Welltec Annual Report 2020

Welltec A/S
CVR No.: 13 47 88 05
Gydevang 25, DK-3450 Allerød

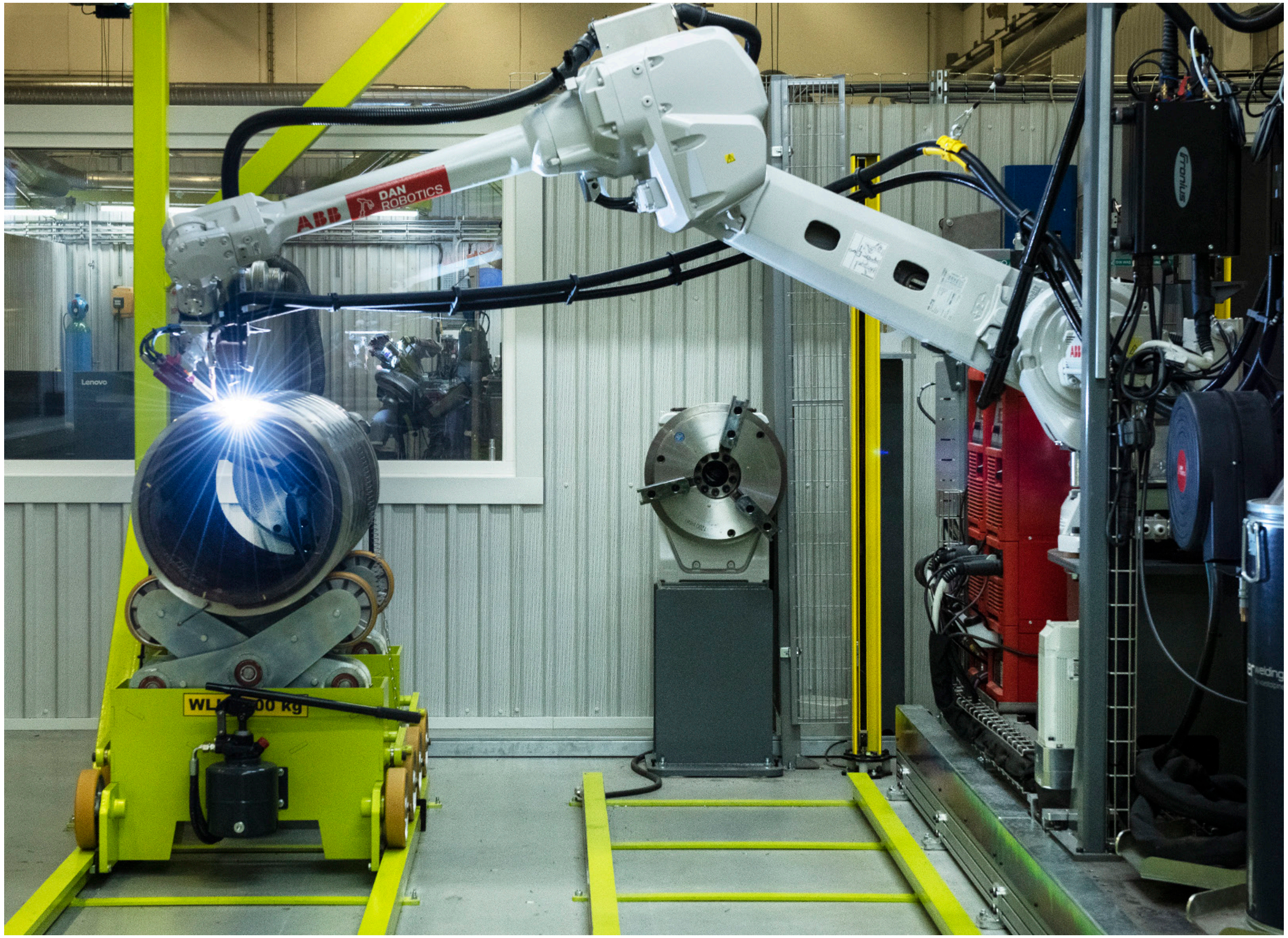
Welltec's Annual report 2020
Approved at the Annual Shareholders' Meeting on 31 May 2021

Meeting CHAIRPERSON: Ole Nørgaard

Contents

Company profile

Welltec® is a global technology company that develops and provides efficient hi-tech solutions for the energy sector. Our pioneering technology enables our clients to optimize the management and development of their assets across the entire life cycle. We address factors that maximize value creation, continuously innovating to reduce well construction time, speed up access to hydrocarbons, increase reservoir contact and enhance production whist minimizing operating downtime.



It is our philosophy to challenge existing conventional thinking in order to develop novel products and services which increase oil and gas recovery while improving sustainability, efficiency, environmental and safety aspects of our industry. Through our in-house state-of-the-art manufacturing facilities, we engineering, develop, and manufacture effective and unique technologies that enhance production and recovery rates for our clients.

Our ability to perform complex operations in extended reach and horizontal wells enables operators to drill multiple wells from a single topside location, increasing efficiency and reducing environmental footprint. This same technology also allows for subsequent rig-less interventions, significantly reducing the industry's energy consumption and carbon emissions.

A trusted and reliable partner to multiple clients within the oilfield, Welltec is now also helping clients focused on renewables and in particular, as a service and product provider to operators focused on geothermal energy.

Consolidated key figures and ratios Welltec A/S Group

USD in millions	2020	2019**	2018	2017	2016
Statement of comprehensive income					
Revenue	209	262	237	170	189
Earnings before interest, tax, depreciation and amortization (EBITDA)*	76	97	67	50	68
Operating profit (EBIT) before special items	36	57	22	(16)	5
Operating profit/ (loss) (EBIT)	38	57	13	(20)	3
Net financial expenses	(22)	(24)	(19)	(17)	(26)
Total profit / (loss) before tax	17	33	(6)	(37)	(23)
Total net profit / (loss) for the year	1	21	(17)	(33)	(25)
Cash flows					
Cash flows from operating activities	64	63	74	32	53
Cash flows from investing activities	(28)	(14)	(45)	(50)	(10)
Cash flows from financing activities	(39)	(40)	(36)	(6)	(49)
Total cash flows	(3)	10	(6)	(24)	(6)
Balance					
Trade receivables	35	43	48	49	45
Equity***	29	41	26	49	56
Total assets***	474	487	425	439	447
Investments in intangible assets*	6	6	9	13	12
Investments in tangible assets*	15	29	25	16	20
Key ratios*					
EBITDA margin in percent*	36	37	28	30	36
EBIT margin before special items in percent	17	22	9	(9)	3
ROIC excl. goodwill in percent***	21	32	13	9	15
Return on equity in percent***	3	73	(46)	(64)	(38)
Number of employees, average	785	876	802	730	736

*For definitions of key ratios, investments and EBITDA see page 80.
**IFRS 16 Leases was adopted 1 January 2019. Key figures from previous periods were not restated.
***An accounting error related to 2013/14 has been identified and corrected retrospectively in the consolidated annual report for 2020, whereas comparison figures for 2019 have been adjusted. Please see note 1: Accounting policies for further details.

Financial review

Income statement

USD in millions	2020	2019	Change in %
Revenue	209	262	(20)
Cost of service provided	(121)	(142)	15
Total gross profit	88	120	(26)
Development and manufacturing costs	(4)	(6)	15
Administrative expenses and sales costs	(47)	(57)	17
Total operating profit/(loss) (EBIT) before special items	37	57	(36)
Special items	2	-	n/a
Total operating profit/(loss) (EBIT)	39	57	(33)
Net financial expenses	(22)	(24)	11
Income taxes	(16)	(12)	(33)
Total profit/(loss) for the year	1	21	(95)

Revenue
Revenues amounted to USD 209 million, a derease of 20% year on year. The decrease in revenue reflects a decrease in sale of WCS products caused by the de-merger in 2020 and a decline in Intervention Services of 52%.

Cost of service provided
The cost of services provided was USD 121 million, a decrease of 15% compared to last year. The decrease was primarily attributable to lower staff costs.

Development and manufacturing costs
Development and manufacturing costs, not capitalised, decreased to USD 4 million, which is USD 2 million lower than in 2019.

Administrative expenses and sales costs
Administrative expenses and sales costs were USD 47 million, a decrease of 18% compared to last year. The decrease relates mainly to reduced staff costs of USD 8 million.

Earnings before interest, tax, depreciation, amortization and special items (EBITDA)
EBITDA decreased to USD 76 million, representing a margin of 36% against 38% in 2019. The decline in EBITDA was mainly attributable to lower sales.

Operating profit before special items (EBIT)
EBIT decreased to USD 39 million from USD 57 million in 2019. The EBIT margin was 17% against 22% in 2019, the decreased EBIT is related to lower sales.

Net financial expenses
Net financial expenses were USD 22 million, an decrease of 8% compared to last year. This reflects an increase in interest expenses of USD 1 million and an increase in currency gains of USD 6 million.

Alternative performance measures - EBITDA reconciliation

USD in millions	2020	2019
Profit/(loss) for the period	1	21
Income taxes	16	12
Financial expenses (net)	22	24
Depreciation and amortization	33	38
Impairment loss	5	1
Issued warrants	1	1
Special items	(2)	-
Total EBITDA	76	97

Income taxes
Income taxes were an expense of USD 16 million, an increase of USD 4 million year on year. The tax position is significantly affected by interest limitation rules in Denmark and non-refundable withholding taxes globally.

Result for the year
2020 resulted in a profit of USD 1 million, representing a decrease in the result of USD 20 million compared to 2019, driven by lower sales and lower cost of sales.

Net cash flows
Cash-flows from operating activities continued to generate strong cash flows underpinned by margin resilience and 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.

Capital resources
The liquidity position in Welltec comprises of cash combined with a USD 40 million revolving credit facility (RCF). The cash position at year-end 2020 is USD 27 million. This includes a USD 15 million RCF draw-down. (2019: USD 30 million including a USD 5 million RCF draw-down).

In addition to the RCF draw-down, USD 7 million are reserved for guarantees, meaning that there is an additional liquidity reserve under the RCF of USD 18 million. The RCF matures in December 2022.

The availability of the revolving credit-facility is based on an interest cover maintenance covenant – L12M EBITDA over interest cost, tested on a quarterly basis. The EBITDA is based on the former IAS 17 Leases. According to the current outlook for 2021 Welltec will be able to meet the covenant threshold for all quarters in 2021.

In its nature the outlook for 2021 is based on current assumptions and will change during the year.

COVID-19
The Group has taken advantage of the extended payments deadlines for VAT, payroll taxes etc. due to the COVID-19 outbreak in 2020, whereas the majority of the post-poned payments are in Denmark.

Outlook

2021 is expected to be another challenging year still impacted by COVID-19. Revenue run rate from second half of 2020 is expected to continue into the beginning of 2021, with uptick in activity in the latter part of the year as a result of both higher oil prices coupled with rebound in economic activity. Full year revenue is expected to land in range with 2020.

Both EBITDA and CAPEX levels are also expected to be in line with 2020.

Management is monitoring the development closely and will take the necessary actions to protect cash flow and to uphold and maintain industry leading margin levels. At the time of finalization of the Annual Report 2020, activity levels are picking up in several areas, as the Northern hemisphere move in spring/summer season.

2021

Risks

Risks Related to Our Business

Business and Industry Related Risks

While we believe our business to be relatively unaffected by macro-economic 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 two customer that accounted for more than 10% 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.

Risks
Continued

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 A/S Group can be found on page 81.

Corporate social responsi-bility

The following statement on Corporate Social Responsibility (CSR) pursuant to the Danish Financial Statement Act Section 99a and b is part of the Manage-ment Review in the Annual Report 2020. It also serves as the Group's Communi-cation 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
Continued

Corporate Social Responsibility Policy
Welltec focuses it's 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. The policies are 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.

Our CSR Policies are incorporated in a Code of Conduct applicable globally and was updated in 2020 to emphasize our commitment to comply with applicable antitrust and competion-laws in the countries we operate in. 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 and through awareness training. 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 2020 and Future Plans
With the development of the Code of Conduct came also a training program for all existing employees. The training program was continued as mandatory for all new employees during their onboarding process and annual reminder and awareness training was conducted for all employees.

To the extent deemed relevant, Welltec performs appropriate internal investigations into possible non-ethical behaviour 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 strengthen 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 2020.

We have continued to conduct 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 behaviour of employees and representatives.

The Code of Conduct review and training in 2020 included the section on anti-corruption. The review was monitored by the Legal Department and the HR Department.

Key Results in 2020 and Future Plans
Multiple partner screenings were performed in 2020.

In our screenings we continue to use external screening partners and their databases. We use a global screening service, which supports our due diligence and mitigate 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.

One client anti-bribery and corruption audit of

Corporate social responsibility Continued

a local Welltec subsidiary was conducted early 2020 in a higher risk country. Findings identified were actioned and the audit closed in May 2020 resulting in minor local adjustments to Welltec's anti-bribery and corruption policy.

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 is the progress of implementing a separate climate policy. However, the company's business model in itself implies less use of energy and focuses on sustainability. The significant CO2 savings we bring to table on top the unintentional release of Methane for our industry are key elements in our business approach. We can already see the changes in the industry and we believe that this will become a key business parameter for the selection of our products and services.

Implementation

QHSE 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.

Weekly Group management meetings are opened with a review on any health and safety issues which may have occurred. All locations have a QHSE Officer employed to lead the QHSE effort, ensure compliance with Welltec's policies and local legislation and conduct monthly meetings where all employees are required to attend. New hires attend a QHSE introduction program and participate in a Safety Card Observation Program (SCOP) to report on and proactively encourage safe working practices.

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 2020 and Future Plans

In 2020, Welltec had two environmental incidents, one environmental outlet to air and one environmental outlet to ground. The one occurred due to a Sub-Contractor error.

The number of recordable accidents (so-called MTO, LTI, RWC and FTL) decreased in 2020 together the Total Recordable Case Frequency. This was achieved by awareness training and focus on safety culture.

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 2020.

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 FPAL, Apache, Ghana Petroleum Commission Inspection and Monitoring, Saudi Aramco, ENI, Total and Conoco Phillips.

Employment

Policy

In Welltec we believe that our employees, their skills and their competencies, 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 whistle-blower system and complaints regarding discrimination can be filed there. There have been no cases reported in the whistle blower system regarding discrimination or harassment in 2020.

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, religion, disability, gender, sexual orientation, age, or nationality.

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.

Corporate social responsibility Continued

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 56 nationalities employed by Welltec.

As is common in the oil and gas industry, the share of females is low in Welltec, however, Welltec actively works to increase the share of females in management positions, for example, by putting the needed extra effort into identifying relevant female candidates when recruiting. At present, women make up 16% of the total employee population which is an increase 1 percentage points compared to 2019. On a managerial level, women make up 12% of managers which is an increase of 2 percentage points compared to 2019. The Senior Management team consists of four members, including one woman. The Board of Directors has set the objective to have at least one female member before or at the latest in 2024. No new members of the Board of Directors was elected in 2020. The Board of Directors is on a current basis assessing potential candidates, no candidates were approved in 2020.

Key Results in 2020 and Future Plans

2020 was an economically challenging year and Welltec has decreased our number of employees by 168 to protect the company's cash flow.

The global survey of Employee Motivation and Satisfaction was carried out in November 2020 with the aim of understanding the current state of our employee group as well as identifying possible areas of improvement. The survey was very well received with 89% of employees responding, an increase of 2 percentage points from 2020, and the survey clearly showed that, in spite of the challenging market and tough economic situation caused by the pandemic, motivation and satisfaction have generally improved in all geographic areas and in all topics. The average job satisfaction is at 4.1 on a scale from 1 to 5 which is an increase from 4.0 compared to 2019.

To ensure the that our workforce has the best possible skills to do their job and perform at all times, we continue to improve our ability to record, document, monitor, and evaluate our employees' professional skills, and the training and development thereof, through improved HR processes and IT systems.

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

- That investigations requested by the clients are performed
- That conformed 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 on a timely manner for the client, prior to officially closing the investigation.

Key Results in 2020 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 2020 compared to 2019.

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 neighbour and resident and support efforts to improve the local area, for example by addressing antisocial behaviour, 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.

Corporate social responsibility Continued

Business model
Welltec® is a global technology company that develops and provides efficient hi-tech solutions for the energy sector. The company's business model is based on the provision of services and products to primarily to oil and gas operators but also a growing renewables market.

The technology portfolio maintained by Welltec is aimed at assisting clients in the construction, development and repair of oil, gas and geothermal wells.

The company can be divided into 3 main products lines: Welltec Interventions Services (WIS), Welltec Completions Services (WCS) and Welltec Renewables Services (WRS).

WIS covers two main components, namely conveyance services and powered mechanical interventions services, both of which are deployed on electrical wireline. Conveyance is associated with transporting a payload (e.g. logging tools, perforation guns, other interventions services etc.) by means of a robotic downhole tractor tool. The payloads are deployed in deviated or horizontal wells where gravity-based deployment by wireline is no longer possible. Powered mechanical services utilize specialized downhole technologies to clean, manipulate and repair downhole sections of a well and its associated hardware. Such services include the cleaning and removal of well debris, the manipulation of downhole valves, cutting of downhole casing or tubing etc. Many services provided by Welltec in this category are considered unique in their capability and application.

It should be noted that typically, electric wireline services are provided by third party oilfield service providers. Welltec maintains hundreds of contracts with various operators and these contracts are formed either directly with clients or via the wireline service providers. In some special cases, Welltec is contracted to operate its own electric wireline and is fully equipped to do so.

All WIS related technologies are engineered and manufactured in-house and are provided to clients internationally as a service delivered by Welltec trained field engineers and specialists.

WCS is focused on lower completions products which are built upon metal expandable packer technology. The technology is unique to Welltec and allows the company to maintain niche and unique provider status. The packers are the backbone to products such as the Welltec Annular Barrier (WAB) which is now routinely used in complex well construction. The products are used for assuring the construction and integrity of wells and can also eliminate well emissions through ensuring well barriers and isolation up to V0 rating – the highest industry standard. WCS products are sold as products to clients as the products are installed as part of the well completion in the construction phase and remain downhole for the entire life of well. There can also be associated service revenue depending on Welltec involvement during the installation phase.

As with WIS services, WCS products are also fully designed, engineered and manufactured in-house in Welltec's state-of-the-art manufacturing facilities located respectively in Allerød and Esbjerg, Denmark.

Company Details

Company
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Central Business Registration No: 13 47 88 05
Registered in: Allerød
Financial year: 1 January – 31 December 2020

Executive Board
Peter Hansen, Chief Executive Officer

Board of Directors
Niels Harald de Coninck-Smith, Chairman
Alasdair Geddes Shiach
Enrico Vellano
John Haukvik
Klaus Martin Bukenberger

Company auditors
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Statement by management on the annual report

We have today considered and approved the annual report of Welltec A/S for the financial year 1 January 2020 to 31 December 2020.

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 Company's financial position at 31 December 2020 as well as of their financial performance and their cash flows for the financial year 1 January - 31 December 2020.

We also believe that the management review 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 12 May 2021

Executive Board

Peter Hansen
Chief Executive Officer

Board of Directors

Niels Harald de Coninck-Smith
Chairman

John Haukvik

Alasdair Geddes Shiach

Klaus Martin Bukenberger

Enrico Vellano

Independent auditor’s reports

To the shareholder 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 2020 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 2020 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 2020, 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 Review

Management is responsible for the Management Review.

Our opinion on the financial statements does not cover the Management Review, 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 review and, in doing so, consider whether the Management Review 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 Review provides the information required under the Danish Financial Statements Act.

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

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 Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be 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,

Independent auditor’s reports Continued

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 conditionsthat 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.

Hellerup 12 May 2021

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

Tue Stensgård Sørensen State Authorized Public Accountant mne32200	Henrik Kyhnauv State Authorized Public Accountant mne40028

Consolidated statement of comprehensive income

Parent				Group	
2019	2020	USD in thousands	Note	2020	2019
134,054	87,912	Revenue	3	209,449	261,748
(59,795)	(41,437)	Cost of services provided	4,5	(120,142)	(141,940)
74,259	46,475	Total gross profit		89,307	119,808
(6,429)	(7,487)	Development and manufacturing costs	4,5	(5,376)	(5,670)
(20,477)	(19,698)	Administrative and sales costs	4,5	(47,456)	(56,910)
47,353	19,290	Total operating profit (EBIT) before special items		36,475	57,228
-	3,564	Special items income	6,7	5,700	-
-	(1,270)	Special items expenses	6	(3,922)	-
47,353	21,584	Total operating profit (EBIT)		38,253	57,228
35,058	28,684	Financial income	8	25,943	20,437
(38,413)	(42,459)	Financial expenses	9	(47,491)	(44,559)
43,998	7,809	Total profit / (loss) before tax		16,705	33,106
(9,004)	(9,655)	Income taxes	10	(15,574)	(11,661)
34,994	(1,846)	Total profit / (loss) for the year		1,131	21,445
		Other comprehensive (loss) for the year: Items that will be reclassified subsequently to the income statement, when specific conditions are met:			
(4,513)	258	Unrealized exchange rate adjustments of foreign subsidiaries and branches		(1,748)	2,804
30,481	(1,588)	Total comprehensive income / (loss)		(617)	24,249
		Distribution of profit/ (loss) for the year:			
34,994	(1,846)	Profit / (loss) for the year attributable to: Welltec A/S shareholder’s share of profit / (loss)		(1,131)	21,445
		Comprehensive income / (loss) attributable to:			
30,481	(1,588)	Welltec A/S shareholder’s share of comprehensive income / (loss)		(617)	24,249

Consolidated statement of financial position - assets

Parent				Group	
31 Dec. 2019	31 Dec. 2020	USD in thousands	Note	31 Dec. 2020	31 Dec. 2019
		Non-current assets			
		Intangible assets			
9,330	9,129	Development projects in progress		9,129	9,330
12,108	9,546	Completed development projects		9,546	12,122
-	-	Goodwill		2,559	2,504
2,413	1,559	Technology		1,559	2,413
14,030	12,537	Patents and licenses		12,494	13,987
37,881	32,771	Total intangible assets	13	35,287	40,356
		Tangible assets			
-	-	Land and buildings		1,559	1,364
390	540	Leasehold improvements		1,177	1,144
45,660	43,187	Plant equipment and fleet		43,483	45,981
2,649	451	Other fixtures, fittings, tools and equipment		1,880	4,600
22,259	19,093	Plant equipment and fleet under construction		19,093	22,821
29,027	16,755	Right-of-use assets		31,786	49,412
99,985	80,026	Total tangible assets	14	98,978	125,322
		Financial assets			
-	-	Deferred tax assets	19	4,715	1,689
229,540	237,507	Loans to subsidiaries and affiliates		225,226	198,836
704	-	Other receivables		-	718
22,108	19,747	Investments in subsidiaries	15	-	-
252,352	257,254	Total financial assets		229,941	201,243
390,218	370,051	Total non-current assets		364,206	366,921

Consolidated statement of financial position - assets

Parent				Group	
31 Dec. 2019	31 Dec. 2020	USD in thousands	Note	31 Dec. 2020	31 Dec. 2019
		Current assets			
1,089	15,713	Inventories	16	21,252	2,739
		Receivables			
9,296	4,706	Trade receivables	17	34,869	42,861
529	1,022	Tax receivables		4,381	3,670
68,674	31,368	Receivables from subsidiaries and affiliates		15,691	33,639
481	1,099	Other receivables		4,271	3,427
1,557	1,556	Prepayments		3,156	3,632
80,537	39,751	Total receivables		62,368	87,229
15,392	14,900	Cash and cash equivalents		26,648	30,372
97,018	70,364	Total current assets		110,268	120,340
487,236	440,415	Total assets		474,474	487,261

Consolidated statement of financial position - liabilities

Parent				Group	
31 Dec. 2019	31 Dec. 2020	USD in thousands	Note	31 Dec. 2020	13 Dec. 2019
		Equity			
53,218	53,218	Share capital	18	53,218	53,218
(7,485)	(7,227)	Currency translation reserve		(32,560)	(30,812)
21,446	24,733	Reserve for capitalized development projects		-	-
(39,359)	(55,440)	Retained earnings		8,434	18,251
27,820	15,284	Total equity		29,092	40,657
		Non-current liabilities			
327	2,315	Deferred tax liabilities	19	10,040	5,336
23,367	15,517	Finance lease commitments	20	26,622	40,289
773	2,172	Other liabilities		2,172	773
-	15,000	Bank debt	20	16,437	-
333,311	334,911	Issued bonds	20	334,911	333,311
357,778	369,915	Total non-current liabilities		390,182	379,709
		Current liabilities			
4,083	3,128	Current portion of non-current liabilities	20	7,626	7,778
51,395	4,909	Loan payable to subsidiaries and affiliates		-	-
5,000	-	Bank debt	20	360	5,000
12,038	27,616	Payables to subsidiaries and affiliates		5,227	903
11,801	7,486	Trade payables		11,452	13,784
5,769	4,608	Current tax liabilities		7,965	8,399
11,552	7,469	Other payables	21	22,570	31,031
101,638	55,216	Total current liabilities		55,200	66,895
459,416	425,131	Total liabilities		445,382	446,604
487,236	440,415	Total equity and liabilities		474,474	487,261

Consolidated statement of changes in equity - Group

USD in thousands	Share capital	Currency translation reserve	Retained earnings	Total
Total equity at 31 December 2018	53,218	(33,616)	(1,347)	18,255
IFRIC 23 transition	-	-	(1,847)	(1,847)
Profit for the year	-	-	21,445	21,445
Unrealized exchange rate adj. of foreign subsidiaries and branches	-	2,804	-	2,804
Total comprehensive income for the year	-	2,804	21,445	24,249
	-			
Total equity at 31 December 2019	53,218	(30,812)	18,251	40,657
Profit for the year	-	-	1,131	1,131
Unrealized exchange rate adj. of foreign subsidiaries and branches	-	(1,748)	-	(1,748)
Total comprehensive income for the year	-	(1,748)	1,131	(617)
Demerger	-	-	(10,948)	(10,948)
Total other transactions	-	-	(10,948)	(10,948)
Total equity at 31 December 2020	53,218	(32,560)	8,434	29,092

Consolidated statement of changes in equity - Parent Company

USD in thousands	Share capital	Currency translation reserve	Reserve for capitalized development projects	Retained earnings	Total
Total equity at 31 December 2018	53,218	(2,972)	18,418	(71,325)	(2,661)
Profit for the year	-	-	-	34,994	34,994
Unrealized exchange rate adj. of foreign subsidiaries and branches	-	(4,513)	-	-	(4,513)
Total comprehensive income for the year	-	(4,513)	-	34,994	30,481
Capitalized development projects	-	-	3,028	(3,028)	-
Total other transactions	-	-	3,028	(3,028)	-
Total equity at 31 December 2019	53,218	(7,485)	21,446	(39,359)	27,820
Profit for the year	-	-	-	(1,846)	(1,846)
Unrealized exchange rate adj. of foreign subsidiaries and branches	-	258	-	-	258
Total comprehensive income for the year	-	258	-	(1,846)	(1,588)
Demerger	-	-	-	(10,948)	(10,948)
Capitalized development projects	-	-	(2,771)	2,771	-
Total other transactions	-	-	(2,771)	(8,177)	(10,948)
Total equity at 31 December 2020	53,218	(7,227)	18,675	(49,382)	15,284

Consolidated statement of cash flows

Parent 2019	Parent 2020		Note	Group 2020	Group 2019
47,353	21,584	Operating profit (EBIT)		38,253	57,228
30,269	37,238	Non-cash adjustments	11	40,803	36,778
(27,498)	34,573	Changes in working capital	12	(496)	(3,016)
(7,316)	(9,322)	Income taxes paid		(15,041)	(11,468)
(704)	704	Other receivables, long-term		718	(17,233)
773	-	Other payables, long-term		-	773
42,877	84,777	Total cash flows from operating activities		64,237	63,062
(5,515)	(6,378)	Investments in intangible assets		(6,379)	(5,545)
(25,490)	(14,343)	Investments in tangible assets		(14,613)	(28,758)
1,966	2	Sale of tangible assets		886	1,966
8,748	5,892	Dividend from subsidiaries		-	-
35,527	18,632	Repayments from subsidiaries and affiliates		-	-
(38,587)	(73,085)	Loan to subsidiaries and affiliates		(26,390)	-
20,682	20,375	Financial income received		18,332	18,509
(2,669)	(48,905)	Total cash flows from investing activities		(28,164)	(13,828)
(33,658)	(33,801)	Financial expenses paid		(36,083)	(35,397)
-	(2,997)	Other financial expenses		(1,038)	(250)
15,108	25,000	Proceeds from bank loan		27,554	15,108
(10,000)	(15,000)	Installments on bank debts		(15,000)	(10,000)
-	(5,991)	Demerger - cash transfer		(5,991)	-
(3,483)	(3,648)	Installments on leasing commitments		(8,378)	(8,981)
(32,033)	(36,437)	Total cash flows from financing activities		(38,936)	(39,520)
8,175	(565)	Increase/(decrease) in cash and cash equivalents		(2,863)	9,714
7,260	15,392	Cash and cash equivalents 1 January		30,372	21,328
(43)	73	Exchange rate adjustments at beginning of period		(861)	(670)
15,392	14,900	Total cash and cash equivalents at 31 December		26,648	30,372

Contents notes

1. Accounting policies

Restatement of 2019 figures
The comparative figures for 2019 have been restated due to an error in the 2013/2014 change of functional currency from DKK to USD. The error was found in connection with the preparation of the consolidated financial statements for 2020, where many fully depreciated assets were disposed of. It relates to the translation of DKK to USD in 2013, when Weltec changed functional currency from DKK to USD. The error meant that the asset base denominated in USD was overstated with USD 6,057 thousands for “Completed development projects” and USD 3,382 thousands for “Plant, equipment and fleet”. The error has been adjusted in 2019 comparative figures. Deferred tax has been adjusted accordingly with USD 2,077 thousands. The total effect on equity 1 January 2019 is USD 7,362 thousands. The figures in the tables are the only financial line items affected in 2019 and 2020 as the error relates to the years 2013 and 2014. Due to only limited items being affected a restated 1 January 2019 “Consolidated statement of financial position” has not been disclosed in the Financial Statements.

Parent

USD in thousands	1 Jan. 2019	Correction	1 Jan. 2019 restated	31 Dec. 2019	Correction	31 Dec. 2019 restated
Completed development projects	21,423	6,057	15,365	18,165	6,057	12,108
Plant, equipment and fleet	49,778	3,382	46,396	49,042	3,382	45,660
Total assets	435,605	9,439	426,166	496,675	9,439	487,236
Equity	4,701	7,362	(2,661)	35,182	7,362	27,820
Deferred tax liability	2,632	2,077	555	2,404	2,077	327

Group

USD in thousands	1 Jan. 2019	Correction	1 Jan. 2019 restated	31 Dec. 2019	Correction	31 Dec. 2019 restated
Completed development projects	10,321	6,057	4,264	18,179	6,057	12,122
Plant, equipment and fleet	50,152	3,382	46,770	49,363	3,382	45,981
Total assets	425,499	9,439	416,060	496,700	9,439	487,261
Equity	25,617	7,362	18,255	48,019	7,362	40,657
Deferred tax liability	8,285	2,077	6,208	7,413	2,077	5,336

1. Accounting policies
Continued

Demerger of Welltec A/S
Welltec A/S demerged in April 2020, whereas Welltec A/S was the continuing legal company and Welltec Manufacturing Center Completions ApS was the new legal entity. In Welltec Manufacturing Center Completions ApS the Completions business continued.
All balances and profit/loss figures from the demerger contract were transferred from Welltec A/S to Welltec Manufacturing Center Completions ApS at 19 April 2020. The result for the period 1 January - 19 April 2020 from the demerged activities is recognized in the income statement for Welltec A/S.

Basis of accounting
The consolidated financial statements for 2020 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.

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

1. Accounting policies
Continued

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 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 orsubstantively 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.

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.

1. Accounting policies
Continued

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.

Goverment grants
Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

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 5 years. For development projects protected by intellectual property rights, the maximum amortization period is the remaining duration of the relevant rights, however, no more than 20 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

1. Accounting policies
Continued

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'.

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

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.

Right-of-use assets and lease liabilities

For contracts which are, or contain, a lease, the Group recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost, being the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date. The right-of-use asset is subsequently depreciated using the straight-line method over the lease period. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments outstanding at the commencement date, discounted using Welltec's incremental borrowing rate. The lease liability is measured using the effectiveinterest method. It is remeasured when there is a change in future lease payments, typically due to a change in index or rate (e.g. inflation) on property leases, or if there is a reassessment of whether an extension or termination option will be exercised. A corresponding adjustment is made to the right-of-use asset, or in the income statement when the right-of-use asset has been fully depreciated. The right-of-use assets are presented in tangible assets and the lease liabilities in non-current and current liabilities. Lease contracts that have a lease term of 12 months or less and low value assets are not recognized on the balance sheet. These lease payments are expensed on a straight-line basis over the lease term.

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.

Investments in subsidiaries

Investments in subsidiaries are measured at cost in the parent company's financial statements. Where the recoverable amount of the investments is lower than cost, the investments are written down to this lower value.

Dividends from subsidiaries are recognized in the income statement, when it has been declared.

1. Accounting policies
Continued

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

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.

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, estimats and judgements

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 31 December 2020, Welltec has capitalized USD 62,576 thousand as plant equipment and fleet – completed and under construction compared to USD 68,802 thousand at 31 December 2019.

Plant equipment and fleet are 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. Determining directly attributable costs is an accounting judgment.

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 31 December 2020, Welltec has capitalized USD 18,675 thousands as development projects – completed and in progress – compared to USD 21,452 thousand at 31 December 2019.

Completed development projects are amortized over their useful lives of usually 5 years.

2.3 Impairment test of goodwill and other intangible assets
For purposes of assessing the carrying amount of goodwill and other intangible assets of USD 35,287 thousand at 31 December 2020, compared to USD 40,356 thousand at 31 December 2019, Management prepared its annual impairment test.

In performing the impairment test Management makes an assessment of whether the Welltec A/S Group will be able to generate positive net cash flows sufficient to support the value of the goodwill, intangible assets and other net assets of the entity. This assessment is based on estimates of expected future cash flows (value-in-use) made on the basis of financial budgets and long-term forecasts until the end of 2026. In addition to these the key assumptions used to estimate expected future cash flows are discount rates and growth rates. The oil price is volatile which generally increases the estimation uncertainty.

The measurement of goodwill may be significantly impacted by changes in the estimates made when calculating the value in use of the entity in connection with impairment test.

For a further description of goodwill, the cash-generating unit, the impairment test and related key assumptions (being expectations about future earnings, growth rate and discount rate) please refer to note 13: Intangible assets.

3. Revenue from contracts with customers

3.1 Disaggregation of revenue from contracts with customers

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

Parent

	Europe, Africa & Russia		Americas		Middle East & Asia Pacific		Total	
USD in thousands	2020	2019	2020	2019	2020	2019	2020	2019
Rendering of services	80,603	127,267	-	-	5,964	6,448	86,567	133,715
Sale of goods	1,345	339	-	-	-	-	1,345	339
Total	81,948	127,606	-	-	5,964	6,448	87,912	134,054

Group

	Europe, Africa & Russia		Americas		Middle East & Asia Pacific		Total	
USD in thousands	2020	2019	2020	2019	2020	2019	2020	2019
Rendering of services	110,185	145,465	33,570	51,499	37,616	48,177	181,371	245,141
Sale of goods	12,345	4,699	14,701	9,981	1,032	1,927	28,078	16,607
Total	122,530	150,164	48,271	61,480	38,648	50,104	209,449	261,748

3. Revenue from contracts with customers
Continued

3.2 Assets and liabilities related to contracts with customers

Current contract assets relating to contracts with customers:

Parent			Group	
2019	2020		2020	2019
9,940	5,606	Trade receivables	37,869	44,780
(644)	(900)	Loss allowance	(3,000)	(1,919)
9,296	4,706	Total contract assets	34,869	42,861

There were no contract liabilities in 2020 and 2019.

Significant changes in contract assets and liabilities
The revenue has decreased by 25% since 2019 for the Group and by 34% for the Parent Company due to the international market situation. The decrease in revenue is related to the corresponding decrease in trade receivables. For more information about trade receivables and loss allowance, see note 16: Trade receivables.

3. Revenue from contracts with customers
Continued

3.3 Unsatisfied long-term contracts

Parent			Group	
2019	2020		2020	2019
61	19	Aggregate amount of the transaction price allocated to long-term contracts that are partially or fully unsatisfied at year-end	469	1,746

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 the major part of the transaction price allocated to the unsatisfied contracts as of 31 December 2020 will be recognized as revenue during the full year of 2021. 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.

3.4 Performance obligations
Rendering of services
Welltec's major part of the revenue derives from rendering of services (87% of total revenue for the Group).
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 un-fullfilled 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 milestone 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
Welltec's minor part of the revenue derives from sale of goods (13% of total revenue for the Group). 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 Welltec 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.

3.5 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	
2019	2020	USD in thousands	2020	2019
		Breakdown of staff costs:		
28,909	19,316	Wages and salaries	61,877	83,896
1,230	1,278	Share based payment to executives	1,278	1,230
1,774	1,462	Payments to defined contribution pension plans	1,904	3,123
1,761	1,063	Other social security costs	3,106	3,923
33,674	23,119	Total staff costs	68,165	92,172
		Recognition of staff costs in the income statement:		
16,161	7,048	Cost of services provided	40,375	51,394
5,764	6,381	Administrative expenses and sales costs	20,867	29,238
21,925	13,429	Total staff costs in the income statement	61,242	80,632
		Staff costs capitalized:		
4,009	3,359	Development costs capitalized	592	3,800
7,740	6,331	Production staff costs capitalized	6,331	7,740
11,749	9,690	Total staff costs capitalized	6,923	11,540
		Number of employees:		
320	213	Average number of employees	785	876

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.

4. Staff costs
Continued

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	2020	2019
Short-term staff benefits	2,025	2,042
Pension benefits	128	152
Share-based payments	540	522
Total remuneration to Executive Board and Board of Directors	2,693	2,716

The total remuneration to 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	2020	2019
Short-term staff benefits	1,234	1,549
Pension benefits	59	94
Share-based payments	229	599
Total remuneration to other key management personnel	1,522	2,242

4. Staff costs
Continued

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.

In 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 2020 and 1.2 million was recognized in the statement of comprehensive income in 2019. 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.

4. Staff costs
Continued

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

Warrant scheme	Number*	Grant date	Vesting date	Expiry date	Exercise price per warrant USD**	Fair value per warrant at grant date USD	Outstanding at 31 Dec. 2020
Granted in 2006	227,721	Feb. 2006	2007 - 2009	Jun. 2016	0.15	0.9	-
Granted in 2009	68,000	Sept. 2009	2010 - 2012	Sep. 2015	33	3.7	-
Granted in 2011	290,850	Nov. 2011	2011 - 2014	Nov. 2016	34 - 147	29.7	-
Granted in 2013	50,800	Sep. 2013	2013 - 2017	Jun. 2020	136 - 241	44 - 103	-
Granted in 2014	14,800	Dec. 2014	2014 - 2017	Dec. 2020	223	125	-
Granted in 2014	27,500	Dec. 2014	2014 - 2017	Jun. 2021	255	130	9,000
Granted in 2017	231,438	May 2017	2017	Jun. 2021	0.16-74	26-99	176,101

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

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 1,278 thousand for 2020 (2019: USD 1,230 thousand).

4. Staff costs
Continued

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

	Board of Directors of Welltec A/S	Executive Board of Welltec A/S	Senior executives and key management personnel	Total number of warrants	Weighted average exercise price USD*
Balance at 1 January 2018	10,000	121,601	118,137	249,738	28
Expired	-	-	(3,600)	(3,600)	157
Forfeited	-	-	(7,200)	(7,200)	40
Exercised	-	-	(47,237)	(47,237)	1
Total balance at 31 December 2018	10,000	121,601	60,100	191,701	58
Forfeited	-	-	(1,800)	(1,800)	244
Total balance at 31 December 2019	10,000	121,601	58,300	189,901	55
Expired	-	-	(4,800)	(4,800)	251
Total balance at 31 December 2020	10,000	121,601	53,300	185,101	55

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

9,000 warrants are exercisable as of 31 December 2020. The weighted average remaining contractual life and range of exercise price of outstanding warrants was 4 months at a price of USD 0.16-255 (adjusted for dilution impact) at 31 December 2020 and 11 months at a price of USD 0.16 - 255 (adjusted for dilution impact) at 31 December 2019.

5. Amortization, depreciation and impairment losses

Parent			Group	
2019	2020	USD in thousands	2020	2019
7,722	6,127	Completed development projects	6,141	7,736
937	1,107	Patents and licenses	1,107	937
1,307	904	Technology	904	1,307
9,966	8,138	Total amortization of intangible assets	8,152	9,980
490	223	Other fixtures and fittings, tools and equipment	852	1,238
-	-	Land and buildings	178	122
16,430	14,492	Plant equipment and fleet	14,562	16,508
155	127	Leasehold improvements	360	413
4,613	3,849	Right-of-use assets	9,194	10,384
(1,145)	112	(Gain)/loss from disposal of plant equipment and fleet	114	(1,221)
20,543	18,803	Total depreciation of tangible assets	25,260	27,444
30,509	26,941	Total depreciation and amortization	33,412	37,424
386	1,528	Write-down of completed development projects	1,528	386
-	12	Write-down of technology	12	-
-	1,035	Write-down of patents	1,035	-
793	2,243	Write-down of plant equipment and fleet	2,243	793
1,179	4,818	Total impairment losses	4,818	1,179
		Recognition of amortization, depreciation and impairment losses by function:		
26,797	27,355	Cost of services provided	28,908	28,328
1,372	246	Development and manufacturing costs capitalized	246	1,372
3,519	4,158	Administrative and sales costs	9,076	8,903
31,688	31,759	Total amortization, depreciation and impairment losses	38,230	38,603

6. Special Items

Parent			Group	
2019	2020	USD in thousands	2020	2019
-	(1,179)	Salary cost related to resigned employees	(2,923)	-
-	(91)	Other special items	(999)	-
-	31	Rent concessions (IFRS 16 Leases)	271	-
-	3,533	COVID-19 government grants	5,429	-
-	2,294	Total net special items income/(expenses)	1,778	-

7. Government Grants

Parent			Group	
2019	2020	USD in thousands	2020	2019
-	3,533	COVID-19 compensation for fixed costs	3,533	-
-	-	COVID-19 support bank loan - interest benefit	830	-
-	-	COVID-19 compensation for salaries	1,066	-
-	3,533	Total government grants	5,429	-

Government grants are recognized as special items income in the income statement.

8. Financial Income

Parent			Group	
2019	2020	USD in thousands	2020	2019
20,563	19,427	Interest from subsidiaries and affiliates	18,274	18,504
3	43	Interest income	57	4
1,557	105	Other financial income	-	-
22,123	19,575	Interest income from financial assets that are not measured at fair value through profit or loss	18,331	18,508
3,413	800	Reversal of impairment on investments in subsidiaries	-	-
8,748	5,892	Dividends from subsidiaries	-	-
774	2,417	Exchange rate gains	7,612	1,929
35,058	28,684	Total financial income	25,943	20,437

9. Financial expenses

Parent			Group	
2019	2020	USD in thousands	2020	2019
33,638	33,806	Interest expenses	36,097	35,377
1,958	4,012	Other financial expenses	2,053	2,323
35,596	37,018	Interest expenses from financial liabilities that are not measured at fair value through profit or loss	38,150	37,700
2,817	4,641	Exchange rate loss	9,341	6,859
38,413	42,459	Total financial expenses	47,491	44,559

Borrowing costs capitalized on development projects are calculated based on the incurred costs and a weighted average capitalization rate of 10.29% (9.52% in 2019). The amount capitalized in 2020 at Group and parent level is USD 730 thousand (2019: USD 696 thousand).

The net exchange rate loss at Group level at 31 December 2020 was USD 1,729 thousand (2019: Net exchange rate gain of USD 40 thousands).

The net exchange rate loss at parent level at 31 December 2020 was USD 2,225 thousand (2019: Net exchange rate gain of USD 2,927 thousands).

10. Income taxes

Parent			Group	
2019	2020	USD in thousands	2020	2019
9,531	4,137	Current tax	8,757	13,818
(2,489)	(1,760)	Adjustment in corporation tax previous years	(1,377)	(1,631)
7,041	2,377	Total current tax incl. adj. in corporation tax previous years	7,380	12,187
-	2,536	Adjustment in deferred tax previous years	2,870	(331)
(183)	150	Change in deferred tax	(684)	(2,866)
-	-	Tax effect from tax provision	338	-
2,146	4,592	Other taxes	5,670	2,671
1,963	7,278	Total adjustments in deferred tax previous years	8,194	(526)
9,004	9,655	Total income taxes	15,574	11,661
		Breakdown of tax:		
43,998	7,809	Profit / (loss) before tax	16,705	33,106
		Reconciliation of tax rate USD:		
9,680	1,718	Danish corporation tax rate	3,675	7,283
93	(291)	Effect of difference between tax rate for subsidiaries outside Denmark and Danish tax rate	691	292
-		Tax effect from tax provision	338	0
(4,268)	(564)	Non-taxable income and non-deductible expense	208	210
3,842	3,287	Interest limitation, thin capitalization etc.	3,713	3,167
2,146	3,592	Withholding tax non deductible	3,926	2,332
(2,489)	1,913	Other taxes, including adjustments to previous years	3,023	(1,623)
9,004	9,655	Total income taxes	15,574	11,661

10. Income taxes
Continued

The statutory corporate income tax rate in Denmark in the year ended 31 December 2020 was 22%.

The two principle drivers for this increase in the tax rate are outlined below.

Interest Limitation
Danish resident companies and Danish branches of foreign companies are subject to restrictions under domestic Corporate Income Tax (“CIT”) Law which can significantly limit Danish tax deductions for financing costs.

In the year ended 31 December 2020 the Danish tax group of Welltec had a net finance cost of USD 19.8 million but due to the domestic interest restrictions the tax deductible interest was limited to USD 3.6 million. This leads to a disallowance of USD 15.4 million under Danish corporate tax law.

The excess interest disallowed cannot be carried forward and thus Welltec consider the excess interest to be a permanent difference. Welltec calculate that the Danish CIT deduction lost as a result of this anti-avoidance legislation to be USD 3.7 million at 31 December 2020.

Irrecoverable WHT
On payments from certain countries Welltec’s Danish entities suffer withholding tax (“WHT”) via deductions at source.

Under Danish CIT law Welltec is able to claim foreign tax credit for this WHT, however, the Danish foreign tax credit is limited to the Danish tax payable on the same foreign net income. The foreign net income is determined after allocating expenses of the Welltec recipient entity in line with its overall correlation of qualifying expenditure to revenue.

As a result of this, in the year ended 31 December 2020 Welltec was unable to claim a foreign tax credit for all the foreign WHT suffered. The excess WHT is USD 3.8 million.

11. Non-cash adjustments

Parent			Group	
2019	2020	USD in thousands	2020	2019
31,654	26,941	Depreciation of intangible and tangible assets	33,412	38,645
1,179	4,485	Disposal and impairment losses	8,127	1,179
-	9,561	Demerger - transfer of net assets	9,561	-
(1,966)	(410)	Exchange rate adjustment on depreciation and fixed assets	797	(1,654)
358	256	Impairment of trade receivables	1,081	(42)
(1,243)	(7,633)	Currency adjustments, other	(14,852)	(2,580)
2,200	(1,000)	Reversal/write-down on intercompany receivables	-	-
(3,143)	2,361	Write down investments on subsidiaries	-	-
-	1,399	Change in other payables, long-term	1,399	-
1,230	1,278	Share based payments	1,278	1,230
30,269	37,238	Total non-cash adjustments	40,803	36,778

12. Changes in working capital

Parent			Group	
2019	2020	USD in thousands	2020	2019
3,064	4,335	Change in trade receivables and prepayments	7,387	7,532
(1,089)	(14,624)	Change in inventories	(18,514)	(1,625)
(30,872)	38,306	Change in receivables from subsidiaries and affiliates	17,948	(14,415)
(640)	(4,315)	Change in trade payables	(2,332)	80
(1,827)	(4,089)	Change in other payables	(8,466)	3,625
1,677	(618)	Change in other receivables	(844)	884
2,189	15,578	Change in payables to affiliates	4,325	903
(27,498)	34,573	Total changes in working capital	(496)	(3,016)

13. Intangible Assets

Group USD in thousands	Goodwill	Other intangible assets*	Completed development projects	Development projects in progress	Patents and licenses	Total
Costs 1 Janaury 2019	2,402	9,888	139,369	10,907	20,191	182,757
Additions	-	713	207	3,704	921	5,545
Transfer	-	-	4,695	(4,695)	-	-
Disposal	-	-	(194)	-	-	(194)
Exchange rate adjustment	102	76	-	-	-	178
Total costs 31 December 2019	2,504	10,677	144,077	9,916	21,112	188,286
Amortization and impairment losses 1 January 2019	-	6,881	124,003	586	6,188	137,658
Amortization for the year	-	1,307	7,736	-	937	9,980
Impairment losses for the year	-	-	386	-	-	386
Disposal	-	-	(175)	-	-	(175)
Exchange rate adjustment	-	76	5	-	-	81
Total amortization and impairment losses at 31 December 2019	-	8,264	131,955	586	7,125	147,930
Carrying value at 31 December 2019	2,504	2,413	12,122	9,330	13,987	40,356
Costs at 1 January 2020	2,504	10,677	144,077	9,916	21,112	188,286
Demerger	-	(954)	(71)	-	(295)	(1,320)
Additions	-	522	-	5,459	993	6,974
Transfer	-	-	5,243	(5,243)	-	-
Disposal	-	(1,455)	(24,005)	-	-	(25,460)
Exchange rate adjustment	55	(21)	-	(417)	302	(81)
Total costs at 31 December 2020	2,559	8,769	125,244	9,715	22,112	168,399
Amortization and impairment losses at 1 January 2020	-	8,264	131,955	586	7,125	147,930
Demerger	-	(701)	(71)	-	(83)	(855)
Amortization for the year	-	904	6,141	-	1,107	8,152
Impairment losses for the year	-	12	1,528	-	1,035	2,575
Disposal	-	(1,248)	(23,855)	-	-	(25,103)
Exchange rate adjustment	-	(21)	-	-	434	413
Total amortization and impairment losses at 31 December 2020	-	7,210	115,698	586	9,618	133,112
Total carrying value at 31 December 2020	2,559	1,559	9,546	9,129	12,494	35,287

*Please see next page for specification.
There were no development costs recognized in the profit/loss statement in 2020 (2019: USD 2,519 thousand).

13. Intangible Assets
Continued

Other intangible assets

Group

USD in thousands	Customer relationship	Technology	Total
Costs at 1 January 2019	1,683	8,205	9,888
Additions	-	713	713
Exchange rate adjustment	76	-	76
Total costs at 31 December 2019	1,759	8,918	10,677
Amortization and impairment losses at 1 January 2019	1,683	5,198	6,881
Amortization for the year	-	1,307	1,307
Exchange rate adjustment	76	-	76
Total amortization and impairment losses at 31 December 2019	1,759	6,505	8,264
Total carrying value at 31 December 2019	-	2,413	2,413
Costs at 1 January 2020	1,759	8,918	10,677
Demerger	-	(954)	(954)
Additions	-	522	522
Disposal	(1,211)	(244)	(1,455)
Exchange rate adjustment	(21)	-	(21)
Total costs at 31 December 2020	527	8,242	8,769
Amortization and impairment losses at 1 January 2020	1,759	6,505	8,264
Demerger	-	(701)	(701)
Amortization for the year	-	904	904
Impairment losses for the year	-	12	12
Disposal	(1,211)	(37)	(1,248)
Exchange rate adjustment	(21)	-	(21)
Total amortization and impairment losses at 31 December 2020	527	6,683	7,210
Total carrying value at 31 December 2020	-	1,559	1,559

13. Intangible Assets
Continued

Goodwill and intangible assets with indefinite useful life
Goodwill of USD 2,559 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 2020 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 2021 and longterm forecasts until the end of 2027.
A growth rate of 2.4% has been applied in the terminal period from 2026 and onwards.

The discount rate applied is based on a risk-adjusted after tax discount rate (weighted average cost of capital) of 10.05%. The weighted average cost of capital before tax is 12.4%. In 2019 the weighted average cost of capital used was 12.2 % which equals a before tax discount rate of 12.2 %.

Impairment test is based on the 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 2020. Looking into 2021, 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.

Assumptions are based on an improved EBITDA ratio based on the following projections:

1. Full year revenue in range with 2020. Revenue increases from 2022 due to a market pickup as described above and a continuously introduction of new and improved services where Welltec can expand and gain market shares.

2. CAPEX will be maintained at the same level due to improved processes and better utilization of the current set-up.

The sensitivity analysis shows that with the current EBIT level of USD 38 million, investments (CAPEX) in line with depreciations and a WACC of 12.4% before tax and an expected growth rate of 2.4%, there will be no need to recognize a write-down.

Impairment of other intangible assets
Impairment of development projects amounted to USD 1.5 million (2019: USD 0.4 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 calculatedon the basis of Management's re-assessed estimate of the value in use of the assets.

13. Intangible Assets
Continued

Parent USD in thousands	Technology	Completed development projects	Development projects in progress	Patents and licenses	Total
Costs at 1January 2019	6,549	139,369	10,907	20,327	177,152
Additions	713	207	3,675	920	5,515
Transfer	-	4,666	(4,666)	-	-
Disposal	-	(193)	-	-	(193)
Total costs at 31 December 2019	7,262	144,049	9,916	21,247	182,474
Amortization and impairment losses at 1 January 2019	3,542	124,003	586	6,280	134,411
Amortization for the year	1,307	7,722	-	937	9,966
Impairment losses for the year	-	386	-	-	386
Disposal	-	(170)	-	-	(170)
Total amortization and impairment losses at 31 December 2019	4,849	131,941	586	7,217	144,593
Total carrying value at 31 December 2019	2,413	12,108	9,330	14,030	37,881
Costs at 1 January 2020	7,262	144,049	9,916	21,247	182,474
Demerger	(954)	(71)	-	(295)	(1,320)
Additions	522	-	5,459	993	6,974
Transfer	-	5,244	(5,244)	-	-
Disposal	(230)	(23,977)	-	-	(24,207)
Exchange rate adjustment	14	-	(416)	304	(98)
Total costs at 31 December 2020	6,614	125,245	9,715	22,249	163,823
Amortization and impairment losses at 1 January 2020	4,849	131,941	586	7,217	144,593
Demerger	(701)	(71)	-	(83)	(855)
Amortization for the year	904	6,127	-	1,107	8,138
Impairment losses for the year	12	1,528	-	1,035	2,575
Disposal	(29)	(23,842)	-	-	(23,871)
Exchange rate adjustment	20	16	-	436	472
Total amortization and impairment losses at 31 December 2020	5,055	115,699	586	9,712	131,052
Total carrying value at 31 December 2020	1,559	9,546	9,129	12,537	32,771

Development costs recognized in the profit/loss statement in 2020 amounts to USD 2,111 thousand (2019: 1,783 USD thousand).

Impairment of intangible assets
Impairment of development projects amounted to USD 1,528 thousands in 2020 (2019: USD 386 thousands), 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.

14. 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
Total costs at 1 January 2019	11,290	7,122	277,906	22,630	24,110	343,058
Transfer to right-of-use assets	(8,201)	-	(7,728)	-	-	(15,929)
Additions	366	539	7,540	4,712	14,218	27,375
Transfer	-	-	15,523	-	(15,523)	-
Disposals	(113)	(456)	(1,177)	(1,350)	-	(3,096)
Exchange rate adjustment	(1,447)	(16)	(474)	(446)	16	(2,367)
Total costs at 31 December 2019	1,895	7,189	291,590	25,546	22,821	349,041
Depreciation and impairment losses at 1 January 2019	2,275	5,624	231,136	20,430	-	259,465
Transfer to right-of-use assets	(1,820)	-	(1,621)	-	-	(3,441)
Depreciation for the year	122	413	16,508	1,238	-	18,281
Impairment losses for the year	-	-	793	-	-	793
Disposals	(48)	(308)	(1,174)	(1,315)	-	(2,845)
Exchange rate adjustment	2	316	(33)	593	-	878
Total depreciation and impairment losses at 31 December 2019	531	6,045	245,609	20,946	-	273,131
Carrying value at 31 December 2019	1,364	1,144	45,981	4,600	22,821	75,910

14. Tangible Assets
Continued

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
Total costs at 1 January 2020	1,895	7,189	291,590	25,546	22,821	349,041
Demerger	-	-	(4,923)	(3,164)	-	(8,087)
Additions	349	435	401	727	12,666	14,578
Transfer	-	-	16,397	-	(16,397)	-
Disposals	(6)	(2,890)	(118,598)	(8,496)	-	(129,990)
Exchange rate adjustment	29	(185)	(33)	(70)	(3)	(262)
Total costs at 31 December 2020	2,267	4,549	184,828	14,543	19,093	225,280
Depreciation and impairment losses at 1 January 2020	531	6,045	245,609	20,946	-	273,131
Demerger	-	-	(2,159)	(848)	-	(3,007)
Depreciation for the year	178	360	14,562	852	-	15,952
Impairment losses for the year	-	-	2,243	-	-	2,243
Disposals	(6)	(2,889)	(118,590)	(8,492)	-	(129,977)
Exchange rate adjustment	5	(144)	(320)	205	-	(254)
Total depreciation and impairment losses at 31 December 2020	708	3,372	141,345	12,663	-	158,088
Total carrying value at 31 December 2020	1,559	1,177	43,483	1,880	19,093	67,192

Impairment losses in 2020 and 2019 are related to scrapped tools, tools lost in the wells and impairment of the tool fleet.

14. Tangible Assets
Continued

Parent 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
Total costs at 1January 2019	9,917	4,142	317,571	9,901	24,337	365,868
Transfer to right-of-use assets	(8,201)	-	(7,728)	-	-	(15,929)
Additions	-	-	7,499	2,415	13,162	23,076
Transfer	-	-	15,240	-	(15,240)	-
Disposals	(61)	(158)	(891)	(11)	-	(1,121)
Exchange rate adjustment	(1,500)	(2)	(106)	(2)	-	(1,610)
Total costs at 31 December 2019	155	3,982	331,585	12,303	22,259	370,284
Depreciation and impairment losses at 1 January 2019	2,002	3,457	271,175	9,150	-	285,784
Transfer to right-of-use assets	(1,820)	-	(1,621)	-	-	(3,441)
Depreciation for the year	-	155	16,430	490	-	17,075
Impairment losses for the year	-	-	793	-	-	793
Disposal	(16)	(11)	(891)	(11)	-	(929)
Exchange rate adjustment	(11)	(9)	39	25	-	44
Total depreciation and impairment losses at 31 December 2019	155	3,592	285,925	9,654	-	299,326
Total carrying value at 31 December 2019	-	390	45,660	2,649	22,259	70,958

14. Tangible Assets
Continued

Parent 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
Total costs at 1 January 2020	155	3,982	331,585	12,303	22,259	370,284
Demerger	-	-	(4,923)	(3,164)	-	(8,087)
Additions	-	278	364	511	13,188	14,341
Transfer	-	-	16,354	-	(16,354)	-
Disposals	-	(2,534)	(118,574)	(4,877)	-	(125,985)
Exchange rate adjustment	-	(3)	14	(2)	-	9
Total costs at 31 December 2020	155	1,723	224,820	4,771	19,093	250,562
Depreciation and impairment losses at 1 January 2020	155	3,592	285,925	9,654	-	299,326
Demerger	-	-	(2,159)	(848)	-	(3,007)
Depreciation for the year	-	127	14,492	223	-	14,842
Impairment losses for the year	-	-	2,242	-	-	2,242
Disposal	-	(2,534)	(118,574)	(4,877)	-	(125,985)
Exchange rate adjustment	-	(2)	(293)	168	-	(127)
Total depreciation and impairment losses at 31 December 2020	155	1,183	181,633	4,320	-	187,291
Total carrying value at 31 December 2020	-	540	43,187	451	19,093	63,271

Impairment losses in 2020 and 2019 are related to scrapped tools, tools lost in the wells and impairment of the tool fleet.

14. Tangible Assets
Continued

14.1 Right-of-use assets in the balance sheet

Parent USD thousands	Land and buildings	Plant, equipment and fleet	Other fixtures, fittings, tools & equipment	2019
Balance 1 January	6,381	6,107	-	12,488
Change in accounting policies leases	9,527	195	148	9,870
Additions during the year	8,094	2,707	481	11,282
Depreciation for the year	(1,978)	(2,333)	(302)	(4,613)
Total balance 31 December	22,024	6,676	327	29,027

Parent USD thousands	Land and buildings	Plant, equipment and fleet	Other fixtures, fittings, tools & equipment	2020
Balance 1 January	22,024	6,676	327	29,027
Demerger	(6,381)	(2,563)	(29)	(8,973)
Additions and remeasurements during the year	632	28	-	660
Depreciation for the year	(1,660)	(2,002)	(187)	(3,849)
Disposal for the year	(42)	(92)	-	(134)
Exchange rate adjustment	(2)	27	(1)	24
Total balance 31 December	14,571	2,074	110	16,755

14.1 Right-of-use assets in the balance sheet

Group USD thousands	Land and buildings	Plant, equipment and fleet	Other fixtures, fittings, tools & equipment	2019
Balance 1 January	6,381	6,107	-	12,488
Change in accounting policies leases	29,758	3,121	1,695	34,574
Additions during the year	8,749	2,817	1,168	12,734
Depreciation for the year	(6,285)	(3,153)	(946)	(10,384)
Total balance 31 December	38,603	8,892	1,917	49,412

Group USD thousands	Land and buildings	Plant, equipment and fleet	Other fixtures, fittings, tools & equipment	2020
Balance 1 January	38,603	8,892	1,917	49,412
Demerger	(6,381)	(2,563)	(29)	(8,973)
Additions and remeasurements during the year	3,565	(57)	1,005	4,513
Depreciation for the year	(5,507)	(2,726)	(961)	(9,194)
Disposal for the year	(2,707)	(470)	(501)	(3,678)
Exchange rate adjustment	(180)	(77)	(37)	(294)
Total balance 31 December	27,393	2,999	1,394	31,786

14. Tangible Assets
Continued

14.2 Amounts recognized in the income statement for right-of-use assets

USD thousands	Parent 2019	Group 2019
Depreciation	(4,613)	(10,384)
Interest on lease liabilities	(1,276)	(2,767)
Short-term leases	(376)	(4,773)
Lease of low value assets	-	(11)
Total amounts recognized in the income statement	(6,265)	(17,935)
Lease costs for 2018 were:	(2,577)	(12,807)

14.3 Amounts recognized in cash flow statement

USD thousands	Parent 2019	Group 2019
Interest on lease liabilities	(1,276)	(2,767)
Installments on lease liabilities	(3,483)	(8,981)
Sale and lease back transaction	1,966	1,966
Total outflow	(2,793)	(9,782)

14.2 Amounts recognized in the income statement for right-of-use assets

USD thousands	Parent 2020	Group 2020
Depreciation	(3,849)	(9,194)
Disposals	(28)	34
Interest on lease liabilities	(698)	(1,866)
Rent concessions COVID-19	31	271
Short-term leases	(151)	(3,861)
Lease of low value assets	(75)	(1,667)
Total amounts recognized in the income statement	(4,470)	(16,283)

14.3 Amounts recognized in cash flow statement

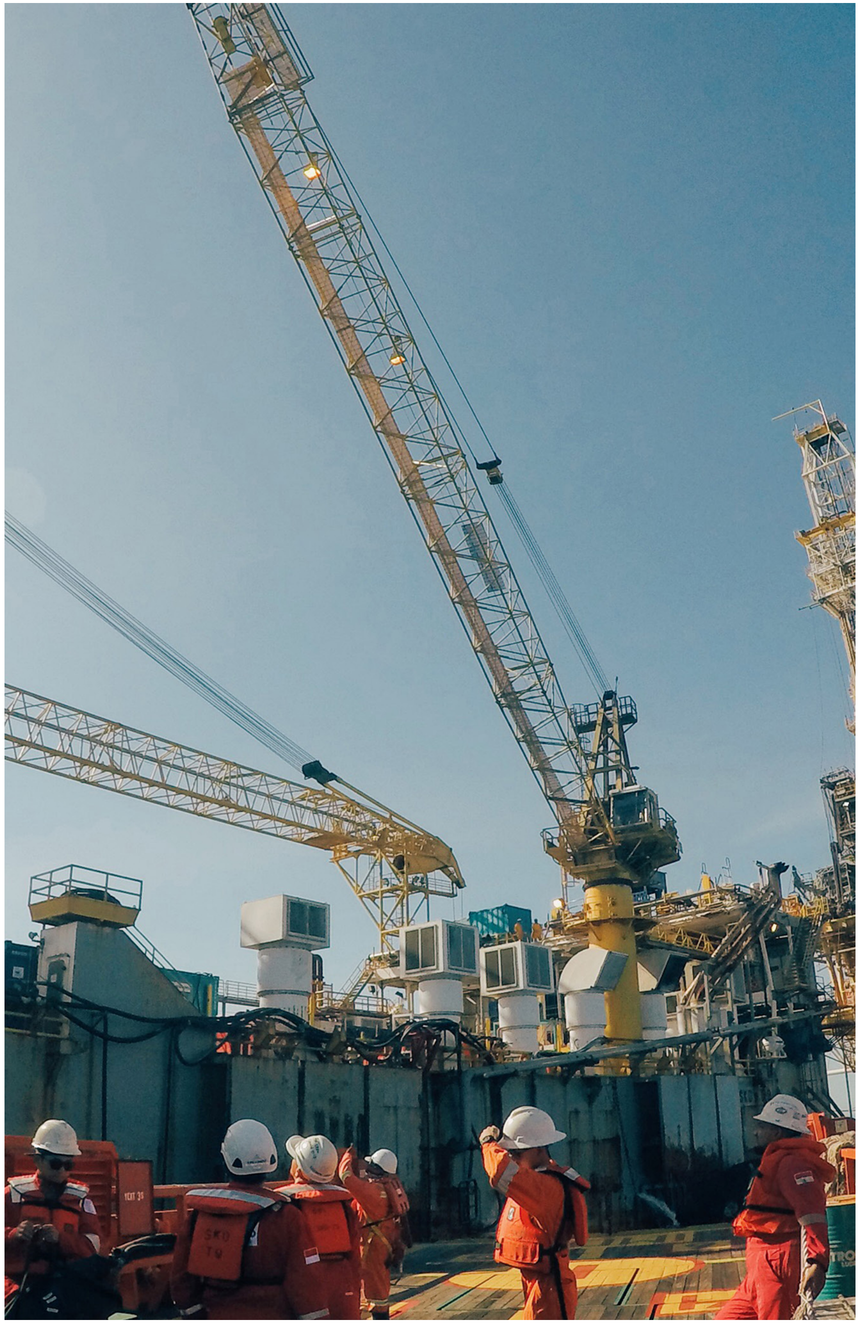
USD thousands	Parent 2020	Group 2020
Interest on lease liabilities	(698)	(1,866)
Installments on lease liabilities	(3,648)	(8,378)
Total outflow	(4,346)	(10,244)

15. Investments in subsidiaries

Parent

USD in thousands	2020	2019
Total carrying amount 1 January	22,108	18,695
Capital decrease	(3,161)	-
Reversal of impairment previous years	800	3,413
Total carrying amount 31 December	19,747	22,108

The carrying value of investments in the subsidiaries is pledged as security for issued bonds as of 31 December 2020 and 31 December 2019.



15. Investments in subsidiaries
Continued

Name	Registered office	Currency	Capital	Share
Welltec Angola Lda.***	Angola	USD	5,000	49%
Welltec Oilfield Services Argentina SA**	Argentina	ARS	50,000	100%
Welltec Oilfield Services Pty. Ltd.*	Australia	AUD	10	100%
Welltec Oilfield Services (Azerbaijan) Ltd.*	Azerbaijan	USD	5,000	100%
Welltec do Brasil Ltda.**	Brazil	BRL	423,790	100%
Welltec Canada Inc.*	Canada	CAD	6,000,001	100%
Welltech Oilfield Services (Newfoundland & Labrador) Limited*	Canada	CAD	10	100%
Welltech Oilfield Services Congo SAS***	Congo	XAF	1,000,000	100%
Welltec Latinamerica ApS*	Denmark	DKK	475,000	100%
Welltec Africa ApS*	Denmark	DKK	125,000	100%
Welltec Tools Nigeria A/S*	Denmark	DKK	500,000	100%
Welltec Oilfield Services Gabon Sarl***	Gabon	CFA	1,000,000	100%
Welltec Oilfield Services (Ghana) Limited***	Ghana	GHC	40,818	90%
Welltech Oilfield Services (Guyana) Inc**	Guyana	GYD	500,000	100%
PT. Welltec Oilfield Services Indonesia*	Indonesia	USD	500,000	95%
Welltec Oilfield Services (India) Private Limited*	India	INR	100,000	100%
Welltec Oilfield Services (Kazakhstan) LLP*	Kazakhstan	KZT	151,200	100%
Welltec Kazakhstan Joint Venture LLP**	Kazakhstan	KZT	252,000	95%
Welltec Oilfield Services (Malaysia) Sdn. Bhd*	Malaysia	MYR	350,000	49%
Welltec Oilfield Services Mexico S.A.**	Mexico	MXN	50,000	100%
Welltec Oilfield Services (Nigeria) Ltd.***	Nigeria	NGN	25,000,000	30%
Welltec Oilfield Services (Norway)*	Norway	NOK	3,000,000	100%
Welltech Oilfield Services (Muscat) LLC*	Oman	OMR	150,000	70%
Welltec Oilfield Services (Doha) LLC.*	Qatar	QAR	1,000	49%
Welltec (RUS) Holding LLC*	Russia	RUB	100,000	100%
Welltec Oilfield Services (RUS) LLC.*****	Russia	RUB	100,000	100%
Welltec Oilfield Services (Saudi Arabia) Ltd*	Saudi Arabia	SAR	500,000	100%
Welltec (UK) Ltd.*	Scotland - UK	GBP	1	100%

15. Investments in subsidiaries
Continued

Name	Registered office	Currency	Capital	Share
Welltec Oilfield Services (Proprietary) (South Africa) Limited***	South Africa	ZAR	1,000	100%
Welltec Oilfield Services (Trinidad & Tobago) Limited****	Trinidad & Tobago	TTD	1	100%
Welltec Oilfield Services (Uganda) Limited***	Uganda	USD	10,000	100%
Welltec Inc.*	USA	USD	100,000	100%
Welltec Venezuela, C.A.***	Venezuela	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 some subsidiaries, Welltec A/S controls the the 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 as Welltec is entitled to receive 100% of the dividends of these entities.

16. Inventories

Parent			Group	
2019	2020	USD in thousands	2020	2019
1,089	10,112	Raw materials	12,798	2,739
-	3,318	Goods under manufacturing	3,622	-
-	2,283	Finished goods	4,832	-
1,089	15,713	Total inventories	21,252	2,739
-	176	Amount of write-down of inventories during the year	1,361	-
-	-	Amount of reversal of write-down of inventories during the year	-	-
-	18,102	Cost of inventories included in cost of services provided	24,174	1,146

17. Trade receivables

Parent 2019	Parent 2020	USD in thousands	Group 2020	Group 2019
9,940	5,606	Trade receivables before allowance for doubtful accounts	37,869	44,780
(644)	(900)	Write-downs	(3,000)	(1,919)
9,296	4,706	Total trade receivables	34,869	42,861
27	29	Trade receivable turnover rate	68	62
		Development in write-downs of trade receivables:		
(285)	(644)	Write-downs at 1 January	(1,919)	(1,961)
-	-	Reversed, unrealized write-downs	-	-
-	-	Realized losses during the year	73	1,275
(359)	(256)	Unrealized write-downs during the year deemed un-collectible	(1,154)	(1,233)
(644)	(900)	Total write-downs at 31 December	(3,000)	(1,919)
		Specification of trade receivables by due date, not impaired:		
3,502	2,932	Not due	29,330	31,210
2,785	610	Up to 30 days	3,763	6,012
1,462	429	30-60 days	1,970	4,260
825	23	60-90 days	961	1,991
1,366	1,612	90+ days	1,845	1,307
9,940	5,606	Total trade receivables	37,869	44,780

17. Trade receivables
Continued

17.1 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 Parent Company had no and the Group had 2 customers, which accounted for 10% or more of the total revenue in 2020 (2019: 2 customers for both Parent Company and Group).

17.2 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 2020 are based on the payment profiles over a period of 3 years before 31 December 2018, 31 December 2019 and 31 December 2020 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 decreased by 25% since 2019 for the Group and by 34% for the Parent Company, whereas the provision for bad debt increased in 2020 due to the current market situation.

On that basis, the loss allowances were determined as follows for trade receivables:

Parent			31 December 2019		
USD in thousands	Not past due	Less than 30 days past due	30 to 60 days past due	More than 60 days past due	Total
Expected credit loss rate	0%	0%	0%	29.41%	
Trade receivable	3,502	2,785	1,462	2,191	9,940
Total loss allowance	-	-	-	644	644

USD in thousands			31 December 2020		
Expected credit loss rate	0%	0%	0%	55,04%	
Trade receivable	2,932	610	429	1,635	5,606
Total loss allowance				900	900

Group			31 December 2019		
USD in thousands	Not past due	Less than 30 days past due	30 to 60 days past due	More than 60 days past due	Total
Expected credit loss rate	0.05%	0.07%	0.93%	56%	
Trade receivable	31,210	6,012	4,260	3,298	44,780
Total loss allowance	16	4	40	1,859	1,919

USD in thousands			31 December 2020		
Expected credit loss rate	0.06%	0.08%	8.85%	100%	
Trade receivable	29,330	3,763	1,970	2,806	37,869
Total loss allowance	19	5	170	2,806	3,000

18. Share capital

	Group	
USD in thousands	2020	2019
Share units 1 January	53,218	53,218
Total share units 31 December	53,218	53,218

The share capital consists of 292,005,743 units at DKK 1/USD 0.17.

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

No dividend was paid out in 2020 or 2019 and no dividend is proposed related to the financial year 2020.

19. Deferred tax assets and liabilities

Parent			Group	
2019	2020	USD in thousands	2020	2019
555	327	Deferred tax 1 January	3,647	4,961
-	(612)	Transfer demerger	(612)	-
-	-	IFRS 23 transition	-	1,847
-	-	Exchange rate adjustments	(60)	17
(1,330)	2,286	Adjustment of deferred tax — previous years	2,284	(1,333)
1,102	314	Change in deferred tax for the year	66	(1,845)
327	2,315	Total deferred tax (assets)/liabilities 31 December	5,325	3,647
		Deferred tax breakdown:		
8,232	6,919	Intangible assets	11,340	12,695
(4,337)	(971)	Tangible assets	(961)	(4,490)
(3,568)	(3,633)	Current and non-current liabilities	(3,255)	(3,625)
-	-	Current assets	(387)	-
-	-	Other items	(372)	-
-	-	Tax loss carried forward etc.	(1,040)	(933)
327	2,315	Total deferred tax (assets)/liabilities 31 December	5,325	3,647
		Deferred tax is recognized in the statement of financial position with:		
-	-	Deferred tax assets	(4,715)	(1,689)
327	2,315	Deferred tax liabilities	10,040	5,336
327	3,215	Total deferred tax (assets)/liabilities 31 December	5,325	3,647

The Parent Company and the Group does not recognize deferred tax assets that are unlikely to be realized or otherwise exposed to major risk or uncertainty.

The tax value of the tax asset not capitalized has been estimated at 31 December 2020, to be approximately USD 0 thousand (2019: USD 0 thousand) for both the Parent Company and Group.

20. Current and non-current financial liabilities

Parent			Group	
2019	2020	USD in thousands	2020	2019
333,311	334,911	Issued bonds	334,911	333,311
27,450	18,645	Finance lease commitments	34,248	48,067
5,000	15,000	Bank debt	16,797	5,000
365,761	368,556	Total financial liabilities	385,956	386,378
		Recognition of short-term and long-term financial liabilities in the statement of financial position:		
333,311	334,911	Non-current financial liabilities — issued bonds	334,911	333,311
23,367	15,517	Non-current financial liabilities — lease commitments	26,622	40,289
-	15,000	Non-current financial liabilities — bank debt	16,437	-
9,083	3,128	Current financial liabilities - bank debt and lease commitmenrts	7,986	12,778
365,761	368,556	Total financial liabilities	385,956	386,378

20. Current and non-current financial liabilities
Continued

Group

			2019		
Currency	Expiry	Fixed or floating interest	Effective interest rate %	Carrying amount local (thousands)	Carrying amount USD (thousands)
DKK	2020-2031	fixed	0.95 - 9.44	173,958	26,058
NOK	2020-2026	fixed	4.58	44,825	5,094
USD	2020-2025	floating/fixed	4.65 - 9.75	342,731	342,731
Other	2020-2023	fixed	2.19 - 27.05	-	12,495
Total					386,378

			2020		
Currency	Expiry	Fixed or floating interest	Effective interest rate %*	Carrying amount local (thousands)	Carrying amount USD (thousands)
DKK	2021-2031	fixed	1.68 - 6.86	107,168	17,692
NOK	2021-2026	fixed	3.80 - 5.45	41,063	4,780
USD	2021-2025	floating/fixed	1.65 - 23.00*	355,811	355,811
Other	2021-2023	fixed	2.19 - 65.75	-	7,673
Total					385,956

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 31 December 2020 is USD 308 million (2019: USD 336 million).

The fair value (level 1 in the fair value hierarchy) is based on the OTC quoted market price of 90.61 USD per. note (2019: 98.94 USD per note).

*Interest rate spread contains weighted interest rates of: 3.23% (DKK), 9.46% (USD), 4.56% (NOK) and 10.27% (other currencies).

Parent

			2019		
Currency	Expiry	Fixed or floating interest	Effective interest rate %	Carrying amount local (thousands)	Carrying amount USD (thousands)
DKK	2020-2031	fixed	0.95 - 9.44	173,958	26,058
USD	2020-2023	floating/fixed	4.65 - 9.75	333,311	333,311
Other	2020-2023	fixed	3.31-19.25	-	6,392
Total					365,761

			2020		
Currency	Expiry	Fixed or floating interest	Effective interest rate %*	Carrying amount local (thousands)	Carrying amount USD (thousands)
DKK	2021-2031	fixed	1.68 - 6.86	107,168	17,692
USD	2021-2023	floating/fixed	2.99 - 19.25*	350,200	350,200
Other	2021-2023	fixed	4.90 - 11.91	-	664
Total					368,556

*Interest rate spread contains weighted interest rates of: 3.23% (DKK), 9.46% (USD) and 9.31% (other currencies).

20. Current and non-current financial liabilities
Continued

20.1 Finance lease obligations

Finance lease relates to leases of properties with an average lease term of 5 years, manufacturing equipment with lease terms of 3-5 years and leases of vehicles with lease terms of 3 years. The Group and the Parent company have options to purchase a part of the buildings and 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. The fair value of the finance lease liabilities is approximately equal to their carrying amount as of 31 December 2020 and 31 December 2019.

Group	2020	2020	2019	2019
USD in thousands	Minimum lease payments	Present value of minimum lease payment	Minimum lease payments	Present value of minimum lease payment
Maturity of finance lease obligations:				
Within 1 year	9,759	7,626	11,770	9,141
Between 1 and 5 years	19,501	16,841	30,022	25,329
Over 5 years	10,708	9,781	15,188	13,597
Total finance lease obligations	39,968	34,248	56,980	48,067

Parent	2020	2020	2019	2019
USD in thousands	Minimum lease payments	Present value of minimum lease payment	Minimum lease payments	Present value of minimum lease payment
Maturity of finance lease obligations:				
Within 1 year	4,227	3,128	5,416	4,083
Between 1 and 5 years	8,137	6,525	14,337	11,251
Over 5 years	9,899	8,992	13,606	12,116
Total finance lease obligations	22,263	18,645	33,359	27,450

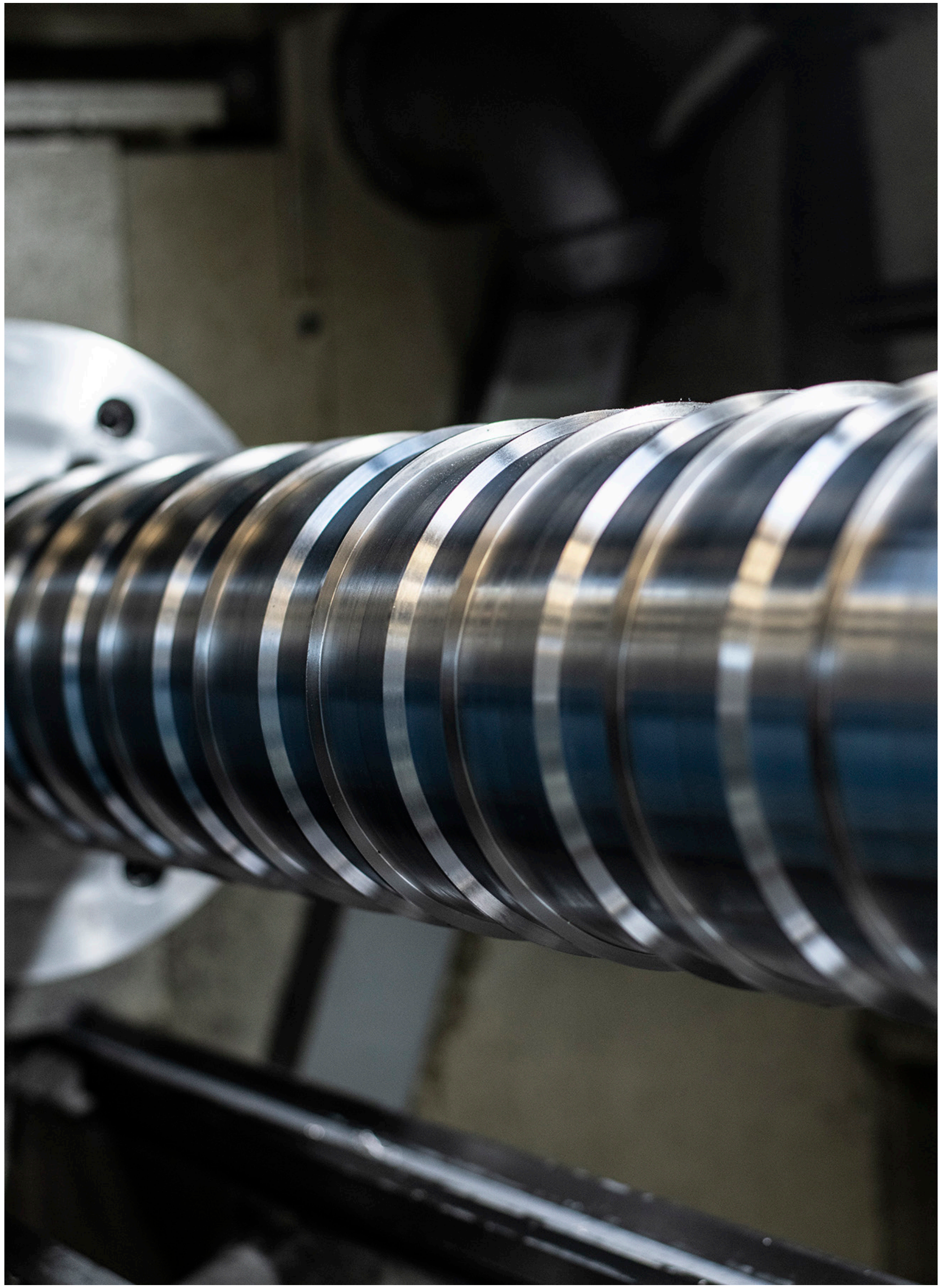
20. Current and non-current financial liabilities
Continued

20.2 Maturity dates for financial liabilities

	2019			
Group USD in thousands	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total
Finance lease commitments	9,141	25,329	13,597	48,067
Issued bonds	-	333,311	-	333,311
Bank debt	5,000	-	-	5,000
Payable to Subsidiaries and affiliates	903	-	-	903
Trade payables	15,474	-	-	15,474
Other payables	31,031	-	773	31,804
Total financial liabilities	61,549	358,640	14,370	434,559

	2020			
Group USD in thousands	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total
Finance lease commitments	7,626	16,841	9,781	34,248
Issued bonds	-	334,911	-	334,911
Bank debt	360	16,077	360	16,797
Payable to Subsidiaries and affiliates	5,227	-	-	5,227
Trade payables	11,452	-	-	11,452
Other payables	22,570	-	-	22,570
Total financial liabilities	47,235	367,829	10,141	425,205

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.



20. Current and non-current financial liabilities
Continued

Parent USD in thousands	2019 Less than 1 year	Between 1 and 5 years	Later than 5 years	Total
Finance lease commitments	4,083	11,251	12,116	27,450
Issued bonds	-	333,311	-	333,311
Bank debt	5,000	-	-	5,000
Loan payables to subsidiaries and affiliates	51,395	-	-	51,395
Payables to subsidiaries and affiliates	12,038	-	-	12,038
Trade payables	11,801	-	-	11,801
Other payables	11,552	-	773	12,325
Total financial liabilities	95,869	344,562	12,889	453,320

Parent USD in thousands	2020 Less than 1 year	Between 1 and 5 years	Later than 5 years	Total
Finance lease commitments	3,128	6,525	8,992	18,645
Issued bonds	-	334,911	-	334,911
Bank debt	-	15,000	-	15,000
Payables to subsidiaries and affiliates	27,616	-	-	27,616
Trade payables	7,486	-	-	7,486
Other payables	7,469	-	-	7,469
Total financial liabilities	45,699	356,436	8,992	411,127

All debt is measured at amortized cost. The amounts in the tables above are exclusive of interest.
Interest on issued bonds mature on an annual basis with USD 32 million until maturity 27 November 2022.

20. Current and non-current financial liabilities
Continued

20.3 Net interest bearing debt

Group USD in thousands	2018	Included in cash flow from financing activities	Non-cash changes IFRS 16 transition	 New leases and remeasurements	 Fair value adjustments	2019
Issued bonds	331,238	-	-	-	2,073	333,311
Finance lease commitments	11,790	(8,981)	34,574	10,684	-	48,067
Bank debt	-	5,000	-	-	-	5,000
Total interest bearing debt	343,028	(3,981)	34,574	10,684	2,073	386,378
Cash and cash equivalents	(21,328)	-	-	-	-	(30,372)
Net interest bearing debt	321,700	-	-	-	-	356,006

Parent USD in thousands	2018	Included in cash flow from financing activities	Non-cash changes IFRS 16 transition	 New leases and remeasurements	 Fair value adjustments	2019
Issued bonds	331,238	-	-	-	2,073	333,311
Finance lease commitments	11,781	(3,483)	9,870	9,282	-	27,450
Bank debt	-	5,000	-	-	-	5,000
Total interest bearing debt	343,019	1,517	9,870	9,282	2,073	365,761
Cash and cash equivalents	(7,260)	-	-	-	-	(15,392)
Net interest bearing debt	335,759	-	-	-	-	350,369

20. Current and non-current financial liabilities
Continued

20.3 Net interest bearing debt

Group USD in thousands	2019	Included in cash flow from financing activities	Non-cash changes New leases and remeasure-ments	Fair value adjustments	2020
Issued bonds	333,311	-	-	1,600	334,911
Finance lease commitments	48,067	(8,378)	(5,441)	-	34,248
Bank debt	5,000	11,797	-	-	16,797
Total interest bearing debt	386,378	3,419	(5,441)	1,600	385,956
Cash and cash equivalents	(30,372)	-	-	-	(26,648)
Net interest bearing debt	356,006	-	-	-	359,308

Parent USD in thousands	2019	Included in cash flow from financing activities	Non-cash changes New leases and remeasure-ments	Fair value adjustments	2020
Issued bonds	333,311	-	-	1,600	334,911
Finance lease commitments	27,450	(5,125)	(3,680)	-	18,645
Bank debt	5,000	10,000	-	-	15,000
Total interest bearing debt	365,761	4,875	(3,680)	1,600	368,556
Cash and cash equivalents	(15,392)	-	-	-	(14,900)
Net interest bearing debt	350,369	-	-	-	353,656

21. Other payables

Parent 2019	Parent 2020	USD in thousands	Group 2020	Group 2019
4,279	276	Wages and salaries, personal income taxes, social security costs, etc. payable	3,289	8,016
2,978	1,196	Holiday pay obligation	3,559	5,809
2,707	2,712	Accrued interests	2,712	2,707
1,588	3,285	Other costs payable	13,010	14,499
11,552	7,469	Total other payables	22,570	31,031

22. Fees to auditor appointed at the Annual General Meeting

Parent 2019	Parent 2020	USD in thousands	Group 2020	Group 2019
176	128	Statutory audit services	399	461
		Non-audit services:		
90	5	Tax advisory services	5	90
112	197	Other	197	112
202	202	Non-audit services	202	202
378	330	Total fees to auditors	601	663

23. Assets charged and contingent liabilities

In 2020 the Group has issued bank guarantees to third parties in the amount of USD 7,137 thousand. In 2019 bank guarantees to third parties were USD 9,014 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 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. Financial Instruments

24.1 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.

24.2 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.

24.2.1 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 Parent 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 Parent Company:

	Assets		Liabilities	
USD in thousands	2020	2019	2020	2019
DKK	133,312	328,324	(169,520)	(348,532)
INR	53,906	50,547	(39,896)	(37,442)
AED	800	21,784	(665)	(33,020)

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	2020	2019	2020	2019
DKK	133,312	328,324	(169,520)	(348,532)
INR	53,906	-	(39,896)	-
RUB	15,463	-	(5,974)	-
NGN	7,984	21,741	(6,692)	(22,010)
NOK	10,089	11,165	(12,910)	(16,698)

24. Financial Instruments
Continued

24.2.2 Foreign currency sensitivity analysis
The following tables detail the Parent and the Group's sensitivity to a 10% increase (same sensitivity to a 10% decrease) in DKK, INR, NOK, AED, RUB and NGN 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 AED impact	
USD in thousands	2020	2019	2020	2019	2020	2019
Profit/(loss)	(2,187)	(275)	350	339	932	(207)
Equity	-	-	1,424	1,342	54	1,054

Group

	Currency DKK impact		Currency NGN impact		Currency NOK impact		Currency INR impact		Currency RUB impact	
USD in thousands	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Profit/(loss)	(2,187)	(275)	562	1,262	2,271	2,099	350	-	596	-
Equity	-	-	156	22	260	59	1,424	-	1,113	-

24. Financial Instruments
Continued

24.2.3 Interest rate risk management
From the beginning of 2012 the Group's interest rate risk relates to the Group's interest bearing debt to bond-holders. 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 effective 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.

24.2.4 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 31 December 2020 would be affected with USD 8,875 thousand (2019: 8,500 thousand).

24.3 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 centrally adjusts 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. The RCF contains requirements for mandatory prepayments upon certain events and a financial covenant (see below).

The cash position at year-end 2020 is USD 26.6 million. This includes a USD 15 million RCF draw-down. (2019: USD 30.4 million including a USD 5 million RCF draw-down).

In addition to the RCF draw-down, USD 7 million are reserved for guarantees, meaning that there is an additional liquidity reserve under the RCF of USD 18 million. The RCF matures in December 2022.

The availability of the revolving credit-facility is based on an interest cover maintenance covenant – L12M EBITDA over interest cost, tested on a quarterly basis. The EBITDA is based on the former IAS 17 Leases. According to the current outlook for 2021 Welltec will be able to meet the covenant threshold for all quarters in 2021.

Please see note 20.2: Maturity dates for financial liabilities.

24. Financial Instruments
Continued

24.4 Categories of financial instruments

Parent			Group	
2019	2020	USD in thousands	2020	2019
704	-	Other receivables - non-current	-	718
9,296	4,706	Trade receivables	34,869	42,861
229,540	237,507	Loans to subsidiaries and affiliates	225,226	200,525
68,674	31,368	Receivables from subsidiaries and affiliates	15,691	33,639
481	1,099	Other receivables - current	4,271	3,427
15,392	14,900	Cash and cash equivalents	26,648	30,372
324,087	289,580	Total financial assets measured at amortized cost	306,705	311,542

Parent			Group	
2019	2020	USD in thousands	2020	2019
27,450	18,645	Finance lease commitments	34,248	48,067
333,311	334,911	Issued bonds	334,911	333,311
5,000	15,000	Bank debt	16,797	5,000
773	2,172	Other liabilities	2,172	773
51,395	4,909	Loan payable to subsidiaries and affiliates	-	-
12,038	27,616	Payables to subsidiaries and affiliates	5,227	903
11,801	7,486	Trade payables	11,452	15,474
11,552	7,469	Other payables	22,570	31,031
453,320	418,208	Total financial liabilities measured at amortized cost	427,377	434,559

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

See note 15: 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.

25. Related parties
Continued

25.1 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:

2019 USD in thousands	Affiliates*	Key management personnel	Board of Directors
Interests received	18,504	-	-
Rendering of services	16,739	-	-
Sale of tools	1,122	-	-
Total transactions	36,365	-	-

2020 USD in thousands	Affiliates*	Key management personnel	Board of Directors
Interests received	18,274	-	-
Rental of equipment (revenue)	5,644	-	-
Rental of equipment (cost)	2,363	-	-
Purchase of goods	16,872	-	-
Rendering of services	4,767	-	-
Total transactions	47,920	-	-

*The Parent Company's principal shareholder and the principal shareholders' other subsidiaries are defined as affiliates.

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

	Amounts owed by related parties		Amounts owed to related parties	
USD in thousands	2020	2019	2020	2019
Welltec International ApS	219,374	203,163	-	-
Welltec Oilfield Intervention AG Group	21,540	30,231	(4,634)	(133)
Welltec Manufacturing Completions Center ApS	-	-	(593)	-
Total balances	240,914	233,394	(5,227)	(133)

25. Related parties
Continued

Parent

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

2019 USD in thousands	Affiliates*	Subsidiaries	Key manage-ment personnel	Board of Directors
Rental of equipment	-	82,950	-	-
Rendering of services	14,065	-	-	-
Sale of tools	1,122	-	-	-
Interest income/(expenses)	18,525	2,038	-	-
Total transactions	33,712	84,988	-	-

2020 USD in thousands	Affiliates*	Subsidiaries	Key manage-ment personnel	Board of Directors
Rental of equipment	2,793	62,983	-	-
Rendering of services	4,767	3,021	-	-
Interest income/(expenses)	18,329	1,098	-	-
Total transactions	25,889	67,102	-	-

*The Parent Company's principal shareholder and the principal shareholders' other subsidaries are defined as affiliates.

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

	Amounts owed by related parties		Amounts owed to related parties	
USD in thousands	2020	2019	2020	2019
Welltec International ApS	219,374	203,163	-	-
Subsidiaries and affiliates	49,500	87,354	(32,525)	(45,536)
Total balances	268,874	290,517	(32,525)	(45,536)

26. Events after the balance sheet date

No events affecting the assessment of the annual report have occurred after the balance sheet date.

Branches

The Group holds the following sales branches	Registered office	Year/ currency
Welltec A/S (Azerbaijan Branch)*	Azerbaijan	2008 / AZN
Welltec A/S India Project Office*	India	2008 / INR
PT Welltec Oilfield Services Indonesia (Indonesian Branch)*	Indonesia	2018/ IDR
Welltec Africa ApS E.G.***	Equatorial Guinea	2010 / XAF
Welltec A/S - Abu Dhabi*	UAE	2011 / AED
Welltec Latin America ApS Sucursal Columbiana**	Columbia	2011 / COP
Welltec A/S (Gabon Branch)*	Gabon	2012 / CFA
Welltec Africa ApS Congo***	Congo	2013 / CFA
Welltec Latinamerica ApS (Ecuador Branch)**	Ecuador	2014 / USD
Welltec Africa ApS (Cameroun Branch)	Cameroun	2016 / XAF
Welltec Africa ApS (Ivory Coast Branch)***	Ivory Coast	2015 / XOF

*Held by Welltec A/S
**Held by Welltec Latinamerica ApS
***Held by Welltec Africa ApS

Definitions

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.

EBIT margin before special items

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

EBITDA margin

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

Return on equity

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

ROIC excl. goodwill

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