**Welltec Latinamerica ApS**
**Central Business Registration No 28 50 53 02**

**Annual report for 1 January – 31 December 2019**

The Annual Report was presented and adopted at the Annual General Meeting on 12 June 2020.

**Chairman of the Annual General Meeting**

Name: Peter Schnettler Kristensen

# Contents

## Company details

| | |
|---|---|
| **The Company** | Welltec Latinamerica ApS<br>Gydevang 25<br>DK-3450 Allerød<br>Denmark<br><br>Central Business Registration No: 28 50 53 02<br>Municipality of reg. office: Allerød<br>Financial period: 1 January – 31 December 2019 |
| **Executive Board** | Peter Schnettler Kristensen, Jabob Salling Steensgaard |
| **Auditors** | PricewaterhouseCoopers<br>Statsautoriseret Revisionspartnerselskab<br>Strandvejen 44<br>DK-2900 Hellerup |

## Statement by Management on the annual report

The Executive Board has today considered and adopted the Annual Report of Welltec Latinamerica ApS for the financial year 1 January - 31 December 2019.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In my opinion the Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Company and of the results of the Company operations for 2019.

I recommend that the Annual Report shall be adopted at the Annual General Meeting.

Allerød 11 June 2020

**Executive Board**

Peter Schnettler Kristensen
Chief Executive Officer

Jacob Salling Steensgaard
Chief Executive Officer

# Independent auditor's reports

To the Shareholder of Welltec Latinamerica ApS

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Welltec Latinamerica ApS for the financial year 1 January – 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the 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.

## 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 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 Manage-ment 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 judgement and maintain professional scepticism 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.

# Independent auditor's reports (continued)

- 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.

Hellerup, 11 June 2020
**PricewaterhouseCoopers**
Statsautoriseret Revisionspartnerselskab
*CVR No 33 77 12 31*

Tue Stensgård Sørensen
State Authorised
Public Accountant
MNE 32200

Simon Vinberg Andersen
State Authorised
Public Accountant
MNE 35458

# Accounting policies

The Annual Report of Welltec Latinamerica ApS for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2019 are presented in US dollar (USD), which also is the functional currency. The applied currency rate to Danish Kroner at 31 December 2019 is 6.68 (2018: 6.52).

### Consolidated financial statements

With reference to section 110 of the Danish Financial Statements Act and to the consolidated financial statements of Welltec A/S, the Company has not prepared consolidated financial statements.

### Recognition and measurement

Revenues are recognized in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognized. Moreover, all expenses incurred to achieve the earnings for the year are recognized in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognized in the income statement.

Assets are recognized in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

### Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction.
Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognized in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognized directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognized in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

# Accounting policies (continued)

## Income Statement

### Revenue
Revenue from the sale of goods is recognized when the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognized exclusive of VAT and net of discounts relating to sales.

### Cost of sales
Cost of sales comprise cost incurred to achieve revenue for the year.

### Other external expenses
Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

### Depreciation and impairment losses
Depreciation and impairment losses comprise depreciation and impairment of property, plant and equipment.

### Result of investments in subsidiaries
Dividends from subsidiaries are recognized as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

The result of investments in subsidiaries is recognized less any write-downs on the investments.

### Financial income and expenses
Financial income and expenses are recognized in the income statement at the amounts relating to the financial year.

### Tax on profit/loss for the year
Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognized in the income statement, whereas the tax attributable to equity transactions is recognized directly in equity. The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

## Balance Sheet

### Property, plant and equipment
Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognized in cost over the period of construction. All indirectly attributable borrowing expenses are recognized in the income statement.

# Accounting policies (continued)

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

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

Depreciation period and residual value are reassessed annually.

### Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by depreciation.

If so, the asset is written down to its lower recoverable amount.

### Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value. In the event of indicators of impairment, an impairment is performed of investments in subsidiaries.

### Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

### Equity

*Dividend*

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

### Financial liabilities

On initial recognition liabilities, including trade payables, are measured at fair value. Subsequently, these liabilities are measured at amortized cost.

### Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realized, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallize as current tax. Any changes in deferred tax due to changes to tax rates are recognized in the income statement or in equity if the deferred tax relates to items recognized in equity.

### Current tax receivables and liabilities

Current tax liabilities and receivables are recognized in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognized in the income statement in financial income and expenses.

# Income statement 1 January – 31 December

| | Note | 2019 USD | 2018 USD |
|---|---|---|---|
| **Revenue** | | **52,216** | **1,355,788** |
| Cost of sales | | (210,992) | (1,243,110) |
| Other external expenses | | (364.797) | (667,396) |
| **Gross profit/loss** | | **(523.573)** | **(554,718)** |
| Depreciation and impairment | | (13,244) | (8,140) |
| **Profit/loss before financial income and expenses** | | **(536.817)** | **(562,858)** |
| Result of investments in subsidiaries | 2 | 3,259,140 | (151,441) |
| Other financial income | 3 | 883,889 | 92,439 |
| Other financial expenses | 4 | (248,409) | (39,090) |
| **Profit/loss before tax** | | **3.357,803** | **(660,950)** |
| Tax on profit/loss for the year | 5 | 102,489 | (46,191) |
| **Net profit/loss for the year** | | **3,460,292** | **(707,141)** |

# Distribution of profit

**Proposed distribution of profit**

| | | |
|---|---|---|
| Proposed dividend for the year | 3,000,000 | 1,500,000 |
| Retained earnings | 460,292 | (2,207,141) |
| | **3,460,292** | **(707,141)** |

# Balance sheet at 31 December

| Liabilities and equity | Note | 2019 USD | 2018 USD |
|---|---|---|---|
| Share capital | | 87,414 | 87,414 |
| Retained earnings | | 3,863,395 | 1,903,103 |
| Exchange rate adjustments | | (10,221) | - |
| Proposed dividend for the year | | 3,000,000 | 1,500,000 |
| **Equity** | | **6,940,588** | **3,490,517** |
| | | | |
| Payable to Group enterprises | | 25,795 | 3,605,138 |
| Trade payables | | 12,514 | 4,317 |
| Corporation tax | | 1,936 | 10,882 |
| Other payables | | 25,005 | 63,113 |
| **Short term debt** | | **65,250** | **3,683,450** |
| | | | |
| **Debt** | | **65,250** | **3,683,450** |
| | | | |
| **Equity and liabilities** | | **7,005,838** | **7,173,967** |

| | |
|---|---|
| Key activities | 1 |
| Contingent assets, liabilities and other financial obligations | 8 |
| Related parties | 9 |

# Balance sheet at 31 December

| Assets | Note | 2019 USD | 2018 USD |
|---|---|---|---|
| Other fixtures and fittings, tools and equipment | | - | 16,159 |
| **Property, plant and equipment** | | **-** | **16,159** |
| Loan to group enterprises | | 1,894,923 | - |
| Investments in subsidiaries | 6 | 256,193 | 1,078,064 |
| **Financial assets** | | **2,151,116** | **1,078,064** |
| **Fixed assets** | | **2,151,116** | **1,094,223** |
| Trade receivables | | 42,888 | - |
| Receivables from group enterprises | | 4,649,329 | 5,672,368 |
| Other receivables | | 19,107 | 204,268 |
| Tax receivables | 7 | 107,901 | 8,917 |
| Prepayments | | 6,354 | 11,522 |
| **Receivables** | | **4,825,579** | **5,897,075** |
| **Cash at bank and in hand** | | **29,144** | **182,669** |
| **Current assets** | | **4,854,723** | **6,079,744** |
| **Assets** | | **7,005,838** | **7,173,967** |

# Statement of changes in equity

| | Share Capital | Currency adjustments | Retained earnings | Proposed dividend for the Year | Total |
|---|---|---|---|---|---|
| | USD | USD | USD | USD | USD |
| **2019** | | | | | |
| Equity at 1 January | 87,414 | - | 1,903,103 | 1,500,000 | 3,490,517 |
| Net profit/loss for the year | - | (10,221) | 1,960,292 | 1,500,000 | 3,450,071 |
| **Equity at 31 December** | **87,414** | **(10,221)** | **3,863,395** | **3,000,000** | **6,940,588** |

# Notes

## 1 Key activities

The Entity's primary activity is to provide customers in Latin America with Well Tractor Services. In addition to owning a number of subsidiaries, the Entity has branches in Columbia (Welltec Latin America ApS Sucursal Columbiana Branch) and Ecuador (Welltec Latin America ApS (Ecuador Branch)).

The Entity had 4 employees during 2019 (2018: 5).

| | 2019 USD | 2018 USD |
|---|---|---|
| **2 Result of investments in subsidiaries** | | |
| Impairment adjustment of the year | (821.871) | (417,756) |
| Dividends received | 4,055.599 | 266,315 |
| | **3.265,949** | **(151,441)** |
| **3 Financial income** | | |
| Interest received from group enterprises | 20,981 | - |
| Gain on sale of assets | 9,273 | - |
| Other financial income | 1,947 | 1,151 |
| Gain on reversal of group payable | 693,843 | - |
| Exchange adjustments | 157,845 | 91,288 |
| | **883,889** | **92,439** |
| **4 Financial expenses** | | |
| Interest paid to group enterprises | - | 5,075 |
| Other financial expenses | 7,826 | 14,359 |
| Exchange adjustments, expenses | 240,583 | 19,656 |
| | **248,409** | **39,090** |
| **5 Tax income/(expense) on profit/loss for the year** | | |
| Tax on ordinary profit/loss for the year | 97,048 | (10,882) |
| Adjustment of tax concerning previous years | 5,441 | (37,534) |
| Other taxes | - | 2,225 |
| | **102,489** | **(46,191)** |

# Notes (continued)

| | | 2019 USD | 2018 USD |
|---|---|---|---|
| 6 | **Investments in subsidiaries** | | |
| | Cost at 1 January | 7,147,002 | 7,147,002 |
| | Disposals for the year | - | - |
| | Cost at 31 December | 7,147,002 | 7,147,002 |
| | Value adjustments at 1 January | (6,068,938) | (5,651,182) |
| | Impairment adjustment for the year | (821.871) | (417,756) |
| | Value adjustments at 31 December | (6.890.809) | (6,068,938) |
| | **Carrying amount at 31 December** | **256.193** | **1,078,064** |
| 7 | **Tax receivable** | | |
| | Tax receivable beginning of year | 8,917 | - |
| | Current year receivable | 98,984 | 8,917 |
| | **Tax receivable at 31 December** | **107,901** | **8,917** |

## 8 Contingent assets, liabilities and other financial obligations

### Contingent liabilities

The Group companies are jointly and severally liable for tax on the jointly taxed incomes etc. of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Welltec International ApS, which is the management company of the joint taxation purposes. Moreover, the Group companies are jointly and severally liable for the Danish withholding taxes by way of dividend tax on royalty payments and tax on unearned income.
Any subsequent adjustment of corporation taxes and withholding taxes may increase the Company's liability.

## 9 Related parties

### Consolidated Financial Statements

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

| Name | Place of registered office |
|---|---|
| Welltec A/S | Allerød |

## 10 Events after the balance sheet date

The implications of COVID-19 with many governments across the world deciding to "close down their countries" will have great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event for Welltec.

To date, the COVID-19 outbreak has resulted in decreased demand for oil which together with a disagreement between OPEC and Russia on adjusting the supply for oil has led to significantly lower oil prices. However, many of Welltec's customers have indicated that they will continue operations and projects in progress, but there is still a risk that revenue and earnings will decline as a consequence of COVID-19.

Covid-19 has impacted the company's ability to move field personnel from country to country due to the travel restrictions, which can impact the ability to take on certain jobs. Furthermore, shipment of tools and spare parts has also been affected as air cargo capacity has been significantly reduced.

Although Welltec Latinamerica with the listed precaution is able to still operate and demand for services is still considered at a relatively satisfying level, COVID-19 is still expected to have a negative impact on the company's revenue and earnings in 2020. Management is monitoring developments closely. It is, however, too early to give an opinion about to which extent COVID-19 will impact revenue and earnings in 2020. Management will continue to monitor the revenue development closely and continuously, and will take the necessary actions to uphold and maintain industry leading margin levels.