent on the industry's view of future oil and natural gas prices and are sensitive to the industry's view of future economic growth and the resulting impact on demand for oil and natural gas. Since 2014, oil and gas prices have declined significantly, globally resulting in lower expenditures by the oil and gas industry. Continued low oil and gas prices or a further decline in oil and gas prices could cause a reduction in cash flows for our customers, which could have adverse effects on the financial condition of some of our customers. This could potentially result in project modifications, delays or cancellations, general business disruptions, and delays in payment of amounts that are owed to us. These effects could have an adverse effect on our financial condition, results of operations and cash flow.

The prices for oil and natural gas have historically been volatile and may be affected by a variety of factors, including:

- Demand for hydrocarbons, which is affected by general economic and business conditions;
- The ability of the Organization of Petroleum Exporting Countries ("OPEC") to set and maintain production levels for oil;
- Oil and gas production by non-OPEC countries;
- The level of excess production capacity;
- Political and economic uncertainty and geopolitical unrest;
- The level of worldwide oil and gas exploration and production activity;
- access to potential resources;
- governmental policies and subsidies;
- The cost of exploring for, producing and delivering oil and gas;
- Technological advances affecting energy consumption; and
- Weather conditions.

There can be no assurance that the demand or pricing for oil and natural gas will follow historic patterns or recover in the near term. Continued or worsening conditions in the oil and gas industry could adversely affect our financial condition, results of operations and cash flows.

Impact on the external environment

Quality, Health, Safety, Environment (QHSE) remains a constant priority for the company. A number of policies and procedures have been developed to secure a consistent approach to QHSE throughout the organisation. The company continually trains and develops personnel in the field of QHSE. The main objective of the environmental work is concentrated on preventing harmful discharges.

Management's review

Operating review

Foreign branches

The company has no foreign operations.

Account of the gender composition of management

The ultimate mother company, Schlumberger Limited has determined the following policy applicable within the Schlumberger Group: "Hiring the best technical talent means that our policies and management style must welcome gender diversity. Our goal is to continually increase the percentage of women we recruit worldwide, ensure proper career development, and increase our organizational flexibility to accommodate a wider range of personal situations, including dual-career families. Companies that adapt their management and policies to some of the specific needs of women not only gain a competitive edge but also become role models for local and international employers. Schlumberger promotes leadership among our women employees. For example, we carry out satisfaction surveys within specific product lines and geographical entities on specific issues." The company's gender composition has improved in 2015 where 20 % (14.8% for 2014) were women by the end of the year. The Company aims to be a workplace of equal opportunities.

Diversity in the Board of Directors

At the moment none of the board members in MI Swaco Danmark ApS are women. The targeted number of member of the board of women for 2015 was one, the company did not succeed in reaching this goal, but on the general meeting in May 2016 a woman is nominated for the board. If a woman is elected to the board in May 2016 there will be equal gender composition of the board.

Post balance sheet events

No significant events have taken place in 2016 which would have an impact on the company's financial position as at December 2015.

Outlook

In 2016 we expect a drop of activity compared to 2015 as a result of the continued low oil and gas prices that is resulting in lower expenditures of our clients and which has an impact on the profitability of the company.

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK	2015	2014
	Gross profit	109,298,116	99,275,007
2	Staff costs	-43,331,797	-39,148,872
3	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-1,619,707	-2,836,938
	Operating profit	64,346,612	57,289,197
4	Financial income	2,285,362	933,369
5	Financial expenses	-1,929,210	-179,561
	Profit before tax	64,702,764	58,043,005
6	Tax for the year	-15,330,859	-14,459,873
	Profit for the year	<u>49,371,905</u>	<u>43,583,132</u>
	Proposed profit appropriation		
	Proposed dividend recognised under equity	46,000,000	65,000,000
	Retained earnings/accumulated loss	<u>3,371,905</u>	<u>-21,416,868</u>
		<u>49,371,905</u>	<u>43,583,132</u>

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	<u>2015</u>	<u>2014</u>
	ASSETS		
	Non-current assets		
7	Intangible assets		
	Goodwill	<u>0</u>	<u>0</u>
		<u>0</u>	<u>0</u>
8	Property, plant and equipment		
	Plant and machinery	2,986,777	3,585,222
	Other fixtures and fittings, tools and equipment	3,961,171	4,896,193
		<u>6,947,948</u>	<u>8,481,415</u>
	Total non-current assets	<u>6,947,948</u>	<u>8,481,415</u>
	Current assets		
	Inventories		
	Finished goods and goods for resale	31,145,689	28,711,122
		<u>31,145,689</u>	<u>28,711,122</u>
	Receivables		
	Trade receivables	20,428,926	36,626,863
	Receivables from group entities	40,681,462	44,294,305
11	Deferred tax assets	325,684	1,049,643
	Other receivables	103,000	1,323,604
9	Prepayments	3,984,716	8,987,831
		<u>65,523,788</u>	<u>92,282,246</u>
	Cash	30,868,337	26,735,328
	Total current assets	<u>127,537,814</u>	<u>147,728,696</u>
	TOTAL ASSETS	<u>134,485,762</u>	<u>156,210,111</u>

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	<u>2015</u>	<u>2014</u>
	EQUITY AND LIABILITIES		
	Equity		
10	Share capital	200,000	200,000
	Retained earnings	19,660,518	16,288,613
	Dividend proposed for the year	46,000,000	65,000,000
	Total equity	<u>65,860,518</u>	<u>81,488,613</u>
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	15,641,125	33,582,364
	Payables to group entities	25,755,104	17,344,287
	Income taxes payable	14,606,900	15,364,930
	Other payables	12,622,115	8,429,917
		<u>68,625,244</u>	<u>74,721,498</u>
	Total liabilities other than provisions	<u>68,625,244</u>	<u>74,721,498</u>
	TOTAL EQUITY AND LIABILITIES	<u>134,485,762</u>	<u>156,210,111</u>
1	Accounting policies		
12	Contractual obligations and contingencies, etc.		
13	Related parties		

Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Retained earnings	Dividend proposed for the year	Total
Equity at 1 January 2015	200,000	16,288,613	65,000,000	81,488,613
Profit/loss for the year	0	3,371,905	46,000,000	49,371,905
Dividend distributed	0	0	-65,000,000	-65,000,000
Equity at 31 December 2015	200,000	19,660,518	46,000,000	65,860,518

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of M-I Swaco Danmark ApS for 2015 has been presented in accordance with the provisions of the Danish Financial Statements Act as regards medium-sized reporting class C enterprises.

The accounting policies are consistent with those of last year.

Omission to present a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The entity's cash flows are part of the consolidated cash flow statement for the parent company, Schlumberger Limited, Willemstad, Curaco.

Reporting currency

The financial statements are presented in Danish kroner.

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 at the date of payment are recognised in the income statement as financial income or financial expenses.

Monetary items denominated in foreign currencies are translated into Danish kroner at the exchange rates at the balance sheet date. Realised and unrealised exchange gains and losses are recognised in the income statement as financial income/expenses.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Income statement

Revenue

Income from the sale of goods held for sale and finished goods is recognised in revenue at the time of delivery and when the risk passes to the buyer, provided that the income can be made up reliably. VAT, indirect taxes and discounts are excluded from the revenue.

Revenue from services rendered is recognised upon delivery of the services.

Gross profit

With reference to section 32 of the Danish Financial Statements Act, the items 'Revenue' to and including 'Other external expenses' are consolidated into one item designated 'Gross profit'.

Other operating income

Other operating income comprise items of a secondary nature relative to the entity's core activities, including gains or losses on the sale of fixed assets.

Raw materials and consumables, etc.

Expenses for raw and consumables comprise the raw materials and consumables consumed to achieve the revenue for the year.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Other external expenses

Other external expenses include expenses related to distribution, sale, advertising, administration, premises, bad debts, lease payments under operating leases, etc.

Staff costs

Staff costs comprise wages and salaries as well as payroll expenses to hired staff from group companies.

Amortisation/depreciation and impairment of intangible assets and property, plant and equipment

The item comprises amortisation/depreciation and impairment of intangible assets and property, plant and equipment.

Goodwill is amortised straight-line over its estimated useful life which is based on the experience gained by management for each business area. Goodwill is amortised straight-line over the amortisation period, however, no more than ten years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives are as follows:

Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-8 years

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the reporting period. Net financials include interest income and expenses, realised and unrealised capital and exchange gains and losses on foreign currency transactions and surcharges and allowances under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments less the share of the tax for the year that concerns changes in equity.

Current and deferred taxes related to items recognised directly in equity are taken directly to equity.

The parent and all Danish group enterprises are jointly taxed. The Danish income tax charge is allocated between profit-making and loss-making Danish enterprises in proportion to their taxable income (full allocation method).

Balance sheet

Intangible assets

Goodwill is measured at cost less accumulated amortisation and impairment losses.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Impairment of fixed assets

Intangible assets, property, plant and equipment and investments in subsidiaries and associates are subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation. Impairment tests are conducted in respect of individual assets or groups of assets generating separate cash flows when there is indications of impairment. The assets are written down to the higher of the value in use and net realisable value (recoverable amount) of the asset or group of assets if this is lower than the carrying amount. As for group of assets, impairment losses are first recognised in respect of goodwill and thereafter proportionately in respect of the other assets.

Inventories

Inventories are measured at the lower of cost using the average cost method and net realisable value.

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated at the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. The value is reduced by write-downs for bad debts.

An impairment loss is recognised if there is objective indication that a receivable or a group of receivables is impaired. If there is objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are tested for objective indication of impairment on a portfolio basis. The portfolios are primarily composed on the basis of debtors' domicile and credit ratings in accordance with the Company's risk management policy. The objective indicators used for portfolios are determined based on historical loss experience.

Write-downs are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Deposits and prepayments recognised under 'Assets' comprise prepaid expenses regarding subsequent reporting years.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities which are subject to an insignificant risk of changes in value.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Equity

Proposed dividends

Dividends proposed for the financial year are presented as a separate item under 'Equity'.

Corporation tax

Current tax charges are recognised in the balance sheet as the estimated tax charge in respect of the expected taxable income for the year, adjusted for tax on prior years' taxable income and tax paid in advance.

Provisions for deferred tax are calculated at 22% of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income, and temporary differences on non-amortisable goodwill.

Deferred tax assets are recognised at the value at which they are expected to be utilised, either through elimination against tax on future earnings or a set-off against deferred tax liabilities.

Liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. Interest-bearing debt is subsequently measured at amortised cost, using the effective interest rate method. Other debt is subsequently measured at amortised cost corresponding to the nominal unpaid debt.

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Return on assets	$\frac{\text{Profit/loss from operating activities}}{\text{Average assets}} \times 100$
Solvency ratio	$\frac{\text{Equity at year end}}{\text{Total equity and liabilities at year end}} \times 100$
Return on equity	$\frac{\text{Profit/loss for the year after tax}}{\text{Average equity}} \times 100$

Financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK	2015	2014
2 Staff costs		
Wages/salaries	40,419,319	34,886,979
Pensions	2,814,198	4,123,203
Other social security costs	98,280	138,690
	<u>43,331,797</u>	<u>39,148,872</u>
Average number of full-time employees	<u>47</u>	<u>46</u>
Total remuneration to management in 2015 amounted to DKK 2.1m (DKK 3.6m for 2014).		
3 Amortisation/depreciation and impairment of intangible assets and property, plant and equipment		
Depreciation of property, plant and equipment	1,619,707	2,836,938
	<u>1,619,707</u>	<u>2,836,938</u>
4 Financial income		
Interest receivable, intercompany	1,202,234	0
Other interest income	0	476
Exchange adjustments	1,083,128	932,893
	<u>2,285,362</u>	<u>933,369</u>
5 Financial expenses		
Other interest expenses	311,394	31,926
Exchange adjustments	1,617,816	147,635
	<u>1,929,210</u>	<u>179,561</u>
6 Tax for the year		
Estimated tax charge for the year	14,606,900	15,364,930
Deferred tax adjustments in the year	723,959	-579,190
Tax adjustments, prior years	0	-325,867
	<u>15,330,859</u>	<u>14,459,873</u>
7 Intangible assets		
DKK		Goodwill
Cost at 1 January 2015		<u>32,465,000</u>
Cost at 31 December 2015		<u>32,465,000</u>
Impairment losses and amortisation at 1 January 2015		<u>32,465,000</u>
Impairment losses and amortisation at		<u>32,465,000</u>
Carrying amount at 31 December 2015		<u>0</u>

Financial statements for the period 1 January - 31 December

Notes to the financial statements

8 Property, plant and equipment

DKK	Plant and machinery	Other fixtures and fittings, tools and equipment	Total
Cost at 1 January 2015	13,494,537	13,962,009	27,456,546
Additions in the year	0	1,573,265	1,573,265
Disposals in the year	0	-1,982,701	-1,982,701
Cost at 31 December 2015	13,494,537	13,552,573	27,047,110
Impairment losses and depreciation at 1 January 2015	9,909,315	9,065,816	18,975,131
Amortisation/depreciation in the year	598,445	1,021,262	1,619,707
Reversal of amortisation/depreciation and impairment of disposals	0	-495,676	-495,676
Impairment losses and depreciation at 31 December 2015	10,507,760	9,591,402	20,099,162
Carrying amount at 31 December 2015	2,986,777	3,961,171	6,947,948

9 Prepayments

Prepayments include buy-back costs of chemicals.

DKK	2015	2014
10 Share capital		
The share capital consists of the following:		
200,000 shares of DKK 1.00 each	200,000	200,000
	200,000	200,000

The Company's share capital has remained DKK 200,000 over the past 5 years.

11 Deferred tax

Deferred tax relates to:

Property, plant and equipment	325,684	-472,605
Provisions	0	1,522,248
	325,684	1,049,643

Financial statements for the period 1 January - 31 December

Notes to the financial statements

12 Contractual obligations and contingencies, etc.

Contingent liabilities

DKK	<u>2015</u>	<u>2014</u>
Other financial obligations		
Other rent and lease liabilities:		
Rent and lease liabilities	<u>2,112,229</u>	<u>1,764,459</u>

13 Related parties

M-I Swaco Danmark ApS' related parties comprise the following:

Parties exercising control

<u>Related party</u>	<u>Domicile</u>	<u>Basis for control</u>
Schlumberger Danmark ApS	Denmark	Participating interest 100%

Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent's consolidated financial statements</u>
Schlumberger Ltd	Willemstad, Curaco	www.SLB.com

Related party transactions not carried through on normal market terms

There are no related party transactions that have not been carried through on normal market terms.