

**Welltec Latinamerica ApS**  
**Central Business Registration No**  
**28505302**  
**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 Latinamerica ApS  
Gydevang 25  
3450 Allerød

Central Business Registration No: 28505302

Registered in: Allerød

Financial year: 01.01.2015 - 31.12.2015

Phone: +4548143514

Fax: +4548143518

### **Executive Board**

Jørgen Hallundbæk, CEO

### **Auditors**

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

Postboks 1600

0900 København C

## Statement by Management on the annual report

The Executive Board has today considered and approved the annual report of Welltec Latinamerica 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 owner of Welltec Latinamerica ApS**

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

We have audited the financial statements of Welltec Latinamerica 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.

#### **Report on other legal and regulatory requirements**

##### **Emphasis of matter regarding other issues**

In accordance with the Danish Companies Act, the Entity has failed to hold a general meeting no later than six months after the loss of capital was recorded, to discuss how to restore the Entity's capital.

## Independent auditor's reports

### Statement on the management commentary

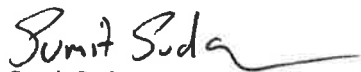
Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the financial statements.

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**

### **Primary activities**

The Entity's primary activity is to provide customers in Latinamerica with Well Tractor® services. In addition to owning a number of subsidiaries, the Entity has a branch in Columbia (Welltec Latin America ApS Sucursal Colombiana Branch).

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

The result for the year was a profit of USD 7 thousand, which is considered satisfactory. The profit was mainly driven by improved profitability and an decreased impairment loss on investment in subsidiaries compared to last year.

### **Capital position**

The Entity recorded a net profit of USD 7 thousand for 2015, and equity at 31 December 2015 amounts to USD (3.7) million and is thus negative. In addition, current liabilities exceed current assets at 31 December 2015.

Management has received a support letter from the Parent, Welltec A/S, in which Welltec A/S has agreed to support the Entity in order to ensure that the Entity at all times is in a position to pay all liabilities when they fall due through 31 May 2017 at the earliest. Based on this, Management believes that the annual report is prepared based on a going concern assumption.

In addition, Management expects that equity will be restored through future profits or alternatively through conversation of debt.

### **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 B 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.

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

### 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 dif-



## Accounting policies

ferences 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.

### 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 ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets.

#### Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses relating to plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of plant and equipment.

#### 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.

#### Impairment of financial assets

Impairment of financial assets comprises impairment of financial assets which are not measured at fair value on a current basis.

#### 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. In addition, other financial expenses include impairment losses on investments in group enterprises (financial assets).

## Accounting policies

### 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.

### 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

Plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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
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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 carrying values and tax-based value of assets and liabilities, except for deferred tax on all temporary differences on initial recognition of goodwill or on

## Accounting policies

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 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 realised 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 recognised in profit or loss, unless the deferred tax is attributable to items previously recognised in other comprehensive income or in equity. If so, such changes are also recognised in other comprehensive income or in equity. Exchange adjustments on deferred tax are recognised 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 carryforwards, are recognised in the statement of financial position at their estimated realisable value, either as a setoff against deferred tax liabilities or as net tax assets for setoff against future positive taxable income. At the end of each reporting period, it is reassessed whether sufficient taxable income is probable to arise in the future for the deferred tax asset to be used.

Balances calculated according to the rules on interest deductibility limitations applicable according to the Danish Corporate Income Tax Act are allocated according to a joint taxation agreement between the companies that are subject to deductibility limitation in proportion to their share of the total limitation. Deferred tax liabilities in respect of these balances are recognised in the statement of financial position; whereas deferred tax assets are recognised only if the criteria for recognition of deferred tax assets are met.

### Prepayments

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

### Cash

Cash comprises cash in hand and bank deposits.

### Finance lease commitments

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference

**Accounting policies**

between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

**Other financial liabilities**

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

**Income tax receivable or payable**

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.

## Income statement for 2015

	<u>Notes</u>	<u>2015 USD</u>	<u>2014 USD</u>
Revenue		5.993.139	7.629.696
Cost of sales		(4.617.483)	(6.066.990)
Other external expenses		(861.232)	(846.793)
<b>Gross profit/loss</b>		<b>514.424</b>	<b>715.913</b>
Depreciation, amortisation and impairment losses	2	(21.976)	(27.973)
<b>Operating profit/loss</b>		<b>492.448</b>	<b>687.940</b>
Other financial income	3	747	10.973
Impairment of financial assets		(131.466)	(7.376.136)
Other financial expenses	4	(314.989)	(578.076)
<b>Profit/loss from ordinary activities before tax</b>		<b>46.740</b>	<b>(7.255.299)</b>
Tax on profit/loss from ordinary activities	5	(39.972)	(307.263)
<b>Profit/loss from ordinary activities</b>		<b>6.768</b>	<b>(7.562.562)</b>
Other taxes		0	42.858
<b>Profit/loss for the year</b>		<b>6.768</b>	<b>(7.519.704)</b>
<b>Proposed distribution of profit/loss</b>			
Retained earnings		6.768	(7.519.704)
		<b>6.768</b>	<b>(7.519.704)</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		123.603	145.447
<b>Property, plant and equipment</b>		<b>123.603</b>	<b>145.447</b>
Investments in group enterprises		974.401	824.260
<b>Fixed asset investments</b>	6	<b>974.401</b>	<b>824.260</b>
<b>Fixed assets</b>		<b>1.098.004</b>	<b>969.707</b>
Trade receivables		1.991.067	3.431.154
Receivables from group enterprises		5.851.396	4.440.351
Deferred tax assets		55.797	49.879
Other short-term receivables		119	177.301
Income tax receivable		77.137	0
Prepayments		48.070	69.870
<b>Receivables</b>		<b>8.023.586</b>	<b>8.168.555</b>
<b>Cash</b>		<b>460.108</b>	<b>237.731</b>
<b>Current assets</b>		<b>8.483.694</b>	<b>8.406.286</b>
<b>Assets</b>		<b>9.581.698</b>	<b>9.375.993</b>

**Balance sheet at 31.12.2015**

	<u>Notes</u>	<u>2015 USD</u>	<u>2014 USD</u>
Contributed capital		83.677	83.677
Retained earnings		(3.771.704)	(3.778.472)
<b>Equity</b>		<b><u>(3.688.027)</u></b>	<b><u>(3.694.795)</u></b>
Finance lease liabilities		21.054	27.546
Trade payables		79.194	0
Debt to group enterprises		12.451.303	12.005.699
Income tax payable		423.190	616.965
Other payables		<u>294.984</u>	<u>420.578</u>
<b>Current liabilities other than provisions</b>		<b><u>13.269.725</u></b>	<b><u>13.070.788</u></b>
<b>Liabilities other than provisions</b>		<b><u>13.269.725</u></b>	<b><u>13.070.788</u></b>
<b>Equity and liabilities</b>		<b><u>9.581.698</u></b>	<b><u>9.375.993</u></b>
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**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	83.677	(3.778.472)	(3.694.795)
Profit/loss for the year	0	6.768	6.768
<b>Equity end of year</b>	<b>83.677</b>	<b>(3.771.704)</b>	<b>(3.688.027)</b>



## Notes

### 1. Going concern

The Entity recorded a net loss of USD 7 thousand for 2015, and equity at 31 December 2015 amounts to USD (3.7) million and is thus negative. In addition, current liabilities exceed current assets at 31 December 2015.

Management has received a support letter from the Parent, Welltec A/S, in which Welltec A/S has agreed to support the Entity in order to ensure that the Entity at all times is in a position to pay all liabilities when they fall due through 31 May 2017 at the earliest. Based on this, Management believes that the annual report is prepared based on a going concern assumption.

In addition, Management expects that equity will be restored through future profits or alternatively through conversation of debt.

	<b>2015</b>	<b>2014</b>
	<b>USD</b>	<b>USD</b>
<b>2. Depreciation, amortisation and impairment losses</b>		
Depreciation of property, plant and equipment	21.976	27.973
	<b>21.976</b>	<b>27.973</b>
	<b>2015</b>	<b>2014</b>
	<b>USD</b>	<b>USD</b>
<b>3. Other financial income</b>		
Financial income arising from group enterprises	410	10.973
Interest income	337	0
	<b>747</b>	<b>10.973</b>
	<b>2015</b>	<b>2014</b>
	<b>USD</b>	<b>USD</b>
<b>4. Other financial expenses</b>		
Financial expenses from group enterprises	158.582	0
Interest expenses	60.151	66.638
Exchange rate adjustments	96.256	511.438
	<b>314.989</b>	<b>578.076</b>

## Notes

	<b>2015 USD</b>	<b>2014 USD</b>			
<b>5. Tax on ordinary profit/loss for the year</b>					
Current tax	(28.952)	927.956			
Change in deferred tax for the year	5.919	(7.019)			
Adjustment relating to previous years	63.005	(613.674)			
	<b>39.972</b>	<b>307.263</b>			
		<b>Investments in group en- terprises USD</b>			
<b>6. Fixed asset investments</b>					
Cost beginning of year		8.251.222			
Additions		256.194			
<b>Cost end of year</b>		<b>8.507.416</b>			
Impairment losses beginning of year		(7.401.549)			
Impairment losses for the year		(131.466)			
<b>Impairment losses end of year</b>		<b>(7.533.015)</b>			
<b>Carrying amount end of year</b>		<b>974.401</b>			
	<b>Corpo- rate form</b>	<b>Equity interest %</b>	<b>Equity USD</b>	<b>Profit/loss USD</b>	
Subsidiaries:					
Welltec Venezuela C.A.	Venezuela	C.A.	100,00	(4.128.075)	(1.719.191)
Welltec do Brazil Ltda	Brazil	Ltda	100,00	5.071.133	2.641.650
Welltec Oilfield Services (Mexico) S.A.	Mexico	S.A.	100,00	1.943.531	273.425
Welltec Oilfield Services Argentina S.A	Argentina	S.A.	100,00	199.023	5.990

## Notes

### 7. Contingent liabilities

Welltec Latinamerica 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 company 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, new debt was 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, RS 2001 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)