

WHATEVER THE CHALLENGE

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Generalforsamling: 5.05.2017
Dirigent: Martin Skovbjerg

ANNUAL REPORT 2016

WELLTEC HOLDING APS CENTRAL BUSINESS REGISTRATION NO: 28 29 52 00
GYDEVANG 25, 3450 ALLERØD, DENMARK

Welltec®

COMPANY DETAILS

Company

Welltec Holding ApS
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Denmark

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Central Business Registration No: 28 29 52 00

Registered in: Allerød, Denmark

Financial year: January 1, 2016 – December 31, 2016

Executive Board

Jørgen Hallundbæk, Chief Executive Officer

Board of Directors

Jørgen Hallundbæk, Chairman
Annalisa Stupenengo
Michael Bricker

Company auditors

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab

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KEY FIGURES

Welltec Holding ApS

	2016	2015	2014	2013	2012
STATEMENT OF COMPREHENSIVE INCOME (USD in millions)					
Net financials	(3)	4	3	(3)	130
Profit / (loss) before tax	(1)	4	3	(3)	130
Net profit / (loss) for the year	(1)	4	4	(3)	130
CASH FLOWS (USD in millions)					
Cash flows from operating activities	(1)	0	0	(2)	6
Cash flows from investment activities	1	0	0	(46)	135
Cash flows from financing activities	0	0	0	48	(141)
Total cash flows	0	0	0	0	0
BALANCE (USD in millions)					
Equity	51	52	48	44	1
Total assets	117	117	119	119	73
KEY RATIOS (%)					
ROIC excl. goodwill	0	0	0	0	0
Return on equity	(2)	7	8	(41)	282

The key figures are prepared in accordance with the Danish Society of Financial Analysts' "Recommendations & Financial Ratios 2015".

FINANCIAL REVIEW

Primary activities

The company is engaged in intervention of oil and gas wells using proprietary developed and produced robot technology. This takes place through the ownership of Welltec A/S

Development in activities and finances in 2016

Loss for 2016 comes to USD 915 thousand, and equity stands at USD 50,646 thousand as of December 31, 2016.

Unusual circumstances

No unusual events have occurred in 2016 that have affected the annual report.

Events after the end of the reporting date

No significant events regarding the Company's activities have occurred since December 31, 2016.

STATEMENT BY MANAGEMENT ON THE ANNUAL REPORT

We have today considered and approved the annual report of Welltec Holding ApS for the financial year January 1, 2016 to December 31, 2016.

The financial statements have been 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 financial statements give a true and fair view of the Company's financial position at December 31, 2016 and of the results of its operations and cash flows for the financial year January 1, 2016 to December 31, 2016.

In our opinion, the management commentary contains a fair review of the affairs and conditions referred to therein.

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

Allerød, March 30, 2017

Executive Board:

Jørgen Hallundbæk
Chief Executive Officer

Board of Directors:

Jørgen Hallundbæk
Chairman

Michael Bricker

Annalisa Stupenengo

INDEPENDENT AUDITOR'S REPORTS

To the shareholder of Welltec Holding ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2016, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2016 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 Financial Statements of Welltec Holding ApS for the financial year 1 January - 31 December 2016, which comprise statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and notes, including a summary of significant accounting policies ("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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management Commentary

Management is responsible for the Management Commentary.

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

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

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

Based on the work we have performed, in our view, the Management Commentary is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in the Management Commentary.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of 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 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 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 expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to

events or conditions that may cast significant doubt on the 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 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.

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

Copenhagen, March 30, 2017

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

Mikkel Sthyr
State Authorized
Public Accountant

Tue Stensgård Sørensen
State Authorized
Public Accountant

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31, 2016, and 2015

(USD in thousands)

	NOTE	2016	2015
Administrative expenses		(5)	(2)
Operating loss (EBIT)		(5)	(2)
Financial income	4	2,175	7,209
Financial expenses	5	(3,273)	(3,209)
Profit/(loss) before tax		(1,103)	3,998
Tax on profit for the year	6	188	(351)
Profit/(loss) for the year		(915)	3,647
Total comprehensive income/(loss) for the year		(915)	3,647
Allocation of total comprehensive income/(loss)			
Transferred to accumulated result		(915)	3,647

STATEMENT OF FINANCIAL POSITION

As of December 31, 2016, and 2015

(USD in thousands)

	NOTE	2016	2015
Non-current assets			
Financial assets			
Investments in subsidiaries	7	117,305	117,305
Total financial assets		117,305	117,305
Total non-current assets		117,305	117,305
Current assets			
Receivables			
Tax receivables, joint taxation contribution		0	0
Receivables from subsidiaries		0	0
Total receivables		0	0
Cash and cash equivalents		0	0
Total current assets		0	0
Total assets		117,305	117,305

STATEMENT OF FINANCIAL POSITION

As of December 31, 2016, and 2015

(USD in thousands)

	NOTE	2016	2015
Equity			
Share capital	8	46,790	46,790
Accumulated result		3,856	4,869
Total equity		50,646	51,659
Non-current liabilities			
Loans from subsidiaries	10	65,205	64,706
Total current liabilities		65,205	64,706
Current liabilities			
Tax payable, joint taxation contribution		0	157
Payables to subsidiaries	10	1,454	783
Other payables	10	2	0
Total current liabilities		1,456	940
Total liabilities		66,661	65,646
Total equity and liabilities		117,305	117,305

STATEMENT OF CHANGES IN EQUITY

For the years ended December 31, 2016, and 2015

(USD in thousands)

	Share capital	Accumulated result	Total
Equity at January 1, 2015	46,790	1,222	48,012
Profit for the year	0	3,647	3,647
Total comprehensive income for the year	0	3,647	3,647
Equity at December 31, 2015	46,790	4,869	51,659
Purchase of own shares	0	(98)	(98)
Profit for the year	0	(915)	(915)
Total comprehensive income for the year	0	(1,013)	(1,013)
Equity at December 31, 2016	46,790	3,856	50,646

STATEMENT OF CASH FLOWS

For the years ended December 31, 2016, and 2015

(USD in thousands)

	NOTE	2016	2015
Operating loss (EBIT)		(5)	(2)
Non-cash adjustments		(1,098)	2
Changes in working capital		2	0
Income taxes paid		28	0
Cash flows from operating activities		(1,071)	0
Other Investments		1,169	0
Cash flows from investing activities		1,169	0
Purchase of own shares		(98)	0
Cash flows from financing activities		(98)	0
Increase/decrease in cash and cash equivalents		0	0
Cash and cash equivalents at January 1		0	0
Cash and cash equivalents at December 31		0	0

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1. ACCOUNTING POLICIES

Basis of accounting

The annual report of Welltec Holding ApS for 2016 is 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 B enterprises. Please see the Danish Executive Order on IFRS Adoption issued in accordance with the Danish Financial Statements Act. Welltec Holding ApS is a limited liability company domiciled in Denmark.

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

The annual report does not include consolidated financial statements as the conditions have been fulfilled for not preparing consolidated financial statements with reference to the higher level Parent's consolidated financial statements. The consolidated financial statements of the Parent, Welltec International ApS, Gydevang 25, 3450 Allerød, Denmark, may be ordered from the Parent.

The financial statements have been prepared on the historical cost basis.

The financial statements are presented in accordance with the new and revised Standards (IFRS/IAS) and Interpretations (IFRIC) which apply for the financial year. This has not resulted in any changes in accounting policies that have affected recognition and measurement in the current or previous years.

Future IFRS changes

At the date of the publication of this annual report, a number of new or amended Standards and Interpretations have not yet entered into force or have not yet been adopted by the EU, for which reason they have not been incorporated in this annual report.

None of the new Standards or amendments of existing Standards are expected to have a material impact on future financial statements.

Recognition and measurement

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

Liabilities are recognized in the statement of financial position when 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. This includes recognition of value adjustments of financial assets and financial liabilities measured at amortized cost.

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 the statement of comprehensive income as financial income or financial expenses.

Income taxes and deferred tax

The company is jointly taxed with the principal shareholder, JH Holding, Allerød, ApS, and Welltec Group's Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed companies proportionally to their taxable income (full allocation with a refund concerning tax losses).

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

Current tax payable or current tax receivable is recognized in the statement of financial position, computed as tax calculated on the taxable income for the year, adjusted for prepaid tax.

When computing the current tax for the year, the tax rates and tax rules in effect at the end of the reporting period are used.

Deferred tax is recognized according to the balance-sheet liability method on all temporary differences between carrying values and tax-based values of assets and liabilities, apart from deferred

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tax on all temporary differences occurring 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 or loss for the year nor taxable income

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

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

Deferred tax assets, including the tax base of tax loss carryforwards, 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 assets for set-off against future positive taxable income. At the end of each reporting period, it is assessed whether sufficient taxable income is likely to arise in the future for the deferred tax asset to be used.

Balances calculated pursuant to the interest deduction limitation rule of the Danish Corporation Tax Act have been allocated among the jointly taxed companies according to the joint taxation arrangement entered into and are allocated among the companies that are subject to limitation of deductibility based on their share of the total limitation. Deferred tax liabilities in respect of these balances are recognized in the statement of financial position, whereas deferred tax assets are recognized only if they qualify for recognition as deferred tax assets.

Statement of comprehensive income

Administrative and sales costs

Administrative expenses comprise costs for auditing etc.

Financial income and expenses

These items comprise interest income and interest expenses, realized and unrealized exchange rate gains and losses on receivables and payables and foreign currency transactions as well as tax surcharge and tax relief under the Danish Tax Prepayment Scheme.

Statement of financial position

Financial assets

Investments in subsidiaries

Investments in subsidiaries are measured at cost. If the recoverable amount of the investment is lower than cost, investments are written down to this lower value.

Financial liabilities

On initial recognition, financial liabilities including other 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 the statement of comprehensive income as a financial expense over the term of the loan.

Statement of cash flows

The Company'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 Company's cash and cash equivalents at the beginning and end of the accounting year. Cash flows from operating activities are calculated as EBIT adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise financial income received and dividend received from Welltec A/S or capital increase in subsidiary.

Cash flows from financing activities comprise financial expenses paid and payment of dividend to the shareholder or capital increase from parent company.

Cash and cash equivalents comprise cash at bank and in hand.

Ratios

The following ratios are compiled in accordance with Recommendations & Ratios 2015 issued by the Danish Society of Financial Analysts and generally accepted calculation formulas.

$$\text{ROIC excl. goodwill} = \frac{\text{EBIT} \times 100}{\text{Average capital invested}}$$

$$\text{Return on equity} = \frac{\text{Net profit/(loss) for the year} \times 100}{\text{Average equity}}$$

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2. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The determination of carrying values and the preparation of the annual report build upon estimates made by Management of the likely effect of future events on the value of investments in subsidiaries. Actual results may differ from these estimates

Management considers that the following accounting estimates and assumptions are critical in the financial statements.

Impairment of investment in subsidiaries

Investment in subsidiaries represents USD 117,305 thousand equalizing 100 % of total assets in the company.

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 investment in subsidiaries.

It is the opinion of Management that the carrying amount for investment in subsidiaries 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 about future earnings are based on financial budgets and long-term forecasts until the end of 2025, including longterm growth rates. A budget period exceeding 5 years has been applied as Management deems a longer budget period needed in order to reflect the growth rates of the Welltec A/S Group prior to the Group entering into a more steady growth situation. This is a result of the historic growth rates realized by the group as well as the future expected growth rates for the years included in the budget period, which Management has deemed to be 9 years. A growth rate of 2.0% has been applied in the terminal period from 2025 and onwards.

The discount rate applied is based on a risk-adjusted after tax discount rate (weighted average cost of capital) of 10.0%. The weighted average cost of capital before tax is 11.1%. In 2015 the weighted average cost of capital used was 10.3% which equals a before tax discount rate of 11.4%.

The estimates used build upon assumptions which, in the opinion of Management, are valid albeit inherently uncertain and unpredictable.

The impairment test is also based on following assumptions and market views:

Consensus suggests that the overall demand for Oil & Gas is expected to continue to increase as a result of a growing world economy. The global oversupply of oil gradually diminished during the course of 2016 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 2016. Looking into 2017, market consensus suggest a continued stabilization albeit with risk of increased volatility should geopolitical unrest or the OPEC production coordination yet again fall. 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.

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3. STAFF COSTS

There have been no employees at Welltec Holding ApS for the financial years 2016 and 2015.

4. FINANCIAL INCOME

(USD in thousands)

	2016	2015
Interest income from financial assets that are not measured at fair value through profit or loss	0	0
Exchange rate gains	2,175	7,209
Total financial income	2,175	7,209

5. FINANCIAL EXPENSES

(USD in thousands)

	2016	2015
Interest expenses to parent	(778)	(845)
Interest expenses to subsidiaries	(2,495)	(2,364)
Interest expenses from financial liabilities that are not measured at fair value through profit or loss	(3,273)	(3,209)
Total financial expenses	(3,273)	(3,209)

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6. INCOME TAXES

(USD in thousands)

	2016	2015
Current tax	126	(158)
Adjustment concerning previous years	62	(193)
Current tax incl. adj. in corporation tax previous years	188	(351)
Specification of tax:		
Profit before tax	1,103	3,998
	1,103	3,998
Danish corporate tax rate	(243)	(940)
Effect of exchange rate adjustment in USD and DKK on Danish corporation tax	(454)	1,688
Non-taxable income and non deductible expenses	571	0
Other taxes, including adjustment concerning previous years	(62)	(1,099)
	188	(351)

No income tax has been recognized in other comprehensive income or directly in equity in 2016 and 2015.

7. INVESTMENTS IN SUBSIDIARIES

(USD in thousands)

	2016	2015
Acquisition cost 01.01	117,305	117,305
Acquisition cost 31.12	117,305	117,305

The company has investments in the following subsidiary:

Name	Registered country	Principal activity	Year / currency	Capital	Share
Welltec A/S	Denmark	Manufacture	1989/DKK	292,005,743	100%

NOTES

8. SHARE CAPITAL

The share capital consists of 254,865,743 shares at DKK 1/USD 0.18 per share

(USD in thousands)

	2016	2015
Share units 01.01	46,790	46,790
Share units 31.12	46,790	46,790

No dividend was paid in 2016 or 2015 and no dividend is proposed related to the financial year 2016 and 2015.

9. FEES TO AUDITOR APPOINTED AT THE ANNUAL GENERAL MEETING

(USD in thousands)

	2016	2015
Statutory audit services	5	2
Total fees to auditor	5	2

For 2016, PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab was the elected auditor. For 2015 the elected auditor was Deloitte Statsautoriseret Revisionspartnerselskab.

10. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

10.1 Maturity dates for financial liabilities

(USD in thousands)	2015			Total
	Less than 1 year	Between 1 and 5 years	Later than 5 years	
Loan from subsidiary	0	64,706	0	64,706
Payables to subsidiaries	783	0	0	783
Other payables	0	0	0	0
Total financial liabilities	783	64,706	0	65,489

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

(USD in thousands)	2016			Total
	Less than 1 year	Between 1 and 5 years	Later than 5 years	
Loan from subsidiary	0	65,205	0	65,205
Payables to subsidiaries	1,454	0	0	1,454
Other payables	2	0	0	2
Total financial liabilities	1,456	65,205	0	66,661

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

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11. ASSETS CHARGED AND CONTINGENT LIABILITIES

The Company's shares as well as the Company's shares in Welltec A/S have been provided as security for bond debt and the loan from the European Investment Bank issued by Welltec A/S.

Welltec Holding ApS is part of a Danish joint taxation scheme with JH Holding, Allerød, 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. 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 withholding 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.

The debt established under the bond program and the loan from the European Investment Bank are guaranteed by Welltec International ApS, Welltec Holding ApS, Welltec Canada Inc., Welltec Africa ApS, Welltec Latinamerica ApS, RS 2001 ApS, Welltec (UK) Ltd, Welltec Inc. and Welltec Oilfield Services (RUS) LLC. Subject to certain exceptions and permitted liens, the debts established under the bond program and the loan are secured, by (i) all of the issued shares of the Issuer and each of the Guarantors (other than Welltec International ApS, Welltec (UK) Ltd and Welltec Oilfield Services (RUS) LLC), (ii) certain intercompany loans and receivables of the Issuer and the Guarantors, (iii) the bank accounts of the Issuer and certain of the Guarantors and (iv) certain other assets of certain of the subsidiary Guarantors, including receivables and intellectual property rights. The bonds and the bond guarantees are secured by first-ranking liens over the same property and assets that will secure the obligations outstanding under the Revolving Credit Facility, certain hedging obligations and certain other indebtedness.

Welltec Holding ApS has issued a joined and several guarantee for a group company of USD 6,447 thousand.

12. FINANCIAL RISKS

Interest rate risk

Interest rate risk relates to interest-bearing debt to subsidiaries. The debt carries floating interest.

Fluctuations in the interest rate level affect the Company's debt to subsidiaries. An increase in the interest rate level of 1 percentage point per annum compared to the interest rate level at the end of the reporting period would have had a negative impact of USD 671 thousand (2015: USD 654 thousands) on the result and equity for the year. An equivalent drop in the interest rate level would have resulted in an equivalent positive effect on the result and equity for the year.

Currency risk

The company's interest-bearing debt has been incurred in DKK. A 10% increase in exchange rates compared to the exchange rate level at the end of the reporting period would have had a negative impact of USD 6,5 million (2015: USD 6.5 million) on the result and equity for the year. An equivalent drop in the exchange rate level would have resulted in an equivalent positive effect on the result and equity for the year.

Liquidity risk

Pursuant to the company's policy, capital raising and distribution of cash are managed centrally by the Welltec International ApS Group's finance department to the extent it is deemed appropriate.

Capital structure

The company is funded by equity and intra-group debt to subsidiaries. Dividend is paid only if sufficient, positive cash flows are generated to service debt and develop the business. The company's overall objective remains the same.

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13. RELATED PARTIES

Welltec Holding's related parties

The ultimate parent company preparing a consolidated financial statement in which Welltec Holding ApS is included is JH Holding, Allerød ApS, Haregabsvej 15, 3230 Græsted, Denmark.

1. JH Holding, Allerød, ApS, Haregabsvej 15, 3230 Græsted, Denmark, which is wholly controlled by Jørgen Hallundbæk
2. Welltec International ApS, Gydevang 25, 3450 Allerød, Denmark
3. 7 Industries Holding B.V. , Hoogoorddreef 15, 1101 BA, Amsterdam, Netherlands (owns more than 5% of Welltec International ApS)
4. Exor N.V., Hoogoorddreef 15, 1101 BA, Amsterdam, Netherlands (owns more than 5% of Welltec International ApS)
5. Companies in which the principal shareholder exercises control, i.e. Haregabgaard ApS and Tinkerbell ApS, Haregabsvej 15, Esbønderup Skovhuse, 3230 Græsted
6. Members of the company's Executive Management and Board of Directors as well as close relatives of these members
7. Subsidiaries of Welltec Holding ApS – see note 7.

No remuneration has been paid to the Board of Directors or the Executive Board in 2016 or 2015.

Transactions and balances between Welltec Holding ApS and related parties:

(USD in thousands)

	2016	2015
Interest expenses to parent	(778)	(845)
Interest expenses to subsidiaries	(2,495)	(2,364)
Total transactions	(3,273)	(3,209)

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

(USD in thousands)

	Amounts owed by related parties		Amounts owed to related parties	
	2016	2015	2016	2015
Welltec International ApS	0	0	772	17,393
Subsidiaries	0	0	65,886	48,096
Total balances	0	0	66,658	65,489

14. EVENTS AFTER THE BALANCE SHEET DATE

No significant events regarding the Company's activities have occurred since December 31, 2016.