

M-I Swaco Danmark ApS

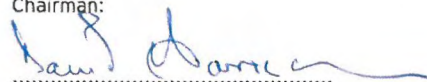
Trafikhavnskaj 7, 1., 6700 Esbjerg

CVR No. 78 84 07 14

Annual report for the year ended 31 December 2014

Approved at the annual general meeting of shareholders on 22 May 2015

Chairman:



Frank Lind

David G. Harrison

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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 Mads Andersen Frank Schultz Davidsen
Executive Board	Mads Andersen
Auditors	Pricewaterhousecoopers, Statsautoriseret Revisionspartnerselskab Strandvejen 44, 2900 Hellerup

Financial highlights

5-year summary (in DKK , except per share data):

	2014	2013	2012	2011	2010
Key figures (in DKK)					
Gross margin	99,275,007	86,737,009	72,212,900	114,338,000	92,183,650
Operating profit	57,289,197	28,417,985	13,893,420	48,754,041	41,590,425
Net financials	753,808	710,707	229,688	157,452	-621,928
Profit/loss for the year	43,583,132	21,077,887	9,413,743	35,595,990	30,366,460
Balance sheet total	156,210,111	113,448,291	94,527,772	120,388,062	69,998,029
Investments in property, plant and equipment	253,389	5,333,536	1,839,643	3,931,740	744,040
Equity	81,488,613	37,905,481	46,827,595	37,413,853	41,817,863
Average number of employees	46	56	54	68	57
Financial ratios in %					
Return on assets	42.5	27.3	12.9	51.2	44.9
Equity ratio	52.2	33.4	49.5	31.1	59.7
Return on equity	73.0	49.8	22.3	89.9	58.8

continued - 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 2014 shows a profit of DKK 43,583,132 against a profit of DKK 21,077,887 last year, and the balance sheet at 31 December 2014 shows equity of DKK 81,488,613. The profit for the year did meet the 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. Declines, as well as anticipated declines, in oil and gas prices could also result in project modifications, delays or cancellations, general business disruptions, and delays in, or non-payment of, amounts that are owed to us. These effects could have a material adverse effect on the results of operations and cash flows.

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;
- Access to potential resources;
- Oil and gas production by non-OPEC countries;
- The level of excess production capacity;
- Political and economic uncertainty and sociopolitical unrest;
- The level of worldwide oil and gas exploration and production activity;
- The cost of exploring for, producing and delivering oil and gas;
- Technological advances affecting energy consumption; and
- Weather conditions.

The oil and gas industry has historically experienced periodic downturns, which have been characterized by diminished demand for oilfield services and downward pressure on the prices we charge. A significant downturn in the oil and gas industry could result in a reduction in demand for oilfield services and 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. Discharges from workshop premises and offshore facilities, including substances that may be harmful to the environment, are within regulatory requirements. The main objective of the environmental work is concentrated on preventing harmful discharges.

continued - Management's review

Foreign branches

The company has no foreign operations.

Post balance sheet events

No significant events have occurred subsequent to the financial year.

Outlook

In 2015, the activity level and earnings is expected to slightly increase compared with 2014.

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 2014.

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 2014 and of the results of the Company's operations for the financial year 1 January - 31 December 2014.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend the adoption of the annual report at the annual general meeting.

Copenhagen, 22 May 2015

Executive Board:



Mads Andersen

Board of Directors:



Frank Lind
Chairman



Mads Andersen



Frank Schultz Davidsen

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 2014, which comprise an 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.

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. Further, Management is responsible for such internal control as it 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 according to Danish audit regulations. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of financial statements that give a true and fair view. The purpose is to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of accounting estimates made by Management as well as 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 audit 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 2014 and of the results of its operations for the financial year 1 January - 31 December 2014 in accordance with the Danish Financial Statements Act.

continued - Independent auditors' reports

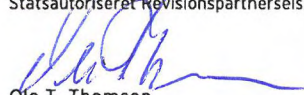
Statement on the Management's review

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, 22 May 2015

PRICEWATERHOUSECOOPERS

Statsautoriseret Revisionspartnerselskab



Ole T. Thomsen

state authorised public accountant

Income statement for the year ended 31 December

Notes	2014 DKK	2013 DKK
Gross profit	99,275,007	86,737,009
2 Staff costs	-39,148,872	-53,230,857
3 Amortisation/depreciation of intangible assets and property, plant and equipment	-2,836,938	-5,088,167
Operating profit	57,289,197	28,417,985
4 Financial income	933,369	741,808
5 Financial expenses	-179,561	-31,101
Profit before tax	58,043,005	29,128,692
6 Tax for the year	-14,459,873	-8,050,805
Profit/loss for the year	<u>43,583,132</u>	<u>21,077,887</u>
Recommended appropriation of the profit/loss for the year		
Proposed dividend recognised under equity	65,000,000	0
Retained earnings	<u>-21,416,868</u>	<u>21,077,887</u>
	<u>43,583,132</u>	<u>21,077,887</u>

Balance sheet at 31 December

Notes	2014 DKK	2013 DKK
Assets		
Fixed assets		
Goodwill	<u>0</u>	<u>0</u>
7 Intangible assets	<u>0</u>	<u>0</u>
Plant and machinery	3,585,222	4,183,667
Other fixtures and fittings, tools and equipment	<u>4,896,193</u>	<u>10,684,423</u>
8 Property, plant and equipment	<u>8,481,415</u>	<u>14,868,090</u>
Total fixed assets	<u>8,481,415</u>	<u>14,868,090</u>
Current assets		
Manufactured goods and goods for resale	<u>28,711,122</u>	<u>29,709,300</u>
Inventories	<u>28,711,122</u>	<u>29,709,300</u>
Trade receivables	36,626,863	17,472,136
Receivables from group entities	44,294,305	623,711
10 Deferred tax assets	1,049,643	470,453
Other receivables	1,323,604	497,299
Prepayments	<u>8,987,831</u>	<u>0</u>
Receivables	<u>92,282,246</u>	<u>19,063,599</u>
Cash	<u>26,735,328</u>	<u>49,807,302</u>
Total current assets	<u>147,728,696</u>	<u>98,580,201</u>
Total assets	<u>156,210,111</u>	<u>113,448,291</u>

Balance sheet at 31 December

Notes	2014 DKK	2013 DKK
Equity and liabilities		
Equity		
9 Share capital	200,000	200,000
Retained earnings/Accumulated loss	16,288,613	37,705,481
Dividend proposed for the year	<u>65,000,000</u>	<u>0</u>
Total equity	<u>81,488,613</u>	<u>37,905,481</u>
Liabilities		
Trade payables	33,582,365	16,022,614
Payables to group entities	17,344,287	34,520,454
Income taxes payable	15,364,930	8,681,446
Other payables	<u>8,429,916</u>	<u>16,318,296</u>
Short-term liabilities	<u>74,721,498</u>	<u>75,542,810</u>
Total liabilities	<u>74,721,498</u>	<u>75,542,810</u>
Total equity and liabilities	<u>156,210,111</u>	<u>113,448,291</u>

Statement of changes in equity

(DKK)	Share capital	Retained earnings	Dividend proposed for the year	Total
Equity at 1/1 2014	200,000	37,705,481	0	37,905,481
Profit/loss for the year, cf. appropriation of profit/loss		-21,416,868	65,000,000	43,583,132
Equity at 31/12 2014	<u>200,000</u>	<u>16,288,613</u>	<u>65,000,000</u>	<u>81,488,613</u>

1. Accounting policies

The annual report of M-I Swaco Danmark ApS 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, Houston, USA.

Reporting currency

The financial statements are presented in Danish kroner.

Currency translation

Transactions denominated in foreign currencies are translated into Danish kroner at the exchange rate at the date of the transaction.

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 measured at cost. On subsequent recognition, derivative financial instruments are measured at fair value. Positive and negative fair values are recognised as other receivables and other 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 margin'.

Other operating income

Other operating income and operating expenses 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.

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 of intangible assets and property, plant and equipment

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

Notes

1. Accounting policies - continued

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.

Property, plant and equipment are depreciated on a straight-line basis over the expected useful life of each individual asset. The depreciation basis is the cost.

The expected useful lives of the assets are as follows:

	Useful life (year)
Plant and machinery	5-10
Other fixtures and fittings, tools and equipment	3-8

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.

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

Every year, intangible assets and property, plant and equipment as well as investments in subsidiaries and associates are reviewed for impairment. Where there is indication of impairment, an impairment test is made for each individual asset or group of assets, respectively, generating independent cash flows. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount. Where an impairment loss is recognised on a group of assets, a loss must first be allocated to goodwill and then to the other assets on a pro rata basis.

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.

1. Accounting policies - continued

Receivables

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

Prepayments

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

Cash and cash equivalents

Cash comprises cash balances and bank balances.

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 25% 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 Society of Financial Analysts' guidelines on the calculation of financial ratios 'Recommendations and Financial Ratios 2010', cf. below:

Definition of financial ratios:

Return on assets:

$\text{Profit/loss from ordinary operating activities} / \text{Average assets} \times 100$

Equity ratio:

$\text{Closing equity} / \text{Equity \& liabilities at year-end} \times 100$

Return on equity:

$\text{Profit/loss for the year} / \text{Average equity} \times 100$

Notes

	2014 DKK	2013 DKK
2. Staff costs		
Analysis of staff costs:		
Wages/salaries	34,886,979	48,425,989
Pensions	4,123,203	4,651,778
Other social security costs	<u>138,690</u>	<u>153,090</u>
	<u>39,148,872</u>	<u>53,230,857</u>
	Number	Number
Average number of employees	<u>46</u>	<u>56</u>
Total remuneration to management: DKK 3.2m, which are allocated as follows, Board of Directors: DKK 0.8m and Executive Board: DKK 2.4m.		
3. Amortisation/depreciation of intangible assets and property, plant and equipment		
Amortisation of intangible assets	0	1,623,250
Depreciation of property, plant and equipment	<u>2,836,938</u>	<u>3,464,917</u>
	<u>2,836,938</u>	<u>5,088,167</u>
4. Financial income		
Other interest income	476	4,401
Exchange adjustments	<u>932,893</u>	<u>737,407</u>
	<u>933,369</u>	<u>741,808</u>
5. Financial expenses		
Other interest expenses	31,926	31,101
Exchange adjustments	<u>147,635</u>	<u>0</u>
	<u>179,561</u>	<u>31,101</u>
6. Tax for the year		
Estimated tax charge for the year	15,364,930	8,681,446
Deferred tax adjustments in the year	-579,190	-481,631
Tax adjustments, prior years	<u>-325,867</u>	<u>-149,010</u>
	<u>14,459,873</u>	<u>8,050,805</u>

Notes

7. Intangible assets

Cost

Balance at 1/1 2014	<u>32,465,000</u>
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Cost at 31/12 2014	<u>32,465,000</u>
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Amortisation and impairment losses

Balance at 1/1 2014	<u>32,465,000</u>
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Amortisation and impairment losses at 31/12 2014	<u>32,465,000</u>
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8. Property, plant and equipment

(DKK)	Plant and machinery	Other fixtures and fittings, tools and equipment	Total
Cost			
Balance at 1/1 2014	13,494,537	22,998,272	36,492,809
Additions in the year	0	253,389	253,389
Disposals in the year	0	-9,289,652	-9,289,652
Cost at 31/12 2014	<u>13,494,537</u>	<u>13,962,009</u>	<u>27,456,546</u>
Depreciation and impairment losses			
Balance at 1/1 2014	9,310,870	12,313,849	21,624,719
Depreciation in the year	598,445	2,238,492	2,836,937
Reversal of depreciation and impairment losses, disposals	0	-5,486,525	-5,486,525
Depreciation and impairment losses at 31/12 2014	<u>9,909,315</u>	<u>9,065,816</u>	<u>18,975,131</u>
Carrying amount at 31/12 2014	<u>3,585,222</u>	<u>4,896,193</u>	<u>8,481,415</u>

Notes

	31/12 2014 DKK	31/12 2013 DKK
9. Share capital		
Analysis of the company's share capital, DKK 200,000 :		
200,000 share(s) of DKK 1.00 each	<u>200,000</u>	<u>200,000</u>
	<u>200,000</u>	<u>200,000</u>

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

10. Deferred tax		
Property, plant and equipment	-472,605	-631,585
Provisions	<u>1,522,248</u>	<u>1,102,038</u>
Total Tax assets [+]	<u>1,049,643</u>	<u>470,453</u>

11. Contingent liabilities and other financial obligations

Other financial obligations

Other rent and lease liabilities:

Rent and lease liabilities	<u>1,764,459</u>	<u>4,167,090</u>
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12. Related parties

Information about related parties with a controlling interest:

Related party	Domicile	Basis for control
Schlumberger Denmark A/S	Denmark	Participating interest 100%

Information about consolidated financial statements:

Parent	Domicile	Requisitioning of the parent's consolidated financial statements
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.