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Baker Hughes Denmark ApS

Central Business Registration No 18064898
Håndværkervej 2-4
DK-6710 Esbjerg V

Annual report 2015

The Annual General Meeting adopted the annual report on ~~27.06.2016~~ 01.07.2016

Chairman of the General Meeting

Name: Jens Steen Jensen

Contents

Entity details

Entity
Baker Hughes Denmark ApS
Håndværkervej 2-4
DK-6710 Esbjerg V

Central Business Registration No: 18064898
Registered in: Esbjerg
Financial year: 01.01.2015 - 31.12.2015

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Board of Directors
Tommie Lee Pate
Ferrier William Stewart Raitt
Iain Murray

Executive Board
Iain Murray, CEO

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P.O. Box 1600
0900 Copenhagen C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Baker Hughes Denmark ApS for the financial year 01.01.2015 - 31.12.2015.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2015 and of the results of its operations and cash flows for the financial year 01.01.2015 - 31.12.2015.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Esbjerg, 27.06.2016

Executive Board

Iain Murray
CEO

Board of Directors

Tommie Lee Pate

Ferrier William Stewart Raitt

Iain Murray

Independent auditor's reports

To the owner of Baker Hughes Denmark ApS

Report on the financial statements

We have audited the financial statements of Baker Hughes Denmark ApS for the financial year 01.01.2015 - 31.12.2015, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity, cash flow statement and notes. 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 as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 regulation. 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 auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity'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 Entity'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 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 31.12.2015 and of the results of its operations and cash flows for the financial year 01.01.2015 - 31.12.2015 in accordance with the Danish Financial Statements Act.

Independent auditor's reports

Report on other legal and regulatory requirements

Emphasis of matter regarding other issues

Without qualifying our opinion, we inform you that the accounting records of Baker Hughes Denmark ApS are kept on file outside the Danish borders with some of its sister subsidiaries and can be made available at short notice. The procedures used are in contravention of Danish legislation on the keeping of accounting material in general.

Statement on the management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the financial statements.

Copenhagen, 27.06.2016

Deloitte
Statsautoriseret Revisionspartnerselskab

Flemming Larsen
State Authorised Public Accountant

CVR-nr. 33963556

Management commentary

	2015 DKK'000	2014 DKK'000	2013 DKK'000	2012 DKK'000	2011 DKK'000
Financial highlights					
Key figures					
Revenue	642.789	565.789	306.167	317.877	416.500
Gross profit/loss	225.181	218.842	85.326	113.829	193.546
Operating profit/loss	(20.624)	106.000	17.590	58.791	99.700
Net financials	(9.482)	(19.824)	(1.675)	(1.267)	(323)
Profit/loss for the year	(55.924)	73.306	11.433	42.263	74.504
Total assets	553.981	580.507	479.735	147.422	184.149
Investments in property, plant and equipment	30.841	8.361	309.569	6.478	11.295
Equity	137.103	193.027	119.723	108.289	128.232
Ratios					
Gross margin (%)	35,0	38,7	27,9	35,8	46,5
Net margin (%)	(8,7)	13,0	3,7	13,3	17,9
Return on equity (%)	(33,9)	46,9	10,0	35,7	87,0
Solvency ratio	24,7	33,3	25,0	73,5	69,6

Primary activities

The Company's activity comprises sale, rental of drilling equipment, and services to the offshore industry.

Development in activities and finances

Loss for the year amounts to DKK 55,924 thousand, including impairment loss for the vessel amounting to DKK 130,460 thousand. The results, excluding impairment loss, remained unchanged compared to the previous year. Although Management expected lower performance in the current financial year, the Company kept its activities on a high level to compensate the unfavourable market conditions in the drilling sector.

Description of material changes in activities and finances

The primary business of the Company comprises sales, rental of drilling equipment, and primary services to the offshore industry. In 2015, the business segments of Baker Hughes Denmark ApS comprised Drilling & Evalutaions (with its product lines Wireline services, Drilling services, Drillbits) and Completion & Production (with its product lines Completion systems, Artificial lift and Upstream chemicals). The primary business segments carried more than 65% of the Company's revenue for the current year.

Management commentary

The Company brought into operation a Well Stimulation Vessel (Blue Orca) for operations in the North Sea starting on 1 October 2013. The project was primarily related to a long-term contract with one of its main customers. Management's efforts brought additional contracts with other customers during 2014 and 2015 within short time after implementation. The Vessel incorporates state-of-the-art stimulation technology and unsurpassed treatment capabilities to reduce risk, rig time, and non-productive time while enhancing production and profits. The vessel is specially engineered for North Sea conditions, and can perform a series of offshore stimulation operations, including acidising and fracturing, well stimulations and sand-control operations. The Blue Orca can carry 2.5 million lbm (1134 tonnes) of sand or equivalent proppant. It can perform multiple fracturing treatments without having to return to port to re-supply, which results in significant savings in rig time. Advanced systems permit smooth, efficient, and reliable blending of high-quality fracturing fluids and eliminate the need for oil-based slurried polymer concentrates.

Starting the business with the Well Stimulation Vessel, the Company secured one of the largest stimulation contracts in the North Sea. In 2015, operations for the primary customer in Denmark were lower than during 2014, however activity has been supplemented to some extent with work from other North Sea and North African customers. The secured market share covers management expectations for 2015. In 2014, the oil market experienced an excess of supply as a result of sustained high output from North America, a slowdown in demand from key consumer regions and the OPEC position to not cut production. This market imbalance resulted in a rapid decline in oil prices that continued to drop in 2015. With oil prices recently falling to 12-year lows, 2016 is shaping up to be just as challenging as last year. At current commodity prices, the global rig count could decline by as much as 30% this year. Questions about global economic growth, along with currency volatility, geopolitical dynamics, and supply-demand metrics, will continue to be drivers of uncertainty. Although challenges are expected to persist this year, Management is confident in the Company's ability to compete and differentiate in the market.

As a response to the current market circumstances, Baker Hughes undertakes various steps to navigate the downturn with a change in strategy and optimising its structures and production. Meanwhile, in connection with the preparation of the 2015 annual report, Management has performed an impairment test of the vessel Blue Orca. Based on the test, Management has decided to write down the vessel with DKK 130 million.

On 16 November 2014, Baker Hughes and Halliburton Company entered into a definitive agreement and plan of merger, under which Halliburton will acquire all the outstanding shares of Baker Hughes in a stock and cash transaction. On 1 May 2016, it was announced that the agreement was terminated by both parties.

Management commentary

Uncertainty relating to recognition and measurement

Our business is focused on providing products and services to the worldwide oil and natural gas industry; therefore, our risk factors include those factors that impact, either positively or negatively, the markets for oil and natural gas. Expenditures by our customers for exploration, development and production of oil and natural gas are based on their expectations of future hydrocarbon demand, their expectations for future energy prices, the risks associated with developing the reserves, their ability to finance exploration for and development of reserves, and the future value of the reserves. Their evaluation of the future value is based, in part, on their expectations for global demand, global supply, spare productive capacity, inventory levels and other factors that influence oil and natural gas prices.

Unusual circumstances affecting recognition and measurement

In 2015, the Company has recognised an impairment loss of approx DKK 130 million concerning the Well Stumulation Vessel resulting from the current market situation in the Oil and Gas Industry. The measurement of the vessel is, to a high degree, dependent on factors beyond Management's control, see above section "Uncertainty relating to recognition and measurement".

Outlook

The Company's income for 2016 is expected to be lower or comparable to 2015, based on the economic factors and the current market situation in the Oil and Gas Industry.

Research and development activities

There are no research and development costs in the Danish company but at group level.

Corporate social responsibility

We refer to the Parent's website for a statement on the Company's corporate social responsibility http://www.bakerhughes.conilcompany/corporatesocial-responsibility.

Gender composition

It the Company's focus to create a positive and healthy work and performance environment, and to be a workplace where employees have the freedom to achieve common goals and optimise opportunities irrespectively of their gender, age, race, religion, disability or sexual orientation.

Management commentary

The Board of Directors continuously works to increase diversity within the Board. The Company defined a target that members of the underrepresented gender should constitute at least 25%. The Board of Directors does not currently represent an equal mix of genders. The Company intends to meet the target no later than end of 2017.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied for these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Accounting policies

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

Changes in the fair value of derivative financial instruments applied for hedging net investments in independent foreign subsidiaries or associates are classified directly as equity.

Income statement

Revenue

Revenue is recognised as earned. Revenue is earned when the product is delivered and title passes, the service has been rendered or, in the case of rentals, passage of time or other contractual obligations have been met. Revenue is recognised net of VAT, duties and sales discounts.

Cost of sales

Cost of sales comprises costs of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs.

Other external expenses

Other external expenses comprise expenses for distribution, sale, marketing, administration, premises, bad debts, etc.

Other external expenses also include research costs and costs of development projects that do not meet the criteria for recognition in the balance sheet. In addition, provisions for loss on contract work in progress are recognised.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Accounting policies

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises dividend etc received from the individual group enterprises in the financial year.

Other financial income

Other financial income comprise interest income, realised and unrealised capital gains on transactions in foreign currencies and forward contracts as well as tax surcharge and relief repayment under the Danish Tax Prepayment Scheme.

Other financial expenses

Other financial expenses comprise interest expenses, realised and unrealised capital losses on transactions in foreign currencies and forward contracts as well as tax surcharge relief repayment under the Danish Tax Prepayment Scheme.

Income taxes

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Property, plant and equipment

Plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Fixed assets acquired from affiliated companies are accounted for at initial cost and depreciation for the year is based on historical cost. Fixed assets are, however, adjusted for depreciation at the beginning of the year.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

Accounting policies

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-4 years
Plant and machinery (Rental machinery)	5 years
Ships (Vessel)	12 years

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Profits and losses from the sale of property, plant and equipment are calculated as the difference between selling price minus selling costs and carrying amount at the time of sale.

Financial leases
Financial leases are recognised as such if it transfers substantially all the risks and rewards incidental to ownership of an asset.

Financial leases are recognised as assets and liabilities at an amount equal to the fair value of the lease asset, or if lower, the present value of the minimum lease payments.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

Other investments
Other investments are measured at cost. Where cost exceeds the net realisable value, the investments are impaired to this lower value.

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

Cost of goods for resale, raw materials and consumables consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

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

Accounting policies

Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Cash

Cash comprises cash in hand and bank deposits.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructurings, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

If goods are sold on approval, a provision is made for the mark-up on the goods estimated to be returned as well as any expenses related to the returns.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

Finance lease commitments

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Accounting policies

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares, and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank debt.

Financial highlights

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios reflect
Gross margin (%)	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$	The Entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Revenue}}$	The Entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The Entity's return on capital invested in the Entity by the owners.
Solvency ratio	$\frac{\text{Equity x 100}}{\text{Total assets}}$	The financial strength of the Entity.

Income statement for 2015

	Notes	2015 DKK	2014 DKK'000
Revenue	2	642.789.403	565.789
Cost of sales		(329.741.325)	(271.758)
Other external expenses		(87.867.002)	(75.189)
Gross profit/loss		**225.181.076**	**218.842**
Staff costs	3	(86.476.004)	(85.373)
Depreciation, amortisation and impairment losses		(159.328.716)	(27.469)
Operating profit/loss		**(20.623.644)**	**106.000**
Income from investments in group enterprises	4	12.564.207	974
Other financial income	5	211.611	(77)
Other financial expenses	6	(22.257.449)	(20.721)
Profit/loss from ordinary activities before tax		**(30.105.275)**	**86.176**
Tax on profit/loss from ordinary activities	7	(25.819.085)	(12.870)
Profit/loss for the year		**(55.924.360)**	**73.306**

Proposed distribution of profit/loss		
Retained earnings	(55.924.360)	73.306
	(55.924.360)	**73.306**

Balance sheet at 31.12.2015

	Notes	2015 DKK	2014 DKK'000
Plant and machinery		18.497.548	16.545
Ships		127.773.931	269.807
Other fixtures and fittings, tools and equipment		2.066.492	505
Property, plant and equipment	8	**148.337.971**	**286.857**
Other investments		24.808.726	24.809
Other receivables		14.439.288	9.386
Fixed asset investments	9	**39.248.014**	**34.195**
Fixed assets		**187.585.985**	**321.052**
Raw materials and consumables		4.982.735	4.566
Manufactured goods and goods for resale		32.169.297	32.668
Inventories		**37.152.032**	**37.234**
Trade receivables		79.364.003	83.383
Receivables from group enterprises		221.766.350	125.281
Other short-term receivables		1.801.614	12.012
Income tax receivable		13.528.601	0
Receivables		**316.460.568**	**220.676**
Cash		**12.782.038**	**1.545**
Current assets		**366.394.638**	**259.455**
Assets		**553.980.623**	**580.507**

Balance sheet at 31.12.2015

	Notes	2015 DKK	2014 DKK'000
Contributed capital	10	510.000	510
Retained earnings		136.592.608	192.517
Equity		137.102.608	193.027
Provisions for deferred tax		1.311.994	446
Other provisions	11	36.572.486	32.019
Provisions		37.884.480	32.465
Finance lease liabilities	12	273.876.278	262.183
Non-current liabilities other than provisions		273.876.278	262.183
Current portion of long-term liabilities other than provisions		17.687.293	14.945
Trade payables		14.777.049	6.788
Debt to group enterprises		59.730.277	54.539
Income tax payable		0	5.127
Other payables		12.922.638	11.433
Current liabilities other than provisions		105.117.257	92.832
Liabilities other than provisions		378.993.535	355.015
Equity and liabilities		553.980.623	580.507

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Statement of changes in equity for 2015

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	510.000	192.516.968	193.026.968
Profit/loss for the year	0	(55.924.360)	(55.924.360)
Equity end of year	**510.000**	**136.592.608**	**137.102.608**

Cash flow statement 2015

	Notes	2015 DKK	2014 DKK'000
Operating profit/loss		(20.623.644)	106.000
Amortisation, depreciation and impairment losses		159.328.716	27.469
Working capital changes	13	(69.813.627)	(115.796)
Cash flow from ordinary operating activities		**68.891.445**	**17.673**
Financial income received		12.775.813	894
Financial income paid		(22.257.448)	(20.720)
Income taxes refunded/(paid)		(43.609.118)	(3.860)
Cash flows from operating activities		**15.800.692**	**(6.013)**
Acquisition etc of property, plant and equipment		(30.841.209)	(8.361)
Sale of property, plant and equipment		10.030.743	885
Acquisition of fixed asset investments		0	(542)
Cash flows from investing activities		**(20.810.466)**	**(8.018)**
Loans raised		16.247.114	15.155
Cash flows from financing activities		**16.247.114**	**15.155**
Increase/decrease in cash and cash equivalents		**11.237.340**	**1.124**
Cash and cash equivalents beginning of year		1.544.698	420
Cash and cash equivalents end of year		**12.782.038**	**1.544**
Cash and cash equivalents at year-end are composed of:			
Cash		12.782.038	1.545
Cash and cash equivalents end of year		**12.782.038**	**1.545**

Notes

1. Uncertainty relating to recognition and measurement

Risk Factors Related to the Worldwide Oil and Natural Gas Industry
Our business is focused on providing products and services to the worldwide oil and natural gas industry; therefore, our risk factors include those factors that impact, either positively or negatively, the markets for oil and natural gas. Expenditures by our customers for exploration, development and production of oil and natural gas are based on their expectations of future hydrocarbon demand, their expectations for future energy prices, the risks associated with developing the reserves, their ability to finance exploration for and development of reserves, and the future value of the reserves. Their evaluation of the future value is based, in part, on their expectations for global demand, global supply, spare productive capacity, inventory levels and other factors that influence oil and natural gas prices. The key risk factors we believe are currently influencing the worldwide oil and natural gas markets are discussed below.

Demand for oil and natural gas is subject to factors beyond our control, which may adversely affect our operating results. Changes in the global economy could impact our customers' spending levels and our revenue and operating results.

Demand for oil and natural gas, as well as the demand for our services, is highly correlated with global economic growth, and in particular by the economic growth of countries such as the U.S., India, China, and developing countries in Asia and the Middle East who are either significant users of oil and natural gas or whose economies are experiencing the most rapid economic growth compared to the global average. Weakness or deterioration of the global economy or credit markets could reduce our customers' spending levels and reduce our revenue and operating results. Incremental weakness in global economic activity, particularly in China, India, Europe, the Middle East and developing countries in Asia, could reduce demand for oil and natural gas and result in lower oil and natural gas prices. Incremental strength in global economic activity in such areas will create more demand for oil and natural gas and support higher oil and natural gas prices. In addition, demand for oil and natural gas could be impacted by environmental regulation, including cap and trade legislation, regulation of hydraulic fracturing, carbon taxes and the cost for carbon capture and sequestration related regulations.

Supply of oil and natural gas is subject to factors beyond our control, which may adversely affect our operating results.

Notes

1. Uncertainty relating to recognition and measurement (continued)

Productive capacity for oil and natural gas is dependent on our customers' decisions to develop and produce oil and natural gas reserves and on the regulatory environment in which our customers and we operate. The ability to produce oil and natural gas can be affected by the number and productivity of new wells drilled and completed, as well as the rate of production and resulting depletion of existing wells. Advanced technologies, such as horizontal drilling and hydraulic fracturing, improve total recovery but also result in a more rapid production decline and may become subject to more stringent regulation in the future.

Productive capacity in excess of demand ("spare productive capacity") is also an important factor influencing energy prices and spending by oil and natural gas exploration companies. Spare productive capacity and oil and natural gas storage inventory levels are an indicator of the relative balance between supply and demand. High or increasing storage, inventories, or spare productive capacity generally indicate that supply is exceeding demand and that energy prices are likely to soften. Low or decreasing storage, inventories, or spare productive capacity are generally an indicator that demand is growing faster than supply and that energy prices are likely to rise.

Access to prospects is also important to our customers and such access may be limited because host governments do not allow access to the reserves. Government regulations and the costs incurred by oil and natural gas exploration companies to conform to and comply with government regulations may also limit the quantity of oil and natural gas that may be economically produced.

Supply can also be impacted by the degree to which individual Organization of Petroleum Exporting Countries ("OPEC") nations and other large oil and natural gas producing countries, including, but not limited to, Norway and Russia, are willing and able to control production and exports of oil, to decrease or increase supply and to support their targeted oil price while meeting their market share objectives. Any of these factors could affect the supply of oil and natural gas and could have a material effect on our results of operations.

Volatility of oil and natural gas prices can adversely affect demand for our products and services.

Volatility in oil and natural gas prices can also impact our customers' activity levels and spending for our products and services. Current energy prices are important contributors to cash flow for our customers and their ability to fund exploration and development activities. Over the past year oil prices have declined significantly due in large part to increasing supplies, weakening demand growth and OPEC's position to not cut production. Expectations about future prices and price volatility are important for determining future spending levels.

Notes

1. Uncertainty relating to recognition and measurement (continued)

Lower oil and natural gas prices generally lead to decreased spending by our customers. While higher oil and natural gas prices generally lead to increased spending by our customers, sustained high energy prices can be an impediment to economic growth, and can therefore negatively impact spending by our customers. Our customers also take into account the volatility of energy prices and other risk factors by requiring higher returns for individual projects if there is higher perceived risk. Any of these factors could affect the demand for oil and natural gas and could have a material effect on our results of operations.

2. Revenue

	2015 DKK	2014 DKK'000
Revenue from primary business activities	435.994.768	340.893
Revenue from Well Stimulation Vessel activities	206.794.635	224.896
	642.789.403	**565.789**

3. Staff costs

	2015 DKK	2014 DKK'000
Wages and salaries	74.662.608	75.033
Pension costs	9.285.955	7.329
Other social security costs	2.527.441	3.011
	86.476.004	**85.373**
Number of employees at balance sheet date	40	42
Average number of employees	40	42
Average number of rotators	52	36

Referring to section 69(3)(h) of the Danish Financial Statements Act, remuneration to the Board of Directors and the Executive Board is not disclosed.

Notes

4. Income from investments in group enterprises

Income from investments in group enterprises consists of dividend from other investments.

	2015 DKK	2014 DKK'000
5. Other financial income		
Exchange rate adjustments	211.611	(77)
	211.611	(77)

	2015 DKK	2014 DKK'000
6. Other financial expenses		
Interest expenses	16.872.481	15.566
Exchange rate adjustments	5.237.024	5.041
Other financial expenses	147.944	114
	22.257.449	20.721

7. Tax on ordinary profit/loss for the year

	2015 DKK	2014 DKK'000
Current income tax	11,898,005	11,638
Withholding tax expenses, current year	3,852,931	1,095
Change in deferred tax for the year	865,793	622
Adjustment relating to previous years	9,202,356	(485)
	25,819,085	12,870

Notes

	Plant and machinery DKK	Ships DKK	Other fixtures and fittings, tools and equipment DKK
8. Property, plant and equipment			
Cost beginning of year	33.982.776	298.872.596	6.777.103
Additions	14.718.791	16.064.066	58.352
Disposals	(17.082.651)	0	0
Cost end of year	**31.618.916**	**314.936.662**	**6.835.455**
Depreciation and impairment losses beginning of the year	(17.437.840)	(29.065.988)	(6.272.426)
Transfer to and from other items	5.174.558	(2.066.578)	2.066.578
Impairment losses for the year	0	(130.459.560)	0
Depreciation for the year	(2.735.436)	(25.570.605)	(563.115)
Reversal regarding disposals	1.877.350	0	0
Depreciation and impairment losses end of the year	**(13.121.368)**	**(187.162.731)**	**(4.768.963)**
Carrying amount end of year	**18.497.548**	**127.773.931**	**2.066.492**

The Company has recognised an impairment loss for the Well Stimulation Vessel due to the current market conditions in the Oil and Gas Industry.

Financial leases amounts to DKK 130 million.

Notes

	Other investments DKK	Other receivables DKK
9. Fixed asset investments		
Cost beginning of year	24.808.726	9.386.358
Additions	0	34.291.629
Disposals	0	(29.238.699)
Cost end of year	**24.808.726**	**14.439.288**
Carrying amount end of year	**24.808.726**	**14.439.288**

	Registered in	Corporate form	Equity interest %	Equity DKK	Profit/loss DKK
Associates:					
Baker Hughes Argentina SRL	Argentina	SRL	5,00	560.796.000	156.824.000

	Number	Par value DKK	Nominal value DKK
10. Contributed capital			
Ordinary shares	510	1.000,00	510.000
	510		**510.000**

	2015 DKK	2014 DKK	2013 DKK	2012 DKK	2011 DKK
Changes in contributed capital					
Contributed capital beginning of year	510.000	510.000	510.000	510.000	510.000
Contributed capital end of year	**510.000**	**510.000**	**510.000**	**510.000**	**510.000**

Notes

11. Other provisions

	Outstanding after 5 years DKK
Asset retirement obligation	36,572,486
	36,572,486

The asset retirement obligation represents the present value of the demobilisation and redelivery costs determind by Clause 9 of the Time Charter agreement for Well Stimulation Vessel from 1 March 2012.

12. Long-term finance lease liabilities

	Installments within 12 months DKK	Installments beyond 12 months DKK	Outstanding after 5 years DKK
Short term portion of long-term finance lease liability	17,687,293	0	0
Long term lease obligation	0	143,305,088	130,571,190
	17,687,293	143,305,088	130,571,190

13. Change in working capital

	2015 DKK	2014 DKK'000
Increase/decrease in inventories	81.274	6.702
Increase/decrease in receivables	(87.308.667)	(129.235)
Increase/decrease in trade payables etc	17.413.766	6.737
	(69.813.627)	(115.796)

14. Unrecognised rental and lease commitments

	2015 DKK'000	2014 DKK'000
The Company has 3 to 6 months' notice on its leases in Esbjerg and Copenhagen amounting to	1,183	1,255
Operating lease contracts on cars and office equipment have been concluded for the years 2010 to 2021. Annual lease payments amount to	139	106

Notes

15. Contingent liabilities

The Company is jointly and several liable with the other entities subject to joint taxation for the total corporate tax covered by the joint taxation. The Company is the management Company of a Danish joint taxation. The Company is liable, pursuant to the Corporation Tax Act rules that effect from the financial year 2013, income taxes, etc. for the jointly taxed entities. From 1 July 2012 this also applies to any obligation to withhold tax on interest, royalties and dividends for those entities. The jointly taxed companies' total known net liability in the joint taxation arrangement is stated in the financial statements of the administration company.

16. Assets charged and collateral

The Company has an insurance obligation according to Clause 30 and Exhibit E and a charterer's indemnity obligation according to Clause 28 of the Time Charter agreement for Well Stimulation Vessel from 1 March 2012.

17. Related parties with control

The following related parties have a controlling interest in Baker Hughes Denmark ApS:

Name	Registered office	Basis of influence
Baker Hughes Nederland Holdings B.V.	The Netherlands	Holds more than 50% of the voting share capital or of the nominal value of the share capital.

Transactions between related parties and Baker Hughes Denmark ApS that have not been conducted at arm's length

None.

Notes

18. Ownership

The Company has registered the following shareholder to hold more than 5% of the voting share capital or of the nominal value of the share capital:

Baker Hughes Nederland Holdings B.V., The Netherlands

19. Consolidation

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

Baker Hughes Inc. USA

The foreign consolidated financial statements can be obtained at www.bakerhughes.com.