

Weatherford Danmark A/S

Høgevej 12-14, 6705 Esbjerg Ø

CVR no. 32 83 26 01

Annual report 2018

Approved at the Company's annual general meeting on 31 May 2019

Chairman:

.....
Lise Horsbøl Storgaard-Lautrup





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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Weatherford Danmark A/S for the financial year 1 January - 31 December 2018.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Esbjerg, 31 May 2019
Executive Board:

.....
Maria Boulund Myrup

Board of Directors:

.....
Julie Mary Thomson
Chairman

.....
Lise Horsbøl Storgaard-
Lautrup

.....
Maria Boulund Myrup

Independent auditor's report

To the shareholders of Weatherford Danmark A/S

Opinion

We have audited the financial statements of Weatherford Danmark A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 the financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- u Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Independent auditor's report

- u Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- u Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- u Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- u Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review 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's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Esbjerg, 31 May 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Morten Østergaard Koch
State Authorised Public Accountant
mne35420

Claes Jensen
State Authorised Public Accountant
mne44108



Management's review

Company details

Name	Weatherford Danmark A/S
Address, Postal code, City	Høgevej 12-14, 6705 Esbjerg Ø
CVR no.	32 83 26 01
Established	26 February 2010
Registered office	Esbjerg
Financial year	1 January - 31 December
Board of Directors	Julie Mary Thomson, Chairman Lise Horsbøl Storgaard-Lautrup Maria Boulund Myrup
Executive Board	Maria Boulund Myrup
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Havnegade 33, 6700 Esbjerg, Denmark

Management's review

Business review

Weatherford Danmark A/S provides products and services to the energy sector. The activities are primarily directed towards operators within the Oil and Gas industry.

The main activities fall within Casing Running Services, Completions and Well Services. During 2018, Thru tubing activities under Well Services were added to the business portfolio.

Weatherford Danmark A/S is proud to have supported the business for 9 years without LTI (Lost-Time Incidents). Safety and environment continue to be key factors in the daily operations along with service quality. Recently, the Company could add ISO 14001:2015, ISO 9001:2015 and OHSAS 18001 certification to the resume.

Financial review

The income statement for 2018 shows a loss of DKK 10,662,009 against a loss of DKK 3,820,331 last year. The balance sheet at 31 December 2018 shows equity of DKK 26,145,109 and a solvency ratio of 60 %.

The result is impacted with low activity on current contracts and investments in new business activity. Considering the market, the result is in line with expectations.

Events after the balance sheet date

On May 10, 2019, the ultimate parent Weatherford International plc announced to have executed a restructuring support agreement with a group of its senior noteholders, that is planned to be implemented through a "pre-packaged" Chapter 11 filing under US law.

The financial restructuring will not affect the operations, customers, vendors, employees or partners and is only intended to restructure the balance sheet by reducing the Company's long-term debt, provide access to additional financing and establish a more sustainable capital structure that will allow the Company to invest and grow.

The Chapter 11 filing is not expected to have any impact on Weatherford Danmark A/S.

Outlook

The Oil and Gas market in Denmark is limited to a few operators and the expectations for 2019 is therefore highly influenced by the work scope of the customers. For 2019, the activity is expected to be at a similarly low level as 2018, but with improved earnings due to continued cost focus.

Financial statements 1 January - 31 December

Income statement

Note	DKK	2018	2017
	Gross margin	13,864,396	23,825,223
2	Staff costs	-20,143,848	-22,106,005
	Depreciation of property, plant and equipment	-5,694,465	-5,887,986
	Loss before net financials	-11,973,917	-4,168,768
3	Financial income	266,165	63,880
	Financial expenses	-84,257	-780,443
	Loss before tax	-11,792,009	-4,885,331
4	Tax for the year	1,130,000	1,065,000
	Loss for the year	<u>-10,662,009</u>	<u>-3,820,331</u>
	Recommended appropriation of loss		
	Accumulated loss	<u>-10,662,009</u>	<u>-3,820,331</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	<u>2018</u>	<u>2017</u>
	ASSETS		
	Fixed assets		
5	Property, plant and equipment		
	Plant and machinery	318,292	456,032
	Other fixtures and fittings, tools and equipment	15,892,647	17,608,827
	Leasehold improvements	<u>0</u>	<u>0</u>
		<u>16,210,939</u>	<u>18,064,859</u>
	Total fixed assets	<u>16,210,939</u>	<u>18,064,859</u>
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	<u>5,249,990</u>	<u>952,163</u>
		<u>5,249,990</u>	<u>952,163</u>
	Receivables		
	Trade receivables	3,920,497	5,145,159
	Receivables from group entities	17,561,107	39,925,715
6	Deferred tax assets	0	0
	Income taxes receivable	10,246	0
	Other receivables	673,870	732,308
	Prepayments	<u>92,681</u>	<u>342,762</u>
		<u>22,258,401</u>	<u>46,145,944</u>
	Cash	<u>166,513</u>	<u>1,271,232</u>
	Total non-fixed assets	<u>27,674,904</u>	<u>48,369,339</u>
	TOTAL ASSETS	<u><u>43,885,843</u></u>	<u><u>66,434,198</u></u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2018	2017
	EQUITY AND LIABILITIES		
	Equity		
7	Share capital	7,682,100	7,682,100
	Retained earnings	18,463,009	29,125,018
	Total equity	<u>26,145,109</u>	<u>36,807,118</u>
	Provisions		
	Deferred tax	0	1,130,000
	Total provisions	<u>0</u>	<u>1,130,000</u>
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	544,963	1,828,741
	Payables to group entities	13,752,473	18,736,944
	Income taxes payable	0	3,985,576
	Other payables	3,443,298	3,945,819
		<u>17,740,734</u>	<u>28,497,080</u>
	Total liabilities other than provisions	<u>17,740,734</u>	<u>28,497,080</u>
	TOTAL EQUITY AND LIABILITIES	<u>43,885,843</u>	<u>66,434,198</u>

- 1 Accounting policies
- 8 Contractual obligations and contingencies, etc.
- 9 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Retained earnings	Total
Equity at 1 January 2018	7,682,100	29,125,018	36,807,118
Transfer through appropriation of loss	0	-10,662,009	-10,662,009
Equity at 31 December 2018	<u>7,682,100</u>	<u>18,463,009</u>	<u>26,145,109</u>

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Weatherford Danmark A/S for 2018 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Basis of recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of such assets can be reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and the value of such liabilities can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned. Moreover, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment losses and provisions as well as reversals as a result of changes in accounting estimates of amounts that were previously recognised in the income statement.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Leases

On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to the ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value and the present value of the future lease payments. In calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently accounted for in the same way as the Company's other assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Revenue

Income from sale of goods held for sale and finished goods is recognised in revenue at the time of delivery and when the risk passes to the buyer, provided that the income can be made up reliably and is expected to be received.

Revenue is measured net of all types of discounts/rebates granted. Also, revenue is measured net of VAT and other indirect taxes charged on behalf of third parties.

Gross margin

The items revenue, change in inventories of finished goods and work in progress, other operating income, cost of sales and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of fixed assets.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Other external expenses

Other external expenses include the year's expenses relating to the entity's core activities, including expenses relating to sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Depreciation

The item comprises depreciation of property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Plant and machinery	7 years
Other fixtures and fittings, tools and equipment	2-12 years
Leasehold improvements	5 years

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Balance sheet

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Goods for resale are measured at cost, comprising purchase price plus delivery costs.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost. Provisions are made for bad debts on the basis of objective evidence that a receivable or a group of receivables are impaired. Provisions are made to the lower of the net realisable value and the carrying amount.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Equity

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Provisions for deferred tax are calculated, based on the liability method, of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. Interest-bearing debt is subsequently measured at amortised cost, using the effective interest rate method. Borrowing costs, including capital losses, are recognised as financing costs in the income statement over the term of the loan.

Financial liabilities also include the capitalised residual obligation on finance leases.

Other liabilities are measured at net realisable value.

Financial statements 1 January - 31 December

Notes to the financial statements

DKK	2018	2017
2 Staff costs		
Wages/salaries	18,872,005	20,866,342
Pensions	1,073,197	1,059,854
Other social security costs	198,646	179,809
	<u>20,143,848</u>	<u>22,106,005</u>
Average number of full-time employees	<u>31</u>	<u>32</u>
3 Financial income		
Interest receivable, group entities	79,991	63,880
Other financial income	186,174	0
	<u>266,165</u>	<u>63,880</u>
4 Tax for the year		
Deferred tax adjustments in the year	-1,130,000	-1,065,000
	<u>-1,130,000</u>	<u>-1,065,000</u>

DKK	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
5 Property, plant and equipment				
Cost at 1 January 2018	1,746,818	41,075,137	1,876,069	44,698,024
Additions in the year	107,467	3,945,111	0	4,052,578
Disposals in the year	-7,588	-553,202	0	-560,790
Cost at 31 December 2018	<u>1,846,697</u>	<u>44,467,046</u>	<u>1,876,069</u>	<u>48,189,812</u>
Impairment losses and depreciation at 1 January 2018	1,290,786	23,466,310	1,876,069	26,633,165
Depreciation in the year	238,867	5,431,345	0	5,670,212
Amortisation/depreciation and impairment of disposals in the year	-1,248	-323,256	0	-324,504
Impairment losses and depreciation at 31 December 2018	<u>1,528,405</u>	<u>28,574,399</u>	<u>1,876,069</u>	<u>31,978,873</u>
Carrying amount at 31 December 2018	<u>318,292</u>	<u>15,892,647</u>	<u>0</u>	<u>16,210,939</u>

6 Deferred tax assets

Deferred tax assets amounts to DKK 1,468 thousand (2017: DKK 0 thousand), which primarily consists of tax losses. The deferred tax assets has not been recognized in the balance sheet at 31 December 2018, as management expects the tax losses to be utilised after 2022.

Financial statements 1 January - 31 December

Notes to the financial statements

DKK	<u>2018</u>	<u>2017</u>
7 Share capital		
Analysis of the share capital:		
76,821 shares of DKK 100.00 nominal value each	<u>7,682,100</u>	<u>7,682,100</u>
	<u>7,682,100</u>	<u>7,682,100</u>

The Company's share capital has remained DKK 7,682,100 over the past 5 years.

8 Contractual obligations and contingencies, etc.

Other financial obligations

Lease obligations (operating leases) falling due within 3 years total DKK 350 thousand (2017: DKK 595 thousand), hereof DKK 205 thousand fall due 2019.

The Company has entered into lease contract that is non-terminable until 30 April 2022. Tenancy commitments in leased buildings amounts to DKK 5,210 thousand (2017: DKK 6,823 thousand).

9 Related parties

Weatherford Danmark A/S' related parties comprise the following:

Parties exercising control

<u>Related party</u>	<u>Domicile</u>	<u>Basis for control</u>
Weatherford Worldwide Holdings GmbH	Switzerland	Ownership

Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent company's consolidated financial statements</u>
Weatherford International plc	Houston, Texas, United States	www.weatherford.com