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Baker Hughes Denmark ApS

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

Annual report 2016

The Annual General Meeting adopted the annual report on 15.06.2017

Chairman of the General Meeting

Jens Steen Jensen

Name: Jens Steen Jensen

Contents

Entity details

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

Central Business Registration No: 18064898
Registered in: Esbjerg
Financial year: 01.01.2016 - 31.12.2016

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Board of Directors
Tommie Lee Pate
Michael Allan Rasmuson
Pascal Kool

Executive Board
Michael Allan Rasmuson, CEO

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København 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 01.01.2016 - 31.12.2016.

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 31.12.2016 and of the results of its operations and cash flows for the financial year 01.01.2016 - 31.12.2016.

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, 15.06.2017

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Michael Allan Rasmuson
CEO

Board of Directors

Tommie Lee Pate	Michael Allan Rasmuson	Pascal Kool

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CEO

Board of Directors

Tommie Lee Pate	Michael Allan Rasmuson	Pascal Kool

Independent auditor's report

To the shareholders of Baker Hughes Denmark ApS

Opinion

We have audited the financial statements of Baker Hughes Denmark ApS for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations and cash flows for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities 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.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent auditor's report

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

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

Copenhagen, 15.06.2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Flemming Larsen
State Authorised Public Accountant

Management commentary

	2016 DKK'000	2015 DKK'000	2014 DKK'000	2013 DKK'000	2012 DKK'000
Financial highlights					
Key figures					
Revenue	364.403	642.789	565.789	306.167	317.877
Gross profit/loss	54.415	225.181	218.842	85.326	113.829
Operating profit/loss	(46.005)	(20.624)	106.000	17.590	58.791
Net financials	(15.933)	(9.481)	(19.824)	(1.675)	(1.267)
Profit/loss for the year	(71.445)	(55.924)	73.306	11.433	42.263
Total assets	417.285	553.981	580.507	479.735	147.422
Investments in property, plant and equipment	5.478	30.841	8.361	309.569	6.478
Equity	65.657	137.103	193.027	119.723	108.289
Ratios					
Gross margin (%)	14,9	35,0	38,7	27,9	35,8
Net margin (%)	(19,6)	(8,7)	13,0	3,7	13,3
Return on equity (%)	(70,5)	(33,9)	46,9	10,0	35,7
Equity ratio (%)	15,7	24,7	33,3	25,0	73,5

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

Ratios	Calculation formula	Ratios
Gross margin (%)	$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$	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.
Equity ratio (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

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 71.445 thousand. The decrease in result is mainly driven by the expected lower activities related to the primary business activities. Equity 31.12.2016 amounts to DKK 65.657 Thousand. The company's ultimate parent company has confirmed to the company its continuing financial support to enable the company to meet its obligations as they fall for at least 12 month from the signing of these financial statements.

Description of material changes in activities and finances

The primary business of the Company comprise sales, rental of drilling equipment and primary services to the offshore industry. In 2016, the business segments of Baker Hughes Denmark ApS comprised Drilling & Evalutations (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 60% of the Company´s revenue for the current year.

The Company operates a Well Stimulation Vessel (Blue Orca) in the North Sea since 1st of October 2013 with an outstanding HSE. The project was primary related to a long term contract with one of its main customers. Management's efforts brought additional contracts with other customers within short time after implementation.

The Vessel incorporates state-of-the-art stimulation technology and unsurpassed treatment capabilities to reduce risk, rig time, and nonproductive 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 acidizing 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 resupply, 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 slurred polymer concentrates. Currently the Blue Orca is getting Equipped with a Remote operated vehicle capability that will open new horizons in the Subsea market sector which none of the competition vessels would be able to match at least in the short term and which we are certain will bring lots of value to North Sea and the industry as a whole.

In 2016, the overall revenue in Denmark were significantly lower compared to 2015. However, the secured market share exceeded management expectations for 2016. Throughout the last 2 years, 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. During 2016, we continued to face difficult industry conditions as commodity prices deteriorated to levels not seen in more than a decade. With oil prices shyly recovering, challenges in 2017 still persists as last years. At current commodity prices, the global rig count could continue to decline till the oil prices stabilize over an extended period of time. Questions about global economic growth, along with currency volatility, geopolitical & political dynamics and supply-demand metrics, will continue to be drivers of uncertainty. Although challenges are expected to persist this year, the management is confident in the company's ability to compete and differentiate in the market.

Management commentary

As a response to the current market circumstances, Baker Hughes undertakes various steps to navigate in the market with a change in strategy and optimizing its structures and production. The impairment test related to the Vessel Blue Orca has not given an indication for additional impairment requirements compared to the write down booked in 2015.

On October 30, 2016, Baker Hughes Incorporated and GE entered into a Transaction Agreement and Plan of Merger, pursuant to which, among other things, GE's oil and gas business and Baker Hughes will be combined and operate under the name "Baker Hughes, a GE Company".

The GE Transaction is subject to the approval of Baker Hughes' stockholders, regulatory approvals and customary closing conditions.
Baker Hughes and GE expect the GE Transaction to close in mid-2017.
However, Baker Hughes cannot predict with certainty when, or if, the GE Transaction will be completed because completion of the GE Transaction is subject to conditions beyond the control of Baker Hughes.

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 2016, the Company has not recognized further impairment loss concerning the Well Stimulation Vessel resulting from the current market situation in the Oil and Gas Industry. However, 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 2017 is expected to be slightly lower or comparable to 2016, 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 on a group level.

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

Management commentary

Statutory report on the underrepresented gender

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 optimize opportunities irrespectively of their gender, age, race, religion, disability or sexual orientation.

The Board of Directors continuously works to increase diversity within the board. The Company defined a target that members of the under-represented gender should constitute at least 25%. The Board of Directors does not currently represent an equal mix of genders. The Company intend 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.

Income statement for 2016

	Notes	2016 DKK	2015 DKK'000
Revenue	3	364.403.004	642.789
Cost of sales		(235.958.195)	(329.741)
Other external expenses		(74.029.920)	(87.867)
Gross profit/loss		**54.414.889**	**225.181**
Staff costs	4	(70.360.406)	(86.476)
Depreciation, amortisation and impairment losses		(30.059.075)	(159.329)
Operating profit/loss		**(46.004.592)**	**(20.624)**
Income from investments in group enterprises	5	606.556	12.564
Other financial income	6	15.119.941	212
Other financial expenses	7	(31.659.868)	(22.257)
Profit/loss before tax		**(61.937.963)**	**(30.105)**
Tax on profit/loss for the year	8	(9.507.314)	(25.819)
Profit/loss for the year	9	**(71.445.277)**	**(55.924)**

Balance sheet at 31.12.2016

	Notes	2016 DKK	2015 DKK'000
Plant and machinery		10.192.733	18.498
Ships		100.774.015	127.774
Other fixtures and fittings, tools and equipment		1.540.013	2.066
Property, plant and equipment	10	**112.506.761**	**148.338**
Other investments		24.808.726	24.809
Other receivables		14.423.464	14.439
Fixed asset investments	11	**39.232.190**	**39.248**
Fixed assets		**151.738.951**	**187.586**
Raw materials and consumables		1.082.427	4.983
Manufactured goods and goods for resale		11.306.398	32.169
Inventories		**12.388.825**	**37.152**
Trade receivables		46.507.860	79.364
Receivables from group enterprises		197.136.190	221.766
Other receivables		1.849.663	1.802
Income tax receivable		3.990.976	13.529
Receivables		**249.484.689**	**316.461**
Cash		**3.672.553**	**12.782**
Current assets		**265.546.067**	**366.395**
Assets		**417.285.018**	**553.981**

Balance sheet at 31.12.2016

	Notes	2016 DKK	2015 DKK'000
Contributed capital	12	510.000	510
Retained earnings		65.147.326	136.593
Equity		**65.657.326**	**137.103**
Deferred tax		0	1.312
Other provisions	13	38.502.701	36.572
Provisions		**38.502.701**	**37.884**
Finance lease liabilities	14	256.407.014	273.876
Non-current liabilities other than provisions		**256.407.014**	**273.876**
Current portion of long-term liabilities other than provisions		19.289.236	17.687
Trade payables		8.631.332	14.777
Payables to group enterprises		20.430.878	59.730
Other payables		8.366.531	12.924
Current liabilities other than provisions		**56.717.977**	**105.118**
Liabilities other than provisions		**313.124.991**	**378.994**
Equity and liabilities		**417.285.018**	**553.981**
Going concern	1		
Uncertainty relating to recognition and measurement	2		
Unrecognised rental and lease commitments	16		
Contingent liabilities	17		
Related parties with controlling interest	18		
Group relations	19		

Statement of changes in equity for 2016

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	510.000	136.592.603	137.102.603
Profit/loss for the year	0	(71.445.277)	(71.445.277)
Equity end of year	**510.000**	**65.147.326**	**65.657.326**

Cash flow statement 2016

	Notes	2016 DKK	2015 DKK'000
Operating profit/loss		(46.004.592)	(20.624)
Amortisation, depreciation and impairment losses		30.059.075	159.329
Working capital changes	15	33.817.999	(69.814)
Cash flow from ordinary operating activities		**17.872.482**	**68.891**
Financial income received		15.919.989	12.776
Financial income paid		(31.659.868)	(22.257)
Income taxes refunded/(paid)		(1.475.175)	(43.609)
Cash flows from operating activities		**657.428**	**15.801**
Acquisition etc of intangible assets		(5.478.198)	(30.841)
Sale of property, plant and equipment		11.250.334	10.031
Cash flows from investing activities		**5.772.136**	**(20.810)**
Loans raised		(15.539.049)	16.247
Cash flows from financing activities		**(15.539.049)**	**16.247**
Increase/decrease in cash and cash equivalents		**(9.109.485)**	**11.238**
Cash and cash equivalents beginning of year		12.782.038	1.545
Cash and cash equivalents end of year		**3.672.553**	**12.783**

Notes

1. Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company's ultimate parent company has also confirmed to the company its continuing financial support to enable the company to meet its obligations as they fall for at least 12 month from the signing of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2. 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.

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,

Notes

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.

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.

	2016 DKK	2015 DKK'000
3. Revenue		
Revenue from primary business activities	219.309.228	435.995
Revenue from Well Stimulation Vessel activities	145.093.776	206.794
	364.403.004	**642.789**

Notes

	2016 DKK	2015 DKK'000
4. Staff costs		
Wages and salaries	64.873.058	74.663
Pension costs	2.308.870	9.286
Other social security costs	3.178.478	2.527
	70.360.406	**86.476**
Number of employees at balance sheet date	**37**	**40**
Average number of employees	**42**	**40**

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.

5. Income from investments in group enterprises

Income from investments in group enterprises, consist of dividend from other investment.

	2016 DKK	2015 DKK'000
6. Other financial income		
Exchange rate adjustments	15.119.941	212
	15.119.941	**212**

	2016 DKK	2015 DKK'000
7. Other financial expenses		
Interest expenses	14.880.451	16.872
Exchange rate adjustments	16.635.334	5.237
Other financial expenses	144.083	148
	31.659.868	**22.257**

	2016 DKK	2015 DKK'000
8. Tax on profit/loss for the year		
Tax on current year taxable income	0	11.898
Change in deferred tax for the year	(1.311.994)	866
Adjustment concerning previous years	8.747.790	9.202
Effect of changed tax rates	2.071.518	3.853
	9.507.314	**25.819**

Notes

	2016 DKK	2015 DKK'000
9. Proposed distribution of profit/loss		
Retained earnings	(71.445.277)	(55.924)
	(71.445.277)	**(55.924)**

	Plant and machinery DKK	Ships DKK	Other fixtures and fittings, tools and equipment DKK
10. Property, plant and equipment			
Cost beginning of year	31.618.916	314.936.662	6.835.455
Additions	5.478.198	0	0
Disposals	(16.736.489)	(306)	(1.669)
Cost end of year	**20.360.625**	**314.936.356**	**6.833.786**
Depreciation and impairment losses beginning of the year	(13.121.368)	(187.162.731)	(4.768.963)
Transfers	4.408.425	0	0
Depreciation for the year	(2.534.655)	(26.999.610)	(524.810)
Reversal regarding disposals	1.079.706	0	0
Depreciation and impairment losses end of the year	**(10.167.892)**	**(214.162.341)**	**(5.293.773)**
Carrying amount end of year	**10.192.733**	**100.774.015**	**1.540.013**

Meanwhile, in connection with the preparation of the 2015 annual report, Management had performed an impairment test of the vessel Blue Orca. Based on the test, Management decided to write down the vessel with DKK 130 million. The impairment test performed in 2016 has not given an indication for additional impairment requirements.

Notes

	Other investments DKK	Other receivables DKK
11. Fixed asset investments		
Cost beginning of year	24.808.726	14.439.288
Additions	0	14.215.264
Disposals	0	(14.231.088)
Cost end of year	**24.808.726**	**14.423.464**
Carrying amount end of year	**24.808.726**	**14.423.464**

	Registered in	Corporate form	Equity interest %	Equity DKK	Profit/loss DKK
Investments in associates comprise:					
Baker Hughes Argentina SRL	Argentina	SRL	5,0	560.796.000	156.824.000

	Number	Par value DKK	Nominal value DKK
12. Contributed capital			
Ordinary shares	510	1000	510.000
	510		**510.000**

13. Other provisions

	Outstanding after 5 years DKK
Assets retirement obligation	38.508.701
	38.502.701

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

Notes

14. Long-term finance lease liabilities

	Installments within 12 months	Installments beyond 12 months	Outstanding after 5 years
	DKK	DKK	DKK
Short term portion of long-term finance lease liability	19.289.236	0	0
Long term financial lease obligation	0	151.829.317	104.577.696
	19.289.236	**151.829.317**	**104.577.696**

15. Change in working capital

	2016 DKK	2015 DKK'000
Increase/decrease in inventories	24.763.207	81
Increase/decrease in receivables	57.454.080	(87.309)
Increase/decrease in trade payables etc	(48.399.288)	17.414
	33.817.999	**(69.814)**

16. Unrecognised rental and lease commitments

	2016 DKK' 000	2015 DKK' 000
The Company has 3 to 6 months' notice on its leases in Esbjerg amounting to	**1.018**	**1.183**
Operating lease contracts on cars and office equipment have been concluded for the years 2010 to 2021. Annual lease payments	**101**	**140**

Notes

17. 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 Company has insurance obligation according to Clause 30 and Exhibit E and a charterer´s indeminity obligations according to Clause 28 of the Time Charter agreement for Well Stimulation Vessel from 1 March 2012.

18. Related parties with controlling interest

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.

19. Group relations

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

Baker Hughes Inc. USA.
The foreign consolidated financial statements can be obtained at www.bakerhughes.com.

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 to these financial statements are consistent with those applied last year. However, some changes has been made to presentation in accordance with the new Danish Financial Statement Act. These changes in the presentation, has not affected the income statement or balance.

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 rate 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.

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.

Accounting policies

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 goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

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.

Depreciation, amortisation 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.

Accounting policies

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 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.

Tax on profit/loss for the year
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.

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
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 recognized as such if it transfers substantially all the risks and rewards incidental to ownership of an asset.

Accounting policies

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less writedowns 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 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.

Income tax payable or receivable
Current tax payable or receivable is recognised in the balance sheet, stated as tax computed 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 restructuring, 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.

Accounting policies

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

Finance lease liabilities
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 sales.

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

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, repayments of interest-bearing debt, and 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.