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2016/

Schlumberger Finance B.V.
The Hague

Annual report for the year ended
31st December 2016

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Annual report of the directors

Schlumberger Finance B.V. ("the Company") was incorporated in The Netherlands with limited liability on 15th August, 2001. The Company's ultimate parent is Schlumberger Limited.

The principal activity of the Company is to finance the business operations of entities that belong to the Schlumberger group of companies. In addition, the Company conducts treasury operations for affiliated Schlumberger group companies. At the end of 2016 the headcount of the Company was 5 employees.

The Company funds its financing needs primarily by issuing debt on the capital markets. At the date of this report, €4.5 billion is available under the €5 billion EMTN program for future liquidity needs.

At 31 December 2016 total loans to affiliated companies amounted to US\$ 2,427 million (2015 – US\$ 2,972 million). The result of the year 2016 amounted to US\$ 2.7 million loss.

Uncertainties, risk appetite and risk analysis

The Company is subject to numerous risks including currency risk, interest rate risk, credit risk and liquidity risk.

The below table shows a summary of the most important risks and uncertainties identified by the Company, by risk category and its related risk appetite.

Risk category	Strategic	Operational	Financial	Legal and compliance
Risk/risk appetite	Moderate	Moderate / Low	Low	Zero
Demand for services	X		X	
Business climate, incl. energy prices	X		X	
Competition			X	
Technology		X	X	X
Cybersecurity		X	X	X
QHSE			X	X
FX risk			X	
Credit risk			X	
Country risk			X	X
Non-compliance to laws and regulations			X	X

Annual report of the directors (continued)

Risk Analysis

Risk	Impact	Management / Measures
Business climate	Despite a significant drop in oil prices starting in 2014, the results of this year have not been impacted negatively.	The Company continues to fund group operations at a profitable margin.
Competition	As the Company only lends to fellow Schlumberger group companies, the risk of competition is very low.	The Company ensures that pricing is at market rates.
Cybersecurity	The Company relies heavily on information systems to conduct its business. Loss of data or other proprietary information can happen as a result of cyberattacks.	The Schlumberger group has a strong control over its IT infrastructure and has policies, procedures and employee training programs in place to manage the IT and cybersecurity risks.
Currency risk	The Company is exposed to currency risks on loans to group companies, the Fixed Rate Notes due 2019 and related interest expense and income.	The Company maintains a foreign-currency risk management strategy that uses derivative instruments to protect its positions from unanticipated fluctuations in earnings and cash flows caused by volatility in currency exchange rates.
Interest rate risk	The Company incurs interest rate risk on interest-bearing receivables (in particular those interCompany receivables included under non-current assets and current assets and cash) and on interest-bearing non-current and current liabilities.	The Company uses derivative instruments to hedge the interest rate risk on interest-bearing assets and liabilities in order to match the risk profile of the assets and liabilities.
Country and credit risk	The Company is subject to country risk and credit risk which primarily relate to the provision of loans to affiliated companies and the conclusion of derivatives for affiliated companies.	The country risk on the loans to affiliated companies is mitigated by the use of financial guarantee contracts. The Company manages its liquidity and solvency on an ongoing basis and ensures sufficient financing of its activities.
Liquidity risk	The Company is subject to liquidity risk to the extent it does not have sufficient liquidity to advance loans or repay its debt and commitments as they fall due.	The management of the Company ensure that liquidity is adequately managed through continuous cash flow forecasting.
Non-compliance to laws and regulations	The Company is subject to local and foreign laws and regulations, tax policies, trade and economic sanctions or other restrictions imposed by the U.S.A., the E.U. or other countries	The Company's policy is to comply with all laws and regulations. It has internal controls, policies, procedures, employee training and compliance programs in place.

Den Haag, 26 June 2017

Board of Directors,

W. Janssens

E. Hardell

Annual accounts

Schlumberger Finance B.V.

All amounts are stated in USD ('000), unless otherwise stated

Balance sheet as at 31 December 2016

(before proposed appropriation of result)

		31-Dec-16		31-Dec-15	
		USD	USD	USD	USD
Non-current assets					
Receivable from group companies	5.1	1,921,272		2,483,832	
Financial assets (Derivatives)	5.2	450,149		581,077	
			2,371,421		3,064,909
Current assets					
Receivable from group companies	5.3	537,084		655,378	
Financial assets (Derivatives)	5.4	172,354		382,601	
Accrued interest receivable	5.5	40,582		37,556	
Other receivables	5.6	87,265		105,992	
Cash and cash equivalents		469,757		467,288	
			1,307,042		1,648,815
Total Assets			3,678,463		4,713,724
Shareholder's equity					
Ordinary share capital	5.7	19		20	
Share premium		15,000		15,000	
Other reserves		17,618		15,011	
(Loss) profit for the year		(2,707)		2,607	
			29,930		32,638
Non-current liabilities					
Long-term debt	5.8	520,137		619,132	
Deferred income		-		284	
Financial liabilities (Derivatives)	5.9	438,859		465,881	
			958,996		1,085,297
Current liabilities					
Bank overdraft	5.11	1,322,894		1,627,074	
Commercial paper	5.12	1,150,049		1,632,918	
Financial liabilities (Derivatives)	5.13	159,553		277,778	
Accrued interest payable	5.14	30,833		23,119	
Payable to group companies		24,821		4,738	
Taxes		483		656	
Other debt	5.10	-		27,093	
Other current liabilities	5.15	904		2,413	
			2,689,537		3,595,789
Total Liabilities and Shareholder's equity			3,678,463		4,713,724

Schlumberger Finance B.V.

All amounts are stated in USD ('000), unless otherwise stated

Profit and loss account for the year ended 31 December 2016

	2016		2015	
	USD	USD	USD	USD
Interest and similar income	6.1	62,504	75,555	
Interest and similar expense	6.2	(63,590)	(70,206)	
		<u>(1,086)</u>	<u>5,349</u>	
Income on treasury activities	6.3	2,852	3,594	
Net operating profit		<u>1,766</u>	<u>8,943</u>	
General and administrative expenses	6.4	(3,244)	(4,155)	
Wages and salaries	6.7	(1,109)	(1,322)	
(Loss) profit from ordinary activities before taxation		<u>(2,587)</u>	<u>3,466</u>	
Taxation	6.5	(120)	(859)	
(Loss) profit for the year		<u>(2,707)</u>	<u>2,607</u>	

Notes to the balance sheet and profit and loss account

All amounts are stated in USD ('000), unless otherwise stated

1 General

1.1 Activities

The main objective of Schlumberger Finance B.V. is to finance the business operations of entities belonging to the Schlumberger group of companies. The Company funds its operations through the issuance of notes and commercial paper on the Euro market. The Company also performs treasury operations for affiliated Schlumberger group companies.

1.2 Group structure

Schlumberger Finance B.V. was incorporated in The Netherlands with limited liability on 15th August, 2001, and is part of the Schlumberger group. Schlumberger Finance B.V. registered address is The Hague, Parkstraat 83-89, The Netherlands. The ultimate parent Company of this group is Schlumberger Limited (Schlumberger N.V.), a Company incorporated in Curacao. The annual accounts of Schlumberger Finance B.V. are included in the consolidated annual accounts of Schlumberger Limited.

1.3 Related parties

All companies belonging to the Schlumberger Group are considered to be related parties. Entities which can control the Company and statutory directors or key management are also considered to be related parties.

Transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is necessary in order to provide the required insight.

1.4 Cash flow statement

Based upon Article 360.104 in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board (Dutch GAAP) the Annual Accounts do not include a cash flow statement as the parent Company, Schlumberger Limited, discloses in its Annual Accounts a cash flow statement that includes the data of Schlumberger Finance B.V. The Annual Accounts of Schlumberger Limited are filed with the Chamber of Commerce in The Hague.

1.5 Estimates

The preparation of financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. If necessary for the purpose of providing the view required under Section 362(1), Book 2, of the Netherlands Civil Code, the nature of these estimates and judgments, including the related assumptions, is disclosed in the notes to the annual accounts items in question.

1.6 Accounting Policy

The entire financial statements have been prepared following Dutch accounting standards (Dutch GAAP). There have been no changes in accounting policies used by Schlumberger Finance B.V. in 2016.

2 Principles of valuation of assets and liabilities

2.1 General

The annual accounts are prepared in accordance with the statutory provisions of Part 9, Book 2, of the Netherlands Civil Code and the firm pronouncements in the Dutch Accounting Standards for Annual Reporting in The Netherlands as issued by the Dutch Accounting Standards Board.

In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or at fair value. If not specifically stated otherwise, they are recognized at the amounts at which they were acquired or incurred. The balance sheet and profit and loss account include references to the notes.

2.2 Comparison with prior year

The principles of valuation and determination of result are consistent with the prior year.

2.3 Foreign currencies

Functional currency

The financial statements are presented in US dollars, which is the functional and presentation currency of the Company. The Company's primary economic environment in which it operates is US dollars based and therefore it is allowed by Dutch law to hold and present its accounts in US dollars.

Transactions, receivables and debts

Transactions denominated in foreign currencies conducted in the reporting period are translated into the functional currency at the rates of exchange on the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates on the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognized in the profit and loss account.

2.4 Receivables

Receivables included in non-current assets and current assets are initially recognized at the fair value and subsequently measured at amortized cost. For determining the value, any impairments are taken into account.

Impairment of assets

At each balance sheet date, the Company tests whether there is objective evidence that a receivable is impaired. If any such evidence exists, the impairment loss is determined and recognized in the profit and loss account.

The amount of an impairment loss incurred on financial assets stated at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

2.5 *Cash and cash equivalents*

Cash represents cash at banks or financial institutions at nominal value with an initial maturity of thirty days or less. Any restricted cash is disclosed separately. Overdrafts at banks are recognized under current liabilities.

2.6 *Borrowings*

Fixed rate notes, floating rate notes and commercial paper are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost, being the amount received taking account of any premium or discount, less transaction costs.

The difference between the carrying value determined and the ultimate repayment value, together with the interest due, is determined in such a manner that the effective interest is taken to the profit and loss account during the term of the liabilities.

2.7 *Financial instruments*

All on-balance sheet financial instruments including derivatives are initially recognized at fair value and subsequently at amortized cost, which usually equals face value, unless stated otherwise. Premiums paid on financial guarantee contracts are capitalized and amortized over the life of the instrument. Recognition of changes in the value of a derivative financial instrument is dependent on whether or not the instrument is designated as a hedging instrument.

2.7.1. *Derivatives not designated as hedging instrument*

These derivative financial instruments are stated at the lower of cost or market value after initial recognition at fair value. Changes in the value of these derivative instruments are recognized in the income statement upon transfer of the instrument to another party or if the instrument is impaired.

2.7.2. *Derivatives designated as hedging instrument*

In applying cost price hedge accounting, the initial recognition of, and the accounting policies for, the hedging instrument are dependent on the hedged item, which has the following implications:

If the hedged item is recognized at cost in the balance sheet, the derivative instrument is also stated at cost;

As long as the hedged item is not yet recognized in the balance sheet, the hedging instrument is not remeasured. This applies, for instance, to hedging currency risks on future transactions;

If the hedged item qualifies as a monetary item denominated in a foreign currency, the derivative instrument, where it has currency elements, is also stated at the spot rate at the balance sheet date. If the derivative instrument has currency elements, the difference between the spot rate on the date the derivative instrument is contracted and the forward rate at which it will be settled is spread over the maturity of the derivative instrument.

The Company applies cost price hedge accounting to hedge interest risk and foreign currency risk on loans provided to group companies and borrowings obtained (both fair value risk and cash flow risk).

The Company applies cost price hedge accounting to hedge the risk on derivatives concluded with other group companies. The gain or loss relating to the ineffective portion is recognized in the profit and loss statement within finance costs.

More information on financial instruments can be found in note 6.8.

3 Principles of determination of result

3.1 General

Profit is determined as the difference between the interest income, income from treasury services rendered and other charges for the year. Gains or losses on transactions are recognized in the year in which they are realized; losses are taken as soon as they are foreseeable.

3.2 Interest income and expense

Interest income and expense are recognized on a time-weighted basis, taking into account the effective interest rate of assets and liabilities. When recognizing interest expense, allowance is made for transaction costs on loans received as part of the calculation of the effective interest rate.

3.3 Exchange differences

Exchange differences arising upon the settlement of monetary items are recognized in the profit and loss account in the period that they arise.

3.4 Income on treasury activities

Income from treasury services is recognized based on the services performed which is calculated as a mark-up on the costs incurred.

3.5 Employee benefits

Salaries and wages

Salaries, wages and social security contributions are taken to the profit and loss account based on the terms of employment, where they are due to employees.

Pensions

The Company pays contributions to an insurance Company on a compulsory, contractual or voluntary basis. Except for the payment of contributions, the Company contributions are recognized as employee benefits expense when incurred. Prepaid contributions are recognized as prepayments and accrued income if this leads to a repayment or to a reduction in future payments.

3.6 General and Administrative expenses

General and Administrative expenses are recognized in earnings when incurred, based on the accounting "matching" principle.

3.7 Taxation

Tax on result is calculated by applying the current rate to the result for the financial year in the profit and loss account, taking into account tax loss carry-forwards (where not included in deferred tax assets) and tax exempt profit elements, and after inclusion of non-deductible costs.

3.8 Reclassifications

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the previously reported results of operations.

4 Risk Management

4.1 Currency risk

The Company is exposed to currency risk on loans to group companies, the Fixed Rate Note 2019 and the related interest expense and income thereon.

On the basis of a risk analysis, the Board of Directors of the Company has determined that these currency risks need to be hedged to the functional currency.

4.2 Interest rate risk

The Company incurs interest rate risk on interest-bearing receivables (in particular those interCompany receivables included under non-current assets and current assets) and on interest-bearing non-current and current liabilities.

The Company uses derivative instruments to hedge the interest rate risk on interest bearing assets and liabilities in order to match the risk profile of the assets and liabilities. Using this structure the Company has a limited exposure to interest rate fluctuations.

4.3 Credit risk

The Company does have significant concentrations of country risk and credit risk with respect to its receivables from group companies. This risk is monitored by the Board. The Company has also concluded financial guarantee contracts for the country risk on the loans to affiliated companies to mitigate risk.

4.4 Liquidity risk

The Company concluded a EUR 3 billion EMTN facility during 2009, increased to EUR 5 billion in 2012, of which EUR 0.5 billion was drawn by 31 December 2016 and of which EUR 4.5 billion was available for future liquidity needs at 31 December 2016. The Company is managing its liquidity and solvability on an ongoing basis and is assuring sufficient financing of its activities.

The short-term notes are issued under a US\$ 2 billion Euro Commercial Paper program arranged in 2002, which was increased to US\$3.5 billion in 2011. The total outstanding commercial paper borrowings were \$1.150 billion at 31 December 2016.

5 Notes to the balance sheet

All amounts are stated in USD ('000), unless otherwise stated

5.1 Non-current assets – Receivable from group companies

	2016 USD	2015 USD
Balance at 1 January	2,412,475	1,584,049
Loans advanced	441,383	1,195,566
Loans repaid	(825,309)	(130,635)
Reclassified to current assets	(161,951)	(159,983)
Currency effects	54,674	(76,522)
Balance at 31 December	<u>1,921,272</u>	<u>2,412,475</u>
 <i>Other group Company receivables</i>		
Balance at 1 January	71,357	98,449
Reclassified to current assets	(71,357)	(27,092)
Balance at 31 December	<u>-</u>	<u>71,357</u>
	<u>1,921,272</u>	<u>2,483,832</u>

<u>CCY 31-Dec-16</u>		<u>Rate (range)</u>	<u>Total Amount</u> USD	<u>Repayment date</u>		
				<u>2018</u> USD	<u>2019</u> USD	<u>>2020</u> USD
BRL	Fixed	16.80% - 19.16%	120,172	80,967	39,205	-
DKK	Floating	0.64% - 0.68%	14,727	-	-	14,727
IDR	Fixed	10.00% - 12.80%	225,986	-	99,675	126,311
JPY	Fixed	0.86%	23,789	23,789	-	-
NZD	Fixed	6.22%	6,944	6,944	-	-
RUB	Fixed	10.50% - 14.38%	348,462	169,752	102,032	76,678
USD	Fixed	2.25% - 6.75%	1,132,780	216,000	414,400	502,380
USD	Floating	1.30% - 1.90%	48,412	-	45,000	3,412
			<u>1,921,272</u>	<u>497,452</u>	<u>700,312</u>	<u>723,508</u>

<u>CCY 31-Dec-15</u>		<u>Rate (range)</u>	<u>Total Amount</u> USD	<u>Repayment date</u>		
				<u>2017</u> USD	<u>2018</u> USD	<u>>2019</u> USD
BRL	Fixed	16.80% - 19.16%	93,726	-	93,726	-
IDR	Fixed	12.00% - 12.80%	203,134	-	-	203,134
JPY	Fixed	0.86%	25,726	-	25,726	-
NOK	Floating	1.78%	147,951	147,951	-	-
NZD	Fixed	5.60%	6,849	-	6,849	-
RUB	Fixed	10.00% - 14.38%	213,989	17,882	141,265	54,842
USD	Fixed	2.50% - 6.31%	941,600	21,000	-	920,600
USD	Floating	0.71% - 1.86%	779,500	-	-	779,500
			<u>2,412,475</u>	<u>186,833</u>	<u>267,566</u>	<u>1,958,076</u>

5.2 *Non-current assets - Financial assets (Derivatives)*

	31-Dec-16	31-Dec-15
	USD	USD
<i>Counterparty: Schlumberger group companies</i>		
Interest rates swaps and cross-currency interest rate swaps on loans to group companies	450,149	581,077
	<u>450,149</u>	<u>581,077</u>

5.3 *Current assets – Receivable from group companies*

CCY		<u>Rate (range)</u>	<u>31-Dec-16</u>	<u>31-Dec-15</u>
			Total Amount	Total Amount
			USD	USD
BRL	Fixed	18.40%	81,743	12.98% - 14.50%
NOK	Floating	1.70%	146,593	-
RON	Floating	2.85%	19,697	2.65%
RUB	Fixed	10.75% - 11.70%	19,284	10.00% - 10.95%
USD	Fixed	2.23% - 4.97%	228,000	1.65% - 5.40%
USD	Floating	2.75%	10,139	1.36% - 3.11%
			<u>505,456</u>	<u>559,156</u>
Other receivables and prepayments			31,628	96,222
			<u>537,084</u>	<u>655,378</u>

5.4 *Current assets - Financial assets (Derivatives)*

	31-Dec-16	31-Dec-15
	USD	USD
<i>Counterparty: Schlumberger group companies</i>		
Interest rates swaps and cross-currency interest rate swaps on loans to group companies	153,009	368,353
Financial guarantee contracts	19,345	14,248
	<u>172,354</u>	<u>382,601</u>

5.5 *Current assets – Accrued interest receivable*

	31-Dec-16	31-Dec-15
	USD	USD
Receivable from group companies	40,582	37,556
	<u>40,582</u>	<u>37,556</u>

5.6 *Current assets – Other receivables*

	31-Dec-16	31-Dec-15
	USD	USD
Other receivables	85,568	102,773
Prepayments	1,697	3,219
	<u>87,265</u>	<u>105,992</u>

Included in other receivables is collateral of USD 85,500 (2015 - USD 81,000) which is part of a credit support annex agreement on basis swaps with external parties.

5.7 *Shareholder's equity*

	Ordinary Share capital	Share premium	Other reserves	Profit/ (Loss) for the year	Total
	USD	USD	USD	USD	USD
Balance at 1 January 2016	20	15,000	15,011	2,607	32,638
Currency translation	(1)	-	-	-	(1)
Appropriation of prior year profit	-	-	2,607	(2,607)	-
Loss for the year	-	-	-	(2,707)	(2,707)
Balance at 31 December 2016	19	15,000	17,618	(2,707)	29,930

Share capital

The authorized share capital of the Company as at 31 December 2016 and at 31 December 2015 is EUR 18,000 and consists of 18 ordinary shares of EUR 1,000 each. The conversion rate is approx. 1.EUR = 1.21951 USD. The share premium is fully considered for tax purposes (RJ 240:218).

5.8 *Non-current liabilities – long-term debt*

	31-Dec-16	31-Dec-15
	USD	USD
Fixed rate note March 2019	520,137	547,775
Other long-term debt	-	71,357
	<u>520,137</u>	<u>619,132</u>

The EUR 500,000,000 Guaranteed Fixed Rate Notes due 2019, guaranteed by the Company's parent, Schlumberger Limited, incur interest at fixed 1.50 percent per annum payable annually.

5.9 *Non-current liabilities - Financial liabilities (Derivatives)*

	31-Dec-16	31-Dec-15
	USD	USD
Interest rates swaps and cross-currency interest rate swaps on loans to group companies	438,859	465,881
	<u>438,859</u>	<u>465,881</u>

5.10 *Current liabilities – Other debt*

	31-Dec-16	31-Dec-15
	USD	USD
Other debt	-	27,093
	<u>-</u>	<u>27,093</u>

5.11 *Current liabilities – Bank overdraft*

Interest rates on bank overdrafts are variable and close to the interbank offered rate.

5.12 *Current liabilities – Commercial paper*

	31-Dec-16	31-Dec-15
	USD	USD
GBP Commercial paper	409,313	1,264,527
USD Commercial paper	740,736	368,391
	<u>1,150,049</u>	<u>1,632,918</u>

Commercial paper is issued with durations varying from 1 to 6 months at rates close to the interbank offered rate prevailing at the time of issue. Commercial paper notes are guaranteed by Schlumberger Limited.

5.13 *Current liabilities - Financial liabilities (Derivatives)*

	31-Dec-16	31-Dec-15
	USD	USD
<i>Counterparty: Schlumberger group companies</i>		
Interest rates swaps and cross-currency interest rate swaps to group companies	159,553	277,778
	<u>159,553</u>	<u>277,778</u>

5.14 *Current liabilities - Accrued interest payable*

	31-Dec-16	31-Dec-15
	USD	USD
Interest rate swaps	24,344	16,245
Fixed rate note 2019	6,489	6,874
	<u>30,833</u>	<u>23,119</u>

5.15 *Current liabilities – Other current liabilities*

	31-Dec-16	31-Dec-15
	USD	USD
Other payables	904	2,413
	<u>904</u>	<u>2,413</u>

6 Notes to the profit and loss account

All amounts are stated in USD ('000), unless otherwise stated.

6.1 *Interest and similar income*

	2016	2015
	USD	USD
Interest from group companies	62,477	75,504
Bank and third party	27	51
	<u>62,504</u>	<u>75,555</u>

6.2 *Interest and similar expense*

	2016	2015
	USD	USD
USD Commercial paper	4,404	530
GBP Commercial paper	5,208	1,236
EUR Commercial paper	-	352
EUR Fixed rate note 2015	-	22,564
EUR Fixed rate note 2019	9,596	6,669
Premium financial guarantee contract	33,542	23,277
Guarantee fee Schlumberger	5,946	8,991
Backstop commitment fees	4,894	5,474
Bank and third party interest	-	1,114
	<u>63,590</u>	<u>70,206</u>

6.3 *Income on treasury activities*

Treasury services rendered by the treasury department are invoiced to group companies.

6.4 *General and administrative expenses*

	2016	2015
	USD	USD
Administrative expenses	2,893	3,463
Professional and Rating agency fees	7	150
Audit fees (note 6.6)	313	72
Bank costs	31	470
	<u>3,244</u>	<u>4,155</u>

6.5 Taxation

	2016	2015
	USD	USD
Corporate income tax - current year	120	859
	<u>120</u>	<u>859</u>
Effective tax rate	-4.64%	24.78%
Applicable tax rate	25.00%	25.00%
<i>Reconciliation of effective tax rate to corporate tax rate:</i>		
Corporate tax rate	25.00%	25.00%
Prior year adjustments	-29.64%	0.00%
Effect of lower tax rate band	0.00%	-0.22%
Effective tax rate	<u>-4.64%</u>	<u>24.78%</u>

6.6 Audit Fees

	2016	2015
	USD	USD
Audit of the financial statements	60	55
Other audit procedures	253	17
Fiscal advisory services	-	-
Other non-audit related services	-	-
	<u>313</u>	<u>72</u>

The fees listed above relate to the procedures applied to the Company by accounting firms as referred to in section 7(7) of the Dutch Accounting Firm Oversight Act (Dutch acronym – Wta).

6.7 Wages and salaries

	2016	2015
	USD	USD
Wages and salaries	887	1,100
Pension costs	125	149
Other social security costs	97	73
	<u>1,109</u>	<u>1,322</u>

During 2016 the Company had 5 employees (2015 - 5 employees).
There were no employees working abroad during the year.

6.8 *Financial instruments*

The table below shows financial instruments included in the balance sheet whose fair value differs from book value.

31-Dec-16	Book value	Contract volume	Fair value
	USD	USD	USD
<i>Non-Current assets</i>			
Internal derivatives			
Interest rate swaps	-	(2,591,500)	8,466
Cross currency swaps	466,302	1,747,997	454,250
External derivatives			
Cross currency swaps	285,818	1,100,000	266,761
<i>Current assets</i>			
Internal derivatives			
Interest rate swaps	-	(209,000)	152
Cross currency swaps	152,108	535,643	145,240
External derivatives			
Cross currency swaps	150,229	500,000	143,784
<i>Non-Current liabilities</i>			
Internal derivatives			
Interest rate swaps	-	(741,280)	(19,979)
Cross currency swaps	(304,005)	(845,620)	(296,487)
External derivatives			
Cross currency swaps	(436,685)	(1,771,700)	(389,904)
<i>Current liabilities</i>			
Internal derivatives			
Interest rate swaps	-	(19,000)	(43)
Cross currency swaps	(151,717)	(414,528)	(145,739)
External derivatives			
Cross currency swaps	(150,229)	(500,000)	(143,783)

31-Dec-15	Book value	Contract volume	Fair value
	USD	USD	USD
<i>Non-Current assets</i>			
Internal derivatives			
Interest rate swaps	-	(143,100)	454
Cross currency swaps	581,077	2,372,370	631,677
External derivatives			
Cross currency swaps	326,405	1,600,000	307,669
<i>Current assets</i>			
Internal derivatives			
Interest rate swaps	-	(20,000)	1
Cross currency swaps	368,353	1,235,530	360,475
External derivatives			
Cross currency swaps	184,606	500,000	181,850
<i>Non-Current liabilities</i>			
Internal derivatives			
Interest rate swaps	-	(798,500)	(28,878)
Cross currency swaps	(321,784)	(1,569,652)	(307,857)
External derivatives			
Cross currency swaps	(449,258)	(2,271,700)	(403,378)
<i>Current liabilities</i>			
Internal derivatives			
Interest rate swaps	-	(336,000)	(87)
Cross currency swaps	(277,778)	(1,010,000)	(270,052)
External derivatives			
Cross currency swaps	(184,606)	(500,000)	(181,862)

The estimated market value indicates the amount payable or receivable in exchange for termination of the contracts as at year-end without further obligations.

The fair value of derivatives is calculated using the Discounted Cash Flow method. The interest component for the estimation of future cash flows and for discounting cash flows is based on observable market data per interest curves and foreign exchange rates.

31-Dec-16	Book value	Contract volume	Fair value
	USD	USD	USD
Fixed rate loan receivables			
Up to 1 year (note 5.3)	505,456	505,456	518,874
Exceeding 1 year (note 5.1)	1,921,272	1,921,272	2,091,306
Fixed rate note 2019			
Exceeding 1 year (note 5.8)	(520,137)	(520,833)	(538,849)
31-Dec-15	Book value	Contract volume	Fair value
	USD	USD	USD
Fixed rate loan receivables			
Up to 1 year (note 5.3)	486,110	486,110	494,834
Exceeding 1 year (note 5.1)	1,485,024	1,485,024	1,619,728
Fixed rate note 2019			
Exceeding 1 year (note 5.8)	(547,775)	(548,847)	(569,665)

6.9 *Treasury activities for other Schlumberger group companies*

The Company undertakes treasury and hedging activities for companies within the Schlumberger group. The Company concludes derivatives with a Schlumberger group Company and covers its net positions with banks in the market. The contract value and the fair values of the outstanding derivatives in connection with this activity are summarized as follows.

31-Dec-16	Contract volume	Fair value
	USD	USD
Current assets		
Internal derivatives		
Forwards	(250,657)	16,289
External derivatives		
Forwards	5,524	89
Current liabilities		
Internal derivatives		
Forwards	(5,524)	(89)
External derivatives		
Forwards	250,657	(16,289)

31-Dec-15	Contract volume	Fair value
	USD	USD
<i>Current assets</i>		
Internal derivatives		
Forwards	(476,278)	37,132
External derivatives		
Forwards	77,904	3,472
<i>Current liabilities</i>		
Internal derivatives		
Forwards	(77,904)	(3,472)
External derivatives		
Forwards	476,278	(37,132)
<i>Non-Current assets</i>		
Internal derivatives		
Forwards	(68,539)	2,424
External derivatives		
Forwards	20,419	193
<i>Non-Current liabilities</i>		
Internal derivatives		
Forwards	(20,419)	(193)
External derivatives		
Forwards	<u>68,539</u>	<u>(2,424)</u>

The above derivatives (apart from the options) are valued at cost (zero value) in the balance sheet according to the hedge accounting policy.

6.10 Related party transactions

All companies belonging to the Schlumberger group qualify as related parties (cfr note 1.3).

The main activity of the Company is issuing debt for onwards lending to companies belonging to the Schlumberger group. The balances outstanding to group companies have been separately disclosed in the notes to the balance sheet for which reference is made to paragraph 5.1 and 5.3. The interCompany interest income and interCompany expenses have also been separately disclosed in the notes to the profit and loss account for which reference is made to paragraph 6.1 and 6.2. The interCompany derivatives are separately disclosed in paragraphs 5.2, 5.4, 5.9 and 5.13.

The Company undertakes treasury and hedging activities for companies within the Schlumberger group. The Company has service agreements with these group companies for which it receives a fee to compensate for the use of its Treasury services. Reference is made to paragraph 6.9.

6.11 Directors' remuneration

The directors of the Company do not receive any remuneration (2015 – nil).

Den Haag, 26 June 2017

Board of Directors,

W. Janssens

E. Hardell

Other information

Appropriation of net results

Following the proposed appropriation of net result of the Board of Directors and pursuant to article 19 of the Articles of Association, an amount of USD 2,706,588.23 of the negative net result of 2016 is posted to the other reserves. The distribution of any dividends, in whole or in part, can be decided upon by the General Shareholders meeting.

Post balance sheet events

There have been no events since the balance sheet date which have a material effect on the financial situation of the Company as at that date.



Independent auditor's report

To: The General Meeting of Schlumberger Finance B.V.

Report on the financial statements 2016

Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Schlumberger Finance B.V. as at 31 December 2016, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2016 of Schlumberger Finance B.V., Den Haag ('the company').

The financial statements comprise:

- the balance sheet as at 31 December 2016;
- the income statement for the year then ended; and
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the financial statements' of our report.

Independence

We are independent of Schlumberger Finance B.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

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

Ref.: e0405063

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Our audit approach

Overview and context

The company's main activity is the financing of Schlumberger Limited group companies by issuing debts on the capital markets and conducting treasury operations for Schlumberger Limited group companies. The repayment of the debt is guaranteed by Schlumberger Limited, as disclosed in notes 5.8 and 5.12 to the financial statements. The company has financial instruments in place to mitigate interest rate risk and currency risk. We paid specific attention to the areas of focus following from the operations of the company, as set out below.

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where management made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In notes 2.4 and 2.7 of the financial statements, the company describes the areas of judgment in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty in the collectability of receivables from Schlumberger group companies, valuation of derivative contracts and hedge accounting, we considered these to be key audit matters as set out in the key audit matter section of this report.

Besides the key audit matters, other area of focus was the application for foreign exchange rates in translating monetary assets and liabilities denominated in foreign currencies. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that may represent a risk of material misstatement due to fraud.

We ensured that the audit team included the appropriate skills and competences, which are needed for the audit of a financing company. We therefore included specialists in the area of financial instruments in our team.

Materiality

The scope of our audit is influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement we determined the materiality for the financial statements as a whole at €36.8 million (2015: €47.1 million). We determined materiality based on our analysis of the information needs of the stakeholders, of which we believe the shareholder and debt holders to be the most important stakeholders. Based thereon we applied a benchmark of 1% of total assets.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with management that we would report to them misstatements identified during our audit above €1.8 million (2015: €2.3 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to management, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.

Due to the nature of the company's business we recognise that key audit matters which we reported in our independent auditor's report on the financial statements 2015 may be long-standing and therefore may not change significantly year over year. As compared to last year, there have been no changes in key audit matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters or on specific elements of the financial statements. Any comments we make on the results of our procedures should be read in this context.

<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<p><i>Collectability of receivables from Schlumberger group companies -- Note 5.1 and 5.3</i></p> <p>We consider the valuation of the receivables from Schlumberger group companies, as disclosed in notes 5.1 and 5.3 to the financial statements for a total amount of \$ 2.5 billion, as a key audit matter. This is due to the size of the loan portfolio, the variety of countries where group companies are located, and given that an impairment may have a material effect on the income statement.</p> <p>Loans are initially recognized at its fair value and subsequently measured at amortized cost using the effective interest method.</p> <p>Management did not identify any impairment triggers regarding the loans issued to Schlumberger group companies.</p>	<p>We have performed detailed audit work addressing the valuation of the loans issued to Schlumberger Limited group companies, through testing on a sample basis the input of contracts in the company's treasury management system, confirmation procedures, margin analysis, analysis of the financial situation of the group companies to which loans have been provided, audit of data input to calculate the fair value and reconciliation of the treasury management system with the general ledger, and assessed whether there were any impairments triggers.</p> <p>We concur with the position taken by management as set out in the financial statements with respect to the valuation of the loans. We have assessed and validated management's analysis and discussed the possible impairment triggers with management as well as with the group auditor of Schlumberger Limited. The company has also received a letter from the ultimate parent confirming that it is their policy to enable the group companies to meet their financial obligations as they fall due and to make available sufficient funds to the companies for 12 months from the date of the letter.</p>



<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<p><i>Valuation of derivative contracts – Note 6.8 and 6.9</i></p> <p>We consider the fair value of the derivatives portfolio as disclosed in note 6.8 and 6.9 to the financial statements as a key audit matter. This is due to the nature of the portfolio that includes interest rate swaps, cross currency interest rate swaps and credit default swaps. As it regards 'Over-The-Counter' derivatives, no observable market prices are available. In addition, the recent market developments including the volatility of the currency basis spread further increases the subjectivity of the valuation of these instruments as well as the number of input factors to take into account in the valuation.</p>	<p>We have tested the valuation of derivatives as well as the valuation of hedged items in hedge accounting relations (when relevant) by testing on a sample basis the input of contracts in the company's valuations. We have reconciled the interest rate curves and other market data with our own independent sources. We have assessed whether the settings used in the valuation system and the models used are in line with market practice. We have also assessed the mathematical accuracy of the models used. We concur with the fair value disclosure as included in the note.</p>
<p><i>Hedge accounting – Note 2.7</i></p> <p>We consider the accounting for derivatives as a key audit matter. Refer to note 2.7. This is due to the detailed formal and technical requirements that are applicable to the application of hedge accounting and that inappropriate application of these requirements can lead to a material effect on the income statement.</p>	<p>We have tested on a sample basis whether hedge documentation and hedge effectiveness testing meet the requirements of RJ 290 Financial Instruments and whether the hedge effectiveness test is mathematically correct. We have reconciled the outcome of the effectiveness testing for the derivative portfolio as a whole to the financial statements. We conclude that all hedge accounting requirements were appropriately applied.</p>

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the directors' report;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains all information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the directors' report and the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.



Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of Schlumberger Finance B.V. following the passing of a resolution by the shareholders at the annual meeting held on 15 June 2003 and the appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of thirteen years.

Responsibilities for the financial statements and the audit

Responsibilities of management

Management is responsible for:

- the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going-concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high, but not absolute, level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 26 June 2017
PricewaterhouseCoopers Accountants N.V.

Original has been signed by L.H.J. Oosterloo RA



Appendix to our auditor's report on the financial statements 2016 of Schlumberger Finance B.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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 intentional override of internal control.
- Obtaining 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.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/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 and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management 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.

We provide management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with management, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Waarmerk
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