BACK
TO BUSINESS
ANNUAL REPORT 2017

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

Godkendt på
generalforsamling den
15. maj 2018

Dirigent
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Advokat (L)
Attorney at law LL(M)

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 ApS – group

	2017	2016	2015	2014	2013
STATEMENT OF COMPREHENSIVE INCOME (USD in millions)					
Revenue	170	189	246	345	321
Earnings before interest, tax, depreciation and amortization (EBITDA)*	51	68	96	155	135
Operating profit (EBIT) before special items	(15)	(50)	23	76	72
Operating profit (EBIT)	(58)	(53)	14	76	68
Net financial expenses	(43)	(29)	(32)	(21)	(26)
Profit / (loss) before tax	(101)	(81)	(18)	54	42
Net profit / (loss) for the year	(96)	(70)	(33)	21	21
CASH FLOWS (USD in millions)					
Cash flows from operating activities	37	62	80	121	100
Cash flows from investing activities	(26)	(19)	(51)	(76)	(86)
Cash flows from financing activities	(36)	(49)	(9)	(38)	(18)
Total cash flows	(25)	(6)	20	7	(4)
BALANCE (USD in millions)					
Trade receivables	49	45	61	84	83
Equity	127	177	242	282	279
Total assets	520	570	687	735	712
Investments in intangible assets**	13	12	19	38	34
Investments in tangible assets**	16	20	26	46	55
KEY RATIOS (%)					
EBITDA margin*	30.1	36.1	38.9	45.0	42.1
EBIT margin before special items	(8.9)	(26.6)	9.3	21.9	22.5
ROIC excl. goodwill	8.8	14.4	17.2	32.2	29.2
Return on equity	(63.4)	(33.2)	(12.5)	7.6	7.9
Number of employees, average	731	736	894	1,013	1,055

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

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

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

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

*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

(USD in millions)	2017	2016	CHANGE IN %
Revenue	170	189	(10)
Cost of service provided	(125)	(127)	1
Gross profit	44	62	(29)
Development and manufacturing costs	(3)	(3)	(2)
Administrative expenses and sales costs	(56)	(53)	(5)
Amortization of acquired intangibles in a business combination	(1)	(56)	nm
Operating loss (EBIT) before special items	(15)	(50)	nm
Special items	(43)	(2)	nm
Operating loss (EBIT)	(58)	(53)	(10)
Net financial expenses	(43)	(29)	(51)
Income taxes	5	12	(59)
Loss for the year	(96)	(70)	(38)

FINANCIAL REVIEW

Revenue

Revenues amounted to USD 170 million, a decrease of 10% year on year.

The development reflects the challenging market conditions across regions with declining revenues across select geomarkets partly offset by positive movements in others.

Cost of service provided

The cost of services provided was USD 125 million, a decrease of 1% compared to last year. The decrease was primarily attributable to lower staff costs and to an overall lower level of operational cost, both due to continuous alignment to market activity.

Development and manufacturing costs

Development and manufacturing costs not capitalised increased slightly to USD 3 million, an increase of 2% compared to 2016.

Administrative expenses and sales costs

Administrative expenses and sales costs were USD 56 million, an increase of 5% compared to last year. The increase is due to a new warrant program where 7 m.USD is expensed in 2017.

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

EBITDA decreased to USD 51 million, representing a margin of 30% against 36% in 2016. The decline in EBITDA was mainly attributable to the fall through of lower revenues partly offset by the implementation of continusly cost efficiencies implemented during the year.

Amortization of acquired intangibles in a business combination

The significant decrease in amortization of acquired intangibles in a business combination is due to the Q1 2016 decided write-down of Technology and Customer relationship with USD 53 million due to uncertain market conditions.

Operating profit before special items (EBIT)

EBIT increased to USD (15) million from (50) million in 2016. The EBIT margin was (9)% against (27)% in 2016, the increased EBIT is related to the write-down of intangible assets in 2016.

(USD in millions)	2017	2016	CHANGE IN %
Operating profit (EBIT) before special items	(15)	(50)	nm
Depreciations and amortizations expensed	48	61	(20)
Depreciations and amortizations capitalized	1	1	0
Impairment losses	10	56	nm
Issued warrants	7	1	nm
EBITDA	51	68	(25)

Special items

Special items were USD 43 million compared with USD 2 million in 2016. The increase in special items is related to the compensation paid to PFA for selling certain rights related to the shares. 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 43 million, an increase of 51% compared to last year. This reflects an increase in realized currency losses on bankdebt, debt to supplieres and costs related to the refinancing.

Income taxes

*I*ncome taxes were USD (5) million, an increase of USD 7 million year on year. The tax position is significantly affected by interest limitation rules in Denmark and non-refundable withholding taxes globally. Further, the tax position is affected negatively by the tax effect of the refinancing of the bond debt."

Loss for the year

2017 resulted in a loss of USD 96 million, representing a decrease in the result of USD 26 million compared to 2016.

Net cash flows

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

Significant events in 2017

High yield bond offering

On November 28, 2017, Welltec® announced the completion of an USD 340 million aggregate principal amount 9.5% Senior Secured Notes due 2022 offering. The 144A/RegS offering drew demand from institutional investors in both Europe and the US.

The notes have been assigned a B2 rating by Moody's (negative outlook) and a B- rating by Standard & Poor's (stable outlook) with equivalent corporate ratings.

The net proceeds of the offering of the notes have been used to refinance existing credit facilities.

OUTLOOK

2018 is expected to be another challenging year for the industry as the low oil price environment continues to impact both operators and services companies.

As we enter into 2018 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 2018.

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 also in 2018
we will be looking forward . . .

RISKS

Risks Related to Our Business

Business and Industry Related Risks

While we believe our business to be relatively unaffected by macroeconomic 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 serviced 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 Canadian Dollar. 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, causes 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 100


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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 2017 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 polices 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. We work 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. We are considering how to develop a more systematic approach regarding our suppliers expectations in sustainability issues, including human rights and labour.

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 deeply 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 2017 and Future Plans

With the development of the Code of Conduct came also a training program for all existing employees. The training program was continued as mandatory for all new employees during their onboarding process.

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 2017.

We have continued 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.
Each year we prompt all employees to read the Code of Conduct including the sections on anti-corruption. The review is monitored by the Legal Department.

Key Results in 2017 and Future Plans
Three partner screening were performed in 2017 and one revealed inadequate information why the partnership was not endorsed.

In our screenings we continue to use external screening partners and their databases.

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 focuses 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.

Weekly Group management meetings are opened with a review on any health and safety issues which may have occurred. All 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.
New hires attend an HSE introduction program and participate in a Safety Card Observation Program (SCOP) to report on and proactively encourage safe working practices.

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 QHSE audits at the headquarters and local bases worldwide, in order to assess the effectiveness of the internal QHSE 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 2017 and Future Plans
In 2017, 3 environmental accidents occurred.
The number of recordable accidents (so-called MTO, LTI, RWC and FTL) is increasing 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 2017.

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, Petronas, Repsol Sinopec, Sakhalin Energy (SEIC), Shell, BP Halliburton and ENI.

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 with regard to 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 in order 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; however, recruiting of new employees has been modest in 2017.

Key Results in 2017 and Future Plans
2017 has seen significant focus throughout the organization on the central importance of our employees as Welltec works towards its mission of transforming the up-stream oil and gas industry.

The fourth global survey of Employee Motivation and Satisfaction was carried out in the spring of 2017 with the aim of understanding the current state of our employee group as well as identifying areas improvements to improve motivation. The survey was well received with 77% of employees responding, a minor decrease from 2016. The survey showed that despite a challenging year 77% of the employees are proud to work in Welltec, and 58% of the employees are excited about their future career in Welltec. The average job satisfaction is 3.8 on a scale from 1 to 5 which is a slight decrease from 3.9 compared to 2016.

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

In 2017 Welltec has continued to focus on registration and tracking of employee skills and competencies. All internal courses and Welltec operational experience are captured in the HR database as well as the majority of our employees' previous job experience, education and participation in external courses. This enables improved performance in areas such as operational planning and mobility.

Women make up 13.5% of the total employee population which is a decrease of 0.5 percentage points compared to 2016. Of management level employees women make up 8% which is a decrease of 2 percentage points compared to 2016. In December 2016, the first woman was appointed to Welltec's Senior Management Team as Chief Human Resources Officer. The Senior Management Team consists of four members altogether.

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

By end of 2017 the Board consists of six members elected by the shareholders, whereas two was elected in June 2017. One woman and five men are elected to the board and as such the target of having at least one female member of the Board of Directors is reached. The goal is to maintain one woman in the Board of Directors until 2022.

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 conformed 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 on a timely manner for the client, prior to officially closing the investigation.

Key Results in 2017 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 2017 compared to 2016.

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: January 1, 2017 – December 31, 2017
Executive Board	Jørgen Hallundbæk, Chief Executive Officer
Board of Directors	Niels Harald De Coninck-Smith, Chairman Alasdair Geddes Shiach Annalisa Stupenengo 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 January 1, 2017 to December 31, 2017.

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 December 31, 2017 as well as of their financial performance and their cash flows for the financial year January 1, 2017, to December 31, 2017.
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, March 28, 2018

Executive Board:

Jørgen Hallundbæk
Chief Executive Officer

Board of Directors:

Niels Harald De Coninck-Smith
Chairman

John Haukvik

Alasdair Geddes Shiach

Jørgen Hallundbæk

Annalisa Stupenengo

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 2017 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 2017 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 2017, 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, March 28, 2018

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

Mikkel Sthyr	Tue Stensgård Sørensen
State Authorized	State Authorized
Public Accountant	Public Accountant
MNE 26693	MNE 32200


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FINANCIAL STATEMENTS

FINANCIAL STATEMENTS
CONSOLIDATED GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31, 2017, 2016 and 2015
(USD in thousands)

	NOTE	2017	2016	2015
Revenue		169,502	189,012	245,726
Cost of services provided	3, 4	(125,197)	(126,902)	(145,281)
Gross profit		**44,305**	**62,110**	**100,445**
Development and manufacturing costs	3, 4	(3,116)	(3,055)	(2,464)
Administrative expenses and sales costs	3, 4	(55,781)	(53,191)	(64,870)
Amortization of acquired intangibles in a business combination	4	(550)	(56,168)	(10,264)
Operating profit/ (loss) (EBIT) before special items		**(15,142)**	**(50,304)**	**22,847**
Special items	5	(42,952)	(2,393)	(8,500)
Operating profit/ (loss) (EBIT)		**(58,094)**	**(52,697)**	**14,347**
Financial income	6	15,348	13,731	37,884
Financial expenses	7	(58,461)	(42,378)	(70,077)
Loss before tax		**(101,207)**	**(81,344)**	**(17,846)**
Income taxes	8	4,824	11,645	(14,849)
Loss for the year		**(96,383)**	**(69,699)**	**(32,695)**
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		3,571	2,601	(8,993)
Total comprehensive income / (loss)		**(92,812)**	**(67,098)**	**(41,688)**
Distribution of profit / (loss) for the year				
Profit / (loss) for the year attributable to:				
Welltec International ApS shareholders' share of loss		(96,383)	(69,699)	(32,695)
Non controlling interests share of profit / (loss) for the period		0	0	0
		(96,383)	**(69,699)**	**(32,695)**
Total comprehensive income / (loss) attributable to:				
Welltec International ApS shareholders' share of comprehensive loss		(92,812)	(67,098)	(41,688)
Non controlling interests share of comprehensive income / (loss)		0	0	0
		(92,812)	**(67,098)**	**(41,688)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2017 and 2016
(USD in thousands)

	NOTE	2017	2016
Non-current assets			
Intangible assets			
Goodwill		242,340	242,340
Technology		2,919	2,914
Customer relationship		0	0
Brand		13,924	13,924
Completed development projects		37,881	58,455
Development projects in progress		11,944	8,313
Patents and licences		18,114	16,473
Total intangible assets	11	**327,122**	**342,419**
Tangible assets			
Land and buildings		9,557	10,031
Leasehold improvements		1,285	1,507
Plant equipment and fleet		56,174	65,578
Plant equipment and fleet under construction		18,756	22,804
Other fixtures, fittings, tools and equipment		2,672	3,852
Total tangible assets	12	**88,444**	**103,772**
Financial assets			
Deferred tax assets	18	2,557	2,083
Other receivables		952	1,776
Total financial assets		**3,509**	**3,859**
Total non-current assets		**419,075**	**450,050**
Current assets			
Inventories	14	**6,699**	**4,223**
Receivables			
Trade receivables	15	48,986	45,489
Tax receivables		4,904	6,835
Other receivables		5,612	7,271
Prepayments	16	5,381	3,119
Total receivables		**64,883**	**62,714**
Cash and cash equivalents		**29,689**	**53,500**
Total current assets		**101,271**	**120,437**
Total assets		**520,346**	**570,487**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2017 and 2016
(USD in thousands)

	NOTE	2017	2016
Equity			
Share capital	17	869	850
Currency translation reserve		(29,419)	(32,990)
Retained earnings		155,764	209,180
Total equity		**127,214**	**177,040**
Non-current liabilities			
Deferred tax liabilities	18	14,856	24,778
Finance lease commitments	19	9,143	7,465
Issued bonds	19	329,689	293,241
Bank debt	19	0	26,029
Total non-current liabilities		**353,688**	**351,513**
Current liabilities			
Current portion of non-current liabilities	19	1,738	1,398
Trade payables		12,726	8,354
Current tax liabilities		2,877	4,228
Other payables	20	22,103	27,954
Total current liabilities		**39,444**	**41,934**
Total liabilities		**393,132**	**393,447**
Total equity and liabilities		**520,346**	**570,487**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended December 31, 2017, 2016 and 2015
(USD in thousands)

	Share capital	Currency translation reserve	Retained earnings	Total
Equity at December 31, 2015	**835**	**(35,591)**	**277,249**	**242,493**
(Loss) for the year	0	0	(69,699)	(69,699)
Unrealized exchange rate adj. of foreign subsidiaries and branches	0	2,601	0	2,601
Total comprehensive (loss) for the year	**0**	**2,601**	**(69,699)**	**(67,098)**
Purchase of own shares	0	0	(793)	(793)
Capital increase	15	0	290	305
Share-based payment to executives	0	0	434	434
Tax credit related to share option scheme	0	0	1,699	1,699
Total other transactions	**15**	**0**	**1,630**	**1,645**
Equity at December 31, 2016	**850**	**(32,990)**	**209,180**	**177,040**
(Loss) for the year	0	0	(96,383)	(96,383)
Unrealized exchange rate adj. of foreign subsidiaries and branches	0	3,571	0	3,571
Total comprehensive (loss) for the year	**0**	**3,571**	**(96,383)**	**(92,812)**
Purchase of own shares	0	0	(2,026)	(2,026)
Sale of own shares	0	0	26,556	26,556
Capital increase	19	0	11,823	11,842
Share-based payment to executives	0	0	6,614	6,614
Tax credit related to share option scheme	0	0	0	0
Total other transactions	**19**	**0**	**42,967**	**42,986**
Equity at December 31, 2017	**869**	**(29,419)**	**155,764**	**127,214**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31, 2017, 2016 and 2015
(USD in thousands)

	NOTE	2017	2016	2015
Operating profit (EBIT)		(58,094)	(52,697)	14,347
Non-cash adjustments	9	61,166	121,922	64,614
Changes in working capital	10	(616)	4,353	17,064
PFA settlement		38,733	0	0
Income taxes paid		(4,991)	(11,809)	(17,388)
Changes in other receivables, long-term		824	(21)	1,044
Cash flows from operating activities		**37,022**	**61,748**	**79,681**
Investments in intangible assets		(12,687)	(12,290)	(19,186)
Investments in tangible assets		(13,869)	(17,754)	(23,611)
Sale of tangible assets		320	88	2,606
Investment and disposal in securities		0	10,640	(11,189)
Financial income received		70	595	605
Cash flows from investing activities		**(26,166)**	**(18,721)**	**(50,775)**
Financial expenses paid		(33,608)	(27,230)	(27,505)
Other financial expenses		(7,614)	(487)	(955)
Purchase of own shares and warrants		(2,026)	(793)	(233,799)
Sale of own shares		26,556	0	0
Purchase of own bonds		0	(19,099)	(7,526)
Proceeds from non-current debt		336,688	0	27,395
Installments on current and non-current debt		(1,758)	(1,432)	(1,351)
Installments on issued bonds		(297,590)	0	0
Installment on bank debt		(29,426)	0	0
Capital increase		11,842	305	235,037
PFA settlement		(38,733)	0	0
Cash flows from financing activities		**(35,669)**	**(48,736)**	**(8,704)**
Increase / (decrease) in cash and cash equivalents		**(24,813)**	**(5,709)**	**20,202**
Cash and cash equivalents at beginning of period		53,500	61,040	42,696
Exchange rate adjustment at beginning of period		1,002	(1,831)	(1,858)
Cash and cash equivalents at December 31		**29,689**	**53,500**	**61,040**
Hereof restricted cash		0	203	92

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NOTES

1. ACCOUNTING POLICIES

Basis of accounting

The consolidated financial statements for 2017 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, except for certain derivative financial instruments which are measured at fair value. 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) which apply for the financial year which had no effect on the consolidated financial statement.

The accounting policies are unchanged compared to 2016.

Future IFRS changes

At the date of the publication of these consolidated financial statements, a number of new and amended standards and interpretations have not yet entered into force or have not yet been adopted by the EU. Therefore, they are not incorporated in the consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers is effective for financial years beginning on or after 1 January 2018. Welltec has considered the new revenue recognition requirements in relation to the nature of the activities in the Welltec Group and determined that the standard will have limited to non impact on revenue recognition and measurement, while the level of disclosure is determined to increase. Welltec has decided not to preimplement IFRS 15 for 2017

IASB has also issued IFRS 9 "Financial Instruments". IFRS 9 "Financial Instruments" is part of IASB's project to replace IAS 39 "Financial Instruments: Recognition and Measurement", and the new standard will change the classification, presentation and measurement of financial instruments and hedging requirements. Welltec is assessing the impact of the standard, but it is not expected to have any material impact on future consolidated financial statements.

IFRS 16 "Leasing" is effective for annual periods beginning on or after 1 January 2019.

Welltec has begun analyzing the possible effects of IFRS 16, as Welltec has some operating lease commitments, IFRS 16 is expected to increase non-current assets ("Right-of-use assets) as well as lease liabilities, and will also impact profit & loss, cash flow statement and equity to a lesser degree.

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 on the basis of 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 average exchange rates on a monthly basis 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 taken to 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 exchange rates on a monthly basis, 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.

Derivative financial instruments

On initial recognition, derivative financial instruments are measured at fair value. Directly attributable expenses related to the purchase or issue of a derivative financial instrument are expensed.

Subsequent to initial recognition, derivative financial instruments are measured at fair value at the end of the reporting period with changes in fair value recognized directly in profit or loss as financial income or financial expenses.

The group does not apply hedge accounting to its derivative financial instruments.

Share-based payment

Share-based incentive arrangements under which employees can opt to 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 Welltec group's Danish subsidiaries are jointly taxed with the principal shareholder JH Holding Allerød, ApS. The current Danish income tax is allocated among the jointly taxed companies in 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 of 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.

Provision of services is recognized in revenue when the work is performed or 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 products is recognized in the income statement if delivery and transfer of risk to the buyer have taken place before year end, 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, etc. collected on behalf of a third party.

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 profit or loss 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 (e.g. field tests) 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 to better 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, customer relationship and technology. Brand is not amortized as the useful life is considered indefinite. Customer relationship is amortized on a straight-line basis over its estimated useful life of 10 years. 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 equipment and fleet are written down to the lower of recoverable amount and carrying amount.

Impairment of property, plant equipment and fleet and intangible assets

The carrying amounts of property, plant equipment and 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.

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 fair value and subsequently at amortized cost, which usually equals nominal amount less bad debt provisions.

Prepayments

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

Liabilities

Other provisions

Other provisions are recognized when the group has a legal or constructive obligation as a result of past events in the financial year or prior years, and it is probable that settlement of such obligation will lead to an outflow of financial resources.

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 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, bank debt 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 are 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.

NOTES

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 December 31, 2017, Welltec has capitalized USD 74,930 thousand as plant equipment and fleet – completed and under construction compared to USD 88,382 thousand at December 31, 2016. Plant equipment and fleet is depreciated over their useful lives, Plant 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 meet. 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.

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 December 31, 2017, Welltec has capitalized USD 49,825 thousands as development projects – completed and in progress – compared to USD 66,768 thousand at December 31, 2016. 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 47 % of total assets and 190 % of total equity at December 31, 2017, which is significant to the consolidated financial statements.

For purposes of assessing the carrying amount of goodwill and other intangible assets of USD 327,122 thousand at December 31, 2017, compared to USD 342,419 thousand at December 31, 2016, 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 2022. In addition to these the key assumptions used to estimate expected future cash flows are discount rates and growth rates. In 2016 the sudden decline in oil prices 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 11. *Intangible assets.*

STATEMENT OF COMPREHENSIVE INCOME

NOTES

3. STAFF COSTS

(USD in thousands)	2017	2016	2015
Breakdown of staff costs:			
Wages and salaries	69,072	69,698	90,103
Share-based payment to executives	6.614	434	505
Payment to defined contribution pension plans	1,978	2,213	3,097
Other social security costs	3,591	3,480	4,940
Total staff costs	**81,255**	**75,825**	**98,645**
Recognition of staff costs:			
Cost of services provided	40,356	39,005	53,147
Development costs capitalized	3,608	4,182	6,356
Administrative costs	31,617	26,735	32,865
Production Staff costs capitalized	5,674	5,903	6,277
Total staff costs	**81,255**	**75,825**	**98,645**
Number of employees:			
Average number of employees	731	736	894

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:

(USD in thousands)	2017	2016	2015
Short-term staff benefits	859	691	788
Pension benefits	65	66	74
Share-based payments	582	0	0
Total remuneration to Executive Board and Board of Directors	**1,506**	**757**	**862**

The total remuneration of the key management personnel of the Welltec Group (including Welltec A/S), including bonus, pension, other social security costs and share based payments can be specified as follows:

(USD in thousands)	2017	2016	2015
Short-term staff benefits	1,356	2,729	3,547
Pension benefits	86	81	121
Share-based payments	442	70	0
Total remuneration to other key management personnel	**1,884**	**2,880**	**3,668**

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 (VPs) 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 (VPs) 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 (VPs) 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 2009, a new warrants scheme to key management personnel was granted. The warrant scheme consists of 68,000 warrants vested over an employment period until 2012. The warrants are exercisable not earlier than 3 years and not later than 6 years after the grant date. The total fair value of these warrants was at grant date USD 229 thousand of which USD 115 thousand was recognized in the statement of comprehensive income in 2009, USD 84 thousand in 2010 and USD 30 thousand in 2011. The issued warrants were exercised in 2015.

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 one and four 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 one and four 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 one and four 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 one and four years until the end of 2017. The total fair value of these warrants was at grant date USD 9.4 million of which USD 5.9 million was recognized in the statement of 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[1]	Grant date	Vesting date	Expiry date	Exercise price per warrant USD [2][3]	Fair value per warrant at grant date USD	Outstanding at 31.12.2017
Granted in 2006	227,721	Feb. 2006	2007–2009	Jun. 2016	0.15	0.9	0
Granted in 2009	68,000	Sept. 2009	2010–2012	Sep. 2015	33	3.7	0
Granted in 2011	290,850	Nov. 2011	2011–2014	Nov. 2016	34 -147	29.7	0
Granted in 2013	50,800	Sep. 2013	2013–2017	Jun. 2020	136 - 241	44 - 103	8,400
Granted in 2014	42,300	Dec. 2014	2014–2017	Dec. 2020 - Dec. 2021	223 - 255	125 - 130	18,000
Granted in 2017	231,438	May 2017	2017	Jun. 2021	0.16-74	26-99	223,338
							249,738

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

2) The exercise prices are adjusted for the dilution impact from dividend paid in 2012.

3) The exercise prices are contracted in DKK and translated above to USD based on the year end rate.

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

Number of warrants	Board of Directors of Welltec Interna-tional ApS	Executive Board of Welltec A/S	Senior executives and key management personnel	Total	Weighted average exercise price USD (1)
Balance at 01.01.2015	10,000	50,000	519,461	579,461	104
Granted	0	0	(68,000)	(68,000)	35
Forfeited	0	0	(40,900)	(40,900)	190
Balance at 31.12.2015	10,000	50,000	410,561	470,561	80
Exercised	0	0	(102,474)	(102,474)	3
Forfeited	(10,000)	(50,000)	(256,887)	(316,887)	79
Balance at 31.12.2016	0	0	51,200	51,200	221
Granted	0	121,601	109,837	231,438	43
Forfeited	0	0	(32,900)	(32,900)	221
Balance at 31.12.2017	0	121,601	128,137	249,738	28

Hereof 26,400 warrants are exercisable as of 31.12.17

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

The weighted average remaining contractual life and range of exercise price of outstanding warrants was 29 months and a price of USD 0.16 – 255 (adjusted for dilution impact) at December 31, 2017, 37 months and a price of USD 141-235 (adjusted for dilution impact) at December 31, 2016, and 10 months and a price of USD 0.15 -264 at December 31, 2015.

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 6,614 thousand for 2017. The total expense recognized in the statement of comprehensive income for all warrants schemes amounted to USD 434 thousand in 2016 and USD 505 thousand in 2015.

4. AMORTIZATION, DEPRECIATION AND IMPAIRMENT LOSSES

(USD in thousands)	2017	2016	2015
Completed development projects	18,617	23,557	24,968
Patents and licenses	912	887	616
Customer relationship	0	1,069	5,455
Technology	492	1,367	4,809
Total amortization of intangible assets	**20,021**	**26,880**	**35,848**
Other fixtures and fittings, tools and equipment	2,216	3,762	3,862
Land and buildings	526	480	425
Plant equipment and fleet	26,504	27,718	29,361
Leasehold improvements	351	636	735
Gain/loss from disposal of plant equipment and fleet	(214)	(21)	(71)
Total depreciation of tangible assets	**29,383**	**32,575**	**34,312**
Total depreciation and amortization	**49,404**	**59,455**	**70,160**
Write-down of completed development projects	7,562	2,196	160
Write-down of Technology	312	47,462	0
Write-down of customer relationship	0	6,398	0
Write-down of Patents and licenses	90	0	0
Write-down of plant equipment and fleet	2,174	2,584	1,953
Total impairment losses	**10,138**	**58,640**	**2,113**
Recognition of amortization, depreciation and impairment by function			
Cost of service provided	53,559	54,853	55,301
Development and manufacturing costs capitalized	1,012	787	588
Administrative and sales costs	4,422	6,287	6,120
Amortization of acquired intangible assets in a business combination	550	56,168	10,264
Total depreciation, amortization and impairment losses	**59,542**	**118,095**	**72,273**

5. SPECIAL ITEMS

(USD in thousands)	2017	2016	2015
Compensation to PFA for selling certain rights	38,733	0	0
Salary cost related to resigned employees and special bonus	2,267	1,438	7,491
Costs related to termination of rental agreements etc.	135	90	1,009
Other special items	1,817	865	0
Total special items	**42,952**	**2,393**	**8,500**

Special items in 2017 are primarily related to compensation to PFA for selling certain rights and costs incurred adjusting the business to changed market conditions. The costs are incurred in all functions of the business which are mainly recorded within "Cost of service provided" and "Administrative and sales costs".

6. FINANCIAL INCOME

(USD in thousands)	2017	2016	2015
Interest income	70	593	604
Interest income from financial assets that are not measured at fair value through profit or loss	**70**	**593**	**604**
Exchange rate gains	15,278	13,138	37,280
Total financial income	**15,348**	**13,731**	**37,884**

7. FINANCIAL EXPENSES

(USD in thousands)	2017	2016	2015
Interest expenses	(26,063)	(26,594)	(27,086)
Other financial expenses	(8,982)	(3,038)	(3,295)
Interest expenses from financial liabilities that are not measured at fair value through profit or loss	**(35,045)**	**(29,632)**	**(30,381)**
Exchange rate loss	(23,416)	(12,746)	(39,696)
Total financial expenses	**(58,461)**	**(42,378)**	**(70,077)**

Borrowing costs capitalized on development projects are calculated based on the incurred costs and a weighted average capitalization rate of 6.9% (7.0% in 2016). The amount capitalized in 2017 is USD 552 thousand (USD 350 thousand in 2016 and USD 410 thousand in 2015).

The net exchange rate loss at December 31, 2017, was USD 8,138 thousand (a net exchange rate gain of USD 392 thousand in 2016 and a net exchange rate loss of USD 2,416 thousand in 2015). The currency loss is due to the decrease in USD compaired to most other currencies in 2017

8. INCOME TAXES

(USD in thousands)	2017	2016	2015
Current tax	2,014	4,432	13,349
Adjustment in corporation tax previous years	(1,135)	(1,449)	14
Current tax incl. adj. in corporation tax previous years	**879**	**2,983**	**13,363**
Adjustment in deferred tax previous years	1,099	1,324	(395)
Change in deferred tax	(15,690)	(18,959)	384
Effect from change in tax rate, deferred tax	(90)	9	437
Tax effect from tax provision	909	(802)	(2,750)
Other taxes	8,069	3,800	3.810
Total	**(4,824)**	**(11,645)**	**14,849**
A breakdown of tax:			
Loss before tax	(101,207)	(81,344)	(17,846)
	(101,207)	**(81,344)**	**(17,846)**
Reconciliation of tax expense USD			
Danish corporation tax	(22,266)	(17,896)	(4,193)
Effect of exchange rate adjustment in USD and DKK on Danish corporation tax	(4,014)	(288)	1,491
Effect of difference between tax rate for subsidiaries outside Denmark and Danish tax rate	(502)	(749)	1,958
Tax effect from tax provision	(724)	(802)	(2,750)
Non-taxable income and non-deductible expenses	13,900	1,697	7,020
Interest limitation, thin capitalization etc	3,126	2,547	5,269
Withholding taxes non-deductible	6,906	3,476	5,400
Change in corporate income tax rate, current and coming years	(90)	9	437
Other taxes, including adjustment to previous years	(1,160)	361	217
Total	**(4,824)**	**(11,645)**	**14,849**

In 2013, Management decided to change the presentation currency of its consolidated financial statements to USD, however, tax returns for the Danish companies are 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.

No income tax has been recognized in other comprehensive income in 2017. In 2017 USD 0 thousand (2016 USD 1,699 thousand, 2015 USD 52 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 2016 and the preliminary tax calculation for 2017 have been made up based on similar principles as applied by the Danish tax authorities for previous years.

STATEMENT OF CASH FLOWS

NOTES

9. NON-CASH ADJUSTMENTS

(USD in thousands)	2017	2016	2015
Depreciation of intangible and tangible assets	50,020	59,455	70,160
Disposal and impairment losses	9,735	58,640	2,113
Exchange rate adjustment on depreciation and fixed assets	(318)	(211)	2,894
Currency adjustments, other	(4,989)	3,604	(10,306)
Impairment of trade receivables	104	0	(752)
Share-based payments	6,614	434	505
Total non-cash adjustments	**61,666**	**121,922**	**64,614**

10. CHANGES IN WORKING CAPITAL

(USD in thousands)	2017	2016	2015
Change in receivables and prepayments	(5,863)	15,959	25,223
Change in inventories	(2,476)	256	(964)
Change in trade payables	4,372	(3,758)	(7,145)
Change in other payables	1,692	(6,590)	(6,823)
Change in other receivables	1,659	(1,514)	6,773
Total changes in working capital	**(616)**	**4,353**	**17,064**

STATEMENT OF FINANCIAL POSITION

NOTES

11. INTANGIBLE ASSETS

(USD in thousands)	Goodwill	Other intangible assets*	Completed devel-opment projects	Develop-ment projects in progress	Patents and licenses	Total
Costs at 01.01 2016	**242,340**	**156,170**	**178,440**	**10,926**	**17,703**	**605,579**
Additions	0	240	68	7,930	3,221	11,459
Transfer	0	0	10,790	(9,957)	0	833
Disposal	0	0	(14,327)	0	0	(14,327)
Exchange rate adjustment	0	65	0	0	0	65
Costs at 31.12 2016	**242,340**	**156,475**	**174,971**	**8,899**	**20,924**	**603,609**
Amortization and impairment losses at 01.01 2016	**0**	**83,269**	**105,090**	**588**	**3,562**	**192,509**
Amortization for the year	0	2,436	23,557	0	887	26,880
Impairment losses for the year	0	53,860	2,196	0	0	56,056
Disposal	0	0	(14,327)	0	0	(14,327)
Exchange rate adjustment	0	72	0	(2)	2	72
Amortization and impairment losses at 31.12 2016	**0**	**139,637**	**116,516**	**586**	**4,451**	**261,190**
Carrying value at 31.12 2016	**242,340**	**16,838**	**58,455**	**8,313**	**16,473**	**342,419**
Costs at 01.01 2017	**242,340**	**156,475**	**174,971**	**8,899**	**20,924**	**603,609**
Additions	0	809	0	9,236	2,642	12,687
Transfer	0	0	5,605	(5,605)	0	0
Disposal	0	0	(309)	0	0	(309)
Exchange rate adjustment	0	0	0	0	0	0
Costs at 31.12 2017	**242,340**	**157,284**	**180,267**	**12,530**	**23,566**	**615,987**
Amortization and impairment losses at 01.01 2017	**0**	**139,637**	**116,516**	**586**	**4,451**	**261,190**
Amortization for the year	0	492	18,617	0	912	20,021
Impairment losses for the year	0	312	7,562	0	90	7,964
Disposal	0	0	(309)	0	0	(309)
Exchange rate adjustment	0	0	0	0	0	0
Amortization and impairment losses at 31.12 2017	**0**	**140,441**	**142,385**	**586**	**5,452**	**288,865**
Carrying value at 31.12 2017	**242,340**	**16,843**	**37,881**	**11,944**	**18,114**	**327,122**

* Please see following specification.

Other intangible assets:

(USD in thousands)	Technology	Customer relationship	Brand	Total
Costs at 01.01 2016	**90,310**	**51,936**	**13,924**	**156,170**
Additions	240	0	0	240
Exchange rate adjustment		65		65
Costs at 31.12 2016	**90,550**	**52,001**	**13,924**	**156,475**
Amortization and impairment losses at 01.01 2016	**38,809**	**44,460**	**0**	**83,269**
Amortization for the year	1,367	1,069	0	2,436
Impairment losses for the year	47,462	6,398	0	53,860
Exchange rate adjustment	(2)	74	0	72
Amortization and impairment losses at 31.12 2016	**87,636**	**52,001**	**0**	**139,637**
Carrying value at 31.12 2016	**2,914**	**0**	**13,924**	**16,838**
Costs at 01.01 2017	**90,550**	**52,001**	**13,924**	**156,475**
Additions	809	0	0	809
Exchange rate adjustment	0	0	0	0
Costs at 31.12 2017	**91,359**	**52,001**	**13,924**	**157,284**
Amortization and impairment losses at 01.01 2017	**87,636**	**52,001**	**0**	**139,637**
Amortization for the year	492	0	0	492
Impairment losses for the year	312	0	0	312
Exchange rate adjustment	0	0	0	0
Amortization and impairment losses at 31.12 2017	**88,440**	**52,001**	**0**	**140,441**
Carrying value at 31.12 2017	**2,919**	**0**	**13,924**	**16,843**

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 2017 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 2018 and long-term forecasts until the end of 2022, A growth rate of 2.4% has been applied in the terminal period from 2023 and onwards.

The discount rate applied is based on a risk-adjusted after tax discount rate (weighted average cost of capital) of 10.7%. The weighted average cost of capital before tax is 11.8%. In 2016 the weighted average cost of capital used was 10.0% which equals a before tax discount rate of 11.1%.

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 2017 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 2017. Looking into 2018, 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 2018 falling to single digit growth rate in the period 2019-2022.
- 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 2019 - 2022 can decrease with up to 3% and 2% respectively, before a write-down will have to be recognized.

Impairment of other intangible assets

Impairment of development projects amounted to USD 7.6 million (2016: USD 2.2 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.

12. TANGIBLE ASSETS

(USD in thousands)	Land and buildings	Leasehold improvement	Plant equipment and fleet	Other fixtures, fittings, tools & equipment	Plant equipment & fleet under construction	Total
Costs at 01.01 2016	**11,147**	**6,336**	**250,027**	**24,995**	**19,817**	**312,322**
Additions	151	119	3,651	483	15,403	19,807
Transfer	0	0	11,601	(1)	(12,433)	(833)
Disposals	0	0	(1,199)	(533)	0	(1,732)
Exchange rate adjustment	53	63	80	1,055	17	1,268
Costs at 31.12 2016	**11,351**	**6,518**	**264,160**	**25,999**	**22,804**	**330,832**
Depreciation and impairment losses at 01.01 2016	**829**	**4,316**	**169,418**	**17,911**	**0**	**192,474**
Depreciation for the year	480	636	27,718	3,762	0	32,596
Impairment losses for the year	0	0	2,584	0	0	2,584
Disposals	0	0	(1,179)	(465)	0	(1,644)
Exchange rate adjustment	11	59	41	939	0	1,050
Depreciation and impairment losses at 31.12 2016	**1,320**	**5,011**	**198,582**	**22,147**	**0**	**227,060**
Carrying value at 31.12 2016	**10,031**	**1,507**	**65,578**	**3,852**	**22,804**	**103,772**
Hereof held under finance lease	7,361	0	3,921	0	0	11,282
Costs at 01.01 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)	0
Disposals	(279)	0	(22,041)	(4,285)	0	(26,605)
Exchange rate adjustment	113	58	23	1,178	33	1,405
Costs at 31.12 2017	**11,308**	**6,698**	**261,413**	**23,903**	**18,756**	**322,078**
Depreciation and impairment losses at 01.01 2017	**1,320**	**5,011**	**198,582**	**22,147**	**0**	**227,060**
Depreciation for the year	526	351	26,504	2,216	0	29,597
Impairment losses for the year	0	0	2,174	0	0	2,174
Disposals	(112)		(22,041)	(4,132)	0	(26,285)
Exchange rate adjustment	17	51	20	1,000	0	1,088
Depreciation and impairment losses at 31.12 2017	**1,751**	**5,413**	**205,239**	**21,231**	**0**	**233,634**
Carrying value at 31.12 2017	**9,557**	**1,285**	**56,174**	**2,672**	**18,756**	**88,444**
Hereof held under finance lease	6,752	0	5,103	0	0	11,855

Impairment losses in 2017 and in 2016 are related to scrapped tools, tools lost in the wells and impairment tests of the tool fleet.

13. 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 (Iran)**	Iran	Sales company	2017/IRR	200,000,000	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 four subsidiaries, Welltec A/S controls the four 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.

14. INVENTORIES

(USD in thousands)	2017	2016
Raw materials	6,397	3,680
Finished goods	302	543
Total inventories	**6,699**	**4,223**

15. TRADE RECEIVABLES

(USD in thousands)	2017	2016
Trade receivables before allowance for doubtful accounts	49,353	45,752
Write-downs	(367)	(263)
Total trade receivables	**48,986**	**45,489**
Trade receivables – average fixed time of credit (days)	109	92
Development in write-downs of trade receivables		
Write-downs at 01.01	(263)	(263)
Reversed, unrealized write-downs	207	0
Amounts written off during the year as uncollectible	(11)	35
Write-down in profit or loss	(300)	(35)
Write-downs at 31.12	**(367)**	**(263)**
Specification of trade receivables by due date		
Not due	35,248	29,024
Up to 30 days	4,753	5,445
30-60 days	3,344	3,796
60-90 days	1,372	3,525
90-120 days	2,185	1,861
120+ days	2,084	1,838
Total trade receivables	**48,986**	**45,489**

In 2017, the write-down on receivables of USD 367 thousand are all related to trade receivables due more than 120+ days (2016: USD 263 thousand).

Credit risk management

The group's credit risk on liquid funds and derivative financial instruments 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. Companies with high credit ratings and 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. If there is uncertainty of a customer's ability or will to pay, and if the management assess that the receivables is doubtful, the receivables will be written down to avoid this risk.
The maximum credit risk related to financial assets corresponds to the carrying amount. In case where there may be a risk of loss, a write-down will be made based on individual assessment.

16. PREPAYMENTS

(USD in thousands)	2017	2016
Prepaid insurance	387	319
Prepaid lease	209	162
Prepaid rent	399	282
Prepaid creditors	2,918	1,621
Other prepayments	1,468	735
Total prepayments	**5,381**	**3,119**

17. SHARE CAPITAL

The share capital consists of 5,017,016 units of DKK 1 / USD 0.17. All shares are fully paid.

(USD in thousands)	2017	2016
Share units 01.01	850	835
Capital increase 06.07.16	0	15
Capital Increase 24.11.17	19	0
Share units 31.12.	**869**	**850**

	Number of shares	Nominal value in DKK	Share of capital in %
Own shares 01.01.2016	**230,669**	**230,669**	**4.8**
Purchase of shares	5,328	5,328	0.0
Own shares 31.12.2016	**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 31.12.2017	**1,339**	**1,339**	**0.0**

During 2017 Welltec has purchased 38,990 own shares at a value of USD 2,026 thousand and sold 273,648 own shares at a value of USD 25,556
Welltec invests in own shares using excess liquidity to reduce the number of shareholders.

18. DEFERRED TAX ASSETS AND LIABILITIES

(USD in thousands)	2017	2016
Deferred tax 01.01	22,695	43,244
Exchange rate adjustments	3,377	(2.121)
Adjustment in deferred tax previous years	1,099	1,324
Change in deferred tax for the year	(14,782)	(19,761)
Effect of change in income tax rate, current year	(90)	9
Effect of change in income tax rate, coming years	0	0
Deferred tax assets (-)/liabilities 31.12	**12,299**	**22,695**
Deferred tax breakdown:		
Intangible assets	29,671	25,250
Tangible assets	(17,406)	(352)
Current and non-current liabilities	708	(297)
Current assets	0	(91)
Change in tax rate, coming years	0	0
Tax loss carried forward	(674)	(1,815)
Deferred tax assets (-)/liabilities 31.12	**12,299**	**22,695**
Deferred tax is recognized in the statement of financial position with:		
Deferred tax assets	(2,557)	(2,083)
Deferred tax liabilities	14,856	24,778
Deferred tax assets (-)/liabilities 31.12	**12,299**	**22,695**

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 December 31, 2017, to be approx. USD 0 thousand (December 31, 2016 USD 8,903 thousand).

19. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

(USD in thousands)	2017	2016
Issued bonds	329,689	320,250
Holding of own bonds	0	(27,009)
Bank debt	0	26,029
Finance lease commitments	10,881	8,863
	340,570	**328,133**
Due within 1 year	1,738	1,398
Due within 1-2 years	1,630	27,138
Due within 2-3 years	1,642	294,199
Due within 3-4 years	1,169	1,034
Due within 4-5 years	330,577	620
Due after 5 years	3,814	3,744
	340,570	**328,133**
Recognition of short-term and long-term financial liabilities in the statement of financial position:		
Non-current financial liabilities — lease commitments	9,143	7,465
Non-current financial liabilities — issued bonds (incl. holding of own bonds)	329,689	293,241
Non-current financial liabilities — bank debt	0	26,029
Current financial liabilities	1,738	1,398
	340,570	**328,133**

2016

Currency	Expiry	Fixed or floating interest	Effective interest rate %	Carrying amount local (thousands)	Carrying amount USD (thousands)
DKK	2024	floating	0.95-6.89	62,509	**8,863**
EUR	2018	floating	2.1	25,000	**26,029**
USD	2019	fixed	8.5	293,241	**293,241**
					328,133

2017

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

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 December 31 2017, is USD 343 million (December 31, 2016 USD 328 million). The fair value is based on the OTC quoted market price 101.00 USD per. note (December 31, 2016 101.00 USD per note) (level 1).

19.1 Finance lease obligations

Finance lease relates to a building with a lease term of 10.5 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.

	2017		2016	
(USD in thousands)	**Minimum lease payments**	**Present value of minimum lease payment**	**Minimum lease payments**	**Present value of minimum lease payment**
Maturity of finance lease obligations:				
Within 1 year	1,796	1,738	1,448	1,398
Between 1 and 5 years	5,527	5,330	3,868	3,722
Over 5 years	4,151	3,813	4,721	3,743
Total finance lease obligations	**11,474**	**10,881**	**10,037**	**8,863**

(USD in thousands)	**2017**	**2016**
Interest from finance lease, expensed	(555)	(547)

The fair value of the finance lease liabilities is approximately equal to their carrying amount as of December 31, 2017, and December 31, 2016.

19.2 Maturity dates for financial liabilities

	2016			
(USD in thousands)	**Less than 1 year**	**Between 1 and 5 years**	**Later than 5 years**	**Total**
Finance lease commitments	1,398	3,722	3,743	**8,863**
Issued bonds (incl. holding of own bonds)	0	293,241	0	**293,241**
Bank debt	0	26,029	0	**26,029**
Trade payables	8,354	0	0	**8,354**
Other payables	27,954	0	0	**27,954**
Total financial liabilities	**37,706**	**322,992**	**3,743**	**364,441**

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 26 million until maturity on February 1, 2019.

	2017			
(USD in thousands)	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total
Finance lease commitments	1,738	5,330	3,813	**10,881**
Issued bonds (incl. holding of own bonds)	0	329,689	0	**329,689**
Trade payables	12,726	0	0	**12,726**
Other payables	22,103	0	0	**22,103**
Total financial liabilities	**36,567**	**335,019**	**3,813**	**375,399**

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 32.3 million until maturity 27 November 2022.

19.3 Net interest-bearing debt

		Included in cash flow from financing activities	Non-cash changes			
	2016		New leases	Currency translation adjustments	Fair value adjustments	**2017**
Issued bonds	293,241	(297,590)	-	-	4,349	0
Issued bonds	-	336,688			(6,999)	329,689
Bank debt	26,029	(29,426)	-	3,270	127	0
Finance lease commitments	8,863	(1,758)	2,576	1,200	-	10,881
Total interest bearing debt	**328,132**	**7,915**	**2,576**	**4,470**	**(2,523)**	**340,570**
Cash and cash equivalents	(53,500)					(29,689)
Net interest bearing debt	**274,632**					**310,881**

20. OTHER PAYABLES

(USD in thousands)	2017	2016
Wages and salaries, personal income taxes, social security costs, etc. payable	3,047	2,989
Holiday pay obligation	5,601	5,777
Accrued interests	2,511	10,055
Other costs payable	10,944	9,133
Total other payables	**22,103**	**27,954**

STATEMENT OF FINANCIAL POSITION

NOTES

21. FEES TO AUDITOR APPOINTED AT THE ANNUAL GENERAL MEETING

(USD in thousands)	2017	2016	2015
Statutory audit services	241	230	455
Statutory audit services	**241**	**230**	**455**
Non-audit services:			
Assurance opinions	3	0	23
Tax advisory services	182	59	208
Other	187	37	74
Non-audit services	**372**	**96**	**305**
Total fees to auditor	**613**	**326**	**760**

For 2016 and 2017, PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab was the elected auditor.
For 2015 the elected auditor was Deloitte Statsautoriseret Revisionspartnerselskab.

22. ASSETS CHARGED AND CONTINGENT LIABILITIES

In 2017 the Group has issued bank guarantees to third parties in the amount of USD 3,622 thousand. In 2016 bank guarantees to third parties were USD 6,214 thousand.

Welltec International ApS is part of a Danish joint taxation scheme with JH Holding, Allerød ApS and its Danish subsidiaries. As from the 2013 financial year, the company has partly a joint and several liability and partly a secondary liability with respect to income taxes 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.

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.

23. OPERATING LEASE COMMITMENTS

(USD in thousands)	2017	2016	2015
Rental and leasing obligations			
Due within 1 year	4,896	4,391	5,058
Due within 1-5 years	8,992	8,704	12,257
Over 5 years	3,826	5,538	11,492
Total rental and leasing obligations	**17,714**	**18,633**	**28,807**
Rental and leasing expenses for the year	**8,022**	**7,264**	**9,995**

The group has entered into operational leasing agreements regarding house rental, office furniture and company cars for the period 2018-2026.

Rental obligations are running from 3 to 36 months.

24. FINANCIAL INSTRUMENTS

24.1 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.

24.2 Market risk

Due to the group's foreign activities and credit facilities in foreign currencies, its profit/loss, 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.

24.2.1 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	
(USD in thousands)	**2017**	**2016**	**2017**	**2016**
DKK	190,693	235,915	(182,545)	(210,091)
GBP	15,262	14,759	(9,671)	(9,900)
NOK	3,696	6,484	(456)	(3,791)

24.2.2 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	
(USD in thousands)	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Profit/(Loss)	815	366	28	41	240	261
Equity	0	0	(327)	(273)	623	597

24.2.3 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 is 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 effecitive rate af 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.

24.2.5 Interest rate sensitivity analysis

The group's interest-bearing debt for 2017 and until the refinancing in November 2017 is primarily fixed to 8.5% due to the bond loan, however the EIB loan has a variable interest of 2.2% + 6 months EURIBOR. Both loans were refinanced by end of 2017 and the new bond loan is fixed to an interest rate of 9.5%.

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 December 31, 2017 would be affected with USD 675 thousand (2016: 675 thousand).

24.3 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 requrements for mandatory prepayments upon certain events, also the RCF contains financial covenant.

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

24.4 Categories of financial instruments

(USD in thousands)	**2017**	**2016**
Other receivables - Non current	952	1,776
Trade receivables	48,986	45,489
Other receivables - Current	5,612	7,271
Prepayments	5,381	3,119
Cash and cash equivalents	29,689	53,500
Receivables and loans	**90,620**	**111,155**
Finance lease commitments	10,881	8,863
Issued bonds	329,689	293,241
Trade payables	12,726	8,354
Current tax liabilities	2,877	4,228
Other payables	22,103	27,954
Financial liabilities measured at amortized cost	**378,276**	**342,640**

25. RELATED PARTIES

Welltec International's related parties

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

1. The parent company's principal shareholder (control),
   JH Holding, Allerød, ApS, Haregabsvej 15, 3230 Græsted, Denmark, which is wholly controlled by Jørgen Hallundbæk
2. 7 Industries Holding B.V., Hoogoorddreef 15, 1101 BA, Amsterdam, The Netherlands (owns more than 5%)
3. Exor N.V., Hoogoorddreef 15, 1101 BA, Amsterdam, The Netherlands (owns more than 5%)
4. Companies in which the principal shareholder exercises control, i.e. Haregabgaard ApS
   and Tinkerbell ApS, Haregabsvej 15, Esbønderup Skovhuse, 3230 Græsted
5. Members of the parent company's Executive Management and Board of Directors as well as close relatives of these members
6. Subsidiaries of Welltec International ApS – see note 14. *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.

25.1 Related parties transactions

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

(USD in thousands)

2016	**Affiliates**	**Key management personnel**	**Board of Directors**
Share buyback	0	793	0
Legal services	0	0	17
Total transactions	**0**	**793**	**17**

2017	**Affiliates**	**Key management personnel**	**Board of Directors**
Sale of shares	26,544	0	0
Consultant services	70	0	0
Total transactions	**26,614**	**0**	**0**

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

(USD in thousands)	**Amounts owed by related parties**		**Amounts owed to related parties**	
	2017	**2016**	**2017**	**2016**
Executive Board and Board of Directors	0	0	(51)	(3)
Affiliates	0	0	(70)	0
Total balances	**0**	**0**	**(121)**	**(3)**

26. EVENTS AFTER THE BALANCE SHEET DATE

No other significant events regarding the group's activities have occurred since December 31, 2017.

FINANCIAL STATEMENTS
PARENT COMPANY

PARENT STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31, 2017, 2016 and 2015

(USD in thousands)	NOTE	2017	2016	2015
Administrative costs	3	(296)	(163)	(469)
Operating profit/loss (EBIT) before special items		**(296)**	**(163)**	**(469)**
Special Items		(38,733)	0	0
Operating loss (EBIT)		**(39,029)**	**(163)**	**(469)**
Financial income	4	0	2,940	8,453
Financial expenses	5	(113,753)	(4,302)	(4,326)
Profit/(loss) before tax		**(152,782)**	**(1,525)**	**3,658**
Income taxes	6	1,011	(171)	570
Profit/(loss) for the year		**(151,771)**	**(1,696)**	**4,228**
Total comprehensive income/(loss)		**(151,771)**	**(1,696)**	**4,228**
Allocation of total comprehensive income/(loss)				
Transferred to retained earnings		**(151,771)**	**(1,696)**	**4,228**

PARENT STATEMENT OF FINANCIAL POSITION

As of December 31, 2017 and 2016

(USD in thousands)	NOTE	2017	2016
Non-current assets			
Financial assets			
Deferred tax assets		0	40
Investments in subsidiaries	9	291,718	392,678
Total financial assets		**291,718**	**392,718**
Total non-current assets		**291,718**	**392,718**
Current assets			
Receivables			
Tax receivables		924	0
Receivables from subsidiaries and affiliates	15	7,052	772
Total receivables		**7,976**	**772**
Cash and cash equivalents		**1,125**	**1,007**
Total current assets		**9,101**	**1,779**
Total assets		**300,819**	**394,497**

PARENT STATEMENT OF FINANCIAL POSITION

As of December 31, 2017 and 2016

(USD in thousands)

	NOTE	2017	2016
Equity			
Share capital	10	869	850
Retained earnings		195,880	327,576
Total equity		**196,749**	**328,426**
Non-current liabilities			
Loan from subsidiaries	11	76,717	64,238
Total non-current liabilities		**76,717**	**64,238**
Current liabilities			
Payables to subsidiaries	11	27,051	1,566
Other payables		302	267
Total current liabilities		**27,353**	**1,833**
Total liabilities		**104,070**	**66,071**
Total equity and liabilities		**300,819**	**394,497**

PARENT STATEMENT OF CHANGES IN EQUITY

For the years ended December 31, 2017, 2016 and 2015

(USD in thousands)	Share capital	Retained earnings	Total
Equity at December 31, 2015	**835**	**328,548**	**329,383**
Loss for the year	0	(1,696)	(1,696)
Total comprehensive income for the year	**0**	**(1,696)**	**(1,696)**
Capital increase	15	290	305
Share-based payment	0	434	434
Other transactions	**15**	**724**	**739**
Equity at December 31, 2016	**850**	**327,576**	**328,426**
Loss for the year	0	(151,771)	(151,771)
Total comprehensive income for the year	**0**	**(151,771)**	**(151,771)**
Capital increase	19	11,823	11,842
Purchase of own shares	0	(1.931)	(1,931)
Sale of own shares	0	3,569	3,569
Share-based payment	0	6,614	6,614
Other transactions	**19**	**20,075**	**20,094**
Equity at December 31, 2017	**869**	**195,880**	**196,749**

PARENT STATEMENT OF CASH FLOWS

For the years ended December 31, 2017, 2016 and 2015

(USD in thousands)	NOTE	2017	2016	2015
Operating loss (EBIT)		(39,029)	(163)	(469)
Non-cash adjustments	7	(2,413)	2,556	1,142
Changes in working capital	8	19,240	3,582	(598)
Other adjustments		38,733	0	0
Income taxes received (paid)		87	140	0
Cash flows from operating activities		**16,618**	**6,115**	**75**
Increase/(repayment) of loan from affiliates		12,519	(6,150)	(7,413)
Cash flows from investing activities		**12,519**	**(6,150)**	**(7,413)**
Financial expenses paid		(3,766)	(1)	0
Sale of own shares		3,569	0	0
Purchase of own shares		(1,931)	0	(228,311)
Capital increase		11,842	305	235,724
PFA Settlement		(38,733)	0	0
Cash flows from financing activities		**(29,019)**	**304**	**7,413**
Increase/decrease in cash and cash equivalents		**118**	**269**	**75**
Exchange rate adjustment at beginning of period		0	0	(74)
Cash and cash equivalents at beginning of period		1,007	738	737
Cash and cash equivalents at December 31		**1,125**	**1,007**	**738**
Hereof restricted cash		0	203	92

CONTENTS NOTES PARENT

NOTES

1. ACCOUNTING POLICIES

Basis of accounting

The annual report for 2017 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 also is the functional currency of the parent company.
The accounting policies are unchanged compared to 2016.

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 291,616 thousand equalizing 97 % of total assets in the parent company. The impairment test reveaveld a need for impairment of USD 100,960 thousand. When considering impairment indicators, Management makes an assessment of whether the Welltec International ApS Group wil 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 2015-2017.

See note 3. *Staff costs* in the consolidated financial statements for information on remuneration to Management

4. FINANCIAL INCOME

(USD in thousands)	2017	2016	2015
Interest from subsidiaries and affiliates	0	817	845
Interest income from financial assets that are not measured at fair value through profit or loss	**0**	**817**	**845**
Exchange rate gains	0	2,123	7,608
Total financial income	**0**	**2,940**	**8,453**

5. FINANCIAL EXPENSES

(USD in thousands)	2017	2016	2015
Interest expenses	(25)	(2)	0
Interest expenses to subsidiaries and affiliates	(3,741)	(4,300)	(4,326)
Interest expenses from financial liabilities that are not measured at fair value through profit or loss	**(3,766)**	**(4,302)**	**(4,326)**
Exchange rate losses	(9,027)	0	0
Impairment losses related to Welltec Holding ApS	(100,960)	0	0
Total financial expenses	**(113,753)**	**(4,302)**	**(4,326)**

The net exchange rate loss at December 31, 2017, was USD 9,027 thousand
(a net exchange rate gain of USD 2,123 thousand in 2016 and a net exchange rate gain of USD 7,608 thousand in 2015).

6. INCOME TAXES

(USD in thousands)	2017	2016	2015
Current tax	(1,103)	0	(352)
Adjustment in corporation tax previous years	46	212	(218)
Current tax incl. adj. in corporation tax previous years	**(1,057)**	**212**	**(570)**
Change in deferred tax for the year	46	(41)	0
Income taxes	**(1,011)**	**171**	**(570)**
A breakdown of tax:	(51,822)	(1,525)	3,658
Profit/(loss) before tax	**(51,822)**	**(1,525)**	**3,658**
Reconciliation of tax rate			
Danish corporation tax rate	22.0	22.0	23.5
Non-taxable income and non-deductible expenses	(19.7)	(84.7)	(39.1)
Other, including adjustment to previous years	(0.3)	51.5	0
	2.0	**(11.2)**	**(15,6)**

No income tax has been recognized in other comprehensive income (loss) or directly in equity in 2017, 2016 and 2015.

STATEMENT OF CASH FLOWS

7. NON-CASH ADJUSTMENTS

(USD in thousands)	2017	2016	2015
Share-based payments	6,614	434	0
Currency adjustments, other	(9,027)	2,122	1,142
Total non-cash adjustments	**(2,413)**	**2,556**	**1,142**

8. CHANGES IN WORKING CAPITAL

(USD in thousands)	2017	2016	2015
Change in trade payables	0	(8)	0
Change in receivables from subsidiaries and affiliates (net)	19,205	3,582	(847)
Change in other payables	35	8	249
Total changes in working capital	**19,240**	**3,582**	**(598)**

STATEMENT OF FINANCIAL POSITION

9. INVESTMENTS IN SUBSIDIARIES

(USD in thousands)	2017	2016
Acquisition cost 01.01	392,678	392,576
Addition	0	102
Impairment	(100,960)	0
Acquisition cost 31.12	**291,718**	**392,678**

The parent company has an investment in the following subsidiary:

Name	Registered country	2017	2016
Welltec Holding ApS	Denmark	100%	100%*
Welltec Switzerland (Holding) AG	Switzerland	100%	100%

* Welltec Holding ApS was acquired on July 27, 2007.

10. SHARE CAPITAL

See note 17. *Share capital* in the consolidated financial statements.

The parent company Welltec International ApS holds no own shares and no own warrants.
During 2017, Welltec has purchased 38,115 own shares at a value of 1,931 USD and sold 36,776 at a value of 3,569 USD.
The holding of own shares is 1,339 shares as of December 31,2017.

11. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

11.1 Maturity dates for financial liabilities

(USD in thousands)	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total
	2016			
Loan from subsidiary	0	64,238	0	**64,238**
Payables to subsidiaries	1,566	0	0	**1,566**
Other payables	267	0	0	**267**
Total financial liabilities	**1,833**	**64,238**	**0**	**66,071**

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

(USD in thousands)	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total
	2017			
Loan from subsidiary	0	76,717	0	**76,717**
Payables to subsidiaries	27,051	0	0	**27,051**
Other payables	302	0	0	**302**
Total financial liabilities	**27,353**	**76,717**	**0**	**104,070**

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

OTHER

12. FEES TO AUDITOR APPOINTED AT THE ANNUAL GENERAL MEETING

(USD in thousands)	2017	2016	2015
Statutory audit services	11	11	14
Statutory audit services	**11**	**11**	**14**
Non-audit services:			
Non-audit services	**0**	**0**	**0**
Total fees to auditors	**11**	**11**	**14**

For 2016 and 2017, PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab was the elected auditor.
For 2015 the elected auditor was Deloitte Statsautoriseret Revisionspartnerselskab.

13. ASSETS CHARGED AND CONTINGENT LIABILITIES

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

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.).

14. FINANCIAL INSTRUMENTS

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

Currency risks

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:

	Assets		**Liabilities**	
(USD in thousands)	**2017**	**2016**	**2017**	**2016**
DKK	7,052	772	(104,070)	(66,071)

15. RELATED PARTIES

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

See note 25. *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:

	2017		2016	
(USD in thousands)	Subsidiaries	Affiliates	Subsidiaries	Affiliates
Interest income/-(expenses)	(3,741)	0	(3,483)	0
Total transactions	**(3,741)**	**0**	**(3,483)**	**0**

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

(USD in thousands)	Amounts owed by related parties		Amounts owed to related parties	
	2017	2016	2017	2016
Subsidiaries	13,339	772	103,768	65,804
Total balances	**13,339**	**772**	**103,768**	**65,804**

16. EVENTS AFTER THE BALANCE SHEET DATE

See note 26. *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
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 Columbiana*	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

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