

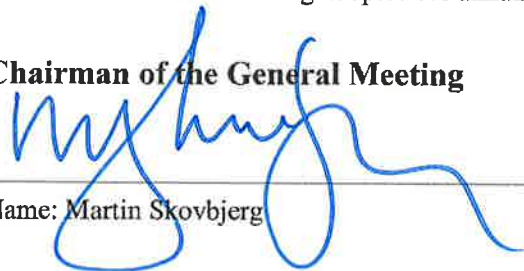
**Welltec Africa ApS**  
**Central Business Registration No**  
**28505264**  
**Gydevang 25**  
**3450 Allerød**

**Annual report 2015**

The Annual General Meeting adopted the annual report on 31.05.2016

**Chairman of the General Meeting**

Name: Martin Skovbjerg



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## **Entity details**

### **Entity**

Welltec Africa ApS

Gydevang 25

3450 Allerød

Central Business Registration No: 28505264

Registered in: Allerød

Financial year: 01.01.2015 - 31.12.2015

### **Executive Board**

Jørgen Hallundbæk, CEO

### **Auditors**

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

Postboks 1600

0900 Copenhagen C

## **Statement by Management on the annual report**

The Executive Board has today considered and approved the annual report of Welltec Africa ApS for the financial year 01.01.2015 - 31.12.2015.

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

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

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

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

Allerød, 31.05.2016

**Executive Board**

  
Jørgen Hallundbæk  
CEO

## **Independent auditor's reports**

### **To the shareholder of Welltec Africa ApS**

#### **Report on the financial statements**

We have audited the financial statements of Welltec Africa ApS for the financial year 01.01.2015 - 31.12.2015, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

#### **Management's responsibility for the financial statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

#### **Opinion**

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31.12.2015 and of the results of its operations for the financial year 01.01.2015 - 31.12.2015 in accordance with the Danish Financial Statements Act.

## Independent auditor's reports

### Statement on the management commentary

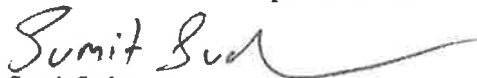
Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the financial statements.

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

Copenhagen, 31.05.2016

### Deloitte

Statsautoriseret Revisionspartnerselskab



Sumit Sudan

State Authorised Public Accountant

CVR-nr. 33963556

## Management commentary

	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>
<b>Financial high-lights</b>					
<b>Key figures</b>					
Revenue	21.176	34.401	25.326	18.941	15.004
Gross profit/loss	858	3.318	7.281	2.701	1.575
Operating profit/loss	684	3.200	5.651	1.139	843
Net financials	(444)	821	(1.304)	(905)	(501)
Profit/loss for the year	(1.607)	2.888	1.550	(413)	(114)
Total assets	53.329	36.695	22.148	14.601	20.185
Investments in property, plant and equipment	248	0	0	0	0
Equity	3.876	5.483	2.595	1.045	8.380
<b>Ratios</b>					
Gross margin (%)	4,1	9,6	28,7	14,3	10,5
Net margin (%)	(7,6)	8,4	6,1	(2,2)	(0,8)
Return on equity (%)	(34,3)	71,5	85,2	(8,8)	(1,3)
Solvency Ratio (%)	8,4	14,9	11,7	7,2	41,5

## **Management commentary**

### **Primary activities**

The entity's primary activity is to provide customers in Africa with Well Tractor® services.

### **Development in activities and finances**

The result for the year was a loss of USD 1,607 thousand which Management considers unsatisfactory.

### **Outlook**

The Company expects a minor loss in 2016, less than that realised in 2015. This is due to cost savings and to the overall environment within the oil and gas industry.

### **Events after the balance sheet date**

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



## **Accounting policies**

### **Reporting class**

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

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

The financial statements are presented in USD, which is regarded as the presentation currency in relation to the Company's activities and the relevant currency of the business.

### **Consolidated financial statements**

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

### **Recognition and measurement**

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

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

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

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

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

### **Foreign currency translation**

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

## **Accounting policies**

### **Income statement**

#### **Revenue**

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

#### **Cost of sales**

Cost of sales comprises costs of sales for the financial year measured at cost.

#### **Other external expenses**

Other external expenses include expenses relating to the entity's administration and audit.

#### **Amortisation, depreciation and impairment losses**

Amortisation, depreciation and impairment losses relating to investments in group enterprises, intercompany receivables, and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing.

#### **Other financial income**

Other financial income comprises interest income, including interest income on receivables from group enterprises, payables and transactions in foreign currencies as well as tax relief under the Danish Tax Prepayment Scheme etc.

#### **Other financial expenses**

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, payables and transactions in foreign currencies, as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

#### **Income taxes**

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

The Welltec Group's Danish subsidiaries are jointly taxed with the principal shareholder, JH Holding, Allerød, ApS. The current Danish income tax is allocated among the jointly taxed companies in portion to their taxable income (full allocation subject to reimbursement in respect of tax losses).

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.

## Accounting policies

### Other taxes

The item includes tax amounts calculated on another basis than income for the year, mainly withholding tax.

### Balance sheet

#### Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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

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

Other fixtures and fittings, tools and equipment      3-5 years

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

#### Investments in group enterprises

Investments in group enterprises are measured at cost and are written down to the lower of recoverable amount and carrying amount.

#### Receivables

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

#### Deferred tax

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

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

#### Income tax payable or receivable

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

## Accounting policies

### Prepayments

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

### Cash

Cash comprises cash in hand and bank deposits.

### Other financial liabilities

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

### Cash flow statement

Referring to section 86(4) of the Danish Financial Statements Act, the company has not prepared any cash flow statements as they are reported in the consolidated Financial statements of Welltec A/S.

### Financial highlights

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

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

## Income statement for 2015

	<u>Notes</u>	<u>2015 USD</u>	<u>2014 USD</u>
Revenue		21.176.433	34.401.178
Cost of sales		(15.836.994)	(27.120.170)
Other external expenses		(4.481.276)	(3.963.158)
<b>Gross profit/loss</b>		<b>858.163</b>	<b>3.317.850</b>
Depreciation, amortisation and impairment losses		(174.448)	(118.130)
<b>Operating profit/loss</b>		<b>683.715</b>	<b>3.199.720</b>
Other financial income	1	410.540	871.117
Other financial expenses	2	(854.951)	(50.075)
<b>Profit/loss from ordinary activities before tax</b>		<b>239.304</b>	<b>4.020.762</b>
Tax on profit/loss from ordinary activities	3	(844.334)	(566.231)
<b>Profit/loss from ordinary activities</b>		<b>(605.030)</b>	<b>3.454.531</b>
Other taxes		(1.001.981)	(566.731)
<b>Profit/loss for the year</b>		<b>(1.607.011)</b>	<b>2.887.800</b>
<b>Proposed distribution of profit/loss</b>			
Retained earnings		(1.607.011)	2.887.800
		<b>(1.607.011)</b>	<b>2.887.800</b>

**Balance sheet at 31.12.2015**

	<u>Notes</u>	<u>2015 USD</u>	<u>2014 USD</u>
Other fixtures and fittings, tools and equipment		350.551	440.666
<b>Property, plant and equipment</b>	4	<u>350.551</u>	<u>440.666</u>
Investments in group enterprises		656.872	656.872
<b>Fixed asset investments</b>	5	<u>656.872</u>	<u>656.872</u>
<b>Fixed assets</b>		<u>1.007.423</u>	<u>1.097.538</u>
Trade receivables		3.251.269	6.966.895
Receivables from group enterprises		39.547.960	20.515.871
Deferred tax assets		32.754	36.858
Other short-term receivables		180.220	524.548
Income tax receivable		1.020.097	0
Prepayments	6	58.788	8.962
<b>Receivables</b>		<u>44.091.088</u>	<u>28.053.134</u>
<b>Cash</b>		<u>8.230.174</u>	<u>7.544.364</u>
<b>Current assets</b>		<u>52.321.262</u>	<u>35.597.498</u>
<b>Assets</b>		<u>53.328.685</u>	<u>36.695.036</u>

**Balance sheet at 31.12.2015**

	<u>Notes</u>	<u>2015 USD</u>	<u>2014 USD</u>
Contributed capital		21.756	21.756
Retained earnings		<u>3.853.890</u>	<u>5.460.901</u>
<b>Equity</b>		<u><b>3.875.646</b></u>	<u><b>5.482.657</b></u>
Trade payables		823.488	134.082
Debt to group enterprises		47.816.195	28.211.167
Income tax payable		0	1.198.844
Other payables		<u>813.356</u>	<u>1.668.286</u>
<b>Current liabilities other than provisions</b>		<u><b>49.453.039</b></u>	<u><b>31.212.379</b></u>
<b>Liabilities other than provisions</b>		<u><b>49.453.039</b></u>	<u><b>31.212.379</b></u>
<b>Equity and liabilities</b>		<u><b>53.328.685</b></u>	<u><b>36.695.036</b></u>
Contingent liabilities	7		
Consolidation	8		

**Statement of changes in equity for 2015**

	<b>Contributed capital USD</b>	<b>Retained ear- nings USD</b>	<b>Total USD</b>
Equity beginning of year	21.756	5.460.901	5.482.657
Profit/loss for the year	0	(1.607.011)	(1.607.011)
<b>Equity end of year</b>	<b>21.756</b>	<b>3.853.890</b>	<b>3.875.646</b>



## Notes

	<u>2015</u> USD	<u>2014</u> USD
<b>1. Other financial income</b>		
Financial income arising from group enterprises	0	5.862
Exchange rate adjustments	410.540	865.255
	<u>410.540</u>	<u>871.117</u>
	<u>2015</u> USD	<u>2014</u> USD
<b>2. Other financial expenses</b>		
Financial expenses from group enterprises	583.465	0
Other financial expenses	271.486	50.075
	<u>854.951</u>	<u>50.075</u>
	<u>2015</u> USD	<u>2014</u> USD
<b>3. Tax on ordinary profit/loss for the year</b>		
Current tax	1.120.351	1.849.793
Change in deferred tax for the year	280	3.127
Adjustment relating to previous years	(276.297)	(1.286.689)
	<u>844.334</u>	<u>566.231</u>
		<b>Other fixtures and fittings, tools and equipment</b> USD
<b>4. Property, plant and equipment</b>		
Cost beginning of year		395.339
Additions		247.968
<b>Cost end of year</b>		<u>643.307</u>
Depreciation and impairment losses beginning of the year		(118.319)
Depreciation for the year		(174.436)
<b>Depreciation and impairment losses end of the year</b>		<u>(292.755)</u>
<b>Carrying amount end of year</b>		<u>350.552</u>

## Notes

	<b>Investments in group en- terprises USD</b>
<b>5. Fixed asset investments</b>	
Cost beginning of year	656.872
<b>Cost end of year</b>	<b>656.872</b>
<b>Carrying amount end of year</b>	<b>656.872</b>

	<b>Registered in</b>	<b>Corpo- rate form</b>	<b>Equity interest %</b>	<b>Equity USD</b>	<b>Profit/loss USD</b>
Subsidiaries:					
Welltec Angola Lda.	Angola	Lda.	49,00	(383.509)	301.764
Welltec Oilfield Services (Nigeria) Ltd.	Nigeria	Ltd.	30,00	1.263.813	520.327
Welltec Oilfield Services (Azerbaijan) Ltd.	Azerbaijan	Ltd.	100,00	(690.095)	9.702
Welltec Oilfield Services (RUS) LLC	Russia	LLC	100,00	8.834.937	5.317.517
Welltec Oilfield Services (India) Private Limited	India	Ltd.	100,00	4.627.537	1.160.377
Welltec Oilfield Services (South Africa) (Propri- etary) Ltd.	South Africa	Ltd.	100,00	1	0
Welltec Oilfield Services (Ghana) LLC	Ghana	LLC	49,00	(384.781)	(458.550)

Even though Welltec Africa ApS only has 49% equity interest in Welltec Angola Lda and Welltec Oilfield Services (Ghana) LLC, it has control over the entities by possessing over half of the voting rights.

Welltec Africa ApS has paid for 100% of the shares in Welltec Oilfield Services (Nigeria) Ltd., but local requirements in Nigeria stipulate a local partner with minimum 70% of the share capital. A contract has been agreed with local partners which formally possess 70%. Legally, Welltec Africa ApS still has the control.

## 6. Prepayments

Prepayments comprise costs incurred relating to subsequent financial years.

## Notes

### 7. Contingent liabilities

Welltec Africa ApS is part of a Danish joint taxation scheme with JH Holding. Allerød, ApS and its Danish subsidiaries. As from the financial year 2013, the entity 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, the entity 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 entity directly or indirectly owned by the ultimate Parent.

Debt established under the bond programme in Welltec A/S is 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, debt established under the bond programme is 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 intra-group 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 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.

In 2015, there was new debt established by Welltec A/S with the European Investment Bank. The financial obligations of Welltec A/S under this agreement are guaranteed by Welltec International ApS, Welltec Holding ApS, Welltec Canada Inc., Welltec Africa ApS, Welltec Latinamerica ApS, RS2001 ApS, Welltec (UK) Ltd, Welltec Inc., and Welltec Oilfield Services (RUS) LLC.

### 8. Consolidation

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

JH Holding. Allerød, ApS (Græsted)

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

Welltec A/S (Allerød)