GROWTH
THROUGH INNOVATION
ANNUAL REPORT 2018

WELLTEC A/S
CENTRAL BUSINESS REGISTRATION NO: 13 47 88 05
GYDEVANG 25, 3450 ALLERØD, DENMARK

This annual report for Welltec A/S has been adopted and approved at the ordinary annual general meeting of shareholders held 19 June 2019.

Martin Skovbjerg
Chairman of the general meeting

Welltec®

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COMPANY PROFILE

Welltec® is a global service provider which develops and delivers technology and services intended to transform the oil and gas industry. Our game-changing solutions are dedicated to optimizing the construction and management of our clients' well stock, from well completion design and construction to the intervention services required to ensure performance and integrity.

We address the factors that maximize value creation, continuously innovating to reduce well construction time, speed up access to the hydrocarbons and reduce the capital expenditure compared to more conventional methods. This results in maximized hydrocarbon production and increased total recovery while minimizing operating downtime.

It's Welltec's philosophy to challenge existing conventions and think laterally in order to develop products and services which increase oil and gas recovery while improving the sustainable, economic, environmental and safety aspects of our industry. In practice we develop, test and manufacture state-of-the-art technology to enhance the production and recovery rates for our clients, thereby improving their profitability through a longer term revenue stream, while at the same time improving upon health, safety and environmental attributes.

In an industry challenged by low oil prices, our Flex-Well® design provides new perspective to drilling and completing wells, adopting a holistic approach which adds value continuously over the life-cycle of the well. From reducing geological uncertainty, accelerating first production, minimizing CAPEX, reducing costs and simplifying P&A our approach can boost cash flow now and over the life of the well.

Our value proposition is compelling; our technology enables clients to unlock more production from their assets and to address reservoir complexities and uncertainties with a greater number of options, which are cleaner, safer and more sustainable.

MANAGEMENT
COMMENTARY

CONSOLIDATED KEY FIGURES AND RATIOS

	2018	2017	2016	2015	2014
STATEMENT OF COMPREHENSIVE INCOME (USD in millions)					
Revenue	237	170	189	246	345
Earnings before interest, tax, depreciation and amortization (EBITDA)*	67	50	68	96	155
Operating profit (EBIT) before special items	22	(16)	5	33	85
Operating profit (EBIT)	13	(20)	3	24	85
Net financial expenses	(19)	(17)	(26)	(40)	(34)
Profit / (loss) before tax	(6)	(37)	(23)	(16)	51
Profit / (loss) for the year	(17)	(33)	(25)	(33)	16
CASH FLOWS (USD in millions)					
Cash flows from operating activities	74	32	53	79	120
Cash flows from investment activities	(45)	(50)	(10)	(43)	(75)
Cash flows from financing activities	(36)	(6)	(49)	(15)	(38)
Total cash flows	(6)	(24)	(6)	20	7
BALANCE (USD in millions)					
Equity	26	49	56	78	125
Total assets	425	439	447	512	567
Investments in intangible assets**	9	13	12	19	38
Investments in tangible assets**	25	16	20	26	46
KEY RATIOS (%)					
EBITDA-margin*	28	30	36	39	45
EBIT-margin before special items	9	(9)	3	13	25
ROIC excl. goodwill	13	9	15	22	44
Return on equity	(46)	(64)	(38)	(33)	13
Number of employees, average	802	730	736	894	1,013

$$\text{EBIT margin before special items} = \frac{\text{Operating profit [EBIT] before special items x 100}}{\text{Revenue}}$$

$$^{*}\text{EBITDA margin} = \frac{\text{Operating profit before special items, depreciation, amortization and impairment and adjusted for issued warrants (non-cash) x 100}}{\text{Revenue}}$$

$$\text{Return on equity} = \frac{\text{Profit / (loss) for the year x 100}}{\text{Average equity}}$$

$$\text{ROIC excl. goodwill} = \frac{\text{EBITA}}{\text{Average capital investment excl. goodwill}}$$

*EBITDA is defined by Welltec as reported operating profit (EBIT) before special items, amortization, depreciation, impairment losses and issued warrants (non-cash). Depreciation for these purposes includes depreciation attributable to development and manufacturing which is capitalized because it is considered a part of the costs that are directly attributable to the manufacturing of products. Welltec's definition of EBITDA may differ from the definition of EBITDA used by other companies. EBITDA as defined by Welltec is reported to allow for a more accurate assessment of the business operations. Welltec's definition of EBITDA should not be considered in isolation from, as substitutes for, or superior to the reported results prepared in accordance with International Financial Reporting Standards (IFRS).

**Investments in intangible and tangible assets are defined as addition of fixed assets including additions from financial leasing and additions through business combinations.

FINANCIAL REVIEW

(USD in millions)	2018	2017	CHANGE IN %
Revenue	237	170	40
Cost of service provided	(150)	(126)	(10)
Gross profit	87	43	127
Development and manufacturing costs	(7)	(3)	(212)
Administrative and sales costs	(57)	(55)	(3)
Amortization of acquired intangibles in a business combination	(1)	(1)	(6)
Operating profit (EBIT) before special items	22	(16)	241
Special items	(9)	(4)	(120)
Operating profit (EBIT)	13	(20)	nm
Net financial expenses	(19)	(17)	12
Income taxes	(11)	4	nm
Profit / (loss) for the year	(17)	(33)	49

FINANCIAL REVIEW

Revenue

Revenues amounted to USD 237 million, an increase of 40% year on year. The increase in revenue reflects a continued activity increase driven by rendering og services and changed sales mix over the year

Cost of service provided

The cost of services provided was USD 139 million, a increase of 10% compared to last year. The increase was primarily attributable to higher staff costs and to an overall higher level of operational cost, both due to continuous alignment to market activity.

Development and manufacturing costs

Development and manufacturing costs not capitalised increased to USD 7 million an increase of USD 4 million compared to 2017.

Administrative expenses and sales costs

Administrative expenses and sales costs were USD 57 million, an increase of 3% compared to last year. The increase is due to a general increase in activity in 2018.

Earnings before interest, tax, depreciation, amortization and special items (EBITDA)

EBITDA increased to USD 67 million, representing a margin of 28% against 30% in 2017. The rise in EBITDA was mainly attributable to higher sales.

Operating profit before special items (EBIT)

EBIT increased to USD 22 million from (16) million in 2017. The EBIT margin was 10% against (9)% in 2017, the increased EBIT is s related to higher sales offset by higher cost.

Special items

Special items were USD 9 million compared with USD 4 million in 2017. The special items relate to the implementation of cost efficiencies and adjustments to the global organization involving headcount reductions and closure of bases.

Net financial expenses

Net financial expenses were USD 19million, an increase of 12% compared to last year. This reflects an increase in interest expenses.

Income taxes

Income taxes were an expense of USD 11million, an increase of USD 15 million year on year. The tax position is significantly affected by interest limitation rules in Denmark and non-refundable withholding taxes globally.

Loss for the year

2018 resulted in a loss of USD 17 million, representing a decrease in the loss of USD 16 million compared to 2017.

ALTERNATIVE PERFORMANCE MEASURES - EBITDA RECONCILIATION

	2018	**2017**
Loss for the period	(17)	(33)
Income taxes	(11)	4
Financial expenses (net)	19	17
Depreciation and amortization	38	47
Impairment loss	5	4
Issued warrants	1	7
Special items	9	4
EBITDA	**67**	**50**

Net cash flows

Cash-flows from operating activities continued to generate strong cash flows underpinned by margin resilience, improved processes. The cash generated was used to service interest payments, investments in D&E projects, patents and the fleet of tools, tractors and equipment.

Significant events in 2018

In 2018 it was decided to reorganize the Well Completion Business which lead to a writedown of development projects.

OUTLOOK

2019 is expected to be another challenging year for the industry as the volatile oil price environment continues to impact both operators and services companies.

As we enter into 2019 the global supply of oil continues to outpace demand which combined with complex geopolitical topics continue to fuel volatility and uncertainty across markets.

As a result of the volatile market back drop and the challenging industry environment, Welltec is currently not able to offer qualified guidance for the full year 2019.

However, Welltec will continue to evaluate forward looking reference points and commence on outlook guidance again once visibility has improved.

ANOTHER CHALLENGING YEAR

FOR THE INDUSTRY IS IN THE OUTLOOK ... BUT

THROUGH CONSTANT INNOVATION WE

WILL KEEP GROWING OUR BUSINESS

RISKS

Risks Related to Our Business

Business and Industry Related Risks

While we believe our business to be relatively unaffected by macroeconomic factors, it is ultimately affected by the level of expenditures of companies engaged in the production, exploration and development of oil and gas.

Cyclical Market

The oil and gas industry is cyclical and while demand for Welltec's products and services is primarily dependent on customer's operating expenditures, demand for Welltec's products and services also depends somewhat on the capital expenditures of customers. A decrease in operating expenditures may have adverse effects on Welltec's revenue and profits in the shorter term, while a decrease in the capital expenditures may have adverse effects on Welltec's revenue and profits in the longer term.

Customers

Welltec's clients are typically not required to make minimum purchases under sales contracts and customers can typically terminate contracts without cause and on short notice. Notwithstanding our broad customer base, Welltec has one customer that accounted for more than 15% of our revenue, hence termination of this relationship would have an adverse effect on our revenue and profits. As such, visibility with respect to future revenues is limited and there can be no assurance that a trading relationship with important customers will continue.

Competitors

Welltec competes with large multinational companies that can offer a broader portfolio of integrated serviced compared to Welltec. Further, Welltec is, to some extent, dependent on equipment provided by our competitors and acts or omissions by such competitors could restrict us from accessing wells using their equipment. In general, competition can result in pricing pressures, lower sales and reduced margins that could have an adverse effect on Welltec's revenue and profits.

Operational Risks

Service Quality

Welltec's ability to provide a high quality product and service provision is paramount to secure repeat sales with new and existing clients. Our service quality can be negatively affected by an inability to attract, train and retain highly skilled and qualified personnel to develop, manufacture and operate our equipment, with an adverse effect on Welltec's revenue.

Supply Chain

Welltec may experience constraints, anomalies or interruptions in our supply chain, ultimately restricting Welltec's ability to meet customer expectations. Such constraints may be due to supply chain bottlenecks, delays or disruptions in clearing goods from customs or events restricting Welltec's ability to procure, develop or manufacture new equipment or spare parts or maintain the existing fleet, and such could negatively affect our results of operations.

Catastrophic Events

Welltec's business operations could be subject to various catastrophic events, including blow outs, explosions, damage to or loss of third party property, injury to personnel, reputational damage and oil and hazardous substance spills into the environment, both on and off shore. Such events could, if the impact of such event is not covered by Welltec's insurance or are not subjected to Welltec's contractual indemnification protection, have an adverse effect on Welltec's revenue and profits.

Financial Risks

Financial Exposure

Due to Welltec's foreign activities in foreign currencies, its profit/loss, cash flows and equity are affected by changes in exchange rates for a number of currencies.

Foreign exchange fluctuations

The reporting currency of the Group is US Dollars and the functional currency for most of the Group's subsidiaries is that of the country in which the subsidiary is domiciled. The functional currency of the Danish operation and operations in some other countries is US dollars. This reflects the revenue and principal source of financing. A significant proportion of the Group's revenues, expenses and other liabilities are denominated in currencies other than the US Dollar, in particular Norwegian Kroner, Danish Kroner and Canadian Dollar. Fluctuations in the value of other currencies as compared with the US Dollar could result in translation losses or gains.

Taxes

Welltec files income tax returns in multiple jurisdictions. Welltec's effective tax rate could be adversely affected by several factors, including changes in the income taxed by or allocated to the various jurisdictions with differing statutory tax rates; changing tax laws, regulations and interpretations of such tax laws in multiple jurisdictions; and the resolution of issues arising from tax audits or examinations together with any related interest or penalties. The determination of local tax liability is always subject to review or examination by authorities in operating jurisdictions. If a tax authority in any jurisdiction reviews filed tax returns and based on filing proposes an adjustment, including adjustments of transfer prices and terms applied, such an adjustment could have a negative impact on Welltec's net profit.

Liquidity Risk

Welltec's ability to make payments, refinance indebtedness, fund planned capital expenditures and other strategic investments will depend on our ability to generate cash in the future. This is, to a certain extent subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. Welltec expects to continue making capital investments in order to develop and purchase additional equipment to expand our services, increase our capacity and replace existing equipment. Such capital investments require cash that could otherwise be applied to other business needs. However, if Welltec does not incur these expenditures our competitive strength may decline and our business may be adversely affected.

Legal Risks

Regulatory

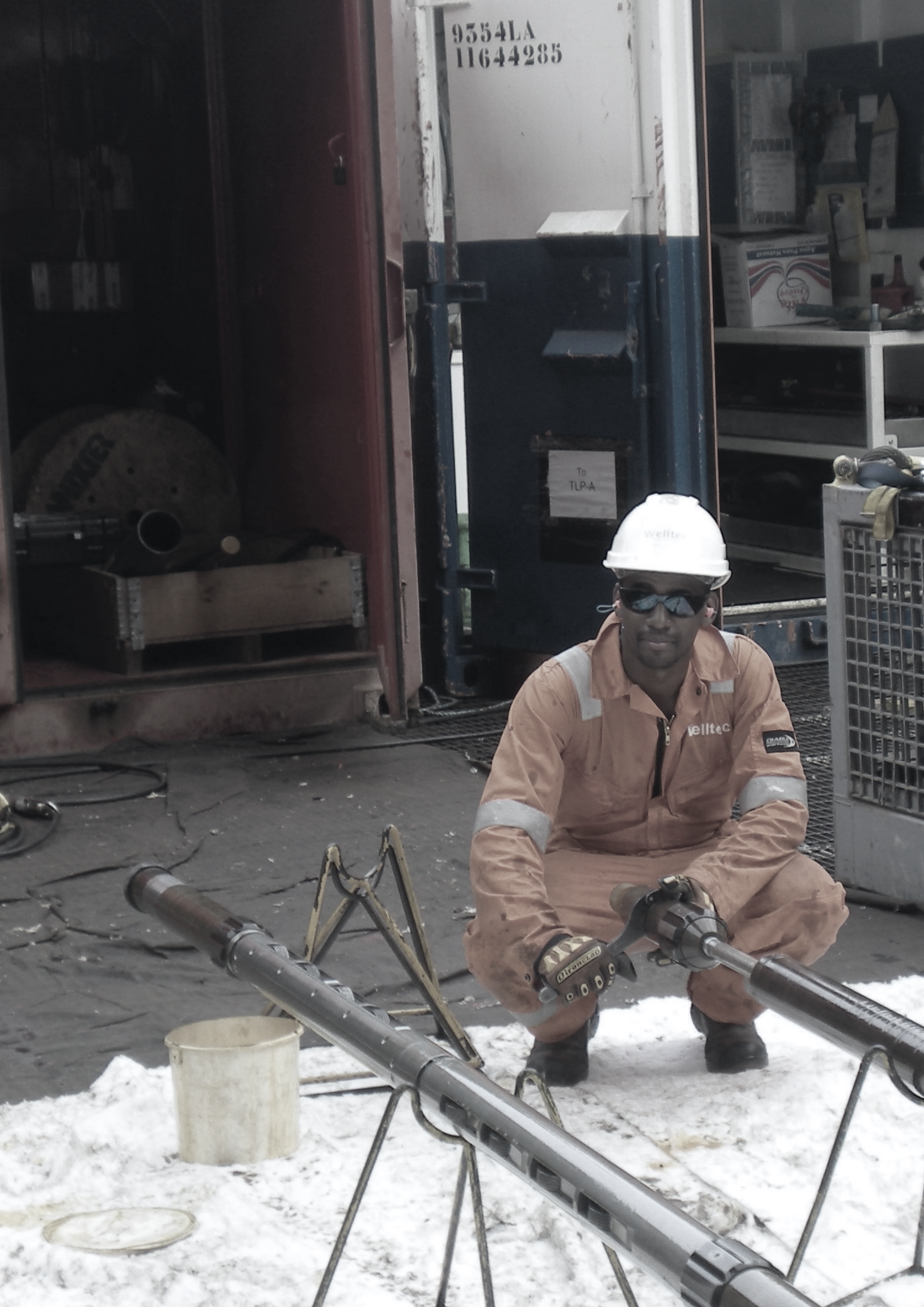
Welltec conducts business in multiple jurisdictions in a highly regulated industry. As such, Welltec is, directly or indirectly, subject to a variety of federal, provincial, state and local laws, regulations and guidelines, in all such jurisdictions, including laws and regulations relating to health and safety, the conduct of operations including business ethics and trade compliance, taxation, the protection of the environment and the manufacture, management, transportation and disposal of certain materials used in operations. Accordingly, Welltec could become subject to liabilities relating to the violation of such regulations in multiple jurisdictions, with an adverse effect on profits.

Technology

Welltec is a technology company, constantly challenging the operational boundaries in the industry. However, third parties may assert that our products, services, solutions and other intellectual property may infringe, on their proprietary rights. Any such potential future claims, regardless of merit, could result in multi-jurisdictional litigation, which could result in substantial expenses, causes significant delays and materially disrupt the conduct of business and have an adverse effect on our financial condition and results of operations.

BRANCHES

An overview of the branches in the Welltec Group can be found on page 89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CORPORATE SOCIAL RESPONSIBILITY

The following statement on Corporate Social Responsibility (CSR) pursuant to the Danish Financial Statement Act Section 99a and b is part of the Management Commentary in the 2018 Annual Report. It also serves as the company's Communication on Progress as required by the UN Global Compact. We continue to support and promote the principles of the UN Global Compact in our sphere of influence, in particular by integrating them in our business operations.

Corporate Social Responsibility Policy

Welltec focuses its CSR efforts on areas and issues directly affecting our business. We have outlined our responsibility in polices developed to comply with the objectives of CSR and approved by the Board of Directors. These principles are reviewed on a regular basis and updated against relevant codes of corporate governance and international standards, including the UN's Universal Declaration of Human Rights, the ILO's Declaration on Fundamental Principles and Rights at Work, the OECD's Guidelines for Multinational Enterprises, the Rio Declaration on Environment and Development, the UN Convention against Corruption, as well as applicable legislation governing the interest of our stakeholders. In addition to working towards the respect for human rights, we strive to make sure that Welltec's business, including the people contributing to it, is not involved in or related to any form of human rights abuses. To reinforce our commitment, Welltec created a Human Rights Policy in 2018 that is applicable to the Welltec Group. The policy is mainly focused on human rights and labour standards in our work places (including security, discrimination and freedom of association).

Our CSR Policies are incorporated in a Code of Conduct applicable globally. The areas currently covered by the Code of Conduct are: (i) Business Ethics, (ii) Anti-Corruption, (iii) Health, Safety and Environment, (iv) Employment, (v) Customers, and (vi) Community.

The responsibility of monitoring overall CSR compliance has been delegated to the heads of Legal, Human Resources, QHSE (Quality, Health, Safety, and Environment) and commercial departments.

The policies continue to be communicated to all employees and are accessible on both our website and intranet. Moreover, a concerted effort is made to ensure that these are rooted in our thinking and our way of doing business.

Business Ethics

Policy

At Welltec 'we say what we do and we do what we say'. This principle is the back bone of Welltec's Code of Conduct and promotes certainty in relation to all our stakeholders that predictability and reliability are the norm when dealing with Welltec. It is our policy to comply with all laws, rules and regulations applicable to our business and we strive to follow the course of action leading to the highest degree of integrity in situations where the law may be permissive.

Implementation

Integrity and ethical conduct is a fundamental part of management procedures and Welltec´s Code of Conduct and is an underlying driver in all we do. The methods we employ to attain results are as important as the results themselves.

Welltec employees are expected to perform their work with honesty, truthfulness and integrity, and conduct their business affairs fairly. All employees are responsible for the immediate and accurate reporting to higher management of work-related information of importance to the governing guidelines. We strongly encourage dialogue to make each other aware of situations that give rise to ethical questions and to articulate acceptable ways of handling those situations.

Key Results in 2018 and Future Plans

With the development of the Code of Conduct came also a training program for all existing employees. The training program is mandatory for all new employees during their onboarding process and was conducted for all employees in 2018 Q4.

To the extent deemed relevant, Welltec performs appropriate internal investigations into possible non-ethical behavior by employees following internal controls or whistle-blowing. We have in continuation of the investigative findings applied consequences towards the employees when relevant and continued to strengthened internal communication in respect of compliance programs.

To improve our efforts to facilitate sound business ethics, we emphasize the use of our whistle-blower program. No case was submitted in 2018.

We have continued to impose an anti-trust training program for all relevant employees.

Anti-Corruption

Policy

Our conviction to uphold ethical standards in all our corporate activities is a common mindset of all our employees and we strive to do business with customers and suppliers of sound business character and reputation. We have strict guidelines covering facilitation payments, bribery, entertainment and gifts, and our screening processes provide full transparency to mitigate the risk of corruption.

Implementation
Welltec maintains a general Partner Screening Program applicable for agents, representatives and joint venture partners in territories where transparency and corruption are imminent issues. This includes a questionnaire combined with a review process under which a potential partner is vetted for undue relationships and channels of influence.

Furthermore, Welltec operates a zero-tolerance policy towards corruptive behavior of employees and representatives.

The Code of Conduct review and training in 2018 included the section on anti-corruption. The review was monitored by the Legal Department and the HR Department.

Key Results in 2018 and Future Plans
20 partner screenings were performed in 2018 and one revealed inadequate information why the partnership was not endorsed.

In our screenings we continue to use external screening partners and their databases. In 2018 we have acquired access to a global screening service, which will support our due diligence and mitigate of risks relating to financial crime, bribery and corruption.

We have further maintained our Anti-Bribery and Corruption program. We continue to improve the screening procedures, review processes and further incorporate additional initiatives based on US and UK anti-corruption legislation, including incorporating appropriate measures in our contracts. We also carry on screening vendors. Furthermore, we continue to monitor the initiatives and guidelines issued by relevant international bodies to identify policies and procedures that could improve our anti-corruption measures.

We strongly oppose facilitation payments. However, facilitation payments are still a challenge to some parts of our business, and we continue to train our employees in how to handle these situations and avoid facilitation payments. We focus in particular on employees in high risk countries and where interaction with public authorities is frequent.

Health, Safety and Environment (HSE)
Policy
Our paramount concern is the health and safety of our employees, customers and everyone else that comes into contact with our activities. This concern reaches far beyond such measures required under applicable law. Health and safety underpins all our operations and we continuously monitor HSE performance and work to identify improvement initiatives.

All our employees are aware that the health and safety of people and protection of the environment is an absolute priority. We strive to continuously improve our environmental performance by efficient waste management, maintenance management, recycling programs and the prevention of pollution from our activities. Our lightweight solutions are based on a vision to improve safety while reducing environmental risks, fuel consumption and carbon footprint. Respect for and preservation of the environment is a key element of our business proposition and as such an integrated way of thinking in Welltec.

The company does not have a separate climate policy, because the company's business model in itself implies less use of energy and focuses on sustainability.

Implementation
HSE is an integral part of decision-making, processes and training. Comprehensive incident reporting systems are in place to review and address:

- Any injury or near miss in relation to our activities. Performance statistics are kept and analyzed to ensure adoption of best practices protecting the health and safety of individuals.
- Any unintentional discharge into the environment of damaging substances or near misses in relation to one of our operations. These are carefully analyzed to ensure adoption of best practices in order to protect the environment to the benefit of us all.

During Bi-weekly management meetings, the management team reviews all HSE-incedents and monitors HSE KPI´s. All operating locations have an HSE Officer employed to lead the HSE effort, ensure compliance with Welltec's policies and local legislation and conduct monthly meetings where all employees are required to attend.

Welltec's facilities are audited by the relevant government authority. At any local operation, we ensure that respect for the environment is applied such that sustainability and recycling is promoted and secured to the greatest extent reasonably possible, while at the same time closely monitoring consumption of chemicals, waste, electricity, heat and water.

The Group QHSE function performs internal Management System audits at the headquarters and local bases worldwide, in order to assess the effectiveness of the internal Management System of Welltec. The audits are the prime instrument for reviewing the business interfaces internally between headquarters and bases, and externally with customers to create specific action points for the cycle of continuous improvement.

Key Results in 2018 and Future Plans
In 2018, one environmental accidents occurred.
The number of recordable accidents (so-called MTO, LTI, RWC and FTL) was decreasing together with the Total Recordable Incident Frequency

(TRCF). True safety can be achieved by a culture, within and without, which ensures that the safety of people and protection of the environment is an absolute priority.

Quality

Quality is, and has always been, deeply ingrained in all processes at Welltec. Welltec is ISO 9001 certified by "Det Norske Veritas" (DNV), with periodic recertification audits every 3 years. The latest recertification took place during the second quarter of 2018

Furthermore, oil operators, service partners and authorities perform external audits to assess Welltec's ability to effectively manage the hazards associated with the services provided.

Local bases were audited by TOTAL, Shell, Halliburton, Baker Hughes, Petrobras, SEIC, Weatherford, TPS, Exxon, Apache, Oasis Petroleum and BP .

Employment

Policy

In Welltec we believe that the employees, both as individuals and as part of a team, are the foundation of our business. Therefore, and with consideration to the often challenging working conditions in the field, Welltec applies measures which 'go beyond the norm' to safeguard and maximize the employees' health and safety while performing their duties.

Welltec recognizes a shared responsibility on behalf of all employees to exercise the human rights principles of mutual respect and dignity in all working relationships and consequently enforces a policy of zero tolerance regarding harassment or discrimination. All employees have access to the whistleblower system and complaints regarding discrimination can be filed there.

Welltec adheres to a Diversity and Equal Opportunity Employment Policy approved by the Board of Directors in 2014. The policy formalizes our commitment to always choosing the best person for the job regardless of that person's race, color, religion, disability, gender, sexual orientation, age, or nationality. Furthermore, Welltec will actively work to increase the share of females in management positions, for example, by putting the needed extra effort into identifying relevant female candidates when recruiting.

Implementation

Welltec actively recruits employees from many sources, including first-tier academic institutions as well as leading companies in the industry, depending on the requirements for a given position. A variety of profiling tools are used to assess the candidates. Furthermore, we actively encourage mobility and career progression within Welltec.

Welltec operates an extensive in-house training program which covers core operational aspects as well as sales skills and programs aimed at legal compliance. Participation is registered and tracked in the HR system, enabling on-going identification of training needs and supporting work-force planning.

For long-term ill employees, we work closely and actively with local authorities and municipalities to define individual solutions, including definition of flex jobs (permanently reduced work time), temporarily reduced work time, redefinition of work area, etc.

Our Workforce

The employee population is very diverse with respect to nationalities, reflecting the truly global nature of the company. As such there are around 50 nationalities employed in Welltec.

As is common in the oil and gas industry, the share of females is low in Welltec. As stated in the section of policies, Welltec actively works to increase the share of females in management positions for example by putting the needed extra efforts into identifying relevant female candidates when recruiting.

Key Results in 2018 and Future Plans

In 2018 we have vastly increased the year end number of employees by 102 and thus expanded our workforce to support the growth of the company. This has increased our focus on our recruiting, screening, and onboarding processes, and Welltec has implemented new IT systems to support training, development, and recruiting of employees to accommodate the company's need for a flexible and highly skilled and trained workforce.

The fifth global survey of Employee Motivation and Satisfaction was carried out in the spring of 2018 with the aim of understanding the current state of our employee group as well as identifying areas improvements to improve motivation. The survey was very well received with 80% of employees responding, an increase of 3 percentage points from 2017. The survey showed that 82% of the employees are proud to work in Welltec, and 62% of the employees are excited about their future career in Welltec, an increase of 4 percentage points from 2017. The average job satisfaction is 3.9 on a scale from 1 to 5 which is an increase from 3.8 compared to 2017.

There have been no cases reported in the whistle blower system regarding discrimination or harassment.

In 2018 Welltec has implemented an electronic system to ensure correct tracking and registration on employee skills and competencies in the HR database. The system also enables and supports e-learning which promotes a much higher degree of training and knowledge sharing. This creates the basis better performance in terms of operational planning and mobility.

Women make up 15.1% of the total employee population which is an increase of 1.6 percentage points compared to 2017. Of management level employees women make up 10.2% which is an increase of 2.2 percentage points compared to 2017. The Senior Management Team consists of five members altogether; four men and one woman.

In terms of gender equality, the Board had set up a target of one woman in the Board of Directors by April 1st 2017. This target was reached in 2016.

During 2018 a male board member was elected to replace a female board and the Board now consists of six men elected by the shareholders. It is still the target to have at least one female member of the Board of Directors and the Board of Directors is on a current basis assessing potential candidates. The goal is to elect one woman in the Board of Directors by 1 June 2020.

Customers

Policy

Welltec views customers as business partners and pursues an open and transparent relationship characterized by frequent dialogue and a focus on serving their best interests.

It is our policy to provide solutions that excel in quality, conform to industry best practice, and adhere to responsible standards of performance, including taking due care and consideration to protection of the environment and the health and safety of all people involved.

We operate an open door policy in situations where a customer or regulatory body wishes to investigate a non-successful operation or an issue of regulatory non-compliance. All non-optimal or non-compliant findings from the internal Welltec investigation are openly disclosed to achieve maximum transparency and optimal lessons learned.

Implementation

In certain situations, a failure investigation is initiated to ensure:

- that investigations requested by the clients are performed.
- that conform and controlled methods are followed when handling misruns, covering from job planning, equipment, procedures, communication to human factors.
- that lessons learned are properly communicated throughout the organization in order to minimize the risk of re-occurrence.
- that a failure report is prepared in a timely manner for the client, prior to officially closing the investigation.

Key Results in 2018 and Future Plans

Welltec's Group QHSE department continuing its involvement, to ensure the highest standards are applied to match heightened expectations from customers as the scope and complexity of services increase. An improved quality related investigation procedure was implemented and put into practice to streamline the process. The number of investigations, which required involvement from Group QHSE department, has decreased in 2018 compared to 2017.

A global training program continues to increase expertise in the use of our operational planning software to ensure continuous improvement of service quality on jobs performed. The program underlines the constant focus on maintaining the very highest levels of service quality and is reflected in the continued service quality delivery at or above 96%. Although, this is a high percentage, we strive to reach a higher level.

Community

Policy

At Welltec, we inherently share a responsibility that reaches beyond our immediate business and has an impact on the interests of all our stakeholders. These encompass not only our shareholders but also our customers, employees, suppliers, the local communities in which we operate, as well as the surrounding environment and the human beings occupying it.

Improving the environment in and around our operations is an integral part of our business. We operate from a significant number of properties in a variety of countries, and we have responsibility to our employees, to the people living and working nearby as well as the environment. It is our policy therefore to engage with the local community as both a neighbor and resident and support efforts to improve the local area, for example by addressing antisocial behavior, crime and vandalism as well as promoting road safety.

Implementation and Future Plans

We actively promote engagement between our staff and the community, supporting local community-based projects and charities, including fund-raising and initiatives for the development and education of young people in the areas where we operate.

COMPANY
DETAILS

COMPANY DETAILS

Company	Welltec A/S Gydevang 25 3450 Allerød Denmark Phone: +45 48 14 35 14 Fax: +45 48 14 35 18 Website: www.welltec.com E-mail: welltecinfo@welltec.com Central Business Registration No: 13 47 88 05 Registered in: Allerød Financial year: January 1, 2018 – December 31, 2018
Executive Board	Jørgen Hallundbæk, Chief Executive Officer
Board of Directors	Niels Harald De Coninck-Smith, Chairman Alasdair Geddes Shiach Enrico Vellano John Haukvik Jørgen Hallundbæk Michael Bricker
Company auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab

STATEMENT BY MANAGEMENT
ON THE ANNUAL REPORT

STATEMENT BY MANAGEMENT ON THE ANNUAL REPORT

We have today considered and approved the annual report of Welltec A/S for the financial year January 1, 2018 to December 31, 2018.

The consolidated financial statements and parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statement act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the group's and the parent's financial position at December 31, 2018 as well as of their financial performance and their cash flows for the financial year January 1, 2018, to December 31, 2018.
We also believe that the management commentary contains a fair review of the development of the group's and the parent company's activities and financial position, together with a description of the principal risks and uncertainties that the group and the parent company face.

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

Allerød, June 19, 2019

Executive Board:

Jørgen Hallundbæk
Chief Executive Officer

Board of Directors:

Niels Harald De Coninck-Smith
Chairman

John Haukvik

Alasdair Geddes Shiach

Jørgen Hallundbæk

Enrico Vellano

Michael Bricker

INDEPENDENT
AUDITOR´S REPORTS

INDEPENDENT AUDITOR'S REPORTS

To the shareholders of Welltec A/S

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2018 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Welltec A/S for the financial year 1 January - 31 December 2018, which comprise statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, for both the Group and the Parent Company ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 our report. We are independent of the Group in accordance with the International Ethics Standards Board for 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.

Statement on 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 during 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.

Based on the work we have performed, in our view, 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 in the Management Commentary.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in 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 Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company 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 Den-mark 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 ex-pected 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 judgment and maintain professional skepticism throughout the audit. We also:

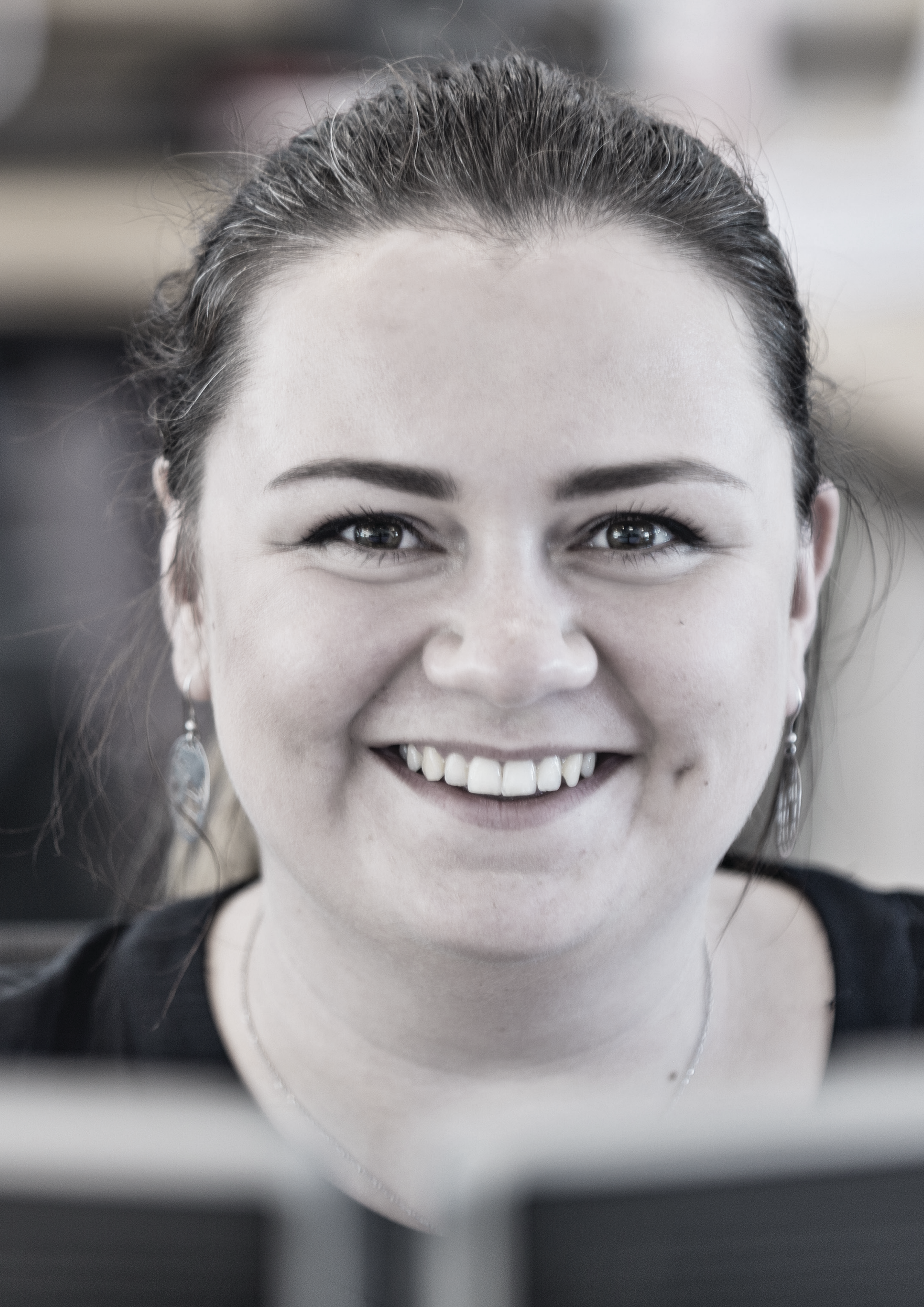
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 Group's and the Parent Company'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 Group's and the Parent 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. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Copenhagen, June 19, 2019

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Central Business Registration No. 33 77 12 31

Tue Stensgård Sørensen	Simon Vinberg Andersen
State Authorized	State Authorized
Public Accountant	Public Accountant
MNE 32200	MNE 35458



FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

PARENT COMPANY
& CONSOLIDATED GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31, 2018, and 2017

PARENT				GROUP	
2017	2018	(USD in thousands)	NOTE	2018	2017
70,670	117,583	Revenue	3	237,141	169,536
(73,426)	(77,355)	Cost of services provided	4,5	(149,957)	(126,394)
(2,756)	**40,228**	**Gross profit**		**87,184**	**43,142**
(4,324)	(6,839)	Development and manufacturing costs	4,5	(7,319)	(3,466)
(24,165)	(20,935)	Administrative and sales costs	4,5	(56,852)	(55,034)
(550)	(583)	Amortization of acquired intangibles in a business combination		(583)	(550)
(31,795)	**11,871**	**Operating profit (EBIT) before special items**		**22,430**	**(15,908)**
(911)	(8,681)	Special items	6	(9,295)	(4,219)
(32,706)	**3,190**	**Operating profit (EBIT)**		**13,135**	**(20,127)**
22,313	36,118	Financial income	7	21,862	22,505
(36,964)	(38,310)	Financial expenses	8	(40,992)	(39,608)
(47,357)	**998**	**Profit / (loss) before tax**		**(5,996)**	**(37,230)**
10,861	(5,238)	Income taxes	9	(11,140)	3,798
(36,496)	**(4,240)**	**Profit / (loss) for the year**		**(17,136)**	**(33,432)**
		Other comprehensive (loss) for the year			
		Items that will be reclassified subsequently to the income statement, when specific conditions are met:			
892	(836)	Unrealized exchange rate adjustments of foreign subsidiaries and branches		(5,905)	3,334
(35,604)	**(5,076)**	**Total comprehensive income / (loss)**		**(23,041)**	**(30,098)**
		Distribution of profit/ (loss) for the year:			
		Profit / (loss) for the year attributable to:			
(36,496)	**(4,240)**	Welltec A/S shareholder's share of profit / (loss)		**(17,136)**	**(33,432)**
		Total comprehensive income / (loss) attributable to:			
(35,604)	**(5,076)**	Welltec A/S shareholder's share of comprehensive income / (loss)		**(23,041)**	**(30,098)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2018, and 2017

PARENT				GROUP	
2017	2018	(USD in thousands)	NOTE	2018	2017
		Non-current assets			
		Intangible assets			
11,944	10,321	Development projects in progress		10,321	11,944
37,881	21,423	Completed development projects		21,423	37,881
0	0	Goodwill		2,402	2,610
2,919	3,007	Technology		3,007	2,919
18,157	14,047	Patents and licenses		14,003	18,114
70,901	**48,798**	**Total intangible assets**	12	**51,156**	**73,468**
		Tangible assets			
8,306	7,915	Land and buildings		9,015	9,557
599	685	Leasehold improvements		1,498	1,285
55,946	49,778	Plant equipment and fleet		50,152	56,174
912	751	Other fixtures, fittings, tools and equipment		2,200	2,672
18,344	24,337	Plant equipment and fleet under construction		24,110	18,756
84,107	**83,467**	**Total tangible assets**		**86,975**	**88,444**
		Financial assets			
0	0	Deferred tax assets	19	1,247	1,813
198,929	221,324	Loans to subsidiaries and affiliates		183,596	154,196
0	0	Other receivables		412	953
28,615	18,695	Investments in subsidiaries	14	0	0
227,544	**240,019**	**Total financial assets**		**185,255**	**156,962**
382,552	**372,284**	**Total non-current assets**		**323,386**	**318,874**
		Current assets			
6,116	**0**	**Inventories**	**15**	**1,114**	**6,699**
		Receivables			
8,205	11,366	Trade receivables	16	47,772	48,986
0	0	Tax receivables		2,525	3,216
13,184	40,002	Receivables from subsidiaries and affiliates		19,224	21,569
1,919	2,158	Other receivables		4,313	5,603
1,904	2,535	Prepayments	17	5,837	5,355
25,212	**56,061**	**Total receivables**		**79,669**	**84,729**
16,166	**7,260**	**Cash and cash equivalents**		**21,328**	**28,465**
47,494	**63,321**	**Total current assets**		**102,111**	**119,893**
430,046	**435,605**	**Total assets**		**425,499**	**438,767**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2018, and 2017

PARENT				GROUP	
2017	2018	(USD in thousands)	NOTE	2018	2017
		Equity			
53,218	53,218	Share capital	18	53,218	53,218
(2,136)	(2,972)	Currency translation reserve		(33,616)	(27,711)
17,235	23,515	Reserve for capitalized development projects		-	-
(58,540)	(69,060)	Retained earnings		6,015	23,151
9,777	**4,701**	**Total equity**		**25,617**	**48,658**
		Non-current liabilities			
4,243	2,632	Deferred tax liabilities	19	8,285	11,145
9,143	9,329	Finance lease commitments	20	9,338	9,143
329,689	331,238	Issued bonds	20	331,238	329,689
343,075	**343,199**	**Total non-current liabilities**		**348,861**	**349,977**
		Current liabilities			
1,738	2,452	Current portion of non-current liabilities	20	2,452	1,738
48,488	46,239	Loan payable to subsidiaries and affiliates		-	-
8,473	9,849	Payables to subsidiaries and affiliates		0	46
9,850	12,441	Trade payables		15,394	12,433
383	3,324	Current tax liabilities		5,746	2,877
8,262	13,400	Other payables	21	27,429	23,038
77,194	**87,705**	**Total current liabilities**		**51,021**	**40,132**
420,269	**430,904**	**Total liabilities**		**399,882**	**390,109**
430,046	**435,605**	**Total equity and liabilities**		**425,499**	**438,767**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended December 31, 2018, 2017 and 2016
(USD in thousands)

GROUP	Share capital	Currency translation reserve	Retained earnings	Total
Equity at 31 December, 2016	**53,218**	**(31,045)**	**33,789**	**55,962**
Loss for the year	0	0	(33,432)	(33,432)
Unrealized exchange rate adj. of foreign subsidiaries and branches	0	3,334	0	3,334
Total comprehensive (loss) for the year	**0**	**3,334**	**(33,432)**	**(30,098)**
Sales of shares and warrants in Welltec International ApS	0	0	22,794	22,794
Tax credit related to exercise of warrants	0	0	0	0
Total other transactions	**0**	**0**	**22,794**	**22,794**
Equity at 31 December, 2017	**53,218**	**(27,711)**	**23,151**	**48,658**
Loss for the year	0	0	(17,136)	(17,136)
Unrealized exchange rate adj. of foreign subsidiaries and branches	0	(5,905)	0	(5,905)
Total comprehensive (loss) for the year	**0**	**(5,905)**	**(17,136)**	**(23,041)**
Sale of shares and warrants in Welltec International ApS	0	0	0	0
Tax credit related to exercise of warrants	0	0	0	0
Total other transactions	**0**	**0**	**0**	**0**
Equity at 31 December, 2018	**53,218**	**(33,616)**	**6,015**	**25,617**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended December 31, 2018, 2017 and 2016
(USD in thousands)

PARENT	Share capital	Currency translation reserve	Reserve for capitalized development projects	Retained earnings	Total
Equity at 31 December, 2016	**53,218**	**(3,028)**	**7,998**	**(35,601)**	**22,587**
Loss for the year	0	0	0	(36,496)	(36,496)
Unrealized exchange rate adj. of foreign subsidiaries and branches	0	892	0	0)	892
Total comprehensive (loss) for the year	**0**	**892**	**0**	**(36,496)**	**(35,604)**
Capitalized development projects			9,237	(9,237)	0
Sale of shares and warrants in Welltec International ApS	0	0	0	22,794	22,794
Tax credit related to exercise of warrants	**0**	0	0	0	0
Total other transactions	**0**	**0**	**9,237**	**13,557**	**22,794**
Equity at 31 December, 2017	**53,218**	**(2,136)**	**17,235**	**(58,540)**	**9,777**
Loss for the year	0	0	0	(4,240)	(4,240)
Unrealized exchange rate adj. of foreign subsidiaries and branches	0	(836)	0	0	(836)
Total comprehensive (loss) for the year	**0**	**(836)**	**0**	**(4,240)**	**(5,076)**
Capitalized development projects			6,280	(6,280)	0
Sale of shares and warrants in Welltec International ApS	0	0	0	0	0
Tax credit related to exercise of warrants	0	0	0	0	0
Total other transactions	**0**	**0**	**6,280**	**(6,280)**	**0**
Equity at 31 December, 2018	**53,218**	**(2,972)**	**23,515**	**(69,060)**	**4,701**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31, 2018, and 2017

PARENT				GROUP	
2017	2018	(USD in thousands)	NOTE	2018	2017
(32,706)	3,190	Operating profit (EBIT)		13,135	(20,127)
75,173	59,647	Non-cash adjustments	10	56,812	75,747
(30,127)	(5,544)	Changes in working capital	11	13,735	(18,943)
(1,934)	(3,910)	Income taxes paid		(9,873)	(5,399)
199	0	Other receivables, long-term		541	824
10,605	**53,383**	**Cash flows from operating activities**		**74,350**	**32,102**
(12,688)	(9,551)	Investments in intangible assets		(9,551)	(12,688)
(13,218)	(20,303)	Investments in tangible assets		(20,948)	(13,869)
320	0	Sale of tangible assets		0	320
(3,898)	(380)	Capital increase in subsidiaries		0	0
2,373	10,249	Dividend from subsidiaries		0	0
0	0	Investments and disposals in securities		0	0
(1,642)	(24,644)	Loan and repayments to subsidiaries and affiliates		(29,400)	(31,367)
9,955	18,810	Financial income received		15,156	7,159
(18,798)	**(25,819)**	**Cash flows from investing activities**		**(44,743)**	**(50,445)**
(33,359)	(32,708)	Financial expenses paid		(32,927)	(33,568)
(4,732)	(1,449)	Other financial expenses		(666)	(3,511)
336,688	0	Proceeds from non-current debt		0	336,688
22,794	0	Sale of shares in Welltec International		0	22,794
(297,590)	0	Installments on issued bonds		0	(297,590)
(29,690)	0	Installments on bank debts		0	(29,426)
(1,752)	(2,184)	Installments on current debt and non-current debt		(2,175)	(1,758)
(7,641)	**(36,340)**	**Cash flows from financing activities**		**(35,768)**	**(6,371)**
(15,834)	**(8,776)**	**Increase/(decrease) in cash and cash equivalents**		**(6,161)**	**(24,394)**
31,996	16,166	Cash and cash equivalents 01.01		28,465	52,395
4	(130)	Exchange rate adjustments at beginning of period		(976)	463
16,166	**7,260**	**Cash and cash equivalents at 31.12**		**21,328**	**28,465**

CONTENTS NOTES

NOTES

1. ACCOUNTING POLICIES

Basis of accounting
The consolidated financial statements for 2018 are presented in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU and additional Danish disclosure requirements for annual reports of reporting class C (large) enterprises. Please see the Danish Executive Order on IFRS adoption issued in accordance with the Danish Financial Statement Act.

The consolidated financial statements are presented in thousands of US dollar (USD), which is regarded as the primary currency in relation to the Group's activities and the functional currency of the parent company.

The consolidated financial statements are prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The consolidated financial statements are presented in accordance with the new and revised standards (IFRS/IAS) and Interpretations (IFRIC).

The accounting policies are unchanged from last year with the exception of accounting policies for revenue and financial instruments, where new financial reporting standards has been applied.

Effect of new financial reporting standards
IFRS 15 Revenue from Contracts with Customers is effective for financial years beginning on or after 1 January 2018. The application of the new standard has had immaterial impact on the consolidated financial statements other than the extended disclosure requirements.

The Welltec Group has also applied IFRS 9 Financial Instruments, which is effective for financial years beginning on or after 1 January 2018. The new standard has influenced the Group's assessment of credit risks and impairment on financial assets. IFRS 9 requirements and the expected credit loss matrix is described in note 15 Trade receivables and note 23 Financial instruments.

Future financial reporting standards
IFRS 16 Leasing is effective for annual periods beginning on or after 1 January 2019. The standard is not incorporated in the consolidated financial statements for 2018.

Welltec has analyzed the effects of IFRS 16. The standard leads to the recognition of non-current assets right-of-use assets and finance lease commitments. Further the standard will have an impact on the cash flow from financing activities as well as the key figure EBITDA. The Group expects to recognize approximately USD 35 million as right-of-use assets with the corresponding finance lease commitments. The key figure EBITDA will be affected positively by approximately USD 9 million in 2019.

Recognition and measurement
Assets are recognized in the statement of financial position if it is probable that future financial benefits will flow to the Group and the value of the asset can be measured reliably.

Liabilities are recognized in the statement of financial position if they are probable and can be measured reliably. On initial recognition assets and liabilities are measured at cost or fair value. Subsequently assets and liabilities are measured as described for each item below.

Income is recognized in the statement of comprehensive income as earned and includes value adjustments of financial assets and liabilities measured at fair value or amortized cost.

Consolidated financial statements
The consolidated financial statements comprise the parent company and the Group enterprises (subsidiaries) that are controlled by the parent company. Control is achieved where the parent company, either directly or indirectly, holds more than 50% of the voting rights or in any other way possibly or actually exercises controlling influence over a subsidiary. If the parent company holds less than 50% of the share capital, control exists when the parent company under agreement has more than 50% of the voting rights, has the power to govern financial and operating policies of the subsidiary, to appoint members of the Board of Directors or to cast the majority of votes at meetings of the Board of Directors of the subsidiary.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of the parent company and its subsidiaries, which are all prepared in accordance with the Group's accounting policies. Upon consolidation, intra group income and expenses, balances, investments and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated.

Subsidiaries' financial statements items are recognized in full in the consolidated financial statements. Non-controlling interests' pro rata share of profit/loss and equity is shown as separate line items in the statement of comprehensive income and in the Group's equity, respectively.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the transaction date exchange rate. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the end of the reporting period are translated using the exchange rate at the end of the reporting period. Exchange differences that arise between the rate at the transaction date and the exchange rate effective at the payment date or the exchange rate at the end of the reporting period are recognized in statement of comprehensive income as financial income or financial expenses. Property, plant, equipment fleet, intangible assets, inventories and other non-monetary assets purchased in foreign currencies and measured based on historical cost are translated at the transaction date exchange rate. If non-monetary items are restated at fair value, they are translated using the exchange rate at the date of restatement.

When foreign subsidiaries that use a functional currency different from USD are recognized in the consolidated financial statements, the statement of comprehensive income is translated at a monthly average exchange rate unless such rates vary significantly from the actual exchange rates at the transaction dates. In the latter case, the actual exchange rates are used. Statement of financial position items is translated using the exchange rates at the end of the reporting period. Goodwill is considered to belong to the relevant entity acquired and is translated using the exchange rate at the end of the reporting period.

Exchange differences resulting from the translation of foreign entities' equity at the beginning of the year using the end of the reporting period exchange rates and by translating statements of comprehensive income from average exchange rates to the exchange rates at the end of the reporting period are recognized in other comprehensive income. Similarly, exchange differences resulting from changes made in a foreign entity's other comprehensive income are also recognized in other comprehensive income.

When foreign subsidiaries that use USD as their functional currency but present their financial statements in another currency, are recognized in the consolidated financial statements, monetary assets and liabilities are translated using the end of the reporting period exchange rate. Non-monetary assets and liabilities measured on the basis of historical cost are translated using the transaction date exchange rate. Non-monetary items measured at fair value are translated at the exchange rate at the time of the last fair value adjustment.

The items in profit or loss are translated at average monthly exchange rates , with the exception of items deriving from non-monetary assets and liabilities, which are translated using the historical rates applicable to the relevant non-monetary assets and liabilities.

Share-based payments

Share-based incentive arrangements under which employees can receive new shares in Welltec International ApS (equity arrangements) are measured at the equity instruments' fair value at the grant date and are recognized in profit or loss under staff costs over the vesting period. The related set-off entry is recognized directly in equity.

Income taxes and deferred tax

The current Danish income tax is allocated among the jointly taxed companies in the Group proportion to their taxable income (full allocation subject to reimbursement in respect of tax losses).

Tax for the year consists of current tax for the year and changes in deferred tax. The portion of tax attributable to profit is recognized in the income statement and the portion of tax attributable to entries directly in other comprehensive income is recognized in other comprehensive income. The portion of tax attributable to equity transactions is recognized directly in equity.

The current tax payable or receivable is recognized in the statement of financial position, computed as tax calculated on the taxable income for the year, adjusted for prepaid tax.
The current tax charge for the year is calculated based on the tax rates and tax legislation in each country applicable on the balance sheet date.

Deferred tax is recognized on all temporary differences between carrying values and tax-based values of assets and liabilities, except from deferred tax on all temporary differences on initial recognition of goodwill or on initial recognition of a transaction that is not a business combination, and for which the temporary difference found at the time of initial recognition neither affects profit nor loss for the year nor taxable income.

Deferred tax is calculated based on the expected recovery of each asset and the settlement of each liability, respectively.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability settled, based on the tax rates and tax legislation that have been enacted or substantively enacted in the respective countries on the balance sheet date. Changes in deferred tax resulting from changed tax rates or tax rules are recognized in profit or loss, unless the deferred tax is attributable to items previously recognized in other comprehensive income or in equity. If so, such changes are also recognized in other comprehensive income or in equity.

Exchange adjustments on deferred tax are recognized as part of the year's adjustment in deferred tax.

Changes in local tax rates, affecting deferred tax, are used and thus affecting the value of the calculated deferred tax asset, alternatively deferred tax liability at year end.

Deferred tax assets, including the tax base of tax loss carry forwards, are recognized in the statement of financial position at their estimated realizable value, either as a set-off against deferred tax liabilities or as net tax assets for set-off against future positive taxable income. At the end of each reporting period, it is reassessed whether sufficient taxable income is probable to arise in the future for the deferred tax asset to be used.

Balances calculated according to the rules on interest deductibility limitations in the Danish Corporate Income Tax Act are allocated solely to Welltec A/S. Deferred tax liabilities in respect of these balances are recognized in the statement of financial position; whereas deferred tax assets are recognized only of the criteria for recognition of deferred tax assets are met.

Statement of comprehensive income

Revenue

The Group provides multiple solutions to oil and gas companies around the world at their onshore and offshore locations using proprietary remote control precision robotic equipment that Welltec designs and manufactures.

Rendering of service revenue is recognized in the income statement when the performance obligation is satisfied, which is when the agreed service is provided.

Income from contracted development projects on third parties' account is recognized as revenue as or when Welltec delivers the development services to the customers and such services are considered to provide added value to the customers.

Revenue from sales of goods is recognized in the income statement when control has been transferred to the buyer – usually when delivery and transfer of risk have taken place, and if the income can be reliably measured and is expected to be received.

Revenue is measured at fair value of the consideration received or receivable. If an interest-free credit has been arranged for payment of the consideration receivable that is longer than the usual credit period, the fair value of the consideration is determined by discounting future payments receivable. The difference between fair value and nominal amount of the consideration is recognized as financial income in profit or loss by applying the effective interest method.

Revenue is recorded net of VAT, duties and discounts.

Cost of services provided

Cost of services provided comprises direct and indirect expenses incurred to realize revenue, including salaries, depreciation and amortization.

Development and manufacturing costs

Development and manufacturing costs comprise all development and engineering costs that are not capitalized, including related impairment losses.

Administrative and sales costs

Administrative and sales costs comprise costs required to sustain the business including finance, IT, legal, HR and other overhead costs.

Special items

Special items consist of costs of a special nature in relation to the activities of the Group, including costs of structural changes and other significant amounts of a one-off nature. These items are shown separately to facilitate the comparability of the profit or loss and provide a better picture of the operational results.

Financial income and expenses

These items comprise interest income and expenses, the interest portion of finance lease payments, realized and unrealized capital gains and losses on payables and transactions in foreign currencies, amortization premium/allowance on debt, etc. as well as interest on tax.

Statement of financial position

Intangible assets

Goodwill

Upon initial recognition, goodwill is recognized in the statement of financial position and measured as the difference between cost of the enterprise acquired and the fair value of the assets, liabilities and contingent liabilities acquired.
When goodwill is recognized, the goodwill amount is distributed on

those of the Group's activities generating separate payments (cash-generating units). Determination of cash-generating units follows the management structure and internal finance management and reporting of the Group.

Subsequently, goodwill is measured at cost less accumulated write downs. There is no amortization of goodwill but the carrying value of goodwill is tested for impairment at least once a year together with the other long-term assets in the cash-generating unit to which the goodwill is allocated. It is written down to recoverable amount in profit or loss if the accounting value exceeds the recoverable amount, this representing the higher of the fair value of the asset less expected disposal costs and the value in use. The recoverable amount is generally determined as the present value of the expected future net cash flows from the cash-generating unit to which the goodwill is allocated. Impairment losses of goodwill are included in profit or loss under amortization and impairment losses of intangible assets.

Development projects

Development projects on clearly defined and identifiable service equipment and processes are recognized as intangible assets if it is probable that the service equipment or process will generate future financial benefits for the Group, and the development costs of each asset can be measured reliably. Other development costs are recognized as costs in the income statement as incurred.

On initial recognition, development costs are measured at cost. The cost of development projects comprises costs such as salaries and other costs that are directly attributable to the development projects and are needed to complete the project, calculated from the time at which the development project first meets the specific criteria for being recognized as an asset.

Completed development projects are amortized on a straight-line basis using the estimated useful lives of the assets. The amortization period is usually 5 years.

Development projects and other intangible assets are written down to their recoverable amounts. Development projects in progress are tested at least once a year for impairment. Borrowing costs to finance the investments in development projects are recognized in cost of these assets if such expenses relate to qualifying assets for which their development period last longer than 12 months. Other borrowing costs are included in finance expenses in the statement of comprehensive income.

Other intangible assets

Acquired intellectual property rights in the form of patents and licenses are measured at cost less accumulated amortization and impairment losses. Patents are amortized over their remaining duration, usually 20 years, and licenses are amortized over the term of the agreement. If the actual useful life is shorter than the remaining duration and the term of the agreement, respectively, amortization is made over such shorter useful life.
Separable intangible assets acquired through business combinations are brand and technology. Brand is not amortized as the useful life is considered indefinite. Technology is amortized on a straight-line basis over its estimated useful life of 10 to 20 years.

Tangible assets

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

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. For assets manufactured and owned by the Group, cost comprises expenses directly attributable to the manufacturing of the asset, including materials, components, sub-suppliers rent, electricity and laboring costs. In the year when the tool is completed and ready to generate income, it is recognized under 'Plant, equipment and fleet'. During construction, the asset is recognized under 'Plant, equipment and fleet under construction'.

For assets held under finance leases, cost is measured as the lower of the asset's fair value or present value of future lease payments.

The basis of depreciation is cost less estimated residual value after the end of useful life. The residual value is the estimated amount that would be earned if selling the asset today net of selling costs if the asset is of an age and a condition that is expected after the end of useful life straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings: 50 years
Leasehold improvements: 3-10 years
Plant, equipment and fleet: 3-10 years
Other fixtures and fittings, tools and equipment: 3-5 years
Leased assets are depreciated according to the lease term period.
Depreciation methods, useful lives and residual amounts are reassessed annually. Property, plant and equipment and fleet are written down to the lower of recoverable amount and carrying amount.

Impairment of property, plant, equipment, fleet and intangible assets
The carrying amounts of property, plant, equipment, fleet and intangible assets with definite useful lives are tested at the end of the reporting period for any indication of impairment. If impaired, the recoverable amount of the asset is estimated to determine the need for any write-down and the extent thereof.

The recoverable amount of intangible assets with indefinite useful lives, development projects in progress, brand and goodwill is estimated annually irrespective of any recorded indications of impairment.

If the asset does not generate cash flows separately from other assets, an estimate is made of the recoverable amount of the smallest cash-generating unit of which the asset forms part.

The recoverable amount is calculated as the higher of the asset's and the cash-generating unit's fair value less selling costs and net present value. When the net present value is determined, estimated future cash flows are discounted at present value using a discount rate that reflects current market estimates of the value of money in terms of time, as well as the particular risks related to the asset and the cash-generating unit, respectively, and for which no adjustment is made in the estimated future cash flows.
If the recoverable amount of the asset or the cash-generating unit is estimated to be lower than the carrying amount, the asset is written down to this lower recoverable amount. For cash-generating units, write-down is allocated in such a way that goodwill amounts are written down first and then any remaining need for write-down is allocated to other assets of the unit, however, the individual asset is not written down to an amount that is lower than its fair value net of estimated selling costs.

Impairment losses are recognized in the profit or loss. In case of any subsequent reversals of impairment losses resulting from change in assumptions of the estimated recoverable value, the carrying values of the asset and the cash-generating unit, respectively, are increased to the adjusted estimate of the recoverable value, however, no more than the carrying value which the asset or the cash-generating unit would have had if the write-down had not been performed. Impairment losses of goodwill are not reversed.

Profits or losses from the sale of property, plant equipment and fleet are calculated as the difference between selling price less selling costs and carrying value at the time of sale. Profits or losses are recognized in the statement of comprehensive income if the selling price differs from the carrying amount.

Financial assets
Other receivables
Other receivables with a fixed maturity are measured at amortized cost, less any impairment recognized according to the expected credit loss method.

Current assets
Inventories
Inventories are measured at cost according to the FIFO method. The cost of finished goods and work in progress includes direct and indirect production costs. Inventories are written down to net realizable value if it is lower than the cost price.

Trade receivables
On initial recognition, trade receivables are measured at their transaction price and subsequently at amortized cost, which usually equals nominal amount less lifetime expected credit losses. The expected credit losses on trade receivables are estimated using a provision matrix based on historically information about the debtors realized losses adjusted for general economic conditions in the market. The Group recognizes a provision for expected credit losses. Trade receivables are written of, when the Group gets information about debtor's severe financial status.

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Liabilities
Lease commitments
Lease commitments relating to assets held under finance leases are recognized in the statement of financial position as liabilities other than provisions, and, at the time of inception of the lease, measured at the lower of the lease asset's fair value and the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortized cost. The difference between the present value and nominal amount of the lease payments is recognized in profit or loss as a financial interest expense over the term of the leases.

Lease payments on operating leases are recognized on a straight-line basis in profit or loss over the term of the lease.
Other financial liabilities
On initial recognition, other liabilities, including issued bond loans and trade payables, are measured at fair value. Subsequently, these liabilities are measured at amortized cost applying the effective interest

method to the effect that the difference between proceeds and nominal amount is recognized in profit or loss as a financial expense over the term of the loan.

Own bonds
Own bonds are presented as a reduction in issued bonds. On initial recognition the holding of own bonds is measured at fair value. Subsequently these bonds are measured at amortized costs.

Pension obligations
The Group has entered into pension agreements with certain groups of employees, which are classified as defined contribution pension plans.

Periodical payments to defined contribution pension plans are recognized in profit or loss when the employees have rendered service to the Group, and any contributions payable are recognized in the statement of financial position under liabilities.

Statement of cash flows
The Group's statement of cash flows is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as the Group's cash and cash equivalents at the beginning and end of the financial year.

Cash flows from operating activities are calculated as EBIT adjusted for non-cash operating items, working capital changes and income taxes paid. In the adjustment for non-cash operating items, depreciations and amortizations capitalized on tangible and intangible assets are included.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of enterprises, tangible fixed asset investments, and purchase, development, improvement and sale, etc. of intangible assets, and property, plant equipment and fleet as well as acquisition of securities. Depreciations and amortizations capitalized on tangible and intangible assets are included in cash-flow from investing activities.

If any, cash flows from acquired and divested enterprises are shown as separate line items within cash flows from investing activities. Cash flows related to acquired enterprises are recognized in the statement of cash flow from their date of acquisition, and cash flows from divested enterprises are recognized up to the date of sale.
Cash flows from financing activities comprise financial expenses paid and changes in the size or composition of the parent company's share capital and related costs, the raising of loans, installments on interest-bearing debt, purchase of own shares, and payment of dividends.

Cash and cash equivalents comprise cash.

2. USE OF CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The group prepares its consolidated financial statements in accordance with IFRS as adopted by the EU, the application of which often requires judgments to be made by Management when preparing the group's financial position and results. Under IFRS, Management are required to adopt those accounting policies most appropriate to the group's circumstances for the purpose of presenting fairly the group's financial position, financial performance and cash flows.

In determining and applying accounting policies, judgment is often required in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net asset position of the group; it may later be determined that a different choice would have been more appropriate. Actual results may differ from the accounting estimates.

Estimates and assumptions are reviewed on an ongoing basis and have been prepared taking the market situation into consideration, but still ensuring that one-off effects which are not expected to exist in the long term do not affect estimation and determination of these key factors, including discount rates and expectations about the future.

Management considers that certain accounting estimates and assumptions relating to assets, liabilities and expenses are its critical accounting estimates and judgment.

A discussion of these critical accounting estimates and judgments are provided below and should be read in conjunction with the disclosure of the group's significant IFRS accounting policies provided in note 1. Accounting policies to the consolidated financial statements.

2.1 Capitalization of tool fleet

Welltec's major activity is to provide services related to intervention service and completion solutions to the oil and gas industry, using tools developed and produced by Welltec®. The tools are used commercially in more than one accounting period, and are thus considered tangible assets and not inventories.

Costs directly attributable to bringing the tools to the condition necessary for them to be capable of operating in the manner intended by Management are capitalized as part of the costs of plant equipment and fleet. Costs directly related to performing commercial services with the tools are expensed as they occur.

Cost of the tools include some variable indirect costs of bringing the tools to their working condition that can be allocated to the tools on a systematic and reasonable basis (e.g. rent, electricity and laboring costs).

Determining directly attributable costs is an accounting judgment.

At December 31, 2018, Welltec® has capitalized USD 74,262 thousand as plant equipment and fleet – completed and under construction compared to USD 74,930 thousand at December 31, 2017. Plant equipment and fleet is depreciated over their useful lives, Plant equipment over 3-10 years and fleet over 5 years.

2.2 Capitalization of development projects

An internally generated intangible asset arising from development is recognized if, and only if, all of the criteria in IAS 38 have been meet. Development costs not meeting these criteria are expensed as incurred.

Development costs recognized as self-constructed intangible assets comprise all directly attributable costs necessary to create and prepare the asset to be capable of operating in the manner intended by Management. Such costs include costs of materials and services used in producing prototypes, salaries, fees to register legal rights as well as costs of field testing the developed tool.

Welltec® only engage in development activities aimed at developing new or improved tools for use in providing services to the oil and gas industry, and has no intention of selling developed technology, IP rights etc.

Welltec® does not initiate a development project unless a specific need within the oil and gas industry has been identified or anticipated, and consequently that it can be demonstrated how the intangible asset will generate probable future economic benefits.

It is the opinion of Management that due to a short and market-oriented development process, development costs would normally be capitalized.

At December 31, 2018, Welltec® has capitalized USD 31,744 thousands as development projects – completed and in progress – compared to USD 48,825 thousand at December 31, 2017. Completed development projects are amortized over their useful lives of usually 5 years.

STATEMENT OF COMPREHENSIVE INCOME

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

3.1 Disaggregation of revenue from contracts with customers

The Group derives revenue from rendering of services and sales of goods in the following geographical regions:

	Europe, Africa & Russia		Americas		Middle East & Asia Pacific		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
USD in thousands								
Rendering of services	127,360	88,044	56,905	44,952	40,263	27,747	224,528	160,743
Sale of goods	6,528	4,106	4,451	1,425	1,634	3,228	12,613	8,759
Total	**133,888**	**92,150**	**61,356**	**46,377**	**41,897**	**30,975**	**237,141**	**169,502**

3.2 Assets and liabilities related to contracts with customers

	2018	**2017**
Current contract assets relating to contracts with customers:		
Trade receivables	49,771	49,353
Loss allowance	(1,961)	(367)
Other receivables	93	163
Total contract assets	**47,903**	**49,149**
Current contract liabilities relating to contracts with customers:		
Deferred revenue	-	85
Total contract liabilities	**-**	**85**

Significant changes in contract assets and liabilities

Revenue grew by 40% compared to 2017. The growth in revenue has not generated an increase in trade receivables at year end 2018. The reason for this is the Management's increased focus on collecting receivables during 2018. For more information about trade receivables and loss allowance see note 15 *Trade receivables.*

3.3 Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried -forward contract liabilities.

	2018	**2017**
Revenue recognized that was included in the contract liability balance at the beginning of the period:		
Deferred income	85	-

3.4 Unsatisfied long-term contracts

	2018	2017*
Aggregate amount of the transaction price allocated to long-term contracts that are partially or fully unsatisfied at 31 December 2018	703	-

*As permitted under the transitional provisions in IFRS 15, the transaction price allocated to (partially) unsatisfied performance obligations as of 31 December 2017 is not disclosed.

In the amounts for unsatisfied long-term contracts only considerations for the notice periods in the customer contracts are included according to IFRS 15.
Management expects that all of the transaction price allocated to the unsatisfied contracts as of 31 December 2018 will be recognized as revenue during the first quarter of 2019.
The amount disclosed above does not include variable considerations, which is constrained.
The Group has applied the practical expedient in IFRS 15:121, whereas contracts with a duration below 12 months is not included.

3.5 Performance obligations

Rendering of services

The Group's major part of the revenue derives from rendering of services (95% of total revenue). Sales are recognized over time, when the services have been performed and certain milestones (output-method) has been reached. Final revenue recognition takes place when there is no unfullfilled obligation that could affect the customer's acceptance of the service. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.
A trade receivable will be recognized when the last miletone of the service contract has been fulfilled. Payments are typically due within 30 days from receipt of invoice and volume discounts is found in a few contracts. There is no financing component included in payment terms.

Sale of goods

The Group's minor part of the revenue derives from sale of goods (6% of total revenue). Sales are recognized at a point in time, when the control of the goods has transferred, being the goods delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. The delivery takes place when the goods has been shipped to the specific location and the Group has the objective evidence that all criteria for acceptance has been satisfied. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A trade receivable will be recognized when the control of the goods has transferred. Payments are typically due within 30 days from receipt of invoice. There is no financing component included in payment terms.

3.6 Significant judgments

The transaction price is determined by the price specified in the contract and estimated discounts are included in the transaction prices.
Incremental costs of obtaining a contract is recognized as an expense, when incurred, if the amortization period of the asset that the entity otherwise would have recognized, is one year or less.

4. STAFF COSTS

PARENT			GROUP	
2017	**2018**	(USD in thousands)	2018	2017
		Breakdown of staff costs:		
24,464	30,207	Wages and salaries	85,367	68,602
6,614	1,338	Share based payment to executives	1,338	6,614
1,510	1,668	Payments to defined contribution pension plans	1,198	1,951
1,674	1,734	Other social security costs	4,153	3,477
34,262	**34,946**	**Total staff costs**	**92,055**	**80,644**
		Recognition of staff costs:		
7,797	9,224	Cost of services provided	49,527	40,333
4,467	5,335	Development and manufacturing costs capitalized	30,135	3,608
5,673	7,133	Production staff cost	5,261	5,674
16,325	13,254	Administrative costs	7,133	31,029
34,262	**34,946**	**Total staff costs**	**92,055**	**80,644**
		Number of employees:		
270	290	Average number of employees	802	731

Defined contribution plans

The Group operates pension schemes that cover certain groups of employees in Denmark and abroad. Those pension schemes take the form of defined contribution plans. Welltec® arranges for the regular payment (e.g. a fixed amount or a fixed percentage of the salary) of premiums to independent insurers who are responsible for the pension commitments. Once Welltec® has made payments of the contribution under the defined contribution pension plans, Welltec® has no further pension commitments related to employees or former employees.

Remuneration to members of the Executive Board, Board of Directors and other Key management personnel

The total remuneration of the Executive Board and Board of Directors of the Welltec A/S group including bonus, pension, other social security costs and share based payments can be specified as follows:

(USD in thousands)	2018	2017
Short-term staff benefits	431	859
Pension benefits	13	65
Share-based payments	551	582
Total remuneration to Executive Board and Board of Directors	**995**	**1,506**

The total remuneration of other key management personnel of Welltec A/S Group, including bonus, pension, other social security costs and share based payments can be specified as follows:

(USD in thousands)	2018	2017
Short-term staff benefits	792	1,356
Pension benefits	59	86
Share-based payments	234	442
Total remuneration to other Key management personnel	**1,085**	**1,884**

Incentive programs

The group operates incentive schemes in the form of warrants (Equity-settled) to the Board of Directors of Welltec International ApS, Executive Board of Welltec A/S, certain senior executives (VPs) and other key personnel in the Welltec group. The purpose is to retain and motivate the said persons. The schemes are based on the shares of Welltec International ApS, and the warrants have no voting rights attached.

In 2006, Welltec Holding ApS issued 105,820 warrants to senior executives (VPs) in the Welltec group. The warrants vested over an employment period until 2009. If employment ceased before a warrant is vested, the warrant would be reduced proportionally. The warrant scheme is exercisable not earlier than 1 year (for warrants that vest first), and not later than 9 years, after the grant date.

In 2007, Welltec International ApS took over from Welltec Holding ApS 185,900 warrants issued to the Executive Board of Welltec A/S and senior executives (VPs) in the Welltec group. This number of warrants was converted to 400,052 warrants in Welltec International ApS and the exercise price was adjusted accordingly.

IIn November 2011, new warrants schemes to the Board of Directors, the Executive Board of Welltec group and Key management personnel were granted. The warrant schemes consist of 290,850 warrants of which 50,000 warrants did not have any vesting conditions, and the remaining warrants vest over an employment period between one and four years until the end of 2014. The total fair value of these warrants was at grant date USD 8.5 million of which USD 5.9 million was recognized in statement of comprehensive income in 2011, USD 2.3 million was recognized in the statement of comprehensive income in 2012 and USD 0.3 million in 2013. The fair value of the warrants schemes at grant date was calculated on the basis of the Black-Scholes model. The calculation for the 2011 schemes is based on an expected volatility of 33%, a risk-free interest rate at 0.85%, a share price of USD 143 before deducting an estimated illiquidity discount, the exercise price, an average option life of 60 month and no annual payment of dividends. The expected volatility has been determined using a historical volatility for a five-year period for comparable listed companies adjusted for a small-cap factor.

In September 2013, warrants schemes to key management personnel was granted. The warrant schemes consist of 50,800 warrants and vest over an employment period between one and four years until the end of 2017. The total fair value of these warrants was at grant date USD 3.7 million of which USD 2.4 million was recognized in the statement of comprehensive income in 2013, USD (63) thousand was recognized in the statement of the comprehensive income in 2014, and USD (677) thousand was recognized in the statement of comprehensive income in 2015. The negative amount is due to cancellation of warrant on employees leaving the group resulting in costs from earlier periods being reversed. The fair value of the warrants schemes at grant date was calculated on the basis of the Black-Scholes model. The calculation for the 2013 schemes is based on an expected volatility of 45%, a risk-free interest rate at 0.01%, a share price of USD 174-309, the exercise price, an average option life of 36 month and no annual payment of dividends. The expected volatility has been determined using a historical volatility for a five-year period for comparable listed companies adjusted for a small-cap factor.

In December 2014, warrants schemes to key management personnel was granted. The warrant schemes consist of 42,300 warrants and vest over an employment period between one and four years until the end of 2017. The total fair value of these warrants was at grant date USD 5.4 million of which USD 614 thousand was recognized in the statement of comprehensive income in 2017 and USD 70 thousand was recognized in the statement of comprehensive income in 2015 and USD 1,182 thousand was recognized in the statement of comprehensive income in 2015. The fair value of the warrants schemes at grant date was calculated on the basis of the Black-Scholes model. The calculation for the 2014 schemes is based on an expected volatility of 45%, a risk-free interest rate at 0.14%, a share price of USD 294, the exercise price, an average option life of 36 month and no annual payment of dividends. The expected volatility has been determined using a historical volatility for a five-year period for comparable listed companies adjusted for a small-cap factor.

In May 2017, warrants schemes to The Executive Board of Welltec A/S and certain key management personnel was granted. The warrant schemes consist of 231,438 warrants and vest over an employment period between one and four years until the end of 2021. The total fair value of these warrants was at grant date USD 9.4 million of which USD 1.3 million was recognized in the statement of comprehensive income in 2018 and 5.9 million was recognized in the statement of comprehensive income in 2017. The fair value of the warrants schemes at grant date was calculated on the basis of the Black-Scholes model. The calculation for the 2017 schemes is based on an expected volatility of 49%, a risk-free interest rate at (0.33)%, a share price of USD 94, the exercise price, an average option life of 46 month and no annual payment of dividends. The expected volatility has been determined using a historical volatility for a five-year period for comparable listed companies adjusted for a small-cap factor.

In the event of an IPO or certain changes in the ownership structure (e.g. listing or sale of the company) all warrants will vest and become exercisable.

As a result of the dividend distribution in 2012, the exercise prices of outstanding warrant schemes from 2011 and before, were adjusted in 2012 to avoid a dilution of the fair values of those warrants. The new exercise prices were adjusted to ensure that the fair values before and after the dividend pay-out were the same. Therefore these adjustments had no effect on the consolidated financial statements in 2012.

The following schemes were in existence during the current and prior year:

Warrant scheme	Number[1)]	Grant date	Vesting date	Expiry date	Exercise price per warrant USD	Fair value per warrant at grant date USD	Outstanding at 31.12.2018
Granted in 2006	227,721	Feb. 2006	2007 - 2009	Jun. 2016	0.15	0.9	0
Granted in 2009	68,000	Sept. 2009	2010 - 2012	Sep. 2015	33	3.7	0
Granted in 2011	290,850	Nov. 2011	2011 - 2014	Nov. 2016	34 - 147	29.7	0
Granted in 2013	50,800	Sep. 2013	2013 - 2017	Jun. 2020	136 - 241	44 - 103	4,800
Granted in 2014	42,300	Dec. 2014	2014 - 2017	Dec. 2020 - Dec. 2021	223 - 255	125 - 130	10,800
Granted in 2017	231,438	May 2017	2017	Jun. 2021	0.16-74	26-99	176,101
							191,701

1) The numbers for the 2005 and 2006 grant are after the conversion to warrants on shares in Welltec International ApS.
2) The exercise prices are adjusted for the dilution impact from dividend paid in 2012.
3) The exercise prices are contracted in DKK and translated above into USD based on the year-end rate

The following reconciles the warrants outstanding at the beginning and at the end of the year:

NUMBER OF WARRANTS	Board of Directors of Welltec A/S	Executive Board of Welltec A/S	Senior executives and key management personnel	Total	Weighted average exercise price USD [(1)]
Balance at 01.01.2016	10,000	50,000	410,561	470,561	80
Exercised	-	-	(102,474)	(102,474)	3
Forfeited	(10,000)	(50,000)	(256,887)	(316,887)	79
Balance at 31.12.2016	-	-	51,200	51,200	221
Forfeited	-	-	(32,900)	(32,900)	221
Granted	10,000	121,601	99,837	231,438	43
Balance at 31.12.2017	10,000	121,601	118,137	249,738	28
Expired	-	-	(3,600)	(3,600)	157
Exercised	-	-	(47,237)	(47,237)	1
Forfeited	-	-	(7,200)	(7,200)	40
Balance at 31.12.2018	10,000	121,601	60,100	191,701	58

The exercise prices in 2013 are adjusted for the dilution impact from dividend paid in 2012

15,600 warrants are exercisable as of 31 december 2018. The weighted average remaining contractual life and range of exercise price of outstanding warrants was 26 months and a price of USD 0.16-255 (adjusted for dilution impact) at December 31, 2018, 29 months and a price of USD 0.16 - 255 (adjusted for dilution impact) at December 31, 2017, and 37 months and a price of USD 141 - 235 at December 31, 2016.

Warrant scheme	Number exercised	Exercise date	Weighted average share price at exercise date USD
Granted in 2005	172,331	Mar. 2012	143
Granted in 2006	30,773	Aug. 2009	143
Granted in 2006	49,237	Dec. 2012	143
Granted in 2009	68,000	Jul. 2015	144
Granted in 2011	6,300	Dec. 2012	143

The total expense recognized in the statement of comprehensive income for all warrants schemes amounted to USD 1,340 thousand for 2018. (2017: USD 6,614 thousand, 2016: USD 434 thousand).

5. AMORTIZATION, DEPRECIATION AND IMPAIRMENT LOSSES

PARENT			GROUP	
2017	2018	(USD in thousands)	2018	2017
18,617	12,963	Completed development projects	12,963	18,617
912	734	Patents and licenses	734	912
0	0	Customer relationship	0	0
492	1,098	Technology	1,098	492
20,021	**14,795**	**Total amortization of intangible assets**	**14,795**	**20,021**
763	458	Other fixtures and fittings, tools and equipment	1,250	2,216
458	478	Land and buildings	543	526
26,360	21,502	Plant equipment and fleet	21,546	26,504
157	151	Leasehold improvements	356	351
(2)	0	Gain/(loss) from disposal of plant equipment and fleet	(121)	(214)
27,736	**22,589**	**Total depreciation of tangible assets**	**23,574**	**29,383**
47,757	**37,384**	**Total depreciation and amortization**	**38,369**	**49,404**
7,562	3,091	Write-down of completed development projects	3,091	7,562
312	0	Write-down of Techonology	0	312
90	0	Write-down of patents and licenses	0	90
2,253	1,949	Write-down of plant equipment and fleet	1,956	2,174
10,217	**5,040**	**Total impairment losses**	**5,047**	**10,138**
		Recognition of amortization , depreciation and impairment losses by function		
53,550	37,989	Cost of services provided	38,016	53,559
1,012	1,074	Development and manufacturing costs capitalized	1,074	1,012
2,863	2,778	Administrative and sales costs	3,742	4,422
550	583	Amortization of acquired intangible assets in a business combination	583	550
57,974	**42,424**	**Total amortization, depreciation and impairment losses**	**43,415**	**59,542**

6. SPECIAL ITEMS

PARENT			GROUP	
2017	2018	(USD in thousands)	2018	2017
22	1,028	Salary cost related to resigned employees and special bonus	1,169	2,267
0	7,416	Write down of assets	7,416	0
889	237	Other special items	710	1,817
31		Costs related to termination of rental agreements etc.		135
941	**8,681**	**Total special items**	**9,295**	**4,219**

Special items in 2018 are primarily related to the impairment of the Well Completion Business. The costs are incurred in all functions of the business mainly in the areas within "Cost of service provided" and "Administrative and sales costs".

7. FINANCIAL INCOME

PARENT			GROUP	
2017	**2018**	(USD in thousands)	**2018**	**2017**
9,947	18,810	Interest from subsidiaries and affiliates	15,040	7,089
9	0	Interest income	116	70
0	4,300	Other financial income	0	0
9,955	**23,110**	**Interest income from financial assets that are not measured at fair value through profit or loss**	**15,156**	**7,159**
2,373	10,249	Dividends from subsidiaries	0	0
9,984	2,759	Exchange rate gains	6,705	15,346
22,313	**36,118**	**Total financial income**	**21,861**	**22,505**

8. FINANCIAL EXPENSES

PARENT			GROUP	
2017	**2018**	(USD in thousands)	**2018**	**2017**
(25,815)	(32,924)	Interest expenses	(33,143)	(26,023)
(10,202)	(2,996)	Other financial expenses	(2,214)	(8,981)
(36,017)	**(35,920)**	**Interest expenses from financial liabilities that are not measured at fair value through profit or loss**	**(35,357)**	**(35,004)**
(948)	(2,390)	Exchange rate loss	(5,635)	(4,604)
(36,964)	**(38,310)**	**Total financial expenses**	**(40,992)**	**(39,608)**

Borrowing costs capitalized on development projects are calculated based on the incurred costs and a weighted average capitalization rate of 9.5% (6.9% in 2017). The amount capitalized in 2018 at group and parent level is USD 769 thousand (USD 552 thousand in 2017).

The net exchange rate gain at group level at December 31, 2018 was USD 1,071 thousand (a net exchange rate gain of USD 10,742 thousand in 2017).

The net exchange rate gain at parent level at December 31, 2018 was USD 369 thousand (a net exchange rate gain of USD 9,036 thousand in 2017).

9. INCOME TAXES

PARENT			GROUP	
2017	**2018**	(USD in thousands)	**2018**	**2017**
(111)	2,638	Current tax	7,344	3,701
(1,256)	992	Adjustment in corporation tax previous years	1,238	(917)
(1,367)	**3,630**	**Current tax incl. adj. in corporation tax previous years**	**8,582**	**2,784**
597	4,213	Adjustment in deferred tax previous years	4,779	1,052
(13,776)	(5,672)	Change in deferred tax	(6,181)	(15,690)
0	0	Effect from change in tax rate, deferred tax	0	(89)
0	0	Tax effect from tax provision	(937)	909
3,685	3,067	Other taxes	4,896	7,236
(10,861)	**5,238**	**Total Income taxes**	**11,140**	**(3,798)**
		A breakdown of tax:		
(47,357)	998	Profit / (loss) before tax	(5,996)	(37,230)
(47,357)	**998**		**(5,996)**	**(37,230)**
		Reconciliation of tax rate USD		
(10,418)	220	Danish corporation tax rate	(1,313)	(8,191)
1,140	0	Effect of exchange rate adjustments between USD and DKK	0	(4,569)
(660)	(280)	Effect of difference between tax rate for subsidiaries outside Denmark and Danish tax rate	305	(501)
0	0	Tax effect from tax provision	(937)	(724)
(6,526)	(3,651)	Non-taxable income and non-deductible expense	1,027	430
2,578	5,880	Interest limitation, thin capitalization etc.	5,586	3,126
0	0	Change in corporate income tax rate, current and coming years	0	(90)
2,897	3,069	Withholding tax non deductible	4,897	6,906
128	0	Other taxes, including adjustments to previous years	1,575	(185)
(10,861)	**5,238**	**Total income taxes**	**11,140**	**(3,798)**

In 2013, Management decided to change the presentation currency of its consolidated financial statements to USD, however, tax returns for the Danish companies were up to 2017still submitted in DKK with numbers based on consolidation in DKK.

Effect of exchange rate adjustment in USD and DKK on Danish corporation tax is caused by the exchange rate adjustments between USD and DKK in the USD account.

For 2018 the taxreturns for the Danish companies will be prepared in USD.

No income tax has been recognized in other comprehensive income in 2018.In 2018 USD 0 thousand (2017 USD 0 thousand, 2016 USD 1,699 thousand) was recognized directly in equity related to tax credit arising upon exercise of warrants.

Denmark – credit for taxes paid abroad

The Danish tax authorities have in 2014 issued tax assessment notices for the financial years 2009 to 2011 following the assessment made regarding the financial year 2008. The new assessments adjust the tax payable due to non-recognition of credit relief calculated on withholding taxes paid abroad. The additional tax payable has been paid and expensed. The decisions are appealed to the National Tax Tribunal.

The tax credit calculations for the financial years 2013 to 2017 and the preliminary tax calculation for 2018 have been made up based on similar principles as applied by the Danish tax authorities for previous years.

STATEMENT OF CASH FLOWS

10. NON-CASH ADJUSTMENTS

PARENT 2017	PARENT 2018	(USD in thousands)	GROUP 2018	GROUP 2017
48,240	37,932	Depreciation of intangible and tangible assets	39,067	49,618
9,735	18,316	Disposal and impairment losses	18,329	10,138
(321)	0	Exchange rate adjustment on depreciation and fixed assets	532	(817)
250	0	Impairment of trade receivables	1,968	104
6,667	(2,241)	Currency adjustments, other	(4,424)	10,090
3,987	4,300	Reversal/Write-down on intercompany receivables	0	0
6,614	1,340	Share based payments	1,340	6,614
75,173	**59,647**	**Total non-cash adjustments**	**56,812**	**75,747**

11. CHANGES IN WORKING CAPITAL

PARENT 2017	PARENT 2018	(USD in thousands)	GROUP 2018	GROUP 2017
1,488	(3,791)	Change in receivables and prepayments	(1,229)	(5,837)
(2,442)	6,116	Change in inventories	5,585	(2,476)
(5,261)	(16,518)	Change in receivables from subsidiaries and affiliates	1,004	(19,676)
3,274	2,589	Change in trade payables	2,961	4,080
(2,674)	4,922	Change in other payables	4,168	3,253
1,036	(237)	Change in other receivables	1,292	1,667
(25,549)	1,375	Change in payables to affiliates	(46)	46
(30,127)	**(5,544)**	**Total changes in working capital**	**13,735**	**(18,943)**

STATEMENT OF FINANCIAL POSITION

12. INTANGIBLE ASSETS

GROUP (USD in thousands)	Goodwill	Other intangible assets*	Completed development projects	Development projects in progress	Patents and licenses	Total
Costs at 01.01 2017	2,431	7,870	174,971	8,899	20,924	215,095
Additions	0	809	0	9,236	2,642	12,687
Transfer	0	0	5,605	(5,605)	0	0
Disposal	0	0	(309)	0	0	(309)
Exchange rate adjustment	179	0	0	0	0	179
Costs at 31.12 2017	**2,610**	**8,680**	**180,267**	**12,530**	**23,566**	**227,652**
Amortization and impairment losses at 01.01 2017	**0**	**4,956**	**116,516**	**586**	**4,451**	**126,509**
Amortization for the year	0	492	18,617	0	912	20,021
Impairment losses for the year	0	312	7,562	0	90	7,964
Disposal	0	0	(309)	0	0	(309)
Exchange rate adjustment	0	0	0	0	0	0
Amortization and impairment losses at 31.12 2017	**0**	**5,760**	**142,385**	**586**	**5,454**	**154,185**
Carrying value at 31.12 2017	**2,610**	**2,919**	**37,881**	**11,944**	**18,114**	**73,468**
Costs at 01.01 2018	**2,610**	**8,680**	**180,267**	**12,530**	**23,566**	**227,652**
Additions	0	1,466	4.160	2,120	1,805	9,551
Transfer	0	0	2,526	(2,526)	0	0
Disposal	0	(281)	(47,584)	(1,217)	(5,180)	(54,262)
Exchange rate adjustment	(208)	0	0	0	0	(208)
Costs at 31.12 2018	**2,402**	**9,865**	**139,369**	**10,907**	**20,191**	**182,734**
Amortization and impairment losses at 01.01 2018	**0**	**5,760**	**142,385**	**586**	**5,454**	**154,185**
Amortization for the year	0	1,098	12,963	0	734	14,795
Impairment losses for the year	0	0	3,091	0	0	3,091
Disposal	0	0	(40,493)	0	0	(40,493)
Exchange rate adjustment	0	0	0	0	0	0
Amortization and impairment losses at 31.12 2018	**0**	**6,858**	**117,946**	**586**	**6,188**	**131,578**
Carrying value at 31.12 2018	**2,402**	**3,007**	**21,423**	**10,321**	**14,003**	**51,156**

* Please see following specification.

Other intangible assets:

(USD in thousands)	Customer relationship	Technology	Total
Costs at 01.01 2017	**1,683**	**6,187**	**7,870**
Additions		810	810
Costs at 31.12 2017	**1,683**	**6,997**	**8,680**
Amortization and impairment losses at 01.01 2017	**1,683**	**3,273**	**4,956**
Amortization for the year	0	492	492
Impairment losses	0	312	312
Exchange rate adjustment	0	0	0
Amortization and impairment losses at 31.12 2017	**1,683**	**4,078**	**5,760**
Carrying value at 31.12 2017	**0**	**2,919**	**2,919**
Costs at 01.01 2018	**1,683**	**6,997**	**8,680**
Additions	0	1,466	1,466
Disposals	0	(281)	(281)
Exchange rate adjustment	0	0	0
Costs at 31.12 2018	**1,683**	**8,182**	**9,865**
Amortization and impairment losses at 01.01 2018	**1,683**	**4,078**	**5,760**
Amortization for the year	0	1,098	1,098
Impairment losses	0	0	0
Exchange rate adjustment	0	0	0
Amortization and impairment losses at 31.12 2018	**1,683**	**5,176**	**6,858**
Carrying value at 31.12 2018	**0**	**3,007**	**3,007**

Goodwill and intangible assets with indefinite useful life

Goodwill of USD 2,402 thousand is related to the acquisition of Heat Seekers Ltd. in 2005, and has been subject to an annual impairment test. The impairment test performed in 2018 revealed no need for impairment of goodwill.

Goodwill has been tested at the aggregated level and the goodwill amount is allocated to the group's cash-generating unit, Welltec A/S Group. It is the opinion of Management that the carrying amount for goodwill does not exceed its recoverable value based on an estimate of present value of expected future net cash flows from the Welltec A/S Group (value-in-use).

The calculation of the value-in-use is based on the following key assumptions; expectations about future earnings, growth rates and discount rates.

Expectations are based on financial budget for 2019 and longterm forecasts until the end of 2024. A growth rate of 2.4% has been applied in the terminal period from 2025 and onwards.

The discount rate applied is based on a risk-adjusted after tax discount rate (weighted average cost of capital) of 11.1%. The weighted average cost of capital before tax is 12.6%. In 2017 the weighted average cost of capital used was 10.7% which equals a before tax discount rate of 11.8%.

Impairment test is based on following assumptions and market views:

Consensus suggests that the overall demand for Oil & Gas is expected to continue to increase as a result of a growing world economy. The global oversupply of oil gradually diminished during the course of 2018 amid production declines and reduced investments. The weakening supply fundamentals coupled with a resilient demand paved the way for higher oil prices and more importantly a more stable oil price environment by the end of 2018. Looking into 2019, market consensus suggest a continued stabilization albeit with risk of increased volatility should geopolitical unrest or the OPEC production coordination yet again fail. For Welltec, the market potential remains unchanged, as the global demand continues to increase. In addition the current oil price environment requires the industry to adopt new technology that reduces cost of production and ultimately help operators create sustainable businesses.

Although the prevailing climate is challenging for the industry and Welltec with global E&P spend dramatically reduced, above supports that the long term market potential for Welltec is unchanged.

Impairment of other intangible assets

Impairment of development projects amounted to USD 3.1 million (2017: USD 7.6 million), which has been recognized in the statement of comprehensive income under cost of services provided as the projects are closed. The recoverable amount was calculated on the basis of Management's re-assessed estimate of the value in use of the assets.

PARENT (USD in thousands)	Technology	Completed development projects	Development projects in progress	Patents and licenses	Total
Costs at 01.01 2017	**4,554**	**174,971**	**8,899**	**21,061**	**209,485**
Additions	809	0	9,236	2,642	12,687
Transfer	0	5,605	(5,605)	0	0
Disposal	0	(309)	0	0	(309)
Costs at 31.12 2017	**5,363**	**180,267**	**12,530**	**23,703**	**221,863**
Amortization and impairment losses at 01.01 2017	**1,640**	**116,516**	**586**	**4,544**	**123,286**
Amortization for the year	492	18,617	0	913	20,022
Impairment losses for the year	312	7,562	0	90	7,964
Disposal	0	(309)	0	0	(309)
Exchange rate adjustment	0	0	0	0	0
Amortization and impairment losses at 31.12 2017	**2,444**	**142,386**	**586**	**5,546**	**150,962**
Carrying value at 31.12 2017	**2,919**	**37,881**	**11,944**	**18,157**	**70,901**
Costs at 01.01 2018	**5,363**	**180,267**	**12,530**	**23,703**	**221,863**
Additions	1,466	4,160	2,120	1,805	9,551
Transfer	0	2,526	(2,526)	0	0
Disposal	(280)	(47.584)	(1,217)	(5,181)	(54,262)
Costs at 31.12 2018	**6,549**	**139,369**	**10,907**	**20,630**	**177,152**
Amortization and impairment losses at 01.01 2018	**2,444**	**142,386**	**586**	**5,546**	**150,962**
Amortization for the year	1,098	12,963	0	734	14,795
Impairment losses for the year	0	3,091	0	0	3,091
Disposal	0	(40,494)	0	0	(40,494)
Exchange rate adjustment	0	0	0	0	0
Amortization and impairment losses at 31.12 2018	**3,542**	**117,946**	**586**	**6,280**	**128,683**
Carrying value at 31.12 2018	**3,007**	**21,423**	**10,321**	**14,047**	**48,798**

Impairment of other intangible assets

Impairment of development projects amounted to USD 3.1 million (2017: USD 7.6 million), which has been recognized in the statement of comprehensive income under cost of services provided as the projects are closed. The recoverable amount was calculated on the basis of Management's re-assessed estimate of the value in use of the assets.

13. TANGIBLE ASSETS

GROUP (USD in thousands)	Land and buildings	Leasehold improvement	Plant equipment and fleet	Other fixtures, fittings, tools and equipment	Plant equipment and fleet under construction	Total
Costs at 01.01 2017	**11,351**	**6,518**	**264,160**	**25,999**	**22,804**	**330,832**
Additions	123	122	1,476	1,011	13,714	16,446
Transfer	0	0	17,795	0	(17,795)	0
Disposals	(279)	0	(22,041)	(4,285)	0	(26,605)
Exchange rate adjustment	113	58	23	1,177	33	1,405
Costs at 31.12 2017	**11,308**	**6,698**	**261,413**	**23,902**	**18,756**	**322,078**
Depreciation and impairment losses at 01.01 2017	**1,320**	**5,011**	**198,582**	**22,147**	**0**	**227,060**
Depreciation for the year	526	351	26,504	2,216	0	29,597
Impairment losses for the year	0	0	2,174	0	0	2,174
Disposals	(112)	0	(22,041)	(4,132)	0	(26,285)
Exchange rate adjustment	17	51	20	1,000	0	1,088
Depreciation and impairment losses at 31.12 2017	**1,751**	**5,413**	**205,239**	**21,230**	**0**	**233,634**
Carrying value at 31.12 2017	**9,557**	**1,285**	**56,174**	**2,672**	**18,756**	**88,444**
Hereof held under finance lease	6,752	0	5,103	0	0	11,855
Costs at 01.01 2018	**11,308**	**6,698**	**261,413**	**23,902**	**18,756**	**322,078**
Additions	93	592	5,494	1,068	17,464	24,711
Transfer	0	0	11,997	0	(11,997)	0
Disposals	0	(20)	(968)	(1,012)	0	(2,000)
Exchange rate adjustment	(111)	(148)	(30)	(1,328)	(113)	(1,730)
Costs at 31.12 2018	**11,290**	**7,122**	**277,906**	**22,630**	**24,110**	**343,058**
Depreciation and impairment losses at 01.01 2018	**1,751**	**5,413**	**205,239**	**21,230**	**0**	**233,634**
Depreciation for the year	543	356	21,546	1,250	0	23,695
Impairment losses for the year	0	0	1,956	0	0	1,956
Disposals	0	(14)	(963)	(852)	0	(1,829)
Exchange rate adjustment	(19)	(131)	(24)	(1,198)	0	(1,372)
Depreciation and impairment losses at 31.12 2018	**2,275**	**5,624**	**227,754**	**20,430**	**0**	**256,083**
Carrying value at 31.12 2018	**9,015**	**1,498**	**50,152**	**2,200**	**24,110**	**86,975**
Hereof held under finance lease	5,573	0	7,109	0	0	12,682

Impairment losses in 2018 and 2017 are related to scrapped tools, tools lost in the wells and impairment tests of the tool fleet.

PARENT (USD in thousands)	Land and buildings	Leasehold improvement	Plant equipment and fleet	Other fixtures, fittings, tools & equipment	Plant equipment & fleet under construction	Total
Costs at 01.01 2017	**9,707**	**3,794**	**304,009**	**9,703**	**22,307**	**349,520**
Additions	123	113	1,476	249	13,832	15,793
Transfer	0	0	17,795	0	(17,795)	0
Disposals	0	0	(22,034)	0	0	(22,034)
Exchange rate adjustment	0	4	0	6	0	10
Costs at 31.12 2017	**9,830**	**3,911**	**301,248**	**9,958**	**18,344**	**343,289**
Depreciation and impairment losses at 01.01 2017	**1,066**	**3,150**	**238,723**	**8,279**	**0**	**251,218**
Depreciation for the year	458	157	26,360	763	0	27,738
Impairment losses for the year	0	0	2,253	0	0	2,253
Disposal	0	0	(22,034)	0	0	(22,034)
Exchange rate adjustment	0	5	0	4	0	9
Depreciation and impairment losses at 31.12 2017	**1,524**	**3,312**	**245,302**	**9,046**	**0**	**259,184**
Carrying value at 31.12 2017	**8,306**	**599**	**55,946**	**912**	**18,344**	**84,107**
Hereof held under finance lease	6,752	0	5,103	0	0	11,855
Costs at 01.01 2018	**9,830**	**3,911**	**301,248**	**9,958**	**18,344**	**343,289**
Additions	87	237	5,318	453	17,964	24,060
Transfer	0	0	11,971	0	(11,971)	0
Disposals	0	0	(966)	(502)	0	(1,468)
Exchange rate adjustment	0	(6)	0	(8)	0	(14)
Costs at 31.12 2018	**9,917**	**4,142**	**317,571**	**9,901**	**24,337**	**365,869**
Depreciation and impairment losses at 01.01 2018	**1,524**	**3,312**	**245,302**	**9,046**	**0**	**259,184**
Depreciation for the year	478	151	21,502	458	0	22,589
Impairment losses for the year	0	0	1,949	0	0	1,949
Disposal	0	0	(960)	(348)	0	(1,308)
Exchange rate adjustment	0	(6)	0	(6)	0	(12)
Depreciation and impairment losses at 31.12 2018	**2,002**	**3,457**	**267,793**	**9,150**	**0**	**282,402**
Carrying value at 31.12 2018	**7,915**	**685**	**49,778**	**751**	**24,337**	**83,467**
Hereof held under finance lease	5,573	0	7,109	0	0	12,682

Impairment losses in 2018 and 2017 are related to scrapped tools, tools lost in the wells and impairment tests of the tool fleet.

14. INVESTMENTS IN SUBSIDIARIES

(USD in thousands)	PARENT 2018	2017
Carrying amount 01.01	**28,615**	**24,717**
Additions	380	3,898
Impairment adjustment for the year	(10,300)	0
Carrying amount 31.12	**18,695**	**28,615**

The carrying value of investments in the subsidiaries is pledged as security for issued bonds as of December 2018 and December 31, 2017.

Name	Registered office	Principal activity	Year / currency	Capital	Share
Welltec Angola Lda.***	Angola	Sales Company	2006 / USD	5,000	49%
Welltec Oilfield Services Argentina SA **	Argentina	Sales Company	2015 / ARS	50,000	100%
Welltec Oilfield Services Pty. Ltd.*	Australia	Sales Company	2005 / AUD	10	100%
Welltec Oilfield Services (Azerbaijan) Ltd.*	Azerbaijan	Sales Company	2007 / USD	5,000	100%
Welltec do Brasil Ltda.**	Brazil	Sales Company	2006 / BRL	423,790	100%
Welltec Canada Inc. *	Canada	Sales Company	2001 / CAD	6,000,001	100%
Welltech Oilfield Services (Newfoundland & Labrador) Limited*	Canada	Sales Company	2017 / CAD	10	100%
Welltech Oilfield Services Congo SAS***	Congo	Sales Company	2017 / XAF	1,000,000	100%
RS 2001 ApS*	Denmark	Sales Company	2001 / DKK	125,000	100%
Welltec Latinamerica ApS*	Denmark	Sales Company	2005 / DKK	475,000	100%
Welltec Africa ApS*	Denmark	Sales Company	2005 / DKK	125,000	100%
Welltec Oilfield Services (Continental Europe) A/S*	Denmark	Sales Company	2014 / DKK	500,000	100%
Welltec Oilfield Services Gabon Sarl ***	Gabon	Sales Company	2015 / CFA	1,000,000	100%
Welltec Oilfield Services (Ghana) Limited***	Ghana	Sales Company	2013 / GHC	40,818	90%
Welltech Oilfield Services (Guyana) Inc**	Guyana	Sales Company	2017 / GYD	500,000	100%
PT. Welltec Oilfield Services Indonesia*	Indonesia	Sales Company	2005 / USD	500,000	95%
Welltec Oilfield Services (India) Private Limited *	India	Sales Company	2008 / INR	100,000	100%
Welltec Oilfield Services (Kazakhstan) LLP*	Kazakhstan	Sales Company	2011 / KZT	151,200	100%
Welltec Oilfield Services (Malaysia) Sdn. Bhd*	Malaysia	Sales Company	2005 / MYR	350,000	49%
Welltec Oilfield Services Mexico S.A.**	Mexico	Sales Company	2007 / MXN	50,000	100%
Welltec Oilfield Services (Nigeria) Ltd. ***	Nigeria	Sales Company	2006 / NGN	25,000,000	30%
Welltec Oilfield Services (Norway) *	Norway	Sales Company	2015 / NOK	3,000,000	100%
Welltech Oilfield Services (Muscat) LLC*	Oman	Sales Company	2017 / OMR	150,000	70%
Welltec Oilfield Services (Doha) LLC.*	Qatar	Sales Company	2015 / QAR	1,000	49%
Welltec (RUS) Holding LLC*	Russia	Holding Company	2017/RUB	100,000	100%
Welltec Oilfield Services (RUS) LLC.*****	Russia	Sales Company	2007 / RUB	100,000	100%
Welltec Oilfield Services (Saudi Arabia) Ltd*	Saudi Arabia	Sales Company	2008 / SAR	500,000	100%
Welltec (UK) Ltd. *	Scotland - UK	Sales Company	2002 / GBP	1	100%
Welltec Oilfield Services (Proprietary) (South Africa) Limited***	South Africa	Sales Company	2010 / ZAR	1,000	100%
Welltec Oilfield Services (Trinidad & Tobago) Limited****	Trinidad & Tobago	Sales Company	2016 / TTD	1	100%
Welltec Oilfield Services (Uganda) Limited***	Uganda	Sales Company	2012 / USD	10,000	100%
Welltec Inc. *	USA	Sales Company	2000 / USD	100,000	100%
Welltec Venezuela, C.A.***	Venezuela	Sales Company	2005 / VEF	1,000	100%

* Held by Welltec A/S, ** Held by Welltec Latinamerica ApS, ***Held by Welltec Africa ApS, **** Held by Welltec Inc. ***** Held by Welltec (RUS) Holding LLC

Even though Welltec A/S only holds a 49% and 30% ownership interest in four subsidiaries, Welltec A/S controls the four subsidiaries through holdings of more than half of the voting power.

As stated above, Welltec owns a number of subsidiaries in the group more than 50% but less than 100%. Welltec consolidates these entities 100% with no minority interest. Welltec de facto has 100% ownership according to the respective shareholder agreements asWelltec is entitled to receive 100% of the dividends of these entities.

15. INVENTORIES

PARENT 2017	PARENT 2018	(USD in thousands)	GROUP 2018	GROUP 2017
6,116	0	Raw materials	0	6,397
0	0	Finished goods	1,114	302
6,116	**0**	**Total inventories**	**1,114**	**6,699**

16. TRADE RECEIVABLES

PARENT 2017	PARENT 2018	(USD in thousands)	GROUP 2018	GROUP 2017
8,505	11,651	Trade receivables before allowance for doubtful accounts	49,733	49,353
(300)	(286)	Write-downs	(1,961)	(367)
8,205	**11,366**	**Total trade receivables**	**47,772**	**48,986**
102	123	Trade receivables — average fixed time of credit (days)	80	109
		Development in write-downs of trade receivables		
(50)	(300)	Write-downs at 01.01	(367)	(263)
		Reversed, unrealized write-downs	62	207
50	15	Amounts written off during the year	142	(11)
(300)	0	Write-down in profit or loss	(1,798)	(300)
(300)	**(285)**	**Write-downs at 31.12**	**(1,961)**	**(367)**
		Specification of trade receivables by due date		
5,358	7,031	Not due	30,147	35,248
1,212	1,862	Up to 30 days	8,647	4,753
349	579	30-60 days	3,210	3,344
76	752	60-90 days	1,408	1,372
1,210	427	90-120 days	1,644	2,185
0	715	120+ days	2,716	2,084
8,205	**11,366**	**Total trade receivables**	**47,772**	**48,986**

16.1 Credit risk management

The Group's credit risk on liquid funds is limited because the counter parties are banks with high credit ratings assigned by the international credit-rating agencies.

The Group's services are provided to a variety of contractual counter parties and are therefore subject to the risk of non-payment for services or non-reimbursement of costs. Receivables consist of a relatively small number of customers, but the customers are large corporations in the oil industry and have high credit ratings. The Group's loss on trade receivables are historically immaterial. There is an ongoing centralized follow-up on out-standing trade receivables in accordance with the Group's dunning procedures. The maximum credit risk related to financial assets corresponds to the carrying amount.

The Group has 2 customers, which accounts for 10% or more of the total revenue in 2018 (2017: 3 customers).

16.2 Impairment of trade receivables

The Group's financial assets and trade receivables relating to revenue, are subject to the expected credit loss model. The IFRS 9 simplified approach is applied to measure the expected credit losses. The contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates per 31 December 2018 are based on the payment profiles over a period of 3 years before 31 December 2016, 31 December 2017 and 31 December 2018 and the corresponding historical credit losses experienced within this period.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has assessed the economy and market conditions of the countries in which it sells its services and goods and accordingly adjusted the historical loss rates based on expected changes in these factors.

The revenue has increased by 32% since 2017, which has had an impact on the increased loss allowance in 2018.

On that basis, the loss allowance as at 31 December 2018 was determined as follows for both trade receivables and contract assets:

	31 December 2018				
	Not past due	**Less than 30 days past due**	**30 to 60 days past due**	**More than 60 days past due**	**Total**
USD in thousands					
Expected credit loss rate	1.0%	4.0%	9.2%	15.8%	
Trade receivable	31,705	8,647	3,210	6,209	49,771
Contract assets	93	-	-	-	93
Loss allowance	**332**	**353**	**294**	**982**	**1,961**

17. PREPAYMENTS

PARENT 2017	PARENT 2018	(USD in thousands)	GROUP 2018	GROUP 2017
152	94	Prepaid insurance	283	387
171	310	Prepaid lease	470	209
44	42	Prepaid rent	299	373
1,207	2,089	Prepaid creditors	3,740	2,918
330	0	Other prepayments	1,045	1,468
1,904	**2,535**	**Total prepayments**	**5,837**	**5,355**

18. SHARE CAPITAL

The share capital consists of 292,005,743 units at DKK 1 / USD 0.17. All shares are fully paid.

(USD in thousands)	GROUP 2018	GROUP 2017
Share units 01.01.	53,218	53,218
Share units 31.12.	**53,218**	**53,218**

All the shares are fully paid and have the same rights.

No dividend was paid out in 2018 or 2017 and no dividend is proposed related to the financial year 2018.

The holding of treasury shares can be specified as follow

	Number of shares	Nominal value in DKK	Share of capital in %
Treasury shares 31.12.2016	**234,877**	**234,877**	**4.8**
Purchase of shares	(234,877)	(234,877)	(4.8)
Treasury shares 31.12.2017	**0**	**0**	**0**
Treasury shares 31.12.2018	**0**	**0**	**0**

The holding of treasury shares is related to shares in Welltec International ApS.
During 2018 Welltec has sold 0 own shares at a value of USD 0 thousand.
Welltec invests in own shares using excess liquidity to reduce the number of shareholders.

19. DEFERRED TAX ASSETS AND LIABILITIES

PARENT			GROUP	
2017	**2018**	**(USD in thousands)**	**2018**	**2017**
15,594	4,243	Deferred tax 01.01	9,332	20,798
1,828	(153)	Exchange rate adjustments	45	2,353
597	4,214	Adjustment of deferred tax — previous years	4,780	1,052
0	0	Effect of change in income tax rate, current year	0	(90)
(13,776)	(5,672)	Change in deferred tax for the year	(7,119)	(14,781)
4,243	**2,632**	**Deferred tax assets(-)/liabilities 31.12**	**7,038**	**9,332**
		Deferred tax breakdown:		
26,703	16,553	Intangible assets	16,553	26,703
(17,167)	(8,937)	Tangible assets	(9,110)	(17,406)
0	0	Current assets	0	0
(5,293)	(4,983)	Current and non-current liabilities	(281)	708
0	0	Tax loss carried forward etc.	(123)	(673)
4,243	**2,632**	**Deferred tax assets(-)/liabilities 31.12**	**7,038**	**9,332**
		Deferred tax is recognized in the statement of financial position with:		
0	0	Deferred tax assets	(1,247)	(1,813)
4,243	2,632	Deferred tax liabilities	8,285	11,145
4,243	**2,632**	**Deferred tax assets(-)/liabilities 31.12**	**7,038**	**9,332**

The group does not recognize deferred tax assets that are unlikely to be realized or otherwise exposed to major risk or uncertainty.

20. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

PARENT			GROUP	
2017	**2018**	(USD in thousands)	**2018**	**2017**
329,689	331,238	Issued bonds	331,238	329,689
10,881	11,781	Finance lease commitments	11,790	10,881
340,570	**343,019**		**343,028**	**340,570**
		Recognition of short-term and long-term financial liabilities in the statement of financial position:		
9,143	9,329	Non-current financial liabilities — lease commitments	9,338	9,143
329,689	331,238	Non-current financial liabilities — issued bonds (incl. holding of own bonds)	331,238	329,689
1,738	2,452	Current financial liabilities	2,452	1,738
340,570	**343,019**		**343,028**	**340,570**

GROUP

			2017		
Currency	**Expiry**	**Fixed or floating interest**	**Effective interest rate %**	**Carrying amount local (thousands)**	**Carrying amount USD (thousands)**
DKK	2024	floating	0.95-7.39	67,545	**10,881**
USD	2022	fixed	9.75	329,689	**329,689**
					340,570

GROUP

			2018		
Currency	**Expiry**	**Fixed or floating interest**	**Effective interest rate %**	**Carrying amount local (thousands)**	**Carrying amount USD (thousands)**
DKK	2026	floating	0.95-9.44	76,864	**11,790**
USD	2011	fixed	9.75	331,238	**331,238**
					343,028

Issued bonds and bank debt

In November 2017, Welltec A/S issued bonds of a value of USD 340 million. The bonds have a fixed interest of 9.5% and an effective rate of 9.75%. The bonds are repayable in full in November 2022. The fair value of issued bonds at December 31 2018, is USD 338 million (December 31, 2017 USD 343 million). The fair value is based on the OTC quoted market price 99.50 USD per. note (December 31, 2017 101.00 USD per note) (level 1).

PARENT — **2017**

Currency	Expiry	Fixed or floating interest	Effective interest rate %	Carrying amount local (thousands)	Carrying amount USD (thousands)
DKK	2024	floating	0.95 - 7.35	67.545	**10,881**
USD	2022	fixed	9.75	329.689	**329,689**
					340,570

PARENT — **2018**

Currency	Expiry	Fixed or floating interest	Effective interest rate %	Carrying amount local (thousands)	Carrying amount USD (thousands)
DKK	2026	floating	0.95 - 9.44	76,805	**11,781**
USD	2022	fixed	9.75	331,238	**331,238**
					343,019

Issued bonds and bank debt

In November 2017, Welltec A/S issued bonds of a value of USD 340 million. The bonds have a fixed interest of 9.5% and an effective rate of 9.75%. The bonds are repayable in full in November 2022. The fair value of issued bonds at December 31 2018, is USD 338 million (December 31, 2017 USD 343 million). The fair value is based on the OTC quoted market price 99.50 USD per. note (December 31, 2017 101.00 USD per note) (level 1).

20.1 Finance lease obligations

Finance lease relates to a building with a lease term of 10.5 years and manufacturing equipment with lease terms of 3-5 years. The group and the parent company have options to purchase the building and the equipment for a nominal amount at the end of the lease agreements. The group's and the parent company's obligations under finance leases are secured by the lessors' title to the leased assets.

GROUP

(USD in thousands)	2018 Minimum lease payments	2018 Present value of minimum lease payment	2017 Minimum lease payments	2017 Present value of minimum lease payment
Maturity of finance lease obligations:				
Within 1 year	2,962	2,452	1,796	1,738
Between 1 and 5 years	7,803	6,348	5,527	5,330
Over 5 years	4,581	2,990	4,151	3,813
Total finance lease obligations	**15,346**	**11,790**	**11,474**	**10,881**

GROUP

(USD in thousands)	2018	2017
Interest from finance lease, expensed	617	555

The fair value of the finance lease liabilities is approximately equal to their carrying amount as of December 31, 2018 and December 31, 2017.

PARENT

(USD in thousands)	2018 Minimum lease payments	2018 Present value of minimum lease payment	2017 Minimum lease payments	2017 Present value of minimum lease payment
Maturity of finance lease obligations:				
Within 1 year	2,962	2,452	1,796	1,738
Between 1 and 5 years	7,803	6,348	5,527	5,330
Over 5 years	4,581	2,981	4,151	3,813
Total finance lease obligations	**15,346**	**11,781**	**11,474**	**10,881**

PARENT

(USD in thousands)	2018	2017
Interest from finance lease, expensed	617	(555)

The fair value of the finance lease liabilities is approximately equal to their carrying amount as of December 31, 2018 and 2017.

20.2 Maturity dates for financial liabilities

GROUP		**2017**		
(USD in thousands)	**Less than 1 year**	**Between 1 and 5 years**	**Later than 5 years**	**Total**
Finance lease commitments	1,738	5,330	3,813	10,881
Issued bonds (incl. holding of own bonds)	0	329,689	0	329,689
Bank debt	0	0	0	0
Payable to Subsidiaries	46	0	0	46
Trade payables	12,433	0	0	12,433
Other payables	23,038	0	0	23,038
Total financial liabilities	**37,255**	**335,019**	**3,813**	**376,087**

All debt is measured at amortized cost. The amounts in the table above are exclusive of interest.

Interest on issued bonds mature on an annual basis with USD 26 million until maturity on 1 February 2019.

GROUP		**2018**		
(USD in thousands)	**Less than 1 year**	**Between 1 and 5 years**	**Later than 5 years**	**Total**
Finance lease commitments	2,452	6,348	2,990	11,790
Issued bonds	0	331,238	0	331,238
Payable to Subsidiaries and affiliates	5,781	0	0	5,781
Trade payables	15,394	0	0	15,394
Other payables	27,429	0	0	27,429
Total financial liabilities	**51,056**	**337,586**	**2,990**	**391,632**

All debt is measured at amortized cost. The amounts in the table above are exclusive of interest.

Interest on issued bonds mature on an annual basis with USD 32.3 million until maturity 27 November 2022.

PARENT (USD in thousands)	2017 Less than 1 year	Between 1 and 5 years	Later than 5 years	Total
Finance lease commitments	1,738	5,330	3,813	**10,881**
Issued bonds (incl, holding of own bonds)	0	329,689	0	**329,689**
Loan payables to subsidiaries and affiliates	48,488	0	0	**48,488**
Payables to subsidiaries and affiliates	8,473	0	0	**8,473**
Trade payables	9,851	0	0	**9,851**
Other payables	8,262	0	0	**8,262**
Total financial liabilities	**76,812**	**335,019**	**3,813**	**415,644**

All debt is measured at amortized cost. The amounts in the table above are exclusive of interest.

Interest on issued bonds mature on an annual basis with USD 32.3 million until maturity on 27 November 2022.

PARENT (USD in thousands)	2018 Less than 1 year	Between 1 and 5 years	Later than 5 years	Total
Finance lease commitments	2,452	6,348	2,981	**11,781**
Issued bonds (incl, holding of own bonds)	0	331,238	0	**331,238**
Loan payables to subsidiaries and affiliates	46,239	0	0	**46,239**
Payables to subsidiaries and affiliates	9,849	0	0	**9,849**
Trade payables	12,440	0	0	**12,440**
Other payables	13,400	0	0	**13,400**
Total financial liabilities	**84,380**	**337,586**	**2,981**	**424,947**

All debt is measured at amortized cost. The amounts in the table above are exclusive of interest.

Interest on issued bonds mature on an annual basis with USD 32.3 million until maturity 27 November 2022.

20.3 Net interest-bearing debt

GROUP

		Included in cash flow from financing activities	Non-cash changes			
	2017		New leases	Currency translation adjustments	Amortisation of borrowing cost	**2018**
Issued bonds	329,689				1,549	331,238
Finance lease commitments	10,881	(2,175)	3,650	(566)	-	11,790
Total interest bearing debt	**340,570**	**(2,175)**	**3,650**	**(566)**	**1,549**	**343,028**
Cash and cash equivalents	(28,465)					(21,328)
Net interest bearing debt	**312,105**					**321,700**

PARENT

		Included in cash flow from financing activities	Non-cash changes			
	2017		New leases	Currency translation adjustments	Amortisation of borrowing cost	**2018**
Issued bonds	329,689				1,549	331,238
Finance lease commitments	10,881	(2,175)	3,641	(566)	-	11,781
Total interest bearing debt	**340,570**	**(2,175)**	**3,641**	**(566)**	**1,549**	**343,019**
Cash and cash equivalents	(16,166)					(7,260)
Net interest bearing debt	**324,404**					**335,759**

21. OTHER PAYABLES

PARENT			GROUP	
2017	2018	(USD in thousands)	2018	2017
79	3,312	Wages and salaries, personal income taxes, social security costs, etc. payable	8,402	2,999
3,422	3,398	Holiday pay obligation	5,981	5,601
2,510	2,727	Accrued interests	2,727	2,510
2,251	3,963	Other costs payable	10,319	11,928
8,262	**13,400**	**Total other payables**	**27,429**	**23,038**

OTHER

22. FEES TO AUDITOR APPOINTED AT THE ANNUAL GENERAL MEETING

PARENT			GROUP	
2017	**2018**	(USD in thousands)	**2018**	**2017**
86	86	Statutory audit services	226	225
86	**86**	**Statutory audit services**	**226**	**225**
		Non-audit services:		
3	-	Assurance opinions	-	3
52	189	Tax advisory services	189	182
160	141	Other	141	187
215	**330**	**Non-audit services**	**330**	**372**
301	**416**	**Total fees to auditors**	**556**	**597**

23. ASSETS CHARGED AND CONTINGENT LIABILITIES

In 2018 the Group has issued bank guarantees to third parties in the amount of USD 4,555 thousand. In 2017 bank guarantees to third parties were USD 3,622 thousand.

Welltec A/S is part of a Danish joint taxation scheme with Welltec International ApS and its Danish subsidiaries. As from the 2013 financial year, the company has partly a joint and several liability and partly a secondary liability with respect to income taxes etc. for the jointly-taxed companies. As from 1 July 2012 it also has partly a joint and several liability and partly a secondary liability with respect to any obligations to withhold tax on interest, royalties and dividends for these companies. However, in both cases the secondary liability is capped at an amount equal to the share of the capital of the company directly or indirectly owned by the ultimate parent company. Upto and including 22 February 2018 Welltec International and it Danish subsidiaries was jointly taxed with JH Holding, Allerød ApS and it Danish subsidiaries.

The Bond debt is guaranteed by Welltec International ApS, Welltec Holding ApS, Welltec Canada Inc., Welltec Africa ApS, Welltec (UK) Ltd, Welltec Inc. and Welltec Oilfield Services (Norway) AS and is secured, subject to certain exceptions and permitted liens, by all of the issued shares of Welltec A/S and each of the Guarantors (other than Welltec International ApS, Welltec (UK) Ltd and Welltec Oilfield Services (Norway) AS and Welltec (UK) Ltd.).

Welltec A/S group is involved in legal proceedings and disputes in a number of countries against businesses and individuals. It is the opinion of management that the outcome of these proceedings will not have a material impact on the group's financial position, results of operations or cash flows.

Welltec A/S has issued letter of support for certain subsidiaries.

24. OPERATING LEASE COMMITMENTS

PARENT			GROUP	
2017	**2018**	(USD in thousands)	**2018**	**2017**
		Rental and leasing obligations		
1,431	1,656	Due within 1 year	5,702	4,896
0	249	Due within 1 to 5 years	6,670	8,992
0		Due after 5 years	2,468	3,826
1,431	**1,905**	**Total rental and leasing obligations**	**14,840**	**17,714**
2,123	**2,259**	**Rental and leasing expenses for the year**	**8,240**	**8,022**

The group has entered into operational leasing agreement regarding house rental, office furniture and company cars for the period 2019-2026.

25. FINANCIAL INSTRUMENTS

25.1 General capital structure

The group is financed partly through equity and partly through long-term debt. Management assesses on a regular basis whether the group's capital structure is in accordance with the group's and shareholder's interests. The overall objective is to ensure a capital structure that supports long-term growth and also maximizes returns to the shareholder of the group by optimizing the debt to equity ratio. The group's overall objective remains the same.

25.2 Market risk

Due to the group's foreign activities and credit facilities in foreign currencies, its profit/loss, cash flows and equity are affected by changes in exchange rates and interest rates for a number of currencies.

A significant part of this change in exchange rates has been eliminated by changing functional currency for the Danish companies to USD from 2012.

25.2.1 Foreign currency risk management

The reporting currency of the group and the parent company is US dollars. The functional currency of the Danish companies is considered to be US dollars, and the rest of the group's subsidiaries have the functional currency of the country in which the subsidiary is domiciled. A proportion of the group's revenues, expenses and other liabilities are denominated in currencies other than US dollars, in particular Danish kroner, Norwegian kroner and British pounds. Exchange rate exposures are managed within approved policy parameters.

PARENT

The carrying amounts of the company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows stated in the material currencies affecting the group:

	Assets		Liabilities	
(USD in thousands)	**2018**	**2017**	**2018**	**2017**
DKK	263,764	190,495	(246,389)	(182,431)
GBP	0	0	0	0
NOK	0	0	0	0

GROUP

The carrying amounts of the group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows stated in the material currencies affecting the group:

	Assets		Liabilities	
(USD in thousands)	**2018**	**2017**	**2018**	**2017**
DKK	263,764	190,495	(246,389)	(182,431)
GBP	3,692	3,696	(3,212)	(456)
NOK	8,070	15,262	(5,614)	(9,671)

25.2.2 Foreign currency sensitivity analysis

The following tables detail the parent and group's sensitivity to a 10% increase and decrease in DKK, INR, NOK and GBP against the relevant foreign currencies. The percentage used is the sensitivity rate and is representing Management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and equity where the currency strengthens 10% against the relevant currency. For a 10% weakening of the currency against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances below would be negative:

PARENT

	Currency DKK impact		Currency INR impact		Currency NOK impact	
(USD in thousands)	2018	2017	2018	2017	2018	2017
Profit/(Loss)	267	130	465	(925)	0	0
Equity	0	0	(1,317)	(4,403)	0	(2)

GROUP

	Currency DKK impact		Currency GBP impact		Currency NOK impact	
(USD in thousands)	2018	2017	2018	2017	2018	2017
Profit/(Loss)	267	130	37	28	260	240
Equity	0	0	(53)	(327)	295	623

25.2.3 Interest rate risk management

From the beginning of 2012 the group's interest rate risk relates to the group's interest bearing debt to bondholders. The interest is fixed at an effective rate of 8.5%. In November 2017 the interest bearing debt was refinanced with a new bond loan. The interest is fixed at an effecitive rate at 9,75%

As the interest rate is fixed the group does not apply hedge accounting to its derivative financial instruments. Thus any changes in fair value are recognized directly in statement of comprehensive income as financial income or financial expenses.

25.2.4 Interest rate sensitivity analysis

A 250 basis point increase or decrease represents Management's assessment of the reasonably possible change in interest rates.

If interest rates had been 250 basis points higher/lower and all other variables were held constant, the group's:

Profit for the year and equity as of December 31, 2018 would be affected with USD 850 thousand (2017: 675 thousand).

25.3 Liquidity risk management

It is the group's policy that capital raising and distribution of cash are managed centrally by the group's finance department to the extent it is deemed appropriate. The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows.

The group is adjusting centrally the cash outflow in investments in intangible assets and property, plant and equipment in Denmark.

For general corporate and working capital purpose the Group holds a USD 40 million Revolving Credit Facility (RCF). The RCF contains requrements for mandatory prepayments upon certain events, also the RCF contains financial covenant.

Please see note 19.2. Maturity dates for financial liabilities.

25.4 Categories of financial instruments

PARENT			GROUP	
2017	**2018**	(USD in thousands)	**2018**	**2017**
0	0	Other receivables (non-current) and current portion of non-current assets	412	953
8,205	11,366	Trade receivables	47,772	48,986
198,929	221,324	Loans to subsidiaries and affiliates	183,596	154,196
13,184	40,002	Receivables from subsidiaries and affiliates	19,224	21,569
1,919	2,158	Other receivables	4,313	5,603
1,904	2,535	Prepayments	5,837	5,355
16,166	7,260	Cash and cash equivalents	21,328	28,465
240,307	**284,645**	**Receivables and loans**	**282,482**	**265,127**

PARENT			GROUP	
2017	**2018**	(USD in thousands)	**2018**	**2017**
10,881	11,781	Finance lease commitments	11,790	10,881
329,689	331,238	Issued bonds	331,238	329,689
48,488	46,239	Loan payable to subsidiaries and affiliates	0	0
8,473	9,849	Payables to subsidiaries and affiliates	5,781	46
9,851	12,441	Trade payables	15,394	12,433
8,262	13,400	Other payables	27,429	23,038
415,644	**424,948**	**Financial liabilities measured at amortized cost**	**391,632**	**376,087**

26. RELATED PARTIES

Welltec's related parties

The ultimate parent company, preparing a consolidated financial statement in which the Welltec A/S Group is included, is Welltec International ApS, Gydevang 25, 3450 Allerød, Denmark

1. The parent company Welltec Holding ApS (control), Gydevang 25, 3450 Allerød, Denmark, which is wholly owned by Welltec International ApS
2. Welltec International ApS, Gydevang 25, 3450 Allerød, Denmark, which is owned by JH Holding. Allerød, ApS and 7 Industries and other shareholders
3. JH Holding. Allerød, ApS, Bredgade 25.2, 1260 København K, Denmark. Jørgen Hallundbæk is the ultimate controlling party.
4. 7 Industries Holding B.V., Van Heuven Goedhartlaan 13D, 1181 LE, Amstelveen, The Netherlands (owns more than 5% of Welltec International ApS).
5. Exor N.V., Gustav Mahlerolein 25, 1082 Amsterdam, The Netherlands (own more than 5%)
6. Members of the parent company's Executive Management and Board of Directors as well as close relatives of these members
7. Subsidiaries of Welltec A/S – see note 13. Investments in subsidiaries

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation in accordance with the accounting policies. Details of transactions between the group and other related parties are disclosed below.

26.1 Related parties transactions

GROUP

During the year, group entities entered into the following trading transactions with related parties that are not members of the group::

(USD in thousands)

2017	Affiliates*	Key management personnel	Board of Directors
Interests received	7,089	0	0
Sale of shares in Welltec International ApS	22,794	0	0
Total transactions	**29,883**	**0**	**0**

2018	Affiliates*	Key management personnel	Board of Directors
Interests received	15,040	0	0
Rendering of services	13,005	0	0
Total transactions	**28,045**	**0**	**0**

*The parent company's principal shareholder(s) are defined as affiliates.

The following balances were outstanding at the end of the reporting period:

(USD in thousands)	Amounts owed by related parties		Amounts owed to related parties	
	2018	2017	2018	2017
Welltec International ApS	101,565	97,398	0	0
Welltec Holding ApS	84,572	78,356	0	0
Welltec Oilfield Intervention AG	10	0	0	0
Welltec Oilfield Solutions AG	16,636	10	0	(46)
Total balances	**202,820**	**175,765**	**0**	**(46)**

PARENT

During the year, the company entered into the following transactions with related parties:

2017	Affiliates*	Subsidiaries	Key management personnel	Board of Directors
Rental of equipment	0	41,646	0	0
Sale of shares in Welltec International ApS	22,794	0	0	0
Interest income/(Expenses)	7,089	2,858	0	0
Legal services	0	0	0	17
Total transactions	**29,883**	**44,504**	**0**	**17**

2018	Affiliates*	Subsidiaries	Key management personnel	Board of Directors
Rental of equipment	0	58,200	0	0
Rendering of servces	13,005	0	0	0
Interest income/(Expenses)	15,040	3,770	0	0
Total transactions	**28,045**	**61,970**	**0**	**0**

*The parent company's principal shareholder(s) are defined as affiliates.

The following balances were outstanding at the end of the reporting period:

(USD in thousands)	Amounts owed by related parties		Amounts owed to related parties	
	2018	**2017**	**2018**	**2017**
Welltec International ApS	101,565	96,997	0	0
Welltec Holding ApS	84,572	78,355	0	0
Subsidiaries and affiliates	75,189	36,761	(56,088)	(56,960)
Total balances	**261,326**	**212,113**	**(56,088)**	**(56,960)**

27. EVENTS AFTER THE BALANCE SHEET DATE

No significant events regarding the group's activities have occurred since December 31, 2018.

BRANCHES

BRANCHES

27. BRANCHES

The group holds the following branches:

Name	Registered office	Principal activity	Year / currency
Welltec A/S (Azerbaijan Branch)*	Azerbaijan	Sales Branch	2008 / AZN
Welltec A/S India Project Office*	India	Sales Branch	2008 / INR
PT Welltec Oilfield Services Indonesia (Indonesian Branch)*	Indonesia	Sales Branch	2018/ IDR
Welltec Africa ApS E.G.***	Equatorial Guinea	Sales Branch	2010 / XAF
Welltec A/S - Abu Dhabi*	UAE	Sales Branch	2011 / AED
Welltec Latin America ApS Sucursal Columbiana**	Columbia	Sales Branch	2011 / COP
Welltec A/S (Gabon Branch)*	Gabon	Sales Branch	2012 / CFA
Welltec Africa ApS Congo***	Congo	Sales Branch	2013 / CFA
Welltec Latinamerica ApS (Ecuador Branch)**	Ecuador	Sales Branch	2014 / USD
Welltec Africa ApS (Cameroun Branch)	Cameroun	Sales Branch	2016 / XAF

* Held by Welltec A/S

** Held by Welltec Latinamerica ApS

***Held by Welltec Africa ApS

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