


GROWTH THROUGH INNOVATION ANNUAL REPORT 2018

WELLTEC INTERNATIONAL APS
CENTRAL BUSINESS REGISTRATION NO: 30 69 50 03
GYDEVANG 25, 3450 ALLERØD, DENMARK

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Martin Skovbjerg, Dirigent

Welltec®

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COMPANY PROFILE

Welltec® is a global service provider which develops and delivers technology and services intended to transform the oil and gas industry. Our game-changing solutions are dedicated to optimizing the construction and management of our clients' well stock, from well completion design and construction to the intervention services required to ensure performance and integrity.

We address the factors that maximize value creation, continuously innovating to reduce well construction time, speed up access to the hydrocarbons and reduce the capital expenditure compared to more conventional methods. This results in maximized hydrocarbon production and increased total recovery while minimizing operating downtime.

It's Welltec's philosophy to challenge existing conventions and think laterally in order to develop products and services which increase oil and gas recovery while improving the sustainable, economic, environmental and safety aspects of our industry. In practice we develop, test and manufacture state-of-the-art technology to enhance the production and recovery rates for our clients, thereby improving their profitability through a longer term revenue stream, while at the same time improving upon health, safety and environmental attributes.

In an industry challenged by low oil prices, our Flex-Well® design provides new perspective to drilling and completing wells, adopting a holistic approach which adds value continuously over the life-cycle of the well. From reducing geological uncertainty, accelerating first production, minimizing CAPEX, reducing costs and simplifying P&A our approach can boost cash flow now and over the life of the well.

Our value proposition is compelling; our technology enables clients to unlock more production from their assets and to address reservoir complexities and uncertainties with a greater number of options, which are cleaner, safer and more sustainable.

MANAGEMENT
COMMENTARY

CONSOLIDATED KEY FIGURES AND RATIOS

WELLTEC INTERNATIONAL GROUP

	2018	2017	2016	2015	2014
<i>USD in millions</i>					
Statement of comprehensive income					
Revenue	224	170	189	246	345
Earnings before interest, tax, depreciation and amortization (EBITDA)*	67	51	68	96	155
Operating profit (EBIT) before special items	21	(15)	(50)	23	76
Operating profit/ (loss) (EBIT)	11	(58)	(53)	14	76
Net financial expenses	(34)	(43)	(29)	(32)	(21)
Profit / (loss) before tax	(23)	(101)	(81)	(18)	54
Net profit / (loss) for the year	(31)	(96)	(70)	(33)	21
Cash flows					
Cash flows from operating activities	64	37	62	80	121
Cash flows from investing activities	(35)	(26)	(19)	(51)	(76)
Cash flows from financing activities	(36)	(36)	(49)	(9)	(38)
Total cash flows	(7)	(25)	(6)	20	7
Balance					
Trade receivables	48	49	45	61	84
Equity	92	127	177	242	282
Total assets	500	520	570	687	735
Investments in intangible assets***	14	13	12	19	38
Investments in tangible assets**	25	16	20	26	46
Key ratios					
EBITDA margin in percent*	30	30	36	39	45
EBIT margin before special items in percent	10	(9)	(27)	9	22
ROIC excl. goodwill in percent	20	9	14	17	32
Return on equity in percent	(28)	(63)	(33)	(13)	8
Number of employees, average	804	731	736	894	1,013

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

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

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

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

*EBITDA is defined by Welltec as reported operating profit (EBIT) before special items, amortization, depreciation, impairment losses and issued warrants (non-cash). Depreciation for these purposes includes depreciation attributable to development and manufacturing which is capitalized because it is considered a part of the costs that are directly attributable to the manufacturing of products. Welltec's definition of EBITDA may differ from the definition of EBITDA used by other companies. EBITDA as defined by Welltec is reported to allow for a more accurate assessment of the business operations. Welltec's definition of EBITDA should not be considered in isolation from, as substitutes for, or superior to the reported results prepared in accordance with International Financial Reporting Standards (IFRS).

**Investments in intangible and tangible assets are defined as addition of fixed assets including additions from financial leasing and additions through business combinations.

FINANCIAL REVIEW

	2018	2017	Change in %
<i>USD in millions</i>			
Revenue	224	170	32
Cost of service provided	(135)	(125)	(8)
Gross profit	89	45	100
Development and manufacturing costs	(7)	(3)	(124)
Administrative expenses and sales costs	(60)	(56)	(7)
Amortization of acquired intangibles in a business combination	(1)	(1)	n/a
Operating profit/(loss) (EBIT) before special items	21	(15)	n/a
Special items	(10)	(43)	76
Operating profit/(loss) (EBIT)	11	(58)	n/a
Net financial expenses	(34)	(43)	21
Income taxes	(8)	5	n/a
Loss for the year	(31)	(96)	71

FINANCIAL REVIEW

Revenue

Revenues amounted to USD 224 million, an increase of 32% year on year. The increase in revenue reflects a continued activity increase driven by rendering of services and changed sales mix over the year.

Cost of service provided

The cost of services provided was USD 135 million, an increase of 8% compared to last year. The increase was primarily attributable to higher staff costs and to an overall higher level of operational cost, both due to continuous alignment to market activity.

Development and manufacturing costs

Development and manufacturing costs not capitalised increased to USD 7 million, an increase of 124% compared to 2017.

Administrative expenses and sales costs

Administrative expenses and sales costs were USD 60 million, an increase of 7% compared to last year. The increase is due to a general increase in activity in 2018.

Earnings before interest, tax, depreciation, amortization and special items (EBITDA)

EBITDA increased to USD 67 million, representing a margin of 30% against 30% in 2017. The rise in EBITDA was mainly attributable to higher sales.

Operating profit before special items (EBIT)

EBIT increased to a profit of USD 21 million from a loss of USD 15 million in 2017. The EBIT margin before special items was 10% against negative 9% in 2017. The increased EBIT is related to higher sales partly offset by higher cost.

Special items

Special items were USD 10 million compared with USD 43 million in 2017. Due to change in strategy for 2018 the decrease in special items is related to the compensation paid to PFA for selling certain rights related to the shares in 2017. Further the special items relate to the implementation of cost efficiencies and adjustments to the global organization involving headcount reductions and closure of bases.

Net financial expenses

Net financial expenses were USD 34 million, a decrease of 21% compared to last year. This reflects an increase in interest expenses of USD 7 million, a decrease in currency losses of USD 9 million and a decrease of other financial expenses of USD 7 million.

Income taxes

Income taxes expense were USD 8 million compared to a tax income of USD 5 million in 2017. The tax position is significantly affected by interest limitation regulation in Denmark and non-refundable withholding taxes globally.

ALTERNATIVE PERFORMANCE MEASURES - EBITDA RECONCILIATION

	2018	2017
Loss for the period	(31)	(96)
Income taxes	8	(5)
Financial expenses (net)	34	43
Depreciation and amortization	39	49
Impairment loss	5	10
Issued warrants	2	7
Special items	10	43
EBITDA	67	51

Loss for the year

2018 resulted in a loss of USD 31 million, representing an increase in the result of USD 65 million compared to 2017, mainly driven by higher sales and a reduction in special items.

Net cash flows

Cash-flows from operating activities continued to generate strong cash flows underpinned by margin resilience and improved processes. The cash generated was used to service interest payments, investments in D&E projects, patents, fleet of tools, tractors and equipment.

Significant events in 2018

In 2018 it was decided to reorganize the Well Completion Business, which lead to a writedown of development projects.

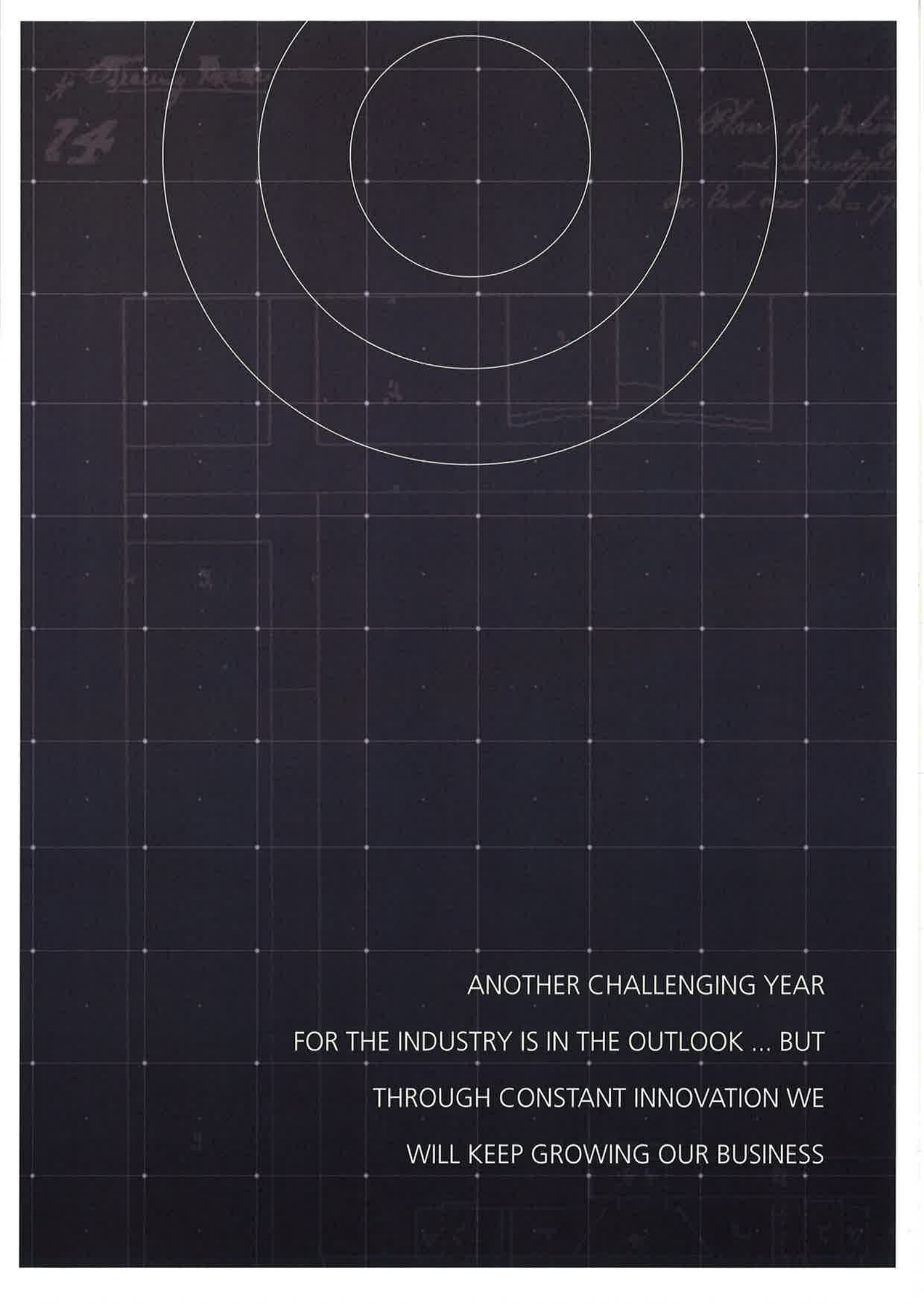
OUTLOOK

2019 is expected to be another challenging year for the industry as the volatile oil price environment continues to impact both operators and services companies.

As we enter into 2019 the global supply of oil continues to outpace demand which combined with complex geopolitical topics continue to fuel volatility and uncertainty across markets.

As a result of the volatile market back drop and the challenging industry environment, Welltec is currently not able to offer qualified guidance for the full year 2019.

However, Welltec will continue to evaluate forward looking reference points and commence on outlook guidance again once visibility has improved.



ANOTHER CHALLENGING YEAR
FOR THE INDUSTRY IS IN THE OUTLOOK ... BUT
THROUGH CONSTANT INNOVATION WE
WILL KEEP GROWING OUR BUSINESS

RISKS

Risks Related to Our Business

Business and Industry Related Risks

While we believe our business to be relatively unaffected by macro-economic factors, it is ultimately affected by the level of expenditures of companies engaged in the production, exploration and development of oil and gas.

Cyclical Market

The oil and gas industry is cyclical and while demand for Welltec's products and services is primarily dependent on customer's operating expenditures, demand for Welltec's products and services also depends somewhat on the capital expenditures of customers. A decrease in operating expenditures may have adverse effects on Welltec's revenue and profits in the shorter term, while a decrease in the capital expenditures may have adverse effects on Welltec's revenue and profits in the longer term.

Customers

Welltec's clients are typically not required to make minimum purchases under sales contracts and customers can typically terminate contracts without cause and on short notice. Notwithstanding our broad customer base, Welltec has one customer that accounted for more than 15% of our revenue, hence termination of this relationship would have an adverse effect on our revenue and profits. As such, visibility with respect to future revenues is limited and there can be no assurance that a trading relationship with important customers will continue.

Competitors

Welltec competes with large multinational companies that can offer a broader portfolio of integrated services compared to Welltec. Further, Welltec is, to some extent, dependent on equipment provided by our competitors and acts or omissions by such competitors could restrict us from accessing wells using their equipment. In general, competition can result in pricing pressures, lower sales and reduced margins that could have an adverse effect on Welltec's revenue and profits.

Operational Risks

Service Quality

Welltec's ability to provide a high quality product and service provision is paramount to secure repeat sales with new and existing clients. Our service quality can be negatively affected by an inability to attract, train and retain highly skilled and qualified personnel to develop, manufacture and operate our equipment, with an adverse effect on Welltec's revenue.

Supply Chain

Welltec may experience constraints, anomalies or interruptions in our supply chain, ultimately restricting Welltec's ability to meet customer expectations. Such constraints may be due to supply chain bottlenecks, delays or disruptions in clearing goods from customs or events restricting Welltec's ability to procure, develop or manufacture new equipment or spare parts or maintain the existing fleet, and such could negatively affect our results of operations.

Catastrophic Events

Welltec's business operations could be subject to various catastrophic events, including blow outs, explosions, damage to or loss of third party property, injury to personnel, reputational damage and oil and hazardous substance spills into the environment, both on and off shore. Such events could, if the impact of such event is not covered by Welltec's insurance or are not subjected to Welltec's contractual indemnification protection, have an adverse effect on Welltec's revenue and profits.

Financial Risks

Financial Exposure

Due to Welltec's foreign activities in foreign currencies, its profit/loss, cash flows and equity are affected by changes in exchange rates for a number of currencies.

Foreign exchange fluctuations

The reporting currency of the Group is US Dollars and the functional currency for most of the Group's subsidiaries is that of the country in which the subsidiary is domiciled. The functional currency of the Danish operation and operations in some other countries is US dollars. This reflects the revenue and principal source of financing. A significant proportion of the Group's revenues, expenses and other liabilities are denominated in currencies other than the US Dollar, in particular Norwegian Kroner, Danish Kroner and Great British Pounds. Fluctuations in the value of other currencies as compared with the US Dollar could result in translation losses or gains.

Taxes

Welltec files income tax returns in multiple jurisdictions. Welltec's effective tax rate could be adversely affected by several factors, including changes in the income taxed by or allocated to the various jurisdictions with differing statutory tax rates; changing tax laws, regulations and interpretations of such tax laws in multiple jurisdictions; and the resolution of issues arising from tax audits or examinations together with any related interest or penalties. The determination of local tax liability is always subject to review or examination by authorities in operating jurisdictions. If a tax authority in any jurisdiction reviews filed tax returns and based on filing proposes an adjustment, including adjustments of transfer prices and terms applied, such an adjustment could have a negative impact on Welltec's net profit.

Liquidity Risk

Welltec's ability to make payments, refinance indebtedness, fund planned capital expenditures and other strategic investments will depend on our ability to generate cash in the future. This is, to a certain extent subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. Welltec expects to continue making capital investments in order to develop and purchase additional equipment to expand our services, increase our capacity and replace existing equipment. Such capital investments require cash that could otherwise be applied to other business needs. However, if Welltec does not incur these expenditures our competitive strength may decline and our business may be adversely affected.

Legal Risks*Regulatory*

Welltec conducts business in multiple jurisdictions in a highly regulated industry. As such, Welltec is, directly or indirectly, subject to a variety of federal, provincial, state and local laws, regulations and guidelines, in all such jurisdictions, including laws and regulations relating to health and safety, the conduct of operations including business ethics and trade compliance, taxation, the protection of the environment and the manufacture, management, transportation and disposal of certain materials used in operations. Accordingly, Welltec could become subject to liabilities relating to the violation of such regulations in multiple jurisdictions, with an adverse effect on profits.

Technology

Welltec is a technology company, constantly challenging the operational boundaries in the industry. However, third parties may assert that our products, services, solutions and other intellectual property may infringe, on their proprietary rights. Any such potential future claims, regardless of merit, could result in multi-jurisdictional litigation, which could result in substantial expenses, cause significant delays and materially disrupt the conduct of business and have an adverse effect on our financial condition and results of operations.

Branches

An overview of the branches in the Welltec Group can be found on page 97.

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CORPORATE SOCIAL RESPONSIBILITY

The following statement on Corporate Social Responsibility (CSR) pursuant to the Danish Financial Statement Act Section 99a and b is part of the Management Commentary in the 2018 Annual Report. It also serves as the company's Communication on Progress as required by the UN Global Compact. We continue to support and promote the principles of the UN Global Compact in our sphere of influence, in particular by integrating them in our business operations.

Corporate Social Responsibility Policy

Welltec focuses its CSR efforts on areas and issues directly affecting our business. We have outlined our responsibility in policies developed to comply with the objectives of CSR and approved by the Board of Directors. These principles are reviewed on a regular basis and updated against relevant codes of corporate governance and international standards, including the UN's Universal Declaration of Human Rights, the ILO's Declaration on Fundamental Principles and Rights at Work, the OECD's Guidelines for Multinational Enterprises, the Rio Declaration on Environment and Development, the UN Convention against Corruption, as well as applicable legislation governing the interest of our stakeholders. In addition to working towards the respect for human rights, we strive to make sure that Welltec's business, including the people contributing to it, is not involved in or related to any form of human rights abuses. To reinforce our commitment, Welltec created a Human Rights Policy in 2018 that is applicable to the Welltec Group. The policy is mainly focused on human rights and labour standards in our work places (including security, discrimination and freedom of association).

Our CSR Policies are incorporated in a Code of Conduct applicable globally. The areas currently covered by the Code of Conduct are: (i) Business Ethics, (ii) Anti-Corruption, (iii) Health, Safety and Environment, (iv) Employment, (v) Customers, and (vi) Community.

The responsibility of monitoring overall CSR compliance has been delegated to the heads of Legal, Human Resources, QHSE (Quality, Health, Safety, and Environment) and commercial departments.

The policies continue to be communicated to all employees and are accessible on both our website and intranet. Moreover, a concerted effort is made to ensure that these are rooted in our thinking and our way of doing business.

Business Ethics

Policy

At Welltec 'we say what we do and we do what we say'. This principle is the back bone of Welltec's Code of Conduct and promotes certainty in relation to all our stakeholders that predictability and reliability are the norm when dealing with Welltec. It is our policy to comply with all laws, rules and regulations applicable to our business and we strive to follow the course of action leading to the highest degree of integrity in situations where the law may be permissive.

Implementation

Integrity and ethical conduct is a fundamental part of management procedures and Welltec's Code of Conduct and is an underlying driver

in all we do. The methods we employ to attain results are as important as the results themselves.

Welltec employees are expected to perform their work with honesty, truthfulness and integrity, and conduct their business affairs fairly. All employees are responsible for the immediate and accurate reporting to higher management of work-related information of importance to the governing guidelines. We strongly encourage dialogue to make each other aware of situations that give rise to ethical questions and to articulate acceptable ways of handling those situations.

Key Results in 2018 and Future Plans

With the development of the Code of Conduct came also a training program for all existing employees. The training program is mandatory for all new employees during their onboarding process and was conducted for all employees in 2018 Q4.

To the extent deemed relevant, Welltec performs appropriate internal investigations into possible non-ethical behavior by employees following internal controls or whistle-blowing. We have in continuation of the investigative findings applied consequences towards the employees when relevant and continued to strengthened internal communication in respect of compliance programs.

To improve our efforts to facilitate sound business ethics, we emphasize the use of our whistle-blower program. No case was submitted in 2018.

We have continued to impose an anti-trust training program for all relevant employees.

Anti-Corruption

Policy

Our conviction to uphold ethical standards in all our corporate activities is a common mindset of all our employees and we strive to do business with customers and suppliers of sound business character and reputation. We have strict guidelines covering facilitation payments, bribery, entertainment and gifts, and our screening processes provide full transparency to mitigate the risk of corruption.

Implementation

Welltec maintains a general Partner Screening Program applicable for agents, representatives and joint venture partners in territories where transparency and corruption are imminent issues. This includes a questionnaire combined with a review process under which a potential partner is vetted for undue relationships and channels of influence.

Furthermore, Welltec operates a zero-tolerance policy towards corruptive behavior of employees and representatives.

The Code of Conduct review and training in 2018 included the section on anti-corruption. The review was monitored by the Legal Department and the HR Department.

Key Results in 2018 and Future Plans

20 partner screenings were performed in 2018 and one revealed inadequate information why the partnership was not endorsed.

In our screenings we continue to use external screening partners and their databases. In 2018 we have acquired access to a global screening service, which will support our due diligence and mitigate of risks relating to financial crime, bribery and corruption.

We have further maintained our Anti-Bribery and Corruption program. We continue to improve the screening procedures, review processes and further incorporate additional initiatives based on US and UK anti-corruption legislation, including incorporating appropriate measures in our contracts. We also carry on screening vendors. Furthermore, we continue to monitor the initiatives and guidelines issued by relevant international bodies to identify policies and procedures that could improve our anti-corruption measures.

We strongly oppose facilitation payments. However, facilitation payments are still a challenge to some parts of our business, and we continue to train our employees in how to handle these situations and avoid facilitation payments. We focus in particular on employees in high risk countries and where interaction with public authorities is frequent.

Health, Safety and Environment (HSE)*Policy*

Our paramount concern is the health and safety of our employees, customers and everyone else that comes into contact with our activities. This concern reaches far beyond such measures required under applicable law. Health and safety underpins all our operations and we continuously monitor HSE performance and work to identify improvement initiatives.

All our employees are aware that the health and safety of people and protection of the environment is an absolute priority. We strive to continuously improve our environmental performance by efficient waste management, maintenance management, recycling programs and the prevention of pollution from our activities. Our lightweight solutions are based on a vision to improve safety while reducing environmental risks, fuel consumption and carbon footprint. Respect for and preservation of the environment is a key element of our business proposition and as such an integrated way of thinking in Welltec.

The company does not have a separate climate policy, because the company's business model in itself implies less use of energy and focus on sustainability.

Implementation

HSE is an integral part of decision-making, processes and training. Comprehensive incident reporting systems are in place to review and address:

- Any injury or near miss in relation to our activities. Performance statistics are kept and analyzed to ensure adoption of best practices protecting the health and safety of individuals.
- Any unintentional discharge into the environment of damaging substances or near misses in relation to one of our operations. These are carefully analyzed to ensure adoption of best practices in order

to protect the environment to the benefit of us all.

During Bi-weekly management meetings, the management team reviews all HSE-incidents and monitors HSE KPI's. All operating locations have an HSE Officer employed to lead the HSE effort, ensure compliance with Welltec's policies and local legislation and conduct monthly meetings where all employees are required to attend.

Welltec's facilities are audited by the relevant government authority. At any local operation, we ensure that respect for the environment is applied such that sustainability and recycling is promoted and secured to the greatest extent reasonably possible, while at the same time closely monitoring consumption of chemicals, waste, electricity, heat and water.

The Group QHSE function performs internal Management System audits at the headquarters and local bases worldwide, in order to assess the effectiveness of the internal Management System of Welltec. The audits are the prime instrument for reviewing the business interfaces internally between headquarters and bases, and externally with customers to create specific action points for the cycle of continuous improvement.

Key Results in 2018 and Future Plans

In 2018, one environmental accidents occurred.

The number of recordable accidents (so-called MTO, LTI, RWC and FTL) was decreasing together with the Total Recordable Incident Frequency (TRCF). True safety can be achieved by a culture, within and without, which ensures that the safety of people and protection of the environment is an absolute priority.

Quality

Quality is, and has always been, deeply ingrained in all processes at Welltec. Welltec is ISO 9001 certified by "Det Norske Veritas" (DNV), with periodic recertification audits every 3 years. The latest recertification took place during the second quarter of 2018

Furthermore, oil operators, service partners and authorities perform external audits to assess Welltec's ability to effectively manage the hazards associated with the services provided.

Local bases were audited by TOTAL, Shell, Halliburton, Baker Hughes, Petrobras, SEIC, Weatherford, TPS, Exxon, Apache, Oasis Petroleum and BP.

Employment*Policy*

In Welltec we believe that the employees, both as individuals and as part of a team, are the foundation of our business. Therefore, and with consideration to the often challenging working conditions in the field, Welltec applies measures which 'go beyond the norm' to safeguard and maximize the employees' health and safety while performing their duties.

Welltec recognizes a shared responsibility on behalf of all employees to exercise the human rights principles of mutual respect and dignity in all working relationships and consequently enforces a policy of zero tolerance regarding harassment or discrimination. All employees have access to the whistleblower system and complaints regarding

discrimination can be filed there.

Welltec adheres to a Diversity and Equal Opportunity Employment Policy approved by the Board of Directors in 2014. The policy formalizes our commitment to always choosing the best person for the job regardless of that person's race, color, religion, disability, gender, sexual orientation, age, or nationality. Furthermore, Welltec will actively work to increase the share of females in management positions, for example, by putting the needed extra effort into identifying relevant female candidates when recruiting.

Implementation

Welltec actively recruits employees from many sources, including first-tier academic institutions as well as leading companies in the industry, depending on the requirements for a given position. A variety of profiling tools are used to assess the candidates. Furthermore, we actively encourage mobility and career progression within Welltec.

Welltec operates an extensive in-house training program which covers core operational aspects as well as sales skills and programs aimed at legal compliance. Participation is registered and tracked in the HR system, enabling on-going identification of training needs and supporting work-force planning.

For long-term ill employees, we work closely and actively with local authorities and municipalities to define individual solutions, including definition of flex jobs (permanently reduced work time), temporarily reduced work time, redefinition of work area, etc.

Our Workforce

The employee population is very diverse with respect to nationalities, reflecting the truly global nature of the company. As such there are around 50 nationalities employed in Welltec.

As is common in the oil and gas industry, the share of females is low in Welltec. As stated in the section of policies, Welltec actively works to increase the share of females in management positions for example by putting the needed extra efforts into identifying relevant female candidates when recruiting.

Key Results in 2018 and Future Plans

In 2018 we have vastly increased the year end number of employees by 102 and thus expanded our workforce to support the growth of the company. This has increased our focus on our recruiting, screening, and onboarding processes, and Welltec has implemented new IT systems to support training, development, and recruiting of employees to accommodate the company's need for a flexible and highly skilled and trained workforce.

The fifth global survey of Employee Motivation and Satisfaction was carried out in the spring of 2018 with the aim of understanding the current state of our employee group as well as identifying areas improvements to improve motivation. The survey was very well received with 80% of employees responding, an increase of 3 percentage points from 2017. The survey showed that 82% of the employees are proud to work in Welltec, and 62% of the employees are excited about their future career in Welltec, an increase of 4 percentage points from 2017. The average job satisfaction is 3.9 on a scale from 1 to 5 which is an increase from 3.8 compared to 2017.

There have been no cases reported in the whistle blower system regarding discrimination or harassment.

In 2018 Welltec has implemented an electronic system to ensure correct tracking and registration on employee skills and competencies in the HR database. The system also enables and supports e-learning which promotes a much higher degree of training and knowledge sharing. This creates the basis better performance in terms of operational planning and mobility.

Women make up 15.1% of the total employee population which is an increase of 1.6 percentage points compared to 2017. Of management level employees women make up 10.2% which is an increase of 2.2 percentage points compared to 2017. The Senior Management Team consists of five members altogether; four men and one woman.

In terms of gender equality, the Board had set up a target of one woman in the Board of Directors by April 1st 2017. This target was reached in 2016.

During 2018 a male board member was elected to replace a female board and the Board now consists of six men elected by the shareholders. It is still the target to have at least one female member of the Board of Directors and the Board of Directors is on a current basis assessing potential candidates. The goal is to elect one woman in the Board of Directors by 1 June 2020.

Customers

Policy

Welltec views customers as business partners and pursues an open and transparent relationship characterized by frequent dialogue and a focus on serving their best interests.

It is our policy to provide solutions that excel in quality, conform to industry best practice, and adhere to responsible standards of performance, including taking due care and consideration to protection of the environment and the health and safety of all people involved.

We operate an open door policy in situations where a customer or regulatory body wishes to investigate a non-successful operation or an issue of regulatory non-compliance. All non-optimal or non-compliant findings from the internal Welltec investigation are openly disclosed to achieve maximum transparency and optimal lessons learned.

Implementation

In certain situations, a failure investigation is initiated to ensure:

- that investigations requested by the clients are performed.
- that conform and controlled methods are followed when handling misruns, covering from job planning, equipment, procedures, communication to human factors.
- that lessons learned are properly communicated throughout the organization in order to minimize the risk of re-occurrence.
- that a failure report is prepared in a timely manner for the client, prior to officially closing the investigation.

Key Results in 2018 and Future Plans

Welltec's Group QHSE department continuing its involvement, to ensure the highest standards are applied to match heightened

expectations from customers as the scope and complexity of services increase. An improved quality related investigation procedure was implemented and put into practice to streamline the process. The number of investigations, which required involvement from Group QHSE department, has decreased in 2018 compared to 2017.

A global training program continues to increase expertise in the use of our operational planning software to ensure continuous improvement of service quality on jobs performed. The program underlines the constant focus on maintaining the very highest levels of service quality and is reflected in the continued service quality delivery at or above 96%. Although, this is a high percentage, we strive to reach a higher level.

Community

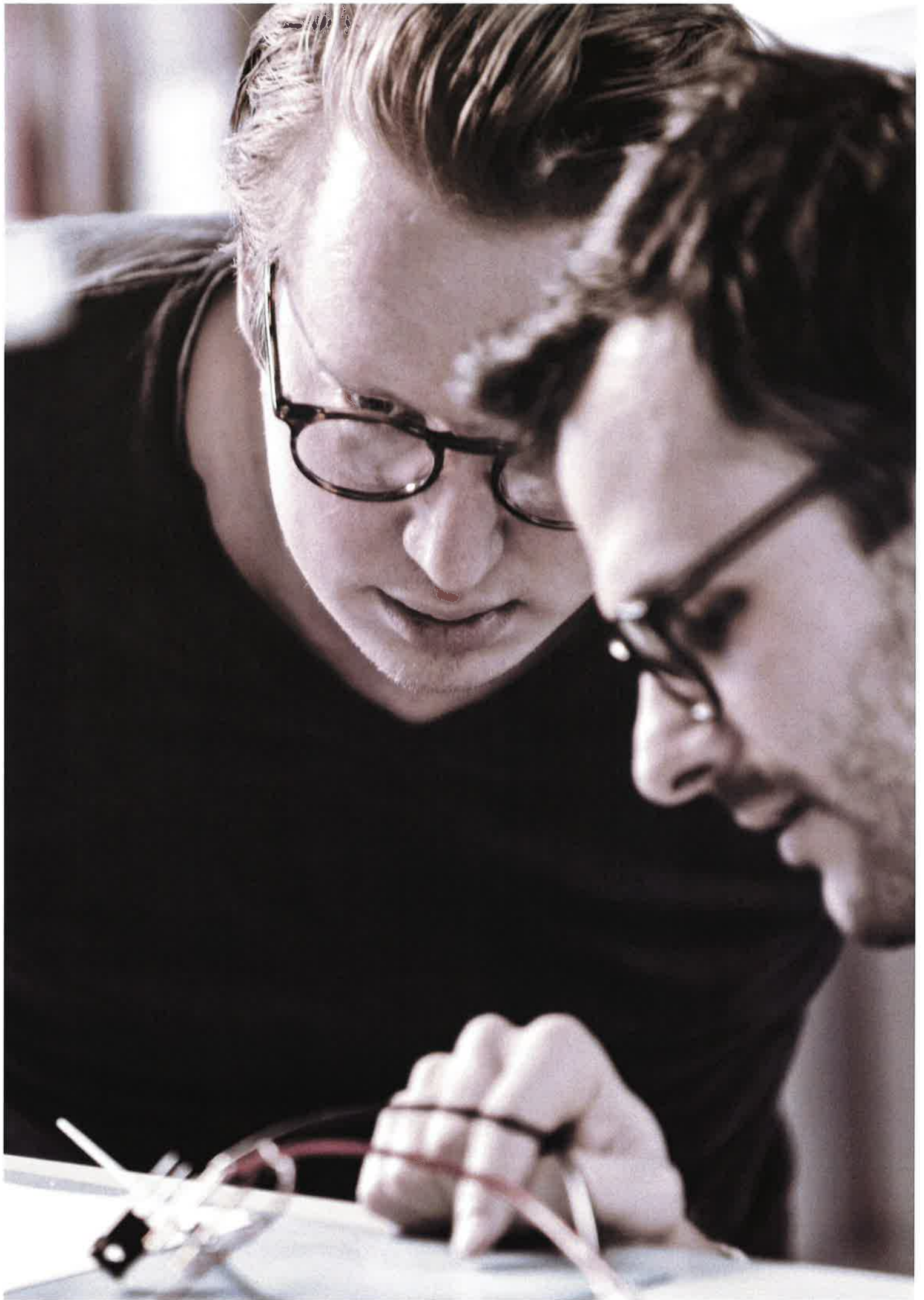
Policy

At Welltec, we inherently share a responsibility that reaches beyond our immediate business and has an impact on the interests of all our stakeholders. These encompass not only our shareholders but also our customers, employees, suppliers, the local communities in which we operate, as well as the surrounding environment and the human beings occupying it.

Improving the environment in and around our operations is an integral part of our business. We operate from a significant number of properties in a variety of countries, and we have responsibility to our employees, to the people living and working nearby as well as the environment. It is our policy therefore to engage with the local community as both a neighbor and resident and support efforts to improve the local area, for example by addressing antisocial behavior, crime and vandalism as well as promoting road safety.

Implementation and Future Plans

We actively promote engagement between our staff and the community, supporting local community-based projects and charities, including fund-raising and initiatives for the development and education of young people in the areas where we operate.



COMPANY

DETAILS

COMPANY DETAILS

Company	Welltec International ApS Gydevang 25 3450 Allerød Denmark Phone: +45 48 14 35 14 Fax: +45 48 14 35 18 Website: www.welltec.com E-mail: welltecinfo@welltec.com Central Business Registration No: 30 69 50 03 Registered in: Allerød Financial year: 1 January – 31 December 2018
Executive Board	Jørgen Hallundbæk, Chief Executive Officer
Board of Directors	Niels Harald de Coninck-Smith, Chairman Alasdair Geddes Shiach Enrico Vellano John Haukvik Jørgen Hallundbæk Michael Bricker
Company auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab

**STATEMENT BY
MANAGEMENT**
ON THE ANNUAL REPORT

STATEMENT BY MANAGEMENT ON THE ANNUAL REPORT

We have today considered and approved the annual report of Welltec International ApS for the financial year 1 January to 31 December 2018.

The consolidated financial statements and parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statement act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the parent's financial position at 31 December 2018 as well as of their financial performance and their cash flows for the financial year 1 January to 31 December 2018.

We also believe that the management commentary contains a fair review of the development of the Group's and the parent company's activities and financial position, together with a description of the principal risks and uncertainties that the group and the parent company face.

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

Allerød, 25 April 2019

Executive Board



Jørgen Hallundbæk
Chief Executive Officer

Board of Directors



Niels Harald de Coninck-Smith
Chairman



John Haukvik



Alasdair Geddes Shiach



Jørgen Hallundbæk



Enrico Vellano



Michael Bricker

INDEPENDENT
AUDITOR'S REPORTS

INDEPENDENT AUDITOR'S REPORTS

To the shareholders of Welltec International ApS

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2018 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Welltec International ApS for the financial year 1 January - 31 December 2018, which comprise statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, for both the Group and the Parent Company ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management 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 for 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 Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be 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 Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements

and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Copenhagen 25 April 2019

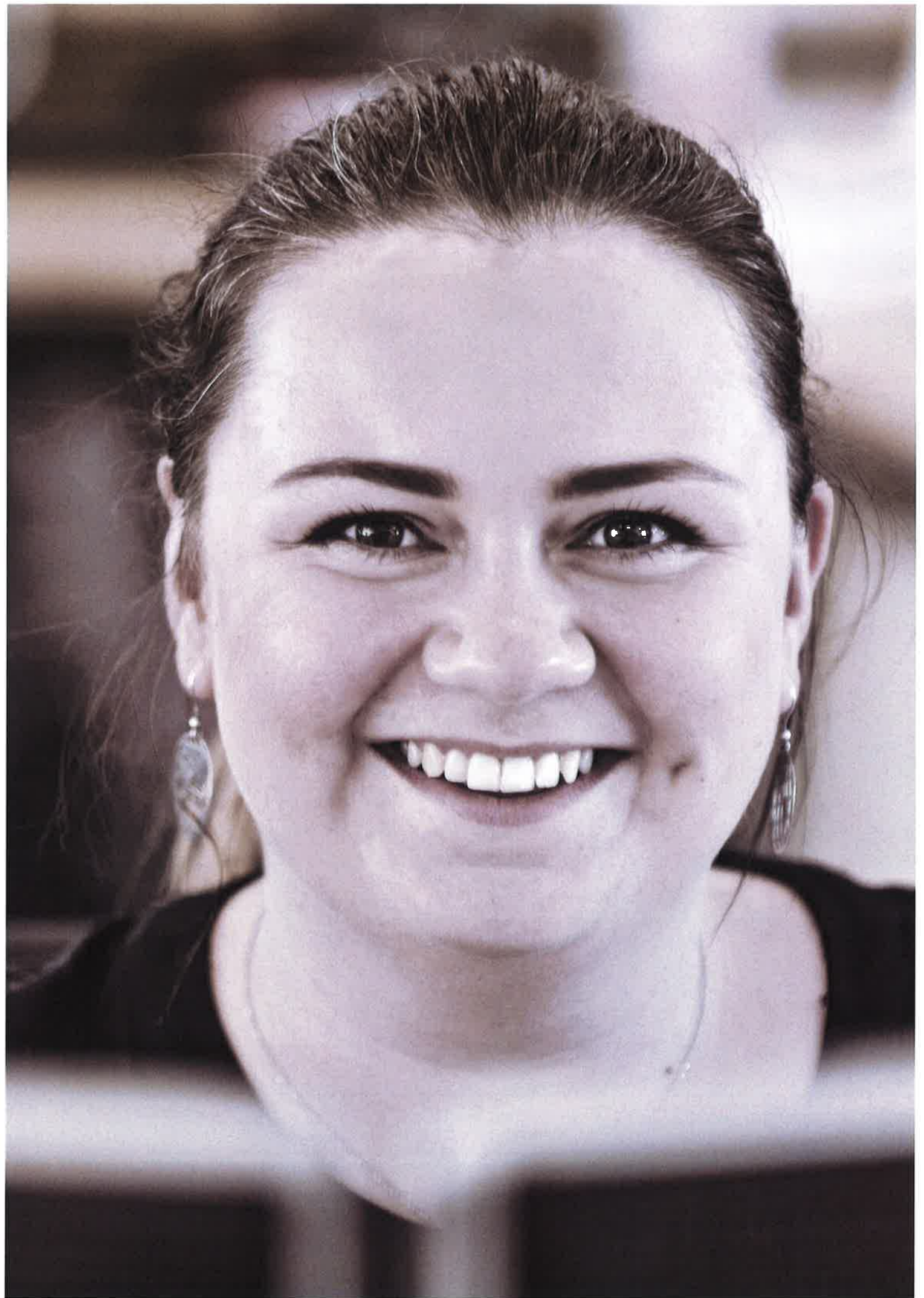
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Central Business Registration No. 33 77 12 31



Tue Stensgård Sørensen
State Authorized
Public Accountant
MNE 32200



Simon Vinberg Andersen
State Authorized
Public Accountant
MNE 35458



FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

CONSOLIDATED GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTE	2018	2017	2016
<i>USD in thousands</i>				
Revenue	3	224,137	169,502	189,012
Cost of services provided	4, 5	(135,475)	(125,197)	(126,902)
Gross profit		88,662	44,305	62,110
Development and manufacturing costs	4, 5	(6,973)	(3,116)	(3,055)
Administrative expenses and sales costs	4, 5	(59,726)	(55,781)	(53,191)
Amortization of acquired intangibles in a business combination	5	(583)	(550)	(56,168)
Operating profit/ (loss) (EBIT) before special items		21,380	(15,142)	(50,304)
Special items	6	(10,265)	(42,952)	(2,393)
Operating profit/ (loss) (EBIT)		11,115	(58,094)	(52,697)
Financial income	7	7,287	15,348	13,731
Financial expenses	8	(41,259)	(58,461)	(42,378)
Loss before tax		(22,857)	(101,207)	(81,344)
Income taxes	9	(7,900)	4,824	11,645
Loss for the year		(30,757)	(96,383)	(69,699)
Other comprehensive income / (loss) for the year				
Items that will be reclassified subsequently to the income statement, when specific conditions are met:				
Unrealized exchange rate adjustments of foreign subsidiaries and branches		(5,731)	3,571	2,601
Total comprehensive income / (loss)		(36,488)	(92,812)	(67,098)
Distribution of profit / (loss) for the year				
Profit / (loss) for the year attributable to:				
Welltec International ApS shareholders' share of loss		(30,757)	(96,383)	(69,699)
Non controlling interests share of profit / (loss) for the period		-	-	-
		(30,757)	(96,383)	(69,699)
Total comprehensive income / (loss) attributable to				
Welltec International ApS shareholders' share of comprehensive loss		(36,488)	(92,812)	(67,098)
Non controlling interests share of comprehensive income / (loss)		-	-	-
		(36,488)	(92,812)	(67,098)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	31 Dec. 2018	31 Dec. 2017
<i>USD in thousands</i>			
Non-current assets			
Intangible assets			
Goodwill		242,340	242,340
Technology		3,007	2,919
Brand		13,924	13,924
Completed development projects		22,489	37,881
Development projects in progress		12,799	11,944
Patents and licences		18,915	18,114
Total intangible assets	12	313,474	327,122
Tangible assets			
Land and buildings		9,015	9,557
Leasehold improvements		1,498	1,285
Plant, equipment and fleet		50,306	56,174
Plant, equipment and fleet under construction		24,110	18,756
Other fixtures, fittings, tools and equipment		2,200	2,672
Total tangible assets	13	87,129	88,444
Financial assets			
Deferred tax assets	17	3,803	2,557
Other receivables		414	952
Total financial assets		4,217	3,509
Total non-current assets		404,820	419,075
Current assets			
Inventories			
	14	9,059	6,699
Receivables			
Trade receivables	15	47,810	48,986
Tax receivables		7,086	4,904
Other receivables		4,350	5,612
Prepayments		5,900	5,381
Total receivables		65,146	64,883
Cash and cash equivalents		21,376	29,689
Total current assets		95,581	101,271
Total assets		500,401	520,346

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

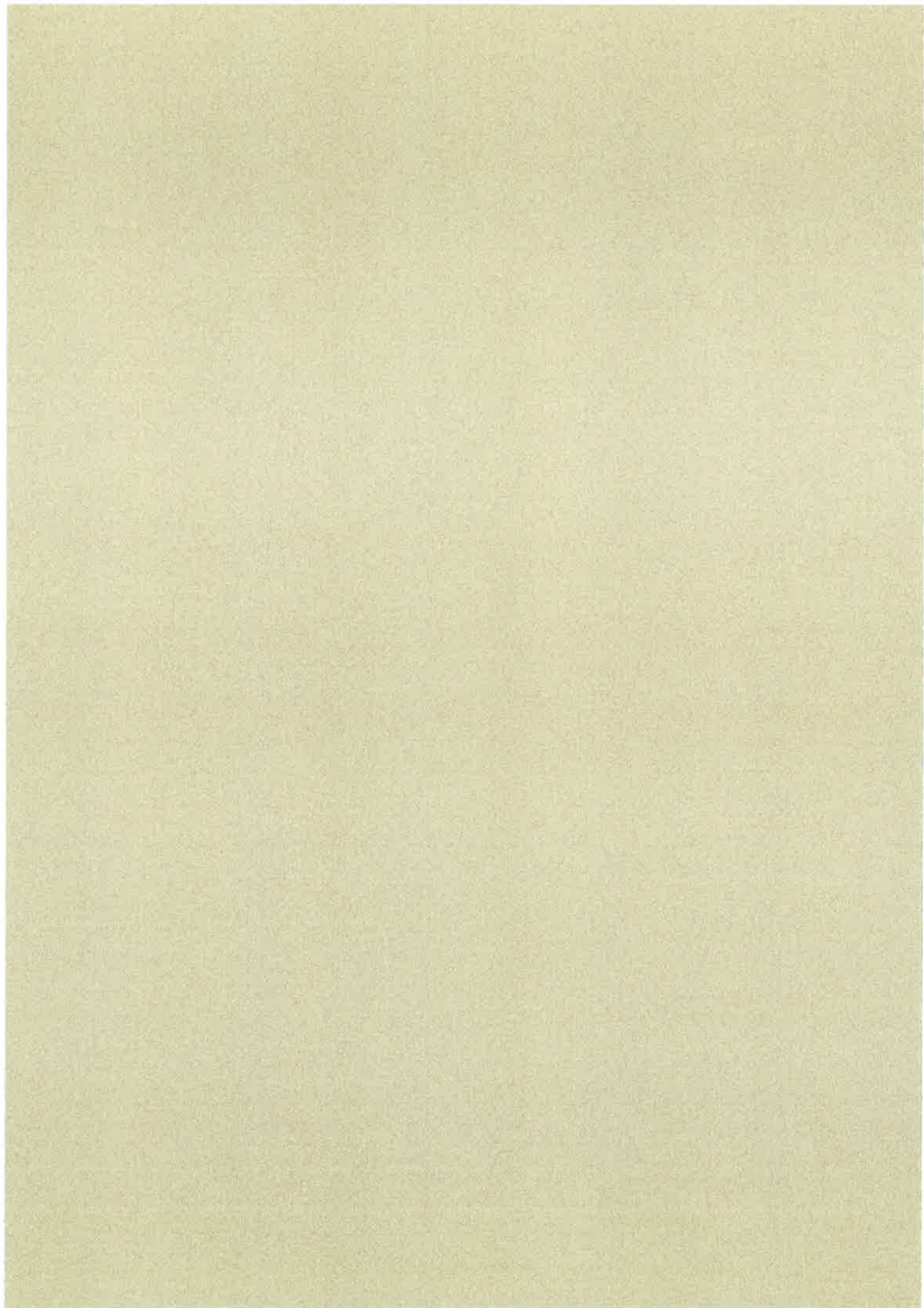
	NOTE	31 Dec. 2018	31 Dec. 2017
<i>USD in thousands</i>			
Equity			
Share capital	16	877	869
Currency translation reserve		(35,150)	(29,419)
Retained earnings		126,347	155,764
Total equity		92,074	127,214
Non-current liabilities			
Deferred tax liabilities	17	13,809	14,856
Finance lease commitments	18	9,338	9,143
Issued bonds	18	331,238	329,689
Total non-current liabilities		354,385	353,688
Current liabilities			
Current portion of non-current liabilities	18	2,452	1,738
Trade payables		16,839	12,726
Current tax liabilities		7,072	2,877
Other payables	19	27,579	22,103
Total current liabilities		53,942	39,444
Total liabilities		408,327	393,132
Total equity and liabilities		500,401	520,346

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Currency translation reserve	Retained earnings	Total
<i>USD in thousands</i>				
Equity at 31 December 2016	850	(32,990)	209,180	177,040
(Loss) for the year	-	-	(96,383)	(96,383)
Unrealized exchange rate adj. of foreign subsidiaries and branches	-	3,571	-	3,571
Total comprehensive (loss) for the year	-	3,571	(96,383)	(92,812)
Purchase of own shares	-	-	(2,026)	(2,026)
Sale of own shares	-	-	26,556	26,556
Capital increase	19	-	11,823	11,842
Share-based payment to executives	-	-	6,614	6,614
Total other transactions	19	-	42,967	42,986
Equity at 31 December 2017	869	(29,419)	155,764	127,214
(Loss) for the year	-	-	(30,757)	(30,757)
Unrealized exchange rate adj. of foreign subsidiaries and branches	-	(5,731)	-	(5,731)
Total comprehensive (loss) for the year	-	(5,731)	(30,757)	(36,488)
Capital increase	8	-	-	8
Share-based payment to executives	-	-	1,340	1,340
Total other transactions	8	-	1,340	1,348
Equity at 31 December 2018	877	(35,150)	126,347	92,074

CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTE	2018	2017	2016
<i>USD in thousands</i>				
Operating profit (EBIT)		11,115	(58,094)	(52,697)
Non-cash adjustments	10	53,338	61,166	121,922
Changes in working capital	11	6,965	(616)	4,353
PFA settlement		-	38,733	-
Income taxes paid		(8,182)	(4,991)	(11,809)
Changes in other receivables, long-term		541	824	(21)
Cash flows from operating activities		63,777	37,022	61,748
Investments in intangible assets		(14,370)	(12,687)	(12,290)
Investments in tangible assets		(21,097)	(13,869)	(17,754)
Sale of tangible assets		-	320	88
Investment and disposal of securities		-	-	10,640
Financial income received		116	70	595
Cash flows from investing activities		(35,351)	(26,166)	(18,721)
Financial expenses paid		(32,929)	(33,608)	(27,230)
Other financial expenses		(667)	(7,614)	(487)
Purchase of own shares and warrants		-	(2,026)	(793)
Sale of own shares		-	26,556	-
Purchase of own bonds		-	-	(19,099)
Proceeds from non-current debt		-	336,688	-
Installments on current and non-current debt		(2,175)	(1,758)	(1,432)
Installments on issued bonds		-	(297,590)	-
Installment on bank debt		-	(29,426)	-
Capital increase		8	11,842	305
PFA settlement		-	(38,733)	-
Cash flows from financing activities	19	(35,763)	(35,669)	(48,736)
Increase / (decrease) in cash and cash equivalents		(7,337)	(24,813)	(5,709)
Cash and cash equivalents at beginning of period		29,689	53,500	61,040
Exchange rate adjustment at beginning of period		(976)	1,002	(1,831)
Cash and cash equivalents at December 31		21,376	29,689	53,500
Hereof restricted cash		-	-	203



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OTHER

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NOTES

1. ACCOUNTING POLICIES

Basis of accounting

The consolidated financial statements for 2018 are presented in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU and additional Danish disclosure requirements for annual reports of reporting class C (large) enterprises. Please see the Danish Executive Order on IFRS adoption issued in accordance with the Danish Financial Statement Act.

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

The consolidated financial statements are prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The consolidated financial statements are presented in accordance with the new and revised standards (IFRS/IAS) and Interpretations (IFRIC).

The accounting policies are unchanged from last year with the exception of accounting policies for revenue and financial instruments, where new financial reporting standards has been applied.

Effect of new financial reporting standards

IFRS 15 Revenue from Contracts with Customers is effective for financial years beginning on or after 1 January 2018. The application of the new standard has had immaterial impact on the consolidated financial statements other than the extended disclosure requirements.

The Welltec Group has also applied IFRS 9 Financial Instruments, which is effective for financial years beginning on or after 1 January 2018. The new standard has influenced the Group's assessment of credit risks and impairment on financial assets. IFRS 9 requirements and the expected credit loss matrix is described in note 15 Trade receivables and note 23 Financial instruments.

Future financial reporting standards

IFRS 16 Leasing is effective for annual periods beginning on or after 1 January 2019. The standard is not incorporated in the consolidated financial statements for 2018.

Welltec has analyzed the effects of IFRS 16. The standard leads to the recognition of non-current assets right-of-use assets and finance lease commitments. Further the standard will have an impact on the cash flow from financing activities as well as the key figure EBITDA. The Group expects to recognize approximately USD 35 million as right-of-use assets with the corresponding finance lease commitments. The key figure EBITDA will be affected positively by approximately USD 9 million in 2019.

Recognition and measurement

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

Liabilities are recognized in the statement of financial position if they are probable and can be measured reliably. On initial recognition assets and liabilities are measured at cost or fair value. Subsequently assets and liabilities are measured as described for each item below.

Income is recognized in the statement of comprehensive income as earned and includes value adjustments of financial assets and liabilities measured at fair value or amortized cost.

Consolidated financial statements

The consolidated financial statements comprise the parent company and the Group enterprises (subsidiaries) that are controlled by the parent company. Control is achieved where the parent company, either directly or indirectly, holds more than 50% of the voting rights or in any other way possibly or actually exercises controlling influence over a subsidiary. If the parent company holds less than 50% of the share capital, control exists when the parent company under agreement has more than 50% of the voting rights, has the power to govern financial and operating policies of the subsidiary, to appoint members of the Board of Directors or to cast the majority of votes at meetings of the Board of Directors of the subsidiary.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the parent company and its subsidiaries, which are all prepared in accordance with the Group's accounting policies. Upon consolidation, intra group income and expenses, balances, investments and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated.

Subsidiaries' financial statements items are recognized in full in the consolidated financial statements. Non-controlling interests' pro rata share of profit/loss and equity is shown as separate line items in the statement of comprehensive income and in the Group's equity, respectively.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the transaction date exchange rate. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the end of the reporting period are translated using the exchange rate at the end of the reporting period. Exchange differences that arise between the rate at the transaction date and the exchange rate effective at the payment date or the exchange rate at the end of the reporting period are recognized in statement of comprehensive income as financial income or financial expenses. Property, plant, equipment fleet, intangible assets, inventories and other non-monetary assets purchased in foreign currencies and measured based on historical cost are translated at the transaction date

exchange rate. If non-monetary items are restated at fair value, they are translated using the exchange rate at the date of restatement.

When foreign subsidiaries that use a functional currency different from USD are recognized in the consolidated financial statements, the statement of comprehensive income is translated at a monthly average exchange rate unless such rates vary significantly from the actual exchange rates at the transaction dates. In the latter case, the actual exchange rates are used. Statement of financial position items is translated using the exchange rates at the end of the reporting period. Goodwill is considered to belong to the relevant entity acquired and is translated using the exchange rate at the end of the reporting period.

Exchange differences resulting from the translation of foreign entities' equity at the beginning of the year using the end of the reporting period exchange rates and by translating statements of comprehensive income from average exchange rates to the exchange rates at the end of the reporting period are recognized in other comprehensive income. Similarly, exchange differences resulting from changes made in a foreign entity's other comprehensive income are also recognized in other comprehensive income.

When foreign subsidiaries that use USD as their functional currency but present their financial statements in another currency, are recognized in the consolidated financial statements, monetary assets and liabilities are translated using the end of the reporting period exchange rate. Non-monetary assets and liabilities measured on the basis of historical cost are translated using the transaction date exchange rate. Non-monetary items measured at fair value are translated at the exchange rate at the time of the last fair value adjustment.

The items in profit or loss are translated at average monthly exchange rates, with the exception of items deriving from non-monetary assets and liabilities, which are translated using the historical rates applicable to the relevant non-monetary assets and liabilities.

Share-based payments

Share-based incentive arrangements under which employees can receive new shares in Welltec International ApS (equity arrangements) are measured at the equity instruments' fair value at the grant date and are recognized in profit or loss under staff costs over the vesting period. The related set-off entry is recognized directly in equity.

Income taxes and deferred tax

The current Danish income tax is allocated among the jointly taxed companies in the Group proportion to their taxable income (full allocation subject to reimbursement in respect of tax losses).

Tax for the year consists of current tax for the year and changes in deferred tax. The portion of tax attributable to profit is recognized in the income statement and the portion of tax attributable to entries directly in other comprehensive income is recognized in other comprehensive income. The portion of tax attributable to equity transactions is recognized directly in equity.

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

The current tax charge for the year is calculated based on the tax rates and tax legislation in each country applicable on the balance sheet date.

Deferred tax is recognized on all temporary differences between carrying values and tax-based values of assets and liabilities, except from deferred tax on all temporary differences on initial recognition of goodwill or on initial recognition of a transaction that is not a business combination, and for which the temporary difference found at the time of initial recognition neither affects profit nor loss for the year nor taxable income.

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

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability settled, based on the tax rates and tax legislation that have been enacted 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 profit or loss, unless the deferred tax is attributable to items previously recognized in other comprehensive income or in equity. If so, such changes are also recognized in other comprehensive income or in equity.

Exchange adjustments on deferred tax are recognized as part of the year's adjustment in deferred tax.

Changes in local tax rates, affecting deferred tax, are used and thus affecting the value of the calculated deferred tax asset, alternatively deferred tax liability at year end.

Deferred tax assets, including the tax base of tax loss carry forwards, are recognized in the statement of financial position at their estimated realizable value, either as a set-off against deferred tax liabilities or as net tax assets for set-off against future positive taxable income. At the end of each reporting period, it is reassessed whether sufficient taxable income is probable to arise in the future for the deferred tax asset to be used.

Balances calculated according to the rules on interest deductibility limitations in the Danish Corporate Income Tax Act are allocated solely to Welltec A/S. Deferred tax liabilities in respect of these balances are recognized in the statement of financial position; whereas deferred tax assets are recognized only if the criteria for recognition of deferred tax assets are met.

Statement of comprehensive income

Revenue

The Group provides multiple solutions to oil and gas companies around the world at their onshore and offshore locations using proprietary remote control precision robotic equipment that Welltec designs and manufactures.

Rendering of service revenue is recognized in the income statement when the performance obligation is satisfied, which is when the agreed service is provided.

Income from contracted development projects on third parties' account is recognized as revenue as or when Welltec delivers the development services to the customers and such services are considered to provide added value to the customers.

Revenue from sales of goods is recognized in the income statement when control has been transferred to the buyer – usually when delivery and transfer of risk have taken place, and if the income can be reliably measured and is expected to be received.

Revenue is measured at fair value of the consideration received or receivable. If an interest-free credit has been arranged for payment of the consideration receivable that is longer than the usual credit period, the fair value of the consideration is determined by discounting future payments receivable. The difference between fair value and nominal amount of the consideration is recognized as financial income in profit or loss by applying the effective interest method.

Revenue is recorded net of VAT, duties and discounts.

Cost of services provided

Cost of services provided comprises direct and indirect expenses incurred to realize revenue, including salaries, depreciation and amortization.

Development and manufacturing costs

Development and manufacturing costs comprise all development and engineering costs that are not capitalized, including related impairment losses.

Administrative and sales costs

Administrative and sales costs comprise costs required to sustain the business including finance, IT, legal, HR and other overhead costs.

Special items

Special items consist of costs of a special nature in relation to the activities of the Group, including costs of structural changes and other significant amounts of a one-off nature. These items are shown separately to facilitate the comparability of the profit or loss and provide a better picture of the operational results.

Financial income and expenses

These items comprise interest income and expenses, the interest portion of finance lease payments, realized and unrealized capital gains and losses on payables and transactions in foreign currencies, amortization premium/allowance on debt, etc. as well as interest on tax.

Statement of financial position

Intangible assets

Goodwill

Upon initial recognition, goodwill is recognized in the statement of financial position and measured as the difference between cost of the enterprise acquired and the fair value of the assets, liabilities and contingent liabilities acquired.

When goodwill is recognized, the goodwill amount is distributed on those of the Group's activities generating separate payments (cash-generating units). Determination of cash-generating units follows the management structure and internal finance management and reporting of the Group.

Subsequently, goodwill is measured at cost less accumulated write downs. There is no amortization of goodwill but the carrying value of goodwill is tested for impairment at least once a year together with the other long-term assets in the cash-generating unit to which the goodwill is allocated. It is written down to recoverable amount in profit or loss if the accounting value exceeds the recoverable amount, this representing the higher of the fair value of the asset less expected disposal costs and the value in use. The recoverable amount is generally determined as the present value of the expected future net cash flows from the cash-generating unit to which the goodwill is allocated. Impairment losses of goodwill are included in profit or loss under amortization and impairment losses of intangible assets.

Development projects

Development projects on clearly defined and identifiable service equipment and processes are recognized as intangible assets if it is probable that the service equipment or process will generate future financial benefits for the Group, and the development costs of each asset can be measured reliably. Other development costs are recognized as costs in the income statement as incurred.

On initial recognition, development costs are measured at cost. The cost of development projects comprises costs such as salaries and other costs that are directly attributable to the development projects and are needed to complete the project, calculated from the time at which the development project first meets the specific criteria for being recognized as an asset.

Completed development projects are amortized on a straight-line basis using the estimated useful lives of the assets. The amortization period is usually 5 years, but in certain cases it may be up to 20 years if the longer amortization period is considered better to reflect the Group's benefit from the developed product, etc. For development projects protected by intellectual property rights, the maximum amortization period is the remaining duration of the relevant rights, however, no more than 20 years.

Development projects and other intangible assets are written down to their recoverable amounts. Development projects in progress are tested at least once a year for impairment. Borrowing costs to finance the investments in development projects are recognized in cost of these assets if such expenses relate to qualifying assets for which their development period last longer than 12 months. Other borrowing costs are included in finance expenses in the statement of comprehensive income.

Other intangible assets

Acquired intellectual property rights in the form of patents and licenses are measured at cost less accumulated amortization and impairment losses. Patents are amortized over their remaining duration, usually 20 years, and licenses are amortized over the term of the agreement. If the actual useful life is shorter than the remaining duration and the term of the agreement, respectively, amortization is made over such shorter useful life.

Separable intangible assets acquired through business combinations are brand and technology. Brand is not amortized as the useful life is considered indefinite. Technology is amortized on a straight-line basis over its estimated useful life of 10 to 20 years.

Tangible assets

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For assets manufactured and owned by the Group, cost comprises expenses directly attributable to the manufacturing of the asset, including materials, components, sub-suppliers rent, electricity and laboring costs. In the year when the tool is completed and ready to generate income, it is recognized under 'Plant, equipment and fleet'. During construction, the asset is recognized under 'Plant, equipment and fleet under construction'.

For assets held under finance leases, cost is measured as the lower of the asset's fair value or present value of future lease payments.

The basis of depreciation is cost less estimated residual value after the end of useful life. The residual value is the estimated amount that would be earned if selling the asset today net of selling costs if the asset is of an age and a condition that is expected after the end of useful life straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings: 50 years

Leasehold improvements: 3-10 years

Plant, equipment and fleet: 3-10 years

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

Leased assets are depreciated according to the lease term period.

Depreciation methods, useful lives and residual amounts are reassessed annually. Property, plant and equipment and fleet are written down to the lower of recoverable amount and carrying amount.

Impairment of property, plant, equipment, fleet and intangible assets

The carrying amounts of property, plant, equipment, fleet and intangible assets with definite useful lives are tested at the end of the reporting period for any indication of impairment. If impaired, the recoverable amount of the asset is estimated to determine the need for any write-down and the extent thereof.

The recoverable amount of intangible assets with indefinite useful lives, development projects in progress, brand and goodwill is estimated annually irrespective of any recorded indications of impairment.

If the asset does not generate cash flows separately from other assets, an estimate is made of the recoverable amount of the smallest cash-generating unit of which the asset forms part.

The recoverable amount is calculated as the higher of the asset's and the cash-generating unit's fair value less selling costs and net present value. When the net present value is determined, estimated future cash flows are discounted at present value using a discount rate that reflects current market estimates of the value of money in terms of time, as well as the particular risks related to the asset and the cash-generating unit, respectively, and for which no adjustment is made in the estimated future cash flows.

If the recoverable amount of the asset or the cash-generating unit is estimated to be lower than the carrying amount, the asset is written down to this lower recoverable amount. For cash-generating units, write-down is allocated in such a way that goodwill amounts are written down first and then any remaining need for write-down is allocated to other assets of the unit, however, the individual asset is not written down to an amount that is lower than its fair value net of estimated selling costs.

Impairment losses are recognized in the profit or loss. In case of any subsequent reversals of impairment losses resulting from change in assumptions of the estimated recoverable value, the carrying values of the asset and the cash-generating unit, respectively, are increased to the adjusted estimate of the recoverable value, however, no more than the carrying value which the asset or the cash-generating unit would have had if the write-down had not been performed. Impairment losses of goodwill are not reversed.

Profits or losses from the sale of property, plant equipment and fleet are calculated as the difference between selling price less selling costs and carrying value at the time of sale. Profits or losses are recognized in the statement of comprehensive income if the selling price differs from the carrying amount.

Financial assets*Other receivables*

Other receivables with a fixed maturity are measured at amortized cost, less any impairment recognized according to the expected credit loss method.

Current assets*Inventories*

Inventories are measured at cost according to the FIFO method. The cost of finished goods and work in progress includes direct and indirect production costs. Inventories are written down to net realizable value if it is lower than the cost price.

Trade receivables

On initial recognition, trade receivables are measured at their transaction price and subsequently at amortized cost, which usually equals nominal amount less lifetime expected credit losses. The expected credit losses on trade receivables are estimated using a provision matrix based on historically information about the debtors realized losses adjusted for general economic conditions in the market. The Group recognizes a provision for expected credit losses. Trade receivables are written off, when the Group gets information about debtor's severe financial status.

Prepayments

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

Liabilities*Lease commitments*

Lease commitments relating to assets held under finance leases are recognized in the statement of financial position as liabilities other than provisions, and, at the time of inception of the lease, measured at the lower of the lease asset's fair value and the present value of

future lease payments. Subsequent to initial recognition, lease commitments are measured at amortized cost. The difference between the present value and nominal amount of the lease payments is recognized in profit or loss as a financial interest expense over the term of the leases.

Lease payments on operating leases are recognized on a straight-line basis in profit or loss over the term of the lease.

Other financial liabilities

On initial recognition, other liabilities, including issued bond loans and trade payables, are measured at fair value. Subsequently, these liabilities are measured at amortized cost applying the effective interest method to the effect that the difference between proceeds and nominal amount is recognized in profit or loss as a financial expense over the term of the loan.

Own bonds

Own bonds are presented as a reduction in issued bonds. On initial recognition the holding of own bonds is measured at fair value. Subsequently these bonds are measured at amortized costs.

Pension obligations

The Group has entered into pension agreements with certain groups of employees, which are classified as defined contribution pension plans.

Periodical payments to defined contribution pension plans are recognized in profit or loss when the employees have rendered service to the Group, and any contributions payable are recognized in the statement of financial position under liabilities.

Statement of cash flows

The Group's statement of cash flows is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as the Group's cash and cash equivalents at the beginning and end of the financial year.

Cash flows from operating activities are calculated as EBIT adjusted for non-cash operating items, working capital changes and income taxes paid. In the adjustment for non-cash operating items, depreciations and amortizations capitalized on tangible and intangible assets are included.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of enterprises, tangible fixed asset investments, and purchase, development, improvement and sale, etc. of intangible assets, and property, plant equipment and fleet as well as acquisition of securities. Depreciations and amortizations capitalized on tangible and intangible assets are included in cash-flow from investing activities.

If any, cash flows from acquired and divested enterprises are shown as separate line items within cash flows from investing activities. Cash flows related to acquired enterprises are recognized in the statement of cash flow from their date of acquisition, and cash flows from divested enterprises are recognized up to the date of sale.

Cash flows from financing activities comprise financial expenses paid and changes in the size or composition of the parent company's share

capital and related costs, the raising of loans, installments on interest-bearing debt, purchase of own shares, and payment of dividends.

Cash and cash equivalents comprise cash.

Investments in subsidiaries

For an overview of the Group's subsidiaries please see note 26 *Investments in subsidiaries*.

2. USE OF CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group prepares its consolidated financial statements in accordance with IFRS as adopted by the EU, the application of which often requires judgments to be made by Management when preparing the Group's financial position and results. Under IFRS, Management are required to adopt those accounting policies most appropriate to the Group's circumstances for the purpose of presenting fairly the Group's financial position, financial performance and cash flows.

In determining and applying accounting policies, judgment is often required in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net asset position of the Group; it may later be determined that a different choice would have been more appropriate. Actual results may differ from the accounting estimates.

Estimates and assumptions are reviewed on an ongoing basis and have been prepared taking the market situation into consideration, but still ensuring that one-off effects which are not expected to exist in the long term do not affect estimation and determination of these key factors, including discount rates and expectations about the future.

Management considers that certain accounting estimates and assumptions relating to assets, liabilities and expenses are its critical accounting estimates and judgment.

A discussion of these critical accounting estimates and judgments are provided below and should be read in conjunction with the disclosure of the Group's significant IFRS accounting policies provided in note 1. Accounting policies to the consolidated financial statements.

2.1 Capitalization of tool fleet

Welltec's major activity is to provide services related to interventions and completion solutions to the oil and gas industry, using tools developed and produced by Welltec. The tools are used commercially in more than one accounting period, and are thus considered tangible assets and not inventories.

Costs directly attributable to bringing the tools to the condition necessary for them to be capable of operating in the manner intended by Management are capitalized as part of the costs of plant equipment and fleet. Costs directly related to performing commercial services with the tools are expensed as they occur.

Cost of the tools include some variable indirect costs of bringing the tools to their working condition that can be allocated to the tools on a systematic and reasonable basis (e.g. rent, electricity and laboring costs).

Determining directly attributable costs is an accounting judgment.

At 31 December 2018, Welltec has capitalized USD 74,416 thousand as plant, equipment and fleet – completed and under construction compared to USD 74,930 thousand at 31 December 2017. Plant, equipment and fleet is depreciated over their useful lives: Plant and equipment over 3-10 years and fleet over 5 years.

2.2 Capitalization of development projects

An internally generated intangible asset arising from development is recognized if, and only if, all of the criteria in IAS 38 have been met. Development costs not meeting these criteria are expensed as incurred.

Development costs recognized as self-constructed intangible assets comprise all directly attributable costs necessary to create and prepare the asset to be capable of operating in the manner intended by Management. Such costs include costs of materials and services used in producing prototypes, salaries, fees to register legal rights as well as costs of field testing the developed tool. Determining directly attributable costs is an accounting judgment.

Welltec only engage in development activities aimed at developing new or improved tools for use in providing services to the oil and gas industry, and has no intention of selling developed technology, IP rights etc.

Welltec does not initiate a development project unless a specific need within the oil and gas industry has been identified or anticipated, and consequently that it can be demonstrated how the intangible asset will generate probable future economic benefits.

It is the opinion of Management that due to a short and market-oriented development process, development costs would normally be capitalized.

At 31 December 2018, Welltec has capitalized USD 35,288 thousands as development projects – completed and in progress – compared to USD 49,825 thousand at 31 December 2017. Completed development projects are amortized over their useful lives of usually 5 years.

2.3 Impairment test of goodwill and other intangible assets

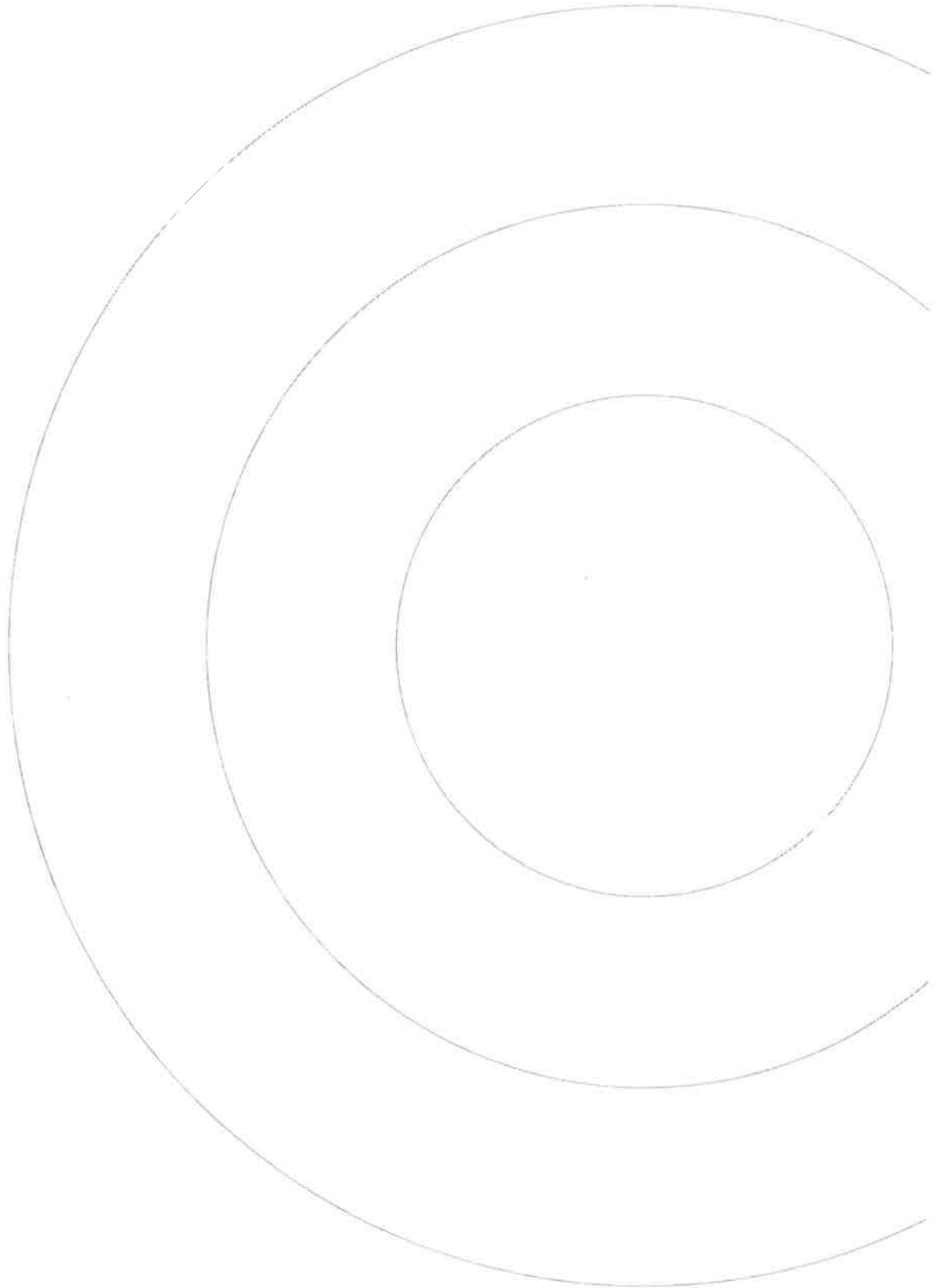
Goodwill represents USD 242,340 thousand equalizing 48% of total assets and 263% of total equity at 31 December 2018, which is significant to the consolidated financial statements.

For purposes of assessing the carrying amount of goodwill and other intangible assets of USD 313,474 thousand at 31 December 2018, compared to USD 327,122 thousand at 31 December 2017, Management prepared its annual impairment test.

In performing the impairment test Management makes an assessment of whether the Welltec International ApS Group will be able to generate positive net cash flows sufficient to support the value of the goodwill, intangible assets and other net assets of the entity. This assessment is based on estimates of expected future cash flows (value-in-use) made on the basis of financial budgets and long-term forecasts until the end of 2023. In addition to these the key assumptions used to estimate expected future cash flows are discount rates and growth rates. The oil price volatility in 2014-2017 has left the industry under pressure to reduce spending which generally has increased the estimation uncertainty and reduced the market value of Welltec.

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

For a further description of goodwill, the cash-generating unit, the impairment test and related key assumptions (being expectations about future earnings, growth rate and discount rate), refer to note 12 *Intangible assets*.



STATEMENT OF COMPREHENSIVE INCOME

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

3.1 Disaggregation of revenue from contracts with customers

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

	Europe, Africa & Russia		Americas		Middle East & Asia Pacific		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
<i>USD in thousands</i>								
Rendering of services	114,356	88,044	56,905	44,952	40,263	27,747	211,524	160,743
Sale of goods	6,528	4,106	4,451	1,425	1,634	3,228	12,613	8,759
Total	120,884	92,150	61,356	46,377	41,897	30,975	224,137	169,502

3.2 Assets and liabilities related to contracts with customers

	2018	2017
Current contract assets relating to contracts with customers:		
Trade receivables	49,771	49,353
Loss allowance	(1,961)	(367)
Other receivables	93	163
Total contract assets	47,903	49,149
Current contract liabilities relating to contracts with customers:		
Deferred revenue	-	85
Total contract liabilities	-	85

Significant changes in contract assets and liabilities

Revenue grew by 32% compared to 2017. The growth in revenue has not generated an increase in trade receivables at year end 2018. The reason for this is the Management's increased focus on collecting receivables during 2018. For more information about trade receivables and loss allowance see note 15 *Trade receivables*.

3.3 Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried -forward contract liabilities.

	2018	2017
Revenue recognized that was included in the contract liability balance at the beginning of the period:		
Deferred income	85	-

3.4 Unsatisfied long-term contracts

	2018	2017*
Aggregate amount of the transaction price allocated to long-term contracts that are partially or fully unsatisfied at 31 December 2018	703	-

*As permitted under the transitional provisions in IFRS 15, the transaction price allocated to (partially) unsatisfied performance obligations as of 31 December 2017 is not disclosed.

In the amounts for unsatisfied long-term contracts only considerations for the notice periods in the customer contracts are included according to IFRS 15.

Management expects that all of the transaction price allocated to the unsatisfied contracts as of 31 December 2018 will be recognized as revenue during the first quarter of 2019.

The amount disclosed above does not include variable considerations, which is constrained.

The Group has applied the practical expedient in IFRS 15:121, whereas contracts with a duration below 12 months is not included.

3.5 Performance obligations

Rendering of services

The Group's major part of the revenue derives from rendering of services (94% of total revenue). Sales are recognized over time, when the services have been performed and certain milestones (output-method) has been reached. Final revenue recognition takes place when there is no unfulfilled obligation that could affect the customer's acceptance of the service. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

A trade receivable will be recognized when the last milestone of the service contract has been fulfilled.

Payments are typically due within 30 days from receipt of invoice and volume discounts is found in a few contracts. There is no financing component included in payment terms.

Sale of goods

The Group's minor part of the revenue derives from sale of goods (6% of total revenue). Sales are recognized at a point in time, when the control of the goods has transferred, being the goods delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. The delivery takes place when the goods has been shipped to the specific location and the Group has the objective evidence that all criteria for acceptance has been satisfied. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A trade receivable will be recognized when the control of the goods has transferred. Payments are typically due within 30 days from receipt of invoice. There is no financing component included in payment terms.

3.6 Significant judgments

The transaction price is determined by the price specified in the contract and estimated discounts are included in the transaction prices.

Incremental costs of obtaining a contract is recognized as an expense, when incurred, if the amortization period of the asset that the entity otherwise would have recognized, is one year or less.

4. STAFF COSTS

	2018	2017	2016
<i>USD in thousands</i>			
Breakdown of staff costs			
Wages and salaries	86,871	69,072	69,698
Share-based payment to executives	1,340	6,614	434
Payment to defined contribution pension plans	1,368	1,978	2,213
Other social security costs	4,249	3,591	3,480
Total staff costs	93,828	81,255	75,825
Recognition of staff costs in the income statement			
Cost of services provided	49,527	40,356	39,005
Administrative costs	31,906	31,617	26,735
Total	81,433	71,973	65,740
Staff costs capitalized			
Development costs capitalized	5,261	3,608	4,182
Production Staff costs capitalized	7,134	5,674	5,903
Total	12,395	9,282	10,085
Average number of employees	804	731	736

Defined contribution plans

The Group operates pension schemes that cover certain groups of employees in Denmark and abroad. Those pension schemes take the form of defined contribution plans. Welltec arranges for the regular payment (e.g. a fixed amount or a fixed percentage of the salary) of premiums to independent insurers who are responsible for the pension commitments. Once Welltec has made payments of the contribution under the defined contribution pension plans, Welltec has no further pension commitments related to employees or former employees.

Remuneration to members of the Executive Board, Board of Directors and other key management personnel

The total remuneration of the Executive Board and Board of Directors of the Welltec International ApS Group, including bonus, pension, other security costs and share based payments can be specified as follows:

	2018	2017	2016
<i>USD in thousands</i>			
Short-term staff benefits	1,297	859	691
Pension benefits	99	65	66
Share-based payments	551	582	-
Total remuneration to Executive Board and Board of Directors	1,947	1,506	757

The total remuneration of the key management personnel of the Welltec International ApS Group, including bonus, pension, other security costs and share based payments can be specified as follows:

	2018	2017	2016
<i>USD in thousands</i>			
Short-term staff benefits	1,567	1,356	2,729
Pension benefits	96	86	81
Share-based payments	632	442	70
Total remuneration to other key management personnel	2,295	1,884	2,880

Incentive programs

The Group operates incentive schemes in the form of warrants (Equity-settled) to the Board of Directors of Welltec International ApS, Executive Board of Welltec A/S, certain senior executives and other key personnel in the Welltec Group. The purpose is to retain and motivate the said persons. The schemes are based on the shares of Welltec International ApS, and the warrants have no voting rights attached.

In 2006, Welltec Holding ApS issued 105,820 warrants to senior executives in the Welltec Group. The warrants vested over an employment period until 2009. If employment ceased before a warrant is vested, the warrant would be reduced proportionally. The warrant scheme is exercisable not earlier than 1 year (for warrants that vest first), and not later than 9 years, after the grant date.

In 2007, Welltec International ApS took over from Welltec Holding ApS 185,900 warrants issued to the Executive Board of Welltec A/S and senior executives in the Welltec Group. This number of warrants was converted to 400,052 warrants in Welltec International ApS and the exercise price was adjusted accordingly.

In November 2011, new warrants schemes to the Board of Directors, the Executive Board of Welltec Group and key management personnel were granted. The warrant schemes consist of 290,850 warrants of which 50,000 warrants did not have any vesting conditions, and the remaining warrants vest over an employment period between 1 and 4 years until the end of 2014. The total fair value of these warrants was at grant date USD 8.5 million of which USD 5.9 million was recognized in statement of comprehensive income in 2011, USD 2.3 million was recognized in the statement of comprehensive income in 2012 and USD 0.3 million in 2013. The fair value of the warrants schemes at grant date was calculated on the basis of the Black-Scholes model. The calculation for the 2011 schemes is based on an expected volatility of 33%, a risk-free interest rate at 0.85%, a share price of USD 143 before deducting an estimated illiquidity discount, the exercise price, an average option life of 60 month and no annual payment of dividends. The expected volatility has been determined using a historical volatility for a five-year period for comparable listed companies adjusted for a small-cap factor.

In September 2013, warrants schemes to key management personnel was granted. The warrant schemes consist of 50,800 warrants and vest over an employment period between 1 and 4 years until the end of 2017. The total fair value of these warrants was at grant date USD 3.7 million of which USD 2.4 million was recognized in the statement of comprehensive income in 2013, USD (63) thousand was recognized in the statement of comprehensive income in 2014, and USD (677) thousand was recognized in the statement of the comprehensive income in 2015. The negative amount is due to cancellation of warrant on employees leaving the Group resulting in costs from earlier periods being reversed. The fair value of the warrants schemes at grant date was calculated on the basis of the Black-Scholes model. The calculation for the 2013 schemes is based on an expected volatility of 45%, a risk-free interest rate at 0.01%, a share price of USD 174-309, the exercise price, an average option life of 36 month and no annual payment of dividends. The expected volatility has been determined using a historical volatility for a five-year period for comparable listed

companies adjusted for a small-cap factor.

In December 2014, warrants schemes to key management personnel was granted. The warrant schemes consist of 42,300 warrants and vest over an employment period between 1 and 4 years until the end of 2017. The total fair value of these warrants was at grant date USD 5.4 million of which USD 614 thousand was recognized in the statement of comprehensive income in 2017 and USD 70 thousand was recognized in the statement of the comprehensive income in 2016. The fair value of the warrants schemes at grant date was calculated on the basis of the Black-Scholes model. The calculation for the 2014 schemes is based on an expected volatility of 45%, a risk-free interest rate at 0.14%, a share price of USD 294, the exercise price, an average option life of 36 month and no annual payment of dividends. The expected volatility has been determined using a historical volatility for a five-year period for comparable listed companies adjusted for a small-cap factor.

In May 2017, warrants schemes to The Executive Board of Welltec A/S and certain key management personnel was granted. The warrant schemes consist of 231,438 warrants and vest over an employment period between 1 and 4 years until the end of 2021. The total fair value of these warrants was at grant date USD 9.4 million of which USD 1.3 million was recognized in the statement of comprehensive income in 2018 and USD 5.9 million was recognized in the statement of the comprehensive income in 2017. The fair value of the warrants schemes at grant date was calculated on the basis of the Black-Scholes model. The calculation for the 2017 schemes is based on an expected volatility of 49%, a risk-free interest rate at (0.33)%, a share price of USD 94, the exercise price, an average option life of 46 month and no annual payment of dividends. The expected volatility has been determined using a historical volatility for a five-year period for comparable listed companies adjusted for a small-cap factor.

In the event of an IPO or certain changes in the ownership structure (e.g. listing or sale of the company) all warrants will vest and become exercisable.

As a result of the dividend distribution in 2012, the exercise prices of outstanding warrant schemes from 2011 and before, were adjusted in 2012 to avoid a dilution of the fair values of those warrants. The new exercise prices were adjusted to ensure that the fair values before and after the dividend pay-out were the same. Therefore these adjustments had no effect on the consolidated financial statements in 2012.

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

Warrant scheme	Number*	Grant date	Vesting date	Expiry date	Exercise price per warrant USD**	Fair value per warrant at grant date USD	Outstanding at 31 Dec. 2018
Granted in 2006	227,721	Feb. 2006	2007 - 2009	Jun. 2016	0.15	0.9	-
Granted in 2009	68,000	Sept. 2009	2010 - 2012	Sep. 2015	33	3.7	-
Granted in 2011	290,850	Nov. 2011	2011 - 2014	Nov. 2016	34 - 147	29.7	-
Granted in 2013	50,800	Sep. 2013	2013 - 2017	Jun. 2020	136 - 241	44 - 103	4,800
Granted in 2014	42,300	Dec. 2014	2014 - 2017	Dec. 2020 - Dec. 2021	223 - 255	125 - 130	10,800
Granted in 2017	231,438	May 2017	2017	Jun. 2021	0.16 - 74	26-99	176,101

*The numbers for the 2005 and 2006 grant are after the conversion to warrants on shares in Welltec International ApS.

**The exercise prices are adjusted for the dilution impact from dividend paid in 2012. The exercise prices are contracted in DKK and translated above to USD based on the year end rate.

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

	Board of Directors of Welltec International ApS	Executive Board of Welltec A/S	Senior executives and key management personnel	Total	Weighted average exercise price USD'
Balance at 1 Jan. 2016	10,000	50,000	410,561	470,561	80
Exercised			(102,474)	(102,474)	3
Forfeited	(10,000)	(50,000)	(256,887)	(316,887)	79
Balance at 31 Dec. 2016	-	-	51,200	51,200	221
Forfeited	-	-	(32,900)	(32,900)	221
Granted	10,000	121,601	99,837	231,438	43
Balance at 31 Dec. 2017	10,000	121,601	118,137	249,738	28
Expired	-	-	(3,600)	(3,600)	157
Exercised	-	-	(47,237)	(47,237)	1
Forfeited	-	-	(7,200)	(7,200)	40
Balance at 31 Dec. 2018	10,000	121,601	60,100	191,701	58

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

15,600 warrants are exercisable as of 31 December 2018. The weighted average remaining contractual life and range of exercise price of outstanding warrants was 26 months and a price of USD 0.16 – 255 (adjusted for dilution impact) at 31 December 2018, 29 months and a price of USD 0.16 - 255 (adjusted for dilution impact) at 31 December 2017, and 37 months and a price of USD 141-235 (adjusted for dilution impact) at 31 December 2016.

Warrant scheme	Number exercised	Exercise date	Weighted average share price at exercise date USD
Granted in 2005	172,331	Mar. 2012	143
Granted in 2006	30,773	Aug. 2009	143
Granted in 2006	49,237	Dec. 2012	143
Granted in 2009	68,000	Jul. 2015	144
Granted in 2011	6,300	Dec. 2012	143

The total expense recognized in the statement of comprehensive income for all warrants schemes amounted to USD 1,340 thousand for 2018 (2017: USD 6,614 thousand, 2016: USD 434 thousand).

5. AMORTIZATION, DEPRECIATION AND IMPAIRMENT LOSSES

	2018	2017	2016
<i>USD in thousands</i>			
Completed development projects	13,093	18,617	23,557
Patents and licenses	1,126	912	887
Customer relationship	-	-	1,069
Technology	1,098	492	1,367
Total amortization of intangible assets	15,317	20,021	26,880
Other fixtures and fittings, tools and equipment	1,250	2,216	3,762
Land and buildings	543	526	480
Plant, equipment and fleet	21,546	26,504	27,718
Leasehold improvements	356	351	636
Gain/loss from disposal of plant, equipment and fleet	(125)	(214)	(21)
Total depreciation of tangible assets	23,570	29,383	32,575
Total depreciation and amortization	38,887	49,404	59,455
Write-down of completed development projects	2,903	7,562	2,196
Write-down of Technology	24	312	47,462
Write-down of customer relationship	-	-	6,398
Write-down of Patents and licenses	1,023	90	-
Write-down of plant equipment and fleet	1,956	2,174	2,584
Total impairment losses included in note 12 Intangible assets and note 13 Tangible assets	5,906	10,138	58,640
Impairment losses of completed development projects recognized as special items (see note 6 Special items)	(1,000)	-	-
Total impairment losses recognized by function	4,906	10,138	58,640
Recognition of amortization, depreciation and impairment by function			
Cost of service provided	38,146	53,559	54,853
Development and manufacturing costs capitalized	1,074	1,012	787
Administrative and sales costs	3,990	4,421	6,287
Amortization of acquired intangible assets in a business combination	583	550	56,168
Total depreciation, amortization and impairment losses	43,793	59,542	118,095

6. SPECIAL ITEMS

	2018	2017	2016
<i>USD in thousands</i>			
Compensation to PFA for selling certain rights	-	38,733	-
Salary cost related to resigned employees and special bonus	1,169	2,267	1,438
Costs related to termination of rental agreements etc.	-	135	90
Write down of assets	7,416	-	-
Other special items	1,680	1,817	865
Total special items	10,265	42,952	2,393

Special items in 2018 are primarily related to the impairment of the Well Completion Business. The costs are incurred in all functions of the business mainly in the areas within "Cost of service provided" and "Administrative and sales costs".

7. FINANCIAL INCOME

	2018	2017	2016
<i>USD in thousands</i>			
Interest income	116	70	593
Interest income from financial assets that are not measured at fair value through profit or loss	116	70	593
Exchange rate gains	7,171	15,278	13,138
Total financial income	7,287	15,348	13,731

8. FINANCIAL EXPENSES

	2018	2017	2016
<i>USD in thousands</i>			
Interest expenses	33,145	26,063	26,594
Other financial expenses	2,215	8,982	3,038
Interest expenses from financial liabilities that are not measured at fair value through profit or loss	35,360	35,045	29,632
Exchange rate loss	5,899	23,416	12,746
Total financial expenses	41,259	58,461	42,378

Borrowing costs capitalized on development projects are calculated based on the incurred costs and a weighted average capitalization rate of 9.47% (2017: 6.9%).

The amount capitalized in 2018 is USD 769 thousand (2017: USD 552 thousand, 2016: USD 350 thousand).

The net exchange rate gain at 31 December 2018 was USD 1,272 thousand (2017: Loss of USD 8,138 thousand, 2016: Gain of USD 392 thousand).

9. INCOME TAXES

	2018	2017	2016
<i>USD in thousands</i>			
Current tax	3,956	2,014	4,432
Adjustment in corporation tax previous years	1,386	(1,135)	(1,449)
Current tax incl. adj. in corporation tax previous years	5,342	879	2,983
Adjustment in deferred tax previous years	4,779	1,099	1,324
Change in deferred tax	(6,181)	(15,690)	(18,959)
Effect from change in tax rate, deferred tax	-	(90)	9
Tax effect from tax provision	(937)	909	(802)
Other taxes	4,897	8,069	3,800
Total	7,900	(4,824)	(11,645)
Breakdown of tax			
Loss before tax	(22,857)	(101,207)	(81,344)
Reconciliation of tax expense USD			
Danish corporation tax	(5,029)	(22,266)	(17,896)
Effect of exchange rate adjustment in USD and DKK on Danish corporation tax	-	(4,014)	(288)
Effect of difference between tax rate for subsidiaries outside Denmark and Danish tax rate	305	(502)	(749)
Tax effect from tax provision	(937)	(724)	(802)
Non-taxable income and non-deductible expenses	1,503	13,900	1,697
Interest limitation, thin capitalization etc	5,586	3,126	2,547
Withholding taxes non-deductible	4,897	6,906	3,476
Change in corporate income tax rate, current and coming years	-	(90)	9
Other taxes, including adjustment to previous years	1,575	(1,160)	361
Total	7,900	(4,824)	(11,645)

In 2013, Management decided to change the presentation currency of its consolidated financial statements to USD, however, tax returns for the Danish companies were up to 2017 still submitted in DKK with numbers based on consolidation in DKK.

Effect of exchange rate adjustment in USD and DKK on Danish corporation tax is caused by the exchange rate adjustments between USD and DKK in the USD account.

For 2018 the tax returns for the Danish companies will be prepared in USD.

No income tax has been recognized in other comprehensive income in 2018. In 2018 USD 0 thousand (2017: USD 0 thousand, 2016: USD 1,699 thousand) was recognized directly in equity related to tax credit arising upon exercise of warrants.

Denmark – credit for taxes paid abroad

The Danish tax authorities have in 2014 issued tax assessment notices for the financial years 2009 to 2011 following the assessment made regarding the financial year 2008. The new assessments adjust the tax payable due to non-recognition of credit relief calculated on withholding taxes paid abroad. The additional tax payable has been paid and expensed. The decisions are appealed to the National Tax Tribunal.

The tax credit calculations for the financial years 2013 to 2017 and the preliminary tax calculation for 2018 have been made up based on similar principles as applied by the Danish tax authorities for previous years.

STATEMENT OF CASH FLOWS

10. NON-CASH ADJUSTMENTS

	2018	2017	2016
<i>USD in thousands</i>			
Depreciation of intangible and tangible assets	38,871	50,020	59,455
Disposal and impairment losses	14,969	9,735	58,640
Exchange rate adjustment on depreciations and fixed assets	237	(318)	(211)
Currency adjustments, other	(4,040)	(4,989)	3,604
Impairment of trade receivables	1,961	104	-
Share-based payments	1,340	6,614	434
Total non-cash adjustments	53,338	61,166	121,922

11. CHANGES IN WORKING CAPITAL

	2018	2017	2016
<i>USD in thousands</i>			
Change in trade receivables and prepayments	(1,305)	(5,863)	15,959
Change in inventories	(2,359)	(2,476)	256
Change in trade payables	4,113	4,372	(3,758)
Change in other payables	5,255	1,692	(6,590)
Change in other receivables	1,261	1,659	(1,514)
Total changes in working capital	6,965	(616)	4,353

STATEMENT OF FINANCIAL POSITION

12. INTANGIBLE ASSETS

	Goodwill	Other intangible assets*	Completed development projects	Development projects in progress	Patents and licenses	Total
USD in thousands						
Costs at 1 Jan. 2017	242,340	104,474	174,971	8,899	20,924	551,608
Additions	-	809	-	9,236	2,643	12,688
Transfer	-	-	5,605	(5,605)	-	-
Disposal	-	-	(309)	-	-	(309)
Costs at 31 Dec. 2017	242,340	105,283	180,267	12,530	23,567	563,987
Amortization and impairment losses at 1 Jan. 2017	-	87,636	116,516	586	4,451	209,189
Amortization for the year	-	492	18,617	-	912	20,021
Impairment losses for the year	-	312	7,562	-	90	7,964
Disposal	-	-	(309)	-	-	(309)
Amortization and impairment losses at 31 Dec. 2017	-	88,440	142,386	586	5,453	236,865
Carrying value at 31 Dec. 2017	242,340	16,843	37,881	11,944	18,114	327,122
Costs at 1 Jan. 2018	242,340	105,283	180,267	12,530	23,567	563,987
Additions	-	1,466	4,161	5,793	2,950	14,370
Transfer	-	-	3,717	(3,717)	-	-
Disposal	-	(256)	(47,583)	(1,221)	-	(49,060)
Costs at 31 Dec. 2018	242,340	106,493	140,562	13,385	26,517	529,297
Amortization and impairment losses at 1 Jan. 2018	-	88,440	142,386	586	5,453	236,865
Amortization for the year	-	1,098	13,093	-	1,126	15,317
Impairment losses for the year	-	24	2,903	-	1,023	3,950
Disposal	-	-	(40,309)	-	-	(40,309)
Amortization and impairment losses at 31 Dec. 2018	-	89,562	118,073	586	7,602	215,823
Carrying value at 31 Dec. 2018	242,340	16,931	22,489	12,799	18,915	313,474

* Please see following specification.

Development costs recognized in the profit/loss statement in 2018 amounts to USD 2,596 thousand (2017:USD 881 thousand). For impairment losses see note 6 *Special items*.

Specification of other intangible assets

	Technology	Brand	Total
<i>USD in thousands</i>			
Costs at 1 Jan. 2017	90,550	13,924	104,474
Additions	809	-	809
Costs at 31 Dec. 2017	91,359	13,924	105,283
Amortization and impairment losses at 1 Jan. 2017	87,636	-	87,636
Amortization for the year	492	-	492
Impairment losses for the year	312	-	312
Amortization and impairment losses at 31 Dec. 2017	88,440	-	88,440
Carrying value at 31 Dec. 2017	2,919	13,924	16,843
Costs at 1 Jan. 2018	91,359	13,924	105,283
Additions	1,466	-	1,466
Disposal	(256)	-	(256)
Costs at 31 Dec. 2018	92,569	13,924	106,493
Amortization and impairment losses at 1 Jan 2018	88,440	-	88,440
Amortization for the year	1,098	-	1,098
Impairment losses for the year	24	-	24
Amortization and impairment losses at 31 Dec. 2018	89,562	-	89,562
Carrying value at 31 Dec. 2018	3,007	13,924	16,931

Goodwill and intangible assets with indefinite useful life

Goodwill of USD 242,340 thousand is related to the acquisition of Welltec Holding ApS in 2007, and has been subject to an annual impairment test. The impairment test performed in 2018 revealed no need for impairment of goodwill.

Goodwill has been tested at the aggregated level. The Welltec International ApS Group is considered as one cash-generating unit as the acquisition in 2007 related to the whole Group. It is the opinion of Management that the carrying amount for goodwill does not exceed its recoverable value based on an estimate of present value of expected future net cash flows from the Welltec International ApS Group (value-in-use).

The calculation of the value-in-use is based on the following key assumptions; expectations about growth rates, EBITDA ratio and discount rates.

Expectations are based on financial budget for 2019 and long-term forecasts until the end of 2024, a growth rate of 2.4% 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 11.1%. The weighted average cost of capital before tax is 12.6%. In 2017 the weighted average cost of capital used was 10.7% which equals a before tax discount rate of 11.8%.

Impairment test is 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 2018 amid production declines and reduced investments. The weakening supply fundamentals coupled with a resilient demand paved the way for higher oil prices and more importantly a more stable oil price environment by the end of 2018. Looking into 2019, market consensus suggest a continued stabilization albeit with risk of increased volatility should geopolitical unrest or the OPEC production coordination yet again fail. For Welltec, the market potential remains unchanged, as the global demand continues to increase. In addition the current oil price environment requires the industry to adopt new technology that reduces cost of production and ultimately help operators create sustainable businesses.

Although the prevailing climate is challenging for the industry and Welltec with global E&P spend dramatically reduced, above supports that the long term market potential for Welltec is unchanged.

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

- Revenue increases due to a market pick up as described above and a continuously introduction of new and improved services where Welltec is able to expand and gain market shares. This is expected to result in notable revenue growth in 2019 falling to single digit growth rate in the period 2020-2023.
- OPEX will be maintained at same absolute level due to improved processes and better utilization of the current setup.

Sensitivity analysis on the revenue growth and EBITDA ratio have been performed to assess the probability that any likely change in cash flow or discount rate will result in an impairment loss. The sensitivity of the revenue growth and EBITDA ratio indicates that revenue growth and EBITDA ratio in the forecast period from 2020 - 2023 can decrease with up to 7% and 4% respectively, before a write-down will have to be recognized.

Impairment of other intangible assets

Impairment of development projects amounted to USD 2.9 million (2017: USD 7.6 million), and impairment of patent amounted to USD 1.0 million which has been recognized in the statement of comprehensive income under "cost of services provided" as the projects are closed. The recoverable amount was calculated on the basis of Management's re-assessed estimate of the value in use of the assets.

13. TANGIBLE ASSETS

	Land and buildings	Leasehold improvement	Plant, equipment and fleet	Other fixtures, fittings, tools & equipment	Plant, equipment & fleet under construction	Total
<i>USD in thousands</i>						
Costs at 1 Jan. 2017	11,351	6,518	264,160	25,999	22,804	330,832
Additions	123	122	1,476	1,011	13,714	16,446
Transfer	-	-	17,795	-	(17,795)	-
Disposals	(279)	-	(22,041)	(4,285)	-	(26,605)
Exchange rate adjustment	113	58	23	1,178	33	1,405
Costs at 31 Dec. 2017	11,308	6,698	261,413	23,903	18,756	322,078
Depreciation and impairment losses at 1 Jan. 2017	1,320	5,011	198,582	22,147	-	227,060
Depreciation for the year	526	351	26,504	2,216	-	29,597
Impairment losses for the year	-	-	2,174	-	-	2,174
Disposals	(112)	-	(22,041)	(4,132)	-	(26,285)
Exchange rate adjustment	17	51	20	1,000	-	1,088
Depreciation and impairment losses at 31 Dec. 2017	1,751	5,413	205,239	21,231	-	233,634
Carrying value at 31 Dec. 2017	9,557	1,285	56,174	2,672	18,756	88,444
Hereof held under finance lease	6,752	-	5,103	-	-	11,855
Costs at 1 Jan. 2018	11,308	6,698	261,413	23,903	18,756	322,078
Additions	93	591	5,534	1,066	17,460	24,744
Transfer	-	-	12,029	-	(12,029)	-
Disposals	-	(20)	(968)	(1,012)	-	(2,000)
Exchange rate adjustment	(111)	(147)	(168)	(1,327)	(77)	(1,830)
Costs at 31 Dec. 2018	11,290	7,122	277,840	22,630	24,110	342,992
Depreciation and impairment losses at 1 Jan. 2018	1,751	5,413	205,239	21,231	-	233,634
Depreciation for the year	543	356	21,546	1,250	-	23,695
Impairment losses for the year	-	-	1,956	-	-	1,956
Disposals	-	(14)	(963)	(852)	-	(1,829)
Exchange rate adjustment	(19)	(131)	(244)	(1,199)	-	(1,593)
Depreciation and impairment losses at 31 Dec. 2018	2,275	5,624	227,534	20,430	-	255,863
Carrying value at 31 Dec. 2018	9,015	1,498	50,306	2,200	24,110	87,129
Hereof held under finance lease	5,573	-	7,109	-	-	12,682

Impairment losses in 2018 and in 2017 are related to scrapped tools, tools lost in the wells and impairment tests of the tool fleet.

14. INVENTORIES

	2018	2017
<i>USD in thousands</i>		
Raw materials	7,944	6,397
Finished goods	1,115	302
Total inventories	9,059	6,699
Amount of write-down of inventories during the year	-	19
Amount of reversal of write-down of inventories during the year	-	-
Cost of inventories included in cost of services provided	7,216	4,174

15. TRADE RECEIVABLES

	2018	2017
<i>USD in thousands</i>		
Trade receivables before allowance for doubtful accounts	49,771	49,353
Write-downs	(1,961)	(367)
Total trade receivables	47,810	48,986
Trade receivables - average fixed time of credit (days)	80	109
Development in write-downs of trade receivables		
Write-downs at 1 January 2018	(367)	(263)
Reversed, unrealized write-downs	62	196
Realized losses during the year	142	-
Unrealized write-downs during the year deemed uncollectible	(1,798)	(300)
Write-downs at 31 December 2018	(1,961)	(367)
Age of past due trade receivables, not impaired		
Not due	31,705	35,248
Up to 30 days	8,647	4,753
30 - 60 days	3,210	3,344
60 - 90 days	1,408	1,372
90 - 120 days	1,644	2,185
120+ days	3,157	2,451
Total trade receivables	49,771	49,353

15.1 Credit risk management

The Group's credit risk on liquid funds is limited because the counter parties are banks with high credit ratings assigned by the international credit-rating agencies.

The Group's services are provided to a variety of contractual counter parties and are therefore subject to the risk of non-payment for services or non-reimbursement of costs. Receivables consist of a relatively small number of customers, but the customers are large corporations in the oil industry and have high credit ratings. The Group's loss on trade receivables are historically immaterial. There is an ongoing centralized follow-up on out-standing trade receivables in accordance with the Group's dunning procedures. The maximum credit risk related to financial assets corresponds to the carrying amount.

The Group has 2 customers, which accounts for 10% or more of the total revenue in 2018 (2017: 3 customers).

15.2 Impairment of trade receivables

The Group's financial assets and trade receivables relating to revenue, are subject to the expected credit loss model. The IFRS 9 simplified approach is applied to measure the expected credit losses. The contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates per 31 December 2018 are based on the payment profiles over a period of 3 years before 31 December 2016, 31 December 2017 and 31 December 2018 and the corresponding historical credit losses experienced within this period.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has assessed the economy and market conditions of the countries in which it sells its services and goods and accordingly adjusted the historical loss rates based on expected changes in these factors.

The revenue has increased by 32% since 2017, which has had an impact on the increased loss allowance in 2018.

On that basis, the loss allowance as at 31 December 2018 was determined as follows for both trade receivables and contract assets:

	31 December 2018				Total
	Not past due	Less than 30 days past due	30 to 60 days past due	More than 60 days past due	
<i>USD in thousands</i>					
Expected credit loss rate	1.0%	4.0%	9.2%	15.8%	
Trade receivable	31,705	8,647	3,210	6,209	49,771
Contract assets	93	-	-	-	93
Loss allowance	332	353	294	982	1,961

16. SHARE CAPITAL

	2018	2017
<i>USD in thousands</i>		
Share units 1 January	869	850
Capital Increase 24 November 2017	-	19
Capital increase 2 May 2018	8	-
Share units 31 December	877	869

The share capital consists of 5,064,253 units of DKK 1 / USD 0.17. All shares are fully paid.
No dividend was paid out in 2018 or 2017, and no dividend is proposed related to the financial year 2018.

	Number of shares	Nominal value in DKK	Share of capital in %
Own shares 1 Jan. 2017	235,997	235,997	4.8
Purchase of shares	38,990	38,990	0.8
Sale of shares	(273,648)	(273,648)	(5.6)
Own shares 31 Dec. 2017	1,339	1,339	0.0
Own shares 31 Dec. 2018	1,339	1,339	0.0

Welltec invests in own shares using excess liquidity to reduce the number of shareholders.

17. DEFERRED TAX ASSETS AND LIABILITIES

	2018	2017
<i>USD in thousands</i>		
Deferred tax 01.01	12,299	22,695
Exchange rate adjustments	46	3,377
Adjustment in deferred tax previous years	4,780	1,099
Change in deferred tax for the year	(7,119)	(14,782)
Effect of change in income tax rate, current year	-	(90)
Deferred tax assets (-) / liabilities 31.12	10,006	12,299

Deferred tax breakdown

Intangible assets	19,520	29,671
Tangible assets	(9,110)	(17,406)
Current and non-current liabilities	(281)	708
Current assets	-	-
Change in tax rate, coming years	-	-
Tax loss carried forward	(123)	(674)
Deferred tax assets (-)/liabilities 31.12	10,006	12,299

Deferred tax is recognized in the statement of financial position with

Deferred tax assets	(3,803)	(2,557)
Deferred tax liabilities	13,809	14,856
Deferred tax assets (-)/liabilities 31.12	10,006	12,299

The Group does not recognize deferred tax assets that are unlikely to be realized or otherwise exposed to major risk or uncertainty.
The tax value of the tax asset not capitalized has been estimated at 31 December 2018, to be approx. USD 0 thousand (2017: USD 0 thousand).

18. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

	2018	2017
<i>USD in thousands</i>		
Issued bonds	331,238	329,689
Finance lease commitments	11,790	10,881
Total	343,028	340,570

Recognition of short-term and long-term financial liabilities in the statement of financial position:

Non-current financial liabilities — lease commitments	9,338	9,143
Non-current financial liabilities — issued bonds	331,238	329,689
Current financial liabilities	2,452	1,738
Total	343,028	340,570

	2017				
	Expiry	Fixed or floating interest	Effective interest rate %	Carrying amount local (thousands)	Carrying amount USD (thousands)
<i>Currency</i>					
DKK	2024	floating	0.95 - 7.39	67,545	10,881
USD	2022	fixed	9.75	329,689	329,689
					340,570

	2018				
	Expiry	Fixed or floating interest	Effective interest rate %	Carrying amount local (thousands)	Carrying amount USD (thousands)
<i>Currency</i>					
DKK	2026	floating	0.95 - 9.44	76,864	11,790
USD	2022	fixed	9.75	331,238	331,238
					343,028

Issued bonds

In November 2017, Welltec A/S issued bonds of a value of USD 340 million. The bonds have a fixed interest of 9.5% and an effective rate of 9.75%. The bonds are repayable in full in November 2022. The fair value of issued bonds at 31 December 2018 is USD 338 million (2017: USD 343 million). The fair value is based on the OTC quoted market price (level 1 in the fair value hierarchy) 99.50 USD per note. (2017: 101.00 USD per note).

18.1 Finance lease obligations

	2018		2017	
	Minimum lease payments	Present value of minimum lease payment	Minimum lease payments	Present value of minimum lease payment
<i>USD in thousands</i>				
Maturity of finance lease obligations:				
Within 1 year	2,962	2,452	1,796	1,738
Between 1 and 5 years	7,803	6,348	5,527	5,330
Over 5 years	4,581	2,990	4,151	3,813
Total finance lease obligations	15,346	11,790	11,474	10,881

Finance lease relates to a building with a lease term of 12.5 years and manufacturing equipment with lease terms of 3-5 years. The Group has options to purchase the building and equipment for a nominal amount at the end of the lease agreements. The Group's obligations under finance leases are secured by the lessors' title to the leased assets. The fair value of the finance lease liabilities is approximately equal to their carrying amount as of 31 December 2018 and 31 December 2017.

	2018	2017
<i>USD in thousands</i>		
Interest from finance lease, expensed	617	555

18.2 Maturity dates for financial liabilities

	2017			
	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total
<i>USD in thousands</i>				
Finance lease commitments	1,738	5,330	3,813	10,881
Issued bonds (incl. holding of own bonds)	-	329,689	-	329,689
Trade payables	12,726	-	-	12,726
Other payables	22,103	-	-	22,103
Total financial liabilities	36,567	335,019	3,813	375,399

	2018			
	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total
<i>USD in thousands</i>				
Finance lease commitments	2,452	6,348	2,990	11,790
Issued bonds (incl. holding of own bonds)	-	331,238	-	331,238
Trade payables	16,839	-	-	16,839
Other payables	27,579	-	-	27,579
Total financial liabilities	46,870	337,586	2,990	387,446

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

18.3 Net interest-bearing debt

	2017	Included in cash flow from financing activities	Non-cash changes			2018
			New leases	Currency translation adjustments	Fair value adjustments	
Issued bonds	329,689	-	-	-	1,549	331,238
Finance lease commitments	10,881	(2,175)	3,650	(566)	-	11,790
Total interest bearing debt	340,570	(2,175)	3,650	(566)	1,549	343,028
Cash and cash equivalents	(29,689)					(21,376)
Net interest bearing debt	310,881					321,652

19. OTHER PAYABLES

	2018	2017
<i>USD in thousands</i>		
Wages and salaries, personal income taxes, social security costs, etc. payable	8,494	3,047
Holiday pay obligation	5,981	5,601
Accrued interests	2,727	2,511
Other costs payable	10,377	10,944
Total other payables	27,579	22,103

STATEMENT OF FINANCIAL POSITION

20. FEES TO AUDITORS APPOINTED AT THE ANNUAL GENERAL MEETING

	2018	2017	2016
<i>USD in thousands</i>			
Statutory audit services	238	241	230
Statutory audit services	238	241	230
Non-audit services:			
Assurance opinions	-	3	-
Tax advisory services	189	182	59
Other	129	187	37
Non-audit services	318	372	96
Total fees to auditor	556	613	326

21. ASSETS CHARGED AND CONTINGENT LIABILITIES

In 2018 the Group has issued bank guarantees to third parties in the amount of USD 4,555 thousand (2017:USD 3,622 thousand).

Welltec International ApS is part of a Danish joint taxation scheme with its Danish subsidiaries. As from the 2013 financial year, the company has partly a joint and several liability and partly a secondary liability with respect to income taxes etc. for the jointly-taxed companies. As from 1 July 2012 it also has partly a joint and several liability and partly a secondary liability with respect to any obligations to withhold tax on interest, royalties and dividends for these companies. However, in both cases the secondary liability is capped at an amount equal to the share of the capital of the company directly or indirectly owned by the ultimate parent company. Upto and including 22 February 2018 Welltec International and its Danish subsidiaries was jointly taxed with JH Holding, Allerød ApS and its Danish subsidiaries.

The bond debt is guaranteed by Welltec International ApS, Welltec Holding ApS, Welltec Canada Inc., Welltec Africa ApS, Welltec (UK) Ltd, Welltec Inc. and Welltec Oilfield Services (Norway) AS and is secured, subject to certain exceptions and permitted liens, by all of the issued shares of Welltec A/S and each of the guarantors (other than Welltec International ApS, Welltec Oilfield Services (Norway) AS and Welltec (UK) Ltd.).

Welltec International ApS Group is involved in legal proceedings and disputes in a number of countries against businesses and individuals. It is the opinion of Management that the outcome of these proceedings will not have a material impact on the group's financial position, results of operations or cash flows.

22. OPERATING LEASE COMMITMENTS

	2018	2017	2016
<i>USD in thousands</i>			
Total minimum future lease payments:			
Due within 1 year	5,702	4,896	4,391
Due within 1-5 years	6,670	8,992	8,704
Over 5 years	2,468	3,826	5,538
Total rental and leasing obligations	14,840	17,714	18,633
Lease payments recognized in the income statement	8,240	8,022	7,264

The Group has entered into operational leasing agreements regarding leases of houses, offices, office furnitures, equipment, containers and vehicles for the period 2019-2026.

23. FINANCIAL INSTRUMENTS

23.1 General capital structure

The Group is financed partly through equity and partly through long-term debt. Management assesses on a regular basis whether the Group's capital structure is in accordance with the Group's and shareholders' interests. The overall objective is to ensure a capital structure that supports long-term growth and also maximizes returns to the shareholders of the group by optimizing the debt to equity ratio. The Group's overall objective remains the same.

23.2 Market risk

Due to the Group's foreign activities and credit facilities in foreign currencies, its income statement, cash flows and equity are affected by changes in exchange rates and interest rates for a number of currencies.

A significant part of this change in exchange rates has been eliminated by changing functional currency for the Danish companies to US dollar from 2012.

23.2.1 Foreign currency risk management

The reporting currency of the Group is US dollars. The functional currency of the Danish companies is considered to be US Dollars, and the rest of the Group's subsidiaries have the functional currency of the country in which the subsidiary is domiciled. A proportion of the Group's revenues, expenses and other liabilities are denominated in currencies other than US dollars, in particular Danish kroner, Norwegian kroner and British pounds. Exchange rate exposures are managed within approved policy parameters. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows stated in the material currencies affecting the group:

	Assets		Liabilities	
	2018	2017	2018	2017
<i>USD in thousands</i>				
DKK	262,115	190,693	(243,764)	(182,545)
GBP	3,691	15,262	(3,212)	(9,671)
NOK	8,070	3,696	(5,424)	(456)

23.2.2 Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% increase and decrease in DKK, GBP and NOK against the relevant foreign currencies. The percentage used is the sensitivity rate and is representing Management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and equity where the currency strengthens 10% against the relevant currency. For a 10% weakening of the currency against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

	Currency DKK impact		Currency GBP impact		Currency NOK impact	
	2018	2017	2018	2017	2018	2017
USD in thousands						
Profit/(Loss)	281	815	37	28	278	240
Equity	-	-	(53)	(327)	314	623

23.2.3 Interest rate risk management

From the beginning of 2012 the Group's interest rate risk mainly relates to the Group's interest bearing debt to bondholders. The interest was fixed at an effective rate of 8.5%. In November 2017 the interest bearing debt was refinanced with a new bond loan. The interest is fixed at an effective rate of 9.75%.

As the interest rate is fixed the Group does not apply hedge accounting to its derivative financial instruments. Thus any changes in fair value are recognized directly in statement of comprehensive income as financial income or financial expenses.

23.2.5 Interest rate sensitivity analysis

A 250 basis point increase or decrease represents Management's assessment of the reasonably possible change in interest rates.

If interest rates had been 250 basis points higher/lower and all other variables were held constant, the Group's profit for the year and equity as of 31 December 2018 would be affected with USD 850 thousand (2017: USD 675 thousand).

23.3 Liquidity risk management

It is the Group's policy that capital raising and distribution of cash are managed centrally by the Group's finance department to the extent it is deemed appropriate. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows.

The Group is adjusting centrally the cash outflow in investments in intangible assets and property, plant and equipment in Denmark.

For general corporate and working capital purpose the Group holds a USD 40 million Revolving Credit Facility. The RCF contains requirements for mandatory prepayments upon certain events and a financial covenant.

Please see note 19.2. *Maturity dates for financial liabilities.*

23.4 Categories of financial instruments

	2018	2017
<i>USD in thousands</i>		
Other receivables - non current	414	952
Trade receivables	47,810	48,986
Other receivables - current	4,350	5,612
Cash and cash equivalents	21,376	29,689
Financial assets measured at amortized cost	73,950	85,239
Finance lease commitments	11,790	10,881
Issued bonds	331,238	329,689
Trade payables	16,839	12,726
Other payables	27,579	22,103
Financial liabilities measured at amortized cost	387,446	375,399

All financial assets and liabilities are measured at cost or amortized cost. The carrying amounts for these approximate fair value.

24. RELATED PARTIES

Welltec International ApS' related parties:

- 1 JH Holding, Allerød, 2018 ApS, Bredgade 25.2, 1260 Copenhagen K, Denmark.
Jørgen Hallundbæk is the ultimate controlling party
- 2 7 Industries Holding B.V., Van Heuven Goedhartlaan 13D, 1181 LE, Amstelveen,
The Netherlands (owns more than 5%)
- 3 Exor N.V., Gustav Mahlerplein 25, 1082 Amsterdam, The Netherlands (owns more than 5%)
- 4 Members of the parent company's Executive Management and Board of Directors
as well as close relatives of these members
- 5 Subsidiaries of Welltec International ApS
– see note 26. *Investments in subsidiaries* in the consolidated financial statements

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated in consolidation in accordance with the accounting policies and are not disclosed in this note, but in note 15. *Related parties* to the financial statements of the parent company. Details of transactions between the group and other related parties are disclosed below.

24.1 Related parties transactions

During the year, Group entities entered into the following trading transactions with related parties that are not members of the Group:

	2017*		
	Affiliates	Key management personnel	Board of Directors
<i>USD in thousands</i>			
Share buyback	26,544	-	-
Legal services	70	-	-
Total transactions	26,614	-	-

	2018		
	Affiliates	Key management personnel	Board of Directors
<i>USD in thousands</i>			
Consultant services	70	-	-
Total transactions	70	-	-

* In 2017 Exor N.V. and 7 Industries Holding B.V. purchased own shares from Welltec International for USD 26,544 thousand and also funded the capital increase of USD 11,842 thousand.

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

	Amounts owed by related parties		Amounts owed to related parties	
	2018	2017	2018	2017
<i>USD in thousands</i>				
Executive Board and Board of Directors	-	-	-	(51)
Affiliates	-	-	(70)	(70)
Total balances	-	-	(70)	(121)

25. EVENTS AFTER THE BALANCE SHEET DATE

No other significant events regarding the Group's activities have occurred since 31 December 2018.

26. INVESTMENTS IN SUBSIDIARIES

The Group has investments in the following subsidiaries:

Name	Registered office	Principal activity	Year / currency	Capital	Share
Welltec Angola Lda.***	Angola	Sales Company	2006 / USD	5,000	49%
Welltec Oilfield Services Argentina SA**	Argentina	Sales Company	2015 / ARS	50,000	100%
Welltec Oilfield Services Pty. Ltd.**	Australia	Sales Company	2005 / AUD	10	100%
Welltec Oilfield Services (Azerbaijan) Ltd.**	Azerbaijan	Sales Company	2007 / USD	5,000	100%
Welltec do Brasil Ltda.**	Brazil	Sales Company	2006 / BRL	423,790	100%
Welltec Canada Inc.**	Canada	Sales Company	2001 / CAD	6,000,001	100%
Welltec Oilfield Services (Newfoundland & Labrador) Limited**	Canada	Sales Company	2017 / CAD	10	100%
Welltec Oilfield Services Congo SAS***	Congo	Sales Company	2017 / XAF	1,000,000	100%
RS 2001 ApS*	Denmark	Sales Company	2001 / DKK	125,000	100%
Welltec Latinamerica ApS**	Denmark	Sales Company	2005 / DKK	475,000	100%
Welltec Africa ApS*	Denmark	Sales Company	2005 / DKK	125,000	100%
Welltec A/S****	Denmark	Manufacture	1989 / DKK	292,005,743	100%
Welltec Holding ApS	Denmark	Holding Company	2005 / DKK	254,865,743	100%
Welltec Oilfield Services (Continental Europe) A/S**	Denmark	Sales Company	2014 / DKK	500,000	100%
Welltec Oilfield Services Gabon Sarl****	Gabon	Sales Company	2015 / CFA	1,000,000	100%
Welltec Oilfield Services (Ghana) Limited****	Ghana	Sales Company	2013 / GHC	40,818	90%
Welltech Oilfield Services (Guyana) Inc****	Guyana	Sales Company	2017 / GYD	500,000	100%
PT. Welltec Oilfield Services Indonesia**	Indonesia	Sales Company	2005 / USD	500,000	95%
Welltec Oilfield Services (India) Private Limited**	India	Sales Company	2008 / INR	100,000	100%
Welltec Oilfield Services (Kazakhstan) LLP**	Kazakhstan	Sales Company	2011 / KZT	151,200	100%
Welltec Oilfield Services (Malaysia) Sdn. Bhd**	Malaysia	Sales Company	2005 / MYR	350,000	49%
Welltec Oilfield Services Mexico S.A.**	Mexico	Sales Company	2007 / MXN	50,000	100%
Welltec Oilfield Services (Nigeria) Ltd. *****	Nigeria	Sales Company	2006 / NGN	25,000,000	30%
Welltec Oilfield Services (Norway)**	Norway	Sales Company	2015 / NOK	3,000,000	100%
Welltec Oilfield Services (Muscat) LLC**	Oman	Sales Company	2017 / OMR	150,000	70%
Welltec Oilfield Services (Doha) LLC**	Qatar	Sales Company	2015 / QAR	1,000	49%
Welltec (RUS) Holding LLC**	Russia	Holding Company	2017/RUB	100,000	100%
Welltec Oilfield Services (RUS) LLC.**	Russia	Sales Company	2007 / RUB	100,000	100%
Welltec Oilfield Services (Saudi Arabia) Ltd**	Saudi Arabia	Sales Company	2008 / SAR	500,000	100%
Welltec (UK) Ltd.**	Scotland - UK	Sales Company	2002 / GBP	1	100%
Welltec Oilfield Services (Proprietary) (South Africa) Limited****	South Africa	Sales Company	2010 / ZAR	1,000	100%
Welltec Oilfield Solutions AG*****	Switzerland	Operating	2016/ CHF	100,000	100%
Welltec Switzerland (Holding) AG	Switzerland	Holding Company	2016 / CHF	100,000	100%
Welltec Oilfield Services (Trinidad & Tobago) Limited*	Trinidad & Tobago	Sales Company	2016 / TTD	1	100%
Welltec Oilfield Services (Uganda) Limited****	Uganda	Sales Company	2012 / USD	10,000	100%
Welltec Inc.**	USA	Sales Company	2000 / USD	100,000	100%
Welltec Venezuela, C.A.**	Venezuela	Sales Company	2005 / VEF	1,000	100%

* Held by Welltec Inc., ** Held by Welltec A/S, ***Held by Welltec Latinamerica ApS, ****Held by Welltec Africa ApS, ***** Held by Welltec Holding ApS ***** Held by Welltec Switzerland Holding AG

Even though Welltec A/S only holds a 49% and 30% ownership interest in 4 subsidiaries, Welltec A/S controls the 4 subsidiaries through holdings of more than half of the voting power. As stated above, Welltec owns a number of subsidiaries in the Group more than 50% but less than 100%.

Welltec consolidates these entities 100% with no minority interest. Welltec de facto has 100% ownership according to the respective shareholder agreements as Welltec is entitled to receive 100 % of the dividends of these entities.

FINANCIAL STATEMENTS

PARENT COMPANY

PARENT STATEMENT OF COMPREHENSIVE INCOME

	NOTE	2018	2017	2016
<i>USD in thousands</i>				
Administrative costs	3	(251)	(296)	(163)
Operating profit/loss (EBIT) before special items		(251)	(296)	(163)
Special Items		-	(38,733)	-
Operating loss (EBIT)		(251)	(39,029)	(163)
Financial income	4	101,442	-	2,940
Financial expenses	5	(7,811)	(113,753)	(4,302)
Profit/(loss) before tax		93,380	(152,782)	(1,525)
Income taxes	6	1,711	1,011	(171)
Profit/(loss) for the year		95,091	(151,771)	(1,696)
Total comprehensive income/(loss)		95,091	(151,771)	(1,696)
Allocation of total comprehensive income/(loss)				
Transferred to retained earnings		95,091	(151,771)	(1,696)

PARENT STATEMENT OF FINANCIAL POSITION

	NOTE	31 Dec. 2018	31 Dec. 2017
<i>USD in thousands</i>			
Non-current assets			
Financial assets			
Investments in subsidiaries	9	392,678	291,718
Total financial assets		392,678	291,718
Total non-current assets		392,678	291,718
Current assets			
Receivables			
Tax receivables		1,711	924
Receivables from subsidiaries and affiliates	15	1,604	7,052
Total receivables		3,315	7,976
Cash and cash equivalents		15	1,125
Total current assets		3,330	9,101
Total assets		396,008	300,819

PARENT STATEMENT OF FINANCIAL POSITION

	NOTE	31 Dec. 2018	31 Dec. 2017
<i>USD in thousands</i>			
Equity			
Share capital	10	877	869
Retained earnings		292,311	195,880
Total equity		293,188	196,749
Non-current liabilities			
Loan from subsidiaries	11	100,200	76,717
Total non-current liabilities		100,200	76,717
Current liabilities			
Payables to subsidiaries	11	2,321	27,051
Other payables		299	302
Total current liabilities		2,620	27,353
Total liabilities		102,820	104,070
Total equity and liabilities		396,008	300,819

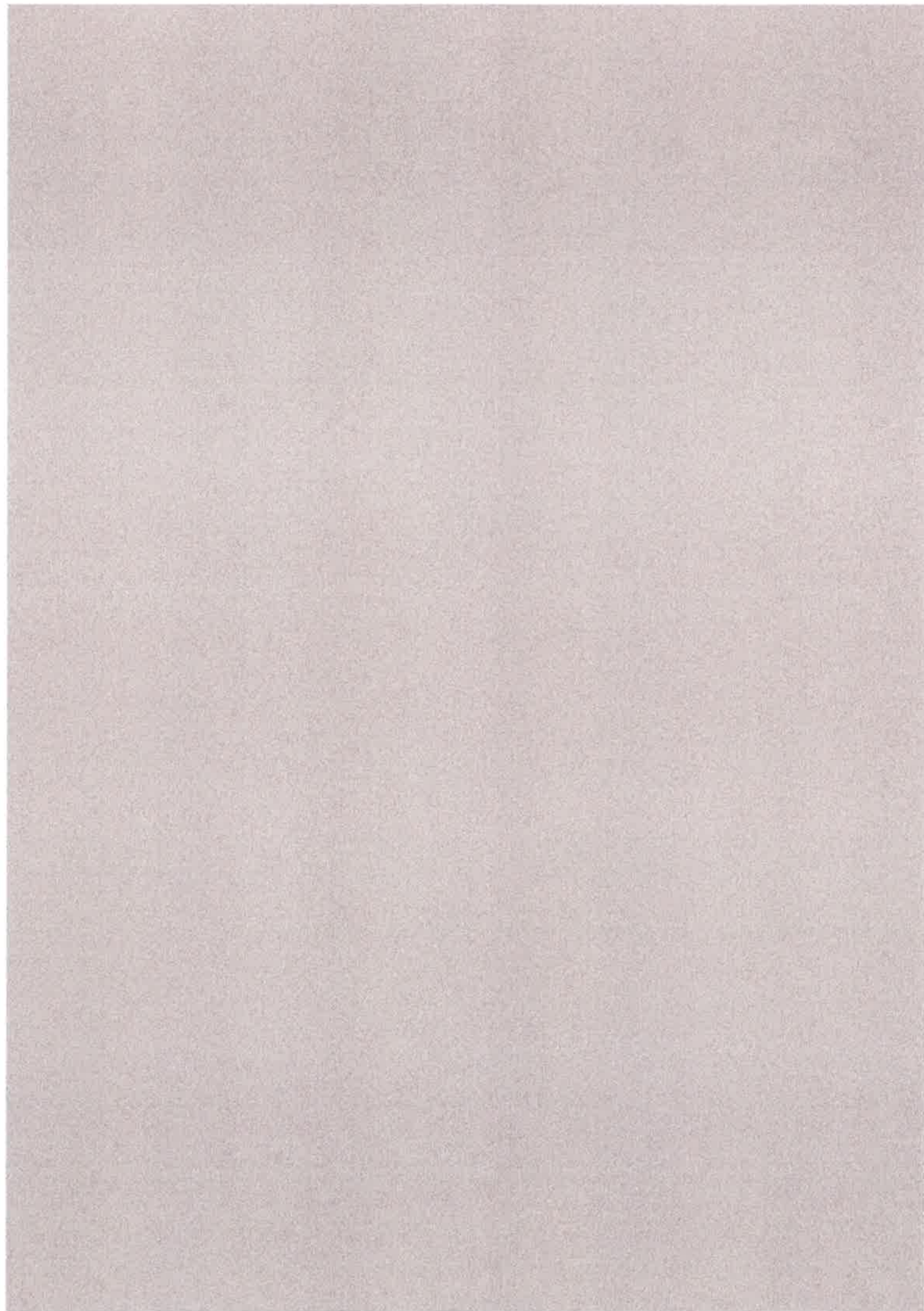
PARENT STATEMENT OF CHANGES IN EQUITY

USD in thousands

	Share capital	Retained earnings	Total
Equity at 31 December 2016	850	327,576	328,426
Loss for the year	-	(151,771)	(151,771)
Total comprehensive income for the year	-	(151,771)	(151,771)
Capital increase	19	11,823	11,842
Purchase of own shares	-	(1,931)	(1,931)
Sale of own shares	-	3,569	3,569
Share-based payment	-	6,614	6,614
Other transactions	19	20,075	20,094
Equity at 31 December 2017	869	195,880	196,749
Profit for the year	-	95,091	95,091
Total comprehensive income for the year	-	95,091	95,091
Capital increase	8	-	8
Share-based payment	-	1,340	1,340
Other transactions	8	1,340	1,348
Equity at 31 December 2018	877	292,311	293,188

PARENT STATEMENT OF CASH FLOWS

	NOTE	2018	2017	2016
<i>USD in thousands</i>				
Operating loss (EBIT)		(251)	(39,029)	(163)
Non-cash adjustments	7	1,769	(2,413)	2,556
Changes in working capital	8	(19,285)	19,240	3,582
Other adjustments		-	38,733	-
Income taxes received (paid)		924	87	140
Cash flows from operating activities		(16,843)	16,618	6,115
Increase/(repayment) of loan from affiliates		23,483	12,519	(6,150)
Cash flows from investing activities		23,483	12,519	(6,150)
Financial expenses paid		(7,758)	(3,766)	(1)
Sale of own shares		-	3,569	-
Purchase of own shares		-	(1,931)	-
Capital increase	8	11,842	11,842	305
PFA Settlement		-	(38,733)	-
Cash flows from financing activities		(7,750)	(29,019)	304
Increase/decrease in cash and cash equivalents		(1,110)	118	269
Cash and cash equivalents at beginning of period		1,125	1,007	738
Cash and cash equivalents at 31 December 2018		15	1,125	1,007
Hereof restricted cash		-	-	203



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STATEMENT OF CASH FLOWS

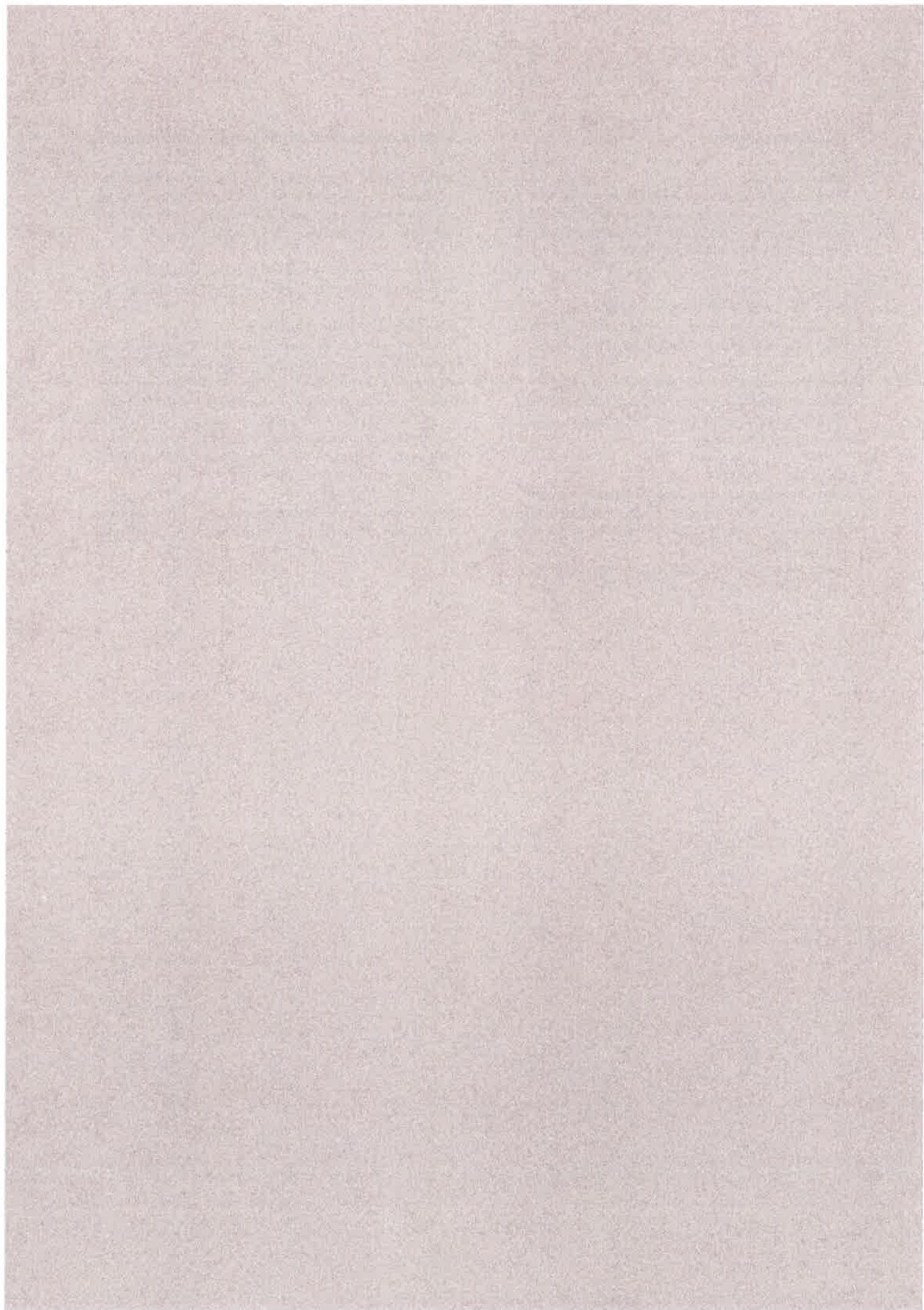
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STATEMENT OF FINANCIAL POSITION

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1. ACCOUNTING POLICIES

Basis of accounting

The annual report for 2018 of the parent company Welltec International ApS 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 C (large) enterprises. Please see the Danish Executive Order on IFRS adoption issued in accordance with the Danish Financial Statements Act. The annual report is presented in thousands of US Dollar (USD), which is also the functional currency of the parent company.

Differences compared to the Group's accounting policies

The parent company's accounting policies for recognition and measurement are in accordance with the Group's policies with the exceptions stated below:

Investments in subsidiaries

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

Dividend from investments in subsidiaries is recognized in the statement of comprehensive income in the year it is declared.

2. USE OF CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Impairment of investment in subsidiaries

Investment in subsidiaries represents USD 392,678 thousand equalizing 99 % of total assets in the parent company. The impairment test revealed no need for impairment. When considering impairment indicators, Management makes an assessment of whether the Welltec International ApS Group will be able to generate positive net cash flows sufficient to support the value of the investments. Regarding this estimate and the assumptions made by Management, please see note 2.3 in the consolidated financial statements.

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

STATEMENT OF COMPREHENSIVE INCOME

3. STAFF COSTS

There have been no employees in the parent company for the financial years 2016-2018.

See note 4. *Staff costs* in the consolidated financial statements for information on remuneration to Management.

4. FINANCIAL INCOME

	2018	2017	2016
<i>DSD in thousands</i>			
Interest from subsidiaries and affiliates	-	-	817
Interest income from financial assets that are not measured at fair value through profit or loss	-	-	817
Exchange rate gains	482	-	2,123
Impairment gain related to Welltec Holding ApS	100,960	-	-
Total financial income	101,442	-	2,940

5. FINANCIAL EXPENSES

	2018	2017	2016
<i>DKK in thousands</i>			
Interest expenses	2	25	2
Interest expenses to subsidiaries and affiliates	7,756	3,741	4,300
Interest expenses from financial liabilities that are not measured at fair value through profit or loss	7,758	3,766	4,302
Exchange rate losses	53	9,027	-
Impairment losses related to Welltec Holding ApS	-	100,960	-
Total financial expenses	7,811	113,753	4,302

6. INCOME TAXES

	2018	2017	2016
<i>DKK in thousands</i>			
Current tax	(1,711)	(1,103)	-
Adjustment in corporation tax previous years	-	46	212
Current tax incl. adj. in corporation tax previous years	(1,711)	(1,057)	212
Change in deferred tax for the year	-	46	(41)
Income taxes	(1,711)	(1,011)	171

A breakdown of tax:

Profit/(loss) before tax	93,380	(152,782)	(1,525)
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Calculation of effective tax rate:

Danish corporation tax rate	22.0%	22.0%	22.0%
Non-taxable income and non-deductible expenses	(19.6)%	(19.7)%	(84.7)%
Other, including adjustment to previous years	0.6%	(0.3)%	51.5%
Effective tax rate	1.8%	2.0%	(11.2)%

No income tax has been recognized in other comprehensive income/(loss) or directly in equity in 2018, 2017 and 2016.

STATEMENT OF CASH FLOWS

7. NON-CASH ADJUSTMENTS

	2018	2017	2016
<i>USD in thousands</i>			
Share-based payments	1,340	6,614	434
Currency adjustments, other	429	(9,027)	2,122
Total non-cash adjustments	1,769	(2,413)	2,556

8. CHANGES IN WORKING CAPITAL

	2018	2017	2016
<i>USD in thousands</i>			
Change in trade payables	-	-	(8)
Change in receivables from subsidiaries and affiliates (net)	(19,282)	19,205	3,582
Change in other payables	(3)	35	8
Total changes in working capital	(19,285)	19,240	3,582

STATEMENT OF FINANCIAL POSITION

9. INVESTMENTS IN SUBSIDIARIES

	2018	2017
<i>USD in thousands</i>		
Acquisition cost 1 January 2018	291,718	392,678
Impairment	100,960	(100,960)
Acquisition cost 31 December 2018	392,678	291,718

The carrying amount of the investment in the subsidiary is pledged as security for issued bonds.

The parent company has an investment in the following subsidiaries:

<i>Name</i>	Registered country	2018	2017
Welltec Holding ApS	Denmark	100%	100%
Welltec Oilfield Interventions AG	Switzerland	100%	100%

*Welltec Holding ApS was acquired on 27 July 2007.

10. SHARE CAPITAL

The parent company Welltec International ApS holds 1,339 own shares.

See note 16. *Share capital* in the consolidated financial statements.

11. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES**11.1 Maturity dates for financial liabilities**

	2017			
	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total
<i>USD in thousands</i>				
Loan from subsidiary	-	76,717	-	76,717
Payables to subsidiaries	27,051	-	-	27,051
Other payables	302	-	-	302
Total financial liabilities	27,353	76,717	-	104,070
	2018			
<i>USD in thousands</i>				
Loan from subsidiary	-	100,200	-	100,200
Payables to subsidiaries	2,321	-	-	2,321
Other payables	299	-	-	299
Total financial liabilities	2,620	100,200	-	102,820

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

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Item	Quantity	Unit Price	Total Price
Item 1	100	1.00	100.00
Item 2	200	2.00	400.00
Item 3	300	3.00	900.00
Item 4	400	4.00	1600.00
Item 5	500	5.00	2500.00
Item 6	600	6.00	3600.00
Item 7	700	7.00	4900.00
Item 8	800	8.00	6400.00
Item 9	900	9.00	8100.00
Item 10	1000	10.00	10000.00

Total: 10000.00

OTHER

12. FEES TO AUDITORS APPOINTED AT THE ANNUAL GENERAL MEETING

	2018	2017	2016
<i>USD in thousands</i>			
Statutory audit services	9	11	11
Statutory audit services	9	11	11
Non-audit services:	2		
Non-audit services	2	-	-
Total fees to auditors	11	11	11

13. ASSETS CHARGED AND CONTINGENT LIABILITIES

The bond debt is guaranteed by Welltec International ApS, Welltec Holding ApS, Welltec Canada Inc., Welltec Africa ApS, Welltec (UK) Ltd, Welltec Inc. and Welltec Oilfield Services (Norway) AS. The bond is secured and subject to certain exceptions and permitted liens, by all of the issued shares of Welltec A/S and each of the guarantors (other than Welltec International ApS, Welltec Oilfield Services (Norway) AS and Welltec (UK) Ltd).

See note 22. *Assets charged and contingent liabilities* in the consolidated financial statements.

14. FINANCIAL INSTRUMENTS

The parent company is affected by currency risks on its intercompany balances with other Group companies. The carrying amounts of the foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows stated in the material currencies affecting the company:

For Group overview please see note 24. *Financial instruments* in the consolidated financial statements.

	Assets		Liabilities	
	2018	2017	2018	2017
<i>USD in thousands</i>				
DKK	1,604	7,052	102,820	104,070

15. RELATED PARTIES

See note 24, *Related parties* in the consolidated financial statements.

15.1 Related party transactions

During the year, the company entered into the following additional transactions with related parties:

	2018		2017	
	Subsidiaries	Affiliates	Subsidiaries	Affiliates
<i>USD in thousands</i>				
Interest income/-(expenses)	(7,756)	-	(3,741)	-
Total transactions	(7,756)	-	(3,741)	-

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

	Amounts owed by related parties		Amounts owed to related parties	
	2018	2017	2018	2017
<i>USD in thousands</i>				
Subsidiaries	1,604	13,339	102,521	103,768
Total balances	1,604	13,339	102,521	103,768

16. EVENTS AFTER THE BALANCE SHEET DATE

See note 25, *Events after the balance sheet date* in the consolidated financial statements.

BRANCHES

BRANCHES

The Group holds the following branches:

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

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

