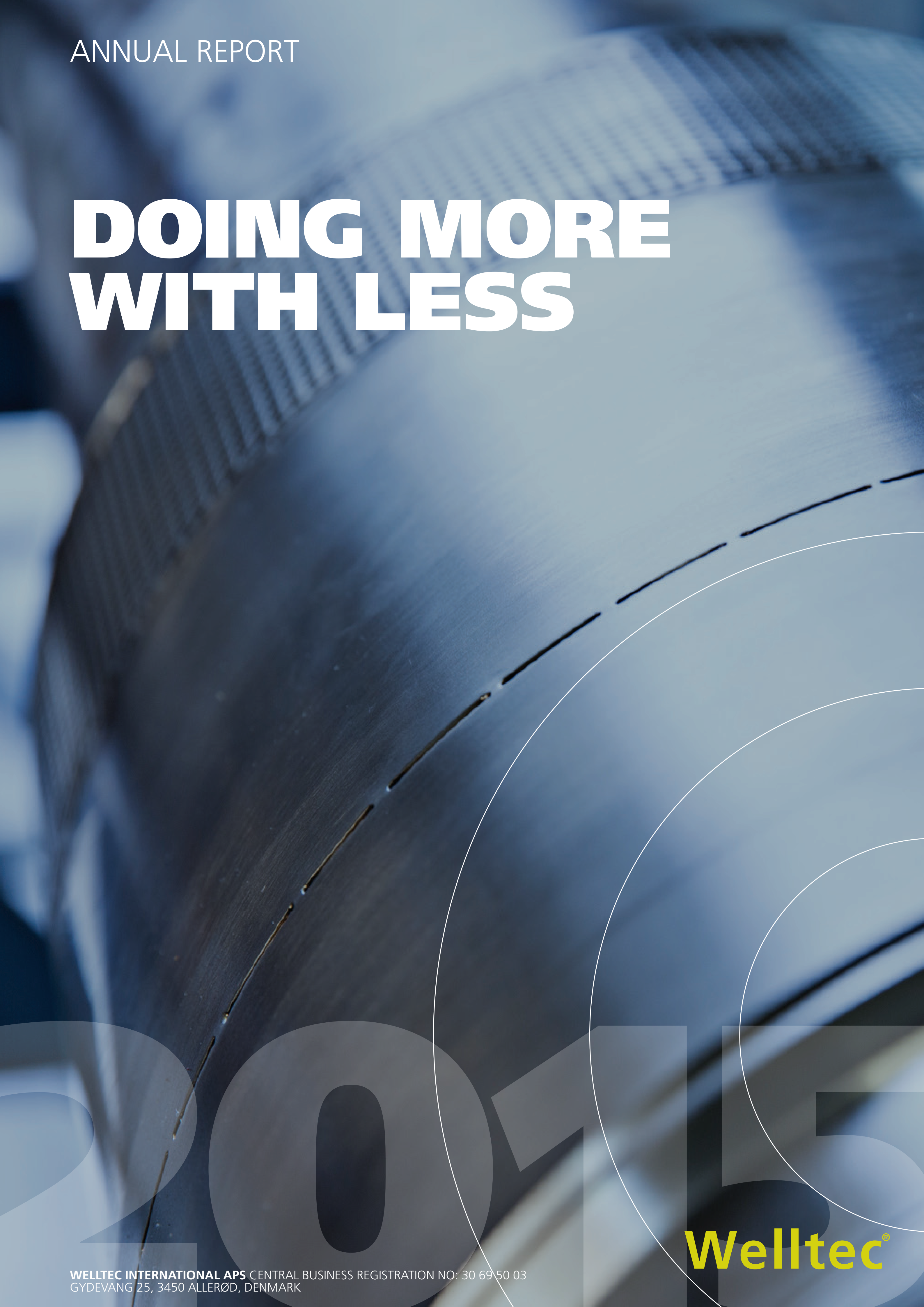
ANNUAL REPORT

DOING MORE WITH LESS



2015

Welltec®

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

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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

CEO LETTER

For Welltec® 2015 proved to be a challenging year following the rapid decline in oil prices and global spending cuts prevalent throughout the industry. However, 2015 was also a year where our value proposition and industry leading offering proved its relevance as operators had to rethink their operational mindset in order to build sustainable businesses even at the low oil prices levels recorded.

Intervening for barrels and "doing more with less" by embracing new technology were the overriding themes, and that's where Welltec has a role to play as we continue to pioneer new and disruptive technology that allows our clients to extract oil cheaper, faster, and in a more sustainable way.

We continue to challenge the conventional through our proprietary technology and the unique Flex-Well® concept. The latter not only allows our clients to complete more wells for less, it also creates direct value through increased production flow and a more flexible down hole infrastructure that allows for improved drainage capabilities and production optimization; all this without compromising safety!

In 2015, we continued our investments both in D&E and also with significant landmark steps made within our manufacturing facilities. These increased automation enabled Welltec to manufacture and develop new tools more efficiently and cost effective.

Taking a broader view on the industry, it's clear that 2015 was a difficult year as the industry fundamentals deteriorated amid falling oil prices and high volatility. The global supply of oil outpaced the demand, forcing operators and services companies to adapt and adjust their operations to the new market environment.

The quest for lower CAPEX and improved cash flow continued, albeit with momentum negatively impacted by the industry wide decision vacuum and limited forward looking visibility.

Like the rest of the industry, Welltec had to adapt to the challenging market conditions by adjusting our global organization. The initiatives have been necessary in order to protect our margins and cash flow, and ultimately ensure that we maintain our financial and strategic flexibility.

The proactive decisions have proven their worth as evidenced in the resilient margin performance throughout the year, this without compromising our ability to timely deliver our high quality services to clients across continents.

Outlook

As a result of the volatile market back drop and the challenging industry environment, Welltec is not able to offer qualified guidance for the full year 2016.

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

Jørgen Hallundbæk, CEO

CONSOLIDATED KEY FIGURES AND RATIOS

Welltec International ApS – group	2015	2014	2013	2012	2011
STATEMENT OF COMPREHENSIVE INCOME (USD in millions)					
Revenue	246	345	321	295	229
Earnings before interest, tax, depreciation and amortization (EBITDA)*	96	155	135	140	111
Operating profit (EBIT) before special items	23	76	72	86	57
Operating profit (EBIT)	14	76	68	86	57
Net financial expenses	(32)	(21)	(26)	(38)	(24)
Profit / (loss) before tax	(18)	54	42	48	33
Net profit / (loss) for the year	(33)	21	21	24	17
CASH FLOWS (USD in millions)					
Cash flows from operating activities	80	121	100	95	84
Cash flows from investing activities	(51)	(76)	(86)	(79)	(61)
Cash flows from financing activities	(9)	(38)	(18)	12	(26)
Total cash flows	20	7	(4)	29	(3)
BALANCE (USD in millions)					
Trade receivables	61	84	83	85	50
Equity	242	282	279	246	315
Total assets	687	735	712	692	596
Investments in intangible assets**	19	38	34	31	28
Investments in tangible assets**	26	46	55	51	36
KEY RATIOS (%)					
EBITDA margin*	38.9	45.0	42.1	47.3	48.5
EBIT margin before special items	9.3	21.9	22.5	29.2	24.9
ROIC excl. goodwill	17.2	32.2	29.2	36.7	33.7
Return on equity	(12.5)	7.6	7.9	8.6	5.5
Number of employees, average	894	1,013	1,055	916	730

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

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

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

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

*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)	2015	2014	CHANGE IN %
Revenue	246	345	(28.8)
Cost of service provided	(145)	(169)	(14.1)
Gross profit	100	176	(42.9)
Development and manufacturing costs	(2)	(0)	nm
Administrative expenses and sales costs	(65)	(89)	(27.5)
Amortization of acquired intangibles in a business combination	(10)	(11)	(2.9)
Operating profit (EBIT) before special items	23	76	(69.7)
Special items	(9)	0	nm
Operating profit (EBIT)	14	76	(81.0)
Net financial expenses	(32)	(21)	49.7
Income taxes	(15)	(33)	(54.7)
Profit / (loss) for the year	(33)	21	nm

FINANCIAL REVIEW

Revenue

Revenues in Europe, Africa & Russia/CIS amounted to USD 130 million, a decrease of 27% year on year. In Europe strong operational performance was offset by currency headwinds. In Africa, revenues decreased compared to last year albeit with continued deployment of new technology. In Russia/CIS revenues decreased year on year with negative currency movements further burdening the revenues.

In the Americas, revenues of USD 75 million represented a decline of 38% year on year. The development reflects the challenging market conditions across the region with our North American operations impacted by the significant drop in rig counts and overall activity levels.

In the Middle East and Asia Pacific (MEA), revenues fell 9% to USD 41 million. In Asia Pacific, declining revenues across select geomarkets were partly offset by positive movements in others. In the Middle East, revenues were overall underpinned by strengthened client dialogue.

Cost of service provided

The cost of services provided was USD 145 million, a decrease of 14% compared to last year. The decrease was primarily attributable to reduced staff costs and then to an overall lower level of operational cost aligned to the activity level.

Field staff costs reduced by 30%, with average operational headcount 27% lower, both reflecting the proactive adjustments made to align the business amid changing activity levels. Other direct operational costs decreased 10% as a result of lower leasing costs and less freight activity.

Administrative expenses and sales costs

Administrative expenses and sales costs were USD 65 million, a decrease of 28% compared to last year. The decrease was primarily driven by lower staff costs as a natural consequence of the lower activity levels. SG&A staff costs decreased by 24%, with average SG&A headcount 25% lower, reflecting a more streamlined organizational structure.

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

EBITDA decreased to USD 96 million, representing a margin of 39% against 45% in 2014. The decline in EBITDA was mainly attributable to the fall through of lower revenues partly offset by the implementation of cost efficiencies. Currency fluctuations affected EBITDA negatively with USD 2 million compared to 2014.

(USD in millions)	2015	2014	CHANGE IN %
Operating profit (EBIT) before special items	23	76	(69.5)
Depreciations and amortizations expensed	69	69	5.4
Depreciations and amortizations capitalized	1	1	(35.8)
Impairment losses	2	10	(78.3)
Issued warrants	1	0	nm
EBITDA	96	155	(38.0)

Operating profit before special items (EBIT)

EBIT decreased by 70% to USD 23 million. The EBIT margin was 9% against 22% in 2014, reflecting an overall reduction in earnings.

Special items

Special items were USD 9 million compared with none in 2014. 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 32 million, an increase of 50% compared to last year. This reflects an increase in unrealized currency losses. Interest expenses were 10% lower on account of less interest payable to tax authorities compared to 2014, where the interest paid was affected by a ruling from the Danish tax authorities.

Income taxes

Income taxes were USD 15 million, a decrease of USD 18 million year on year. The tax charge for 2015 is significantly affected by interest limitation rules in Denmark and non-refundable withholding taxes

Loss for the year

2015 resulted in a loss of USD 33 million, representing a decrease in the result of USD 54 million compared to 2014. This development was mainly due to the decline in operating profit including the USD 9 million related to special items.

Net cash flows

Welltec continued to generate strong cash flows from operations underpinned by margin resilience, improved processes and enduring working capital discipline. The cash generated was used to service interest payments, repurchase of shares and continued investments in D&E projects, patents and the fleet of tools, tractors and equipment.

Change in ownership structure

In 2015 Summit Partners sold their shares back to Welltec International ApS. This was followed by issuance of new shares to 7 Industries, Holding B.V. and 7 Industries Lux S.a.r.l.

OUTLOOK

2016 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 2016 the global supply of oil continues to outpace demand which combined with complex geopolitical topics continue to fuel volatility and uncertainty across markets.

At Welltec, we continue our dedicated commercial efforts through a close dialogue with our key clients in order to ensure Welltec is ready to timely meet client objectives when the demand is arising. Being agile and delivering services faster and more effective remain paramount as the competitive landscape and general market conditions continue to intensify.

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 2016.

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

RISKS

Risks Related to Our Business

Business and Industry Related Risks

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

Cyclical Market

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

Customers

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

Competitors

Welltec competes with large multinational companies that can offer a broader portfolio of integrated 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.

CORPORATE GOVERNANCE

Welltec plans to establish and maintain a corporate governance structure that is compliant with best practice, recognized governance principles sufficient to satisfy the requirements of a public Danish company.

BRANCHES

An overview of the branches in the Welltec Group can be found on page 76

CORPORATE SOCIAL RESPONSIBILITY

The following statement on Corporate Social Responsibility (CSR) pursuant to the Danish Financial Statement Act Section 99a is part of the Management Commentary in the 2015 Annual Report. It also serves as the company's Communication on Progress as required by the UN Global Compact. This is the first time we have reported against the principles of the UN Global Compact. We continue to support and promote the principles 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.
In 2013 the Board of Directors incorporated the CSR Policies 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.

In March 2015, Welltec signed up for the UN Global Compact, the world's largest corporate sustainability initiative. It requires companies to align their operations with ten universally accepted principles in the areas of environment, anti-corruption, human rights and labour. This initiative is a natural footstep for Welltec, as sustainability has been embedded in the work that we have carried out for many years.

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 2015 and Future Plans

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

To the extent deemed relevant, Welltec has performed 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 further strengthened internal communication in respect of compliance programs.

To improve our efforts to facilitate sound business ethics, we launched the whistle-blower program in March 2015. Three cases have been submitted and none have been substantiated, why no remedial actions have been initiated.

We have further developed and implemented 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 mind-set 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 comprises 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. Any indication implying corruption will immediately trigger an internal investigation led by the Legal Department and supplemented by the HR Department.

Key Results in 2015 and Future Plans

One partner screening was performed in 2015 and the partnership was enacted.

We have strengthened our screening abilities by the application of external screening partners and their databases.
We have further developed and initiated 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 OECD (Organization for Economic Cooperation and Development) and Transparency International 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 corporate 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.

Senior level management commitment is displayed by active participation of the CEO and select, senior management members in a QHSE Committee that reviews direction and implementation.

In 2014, the QHSE Community was formed to link the activities of Corporate QHSE with those in the regions. It also acts as a link between the core company directives and their implementation in the regions.

All 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 corporate QHSE function performs internal HSE 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 HQ and bases, and externally with customers to create specific action points for the cycle of continuous improvement.

Key Results in 2015 and Future Plans

In 2015, one environmental accident occurred. The spill was fully recovered. Respect for, and preservation of, the environment is a key element of our business proposition.

The number of recordable accidents (so-called MTO, LTI, RWC and FTL) is stable. Due to reduction in employees in 2015 the Total Recordable Incident Frequency (TRCF) is therefor increasing. The number of Medical Treatment Only (MTO) cases has increased considerably in 2015, but the more severe Lost Time Incident (LTI) and Restricted Work Cases (RWC) have decreased.

This was followed up through audits, training and the implementation of processes, designed to share knowledge and analyze trends and root causes. There were no Fatalities (FTL) in 2015 or previously.

Due to more among others frequent use of video and telephone conference, business travel in 2015 was reduced by 30% compared to 2014 and the carbon footprint per employee from work related travel was therefore reduced substantially.

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 re-certification audits every 3 years. The latest re-certification took place during the second quarter of 2015.

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. In 2015, Welltec Denmark was audited by DNV and the Welltec Transformation Center in Esbjerg was ISO certified.

Local bases were audited by Total, Baker, Halliburton, Chevron, Tullow Oil and Shell among others. None of these audits resulted in significant remarks.

Employment

Policy

Welltec believes that its employees, both as individuals and as part of a team, are the most important assets of the business. Hence, and with due consideration to the often challenging working conditions in the field, Welltec applies measures which 'go beyond the norm' to safeguard and maximize the health and safety aspects of the employees 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.

Welltec adheres to a Diversity and Equal Opportunity Employment Policy approved by the Board of Directors in 2013. 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.

In 2014, the Welltec Code of Conduct was rolled out, outlining the basic principles in respect of behavior that all employees are expected to adhere to. This includes areas such as Health and Safety, Business Ethics, Anti-Corruption, Employment and the Environment.

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 of a given position. A variety of objective profiling tools are used to help assess the candidates. Furthermore, we actively encourage mobility and career progression within Welltec.

Welltec operates an extensive in-house training program covering 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.

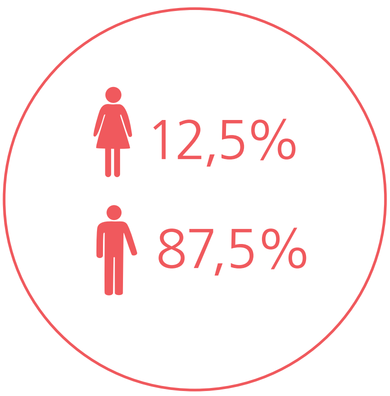
For long-term ill employees, we work closely and actively with local authorities and community centers in order to define individual solutions, including definition of flex jobs (permanently reduced work time), temporarily reduced work time, redefinition of work area, etc.

Our Workforce

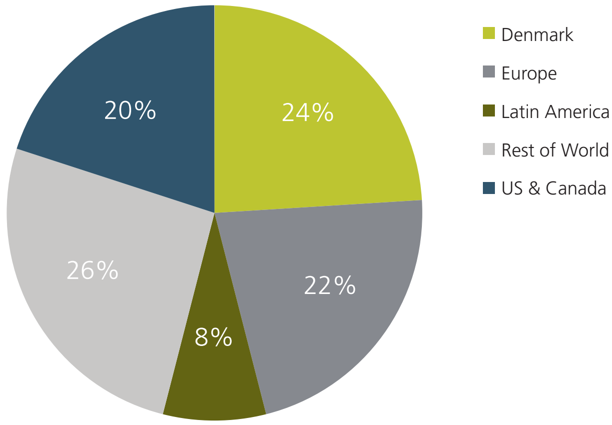
The employee population is very diverse with respect to nationalities, reflecting the truly global nature of the company. As such there are around 50 nationalities employed in Welltec.

As is common in the oil and gas industry, the share of females is low in Welltec. Women make up 12.5% of the total employee population and 8.7% of management level employees.

SHARE OF EMPLOYEES BY GENDER



SHARE OF EMPLOYEES BY NATIONALITY



As stated in the section of policies, Welltec will actively work to increase the share of females in management positions for example by putting the needed extra efforts into identifying relevant female candidates when recruiting.

Key Results in 2015 and Future Plans

2015 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.

As such, a number of new initiatives have been carried out focusing on enhancing the skills and motivation of our employees while supporting and directing them in delivering their best to enable business performance. A number of these initiatives are detailed below.

The second global survey of Employee Motivation and Satisfaction was carried out in the spring of 2015 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 89% of employees responding, a minor increase from 2014. 2015 has seen strong improvements in satisfaction levels. The survey showed an increase of approximately 50% in share of employees who are very satisfied, and a decrease of approximately 50% in share of employees who are unsatisfied or very unsatisfied. Further, strong improvement in other dimensions across all regions and functions was registered. 88% of employees stated that they are proud to work in Welltec (2014: 81%). Similarly, 75% of the employees are excited about their future with Welltec (2014: 62%).

88%
OF ALL EMPLOYEES ARE PROUD TO WORK IN WELLTEC

Finally, the survey showed that Welltec has shown improvement in the underlying drivers of satisfaction and excitement like communication, cooperation and opportunities for developing career and competencies.

In 2015 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 8.7% of employees in management positions, which is a minor increase (2014: 6%). This thus shows the results of the efforts made to increase the share of women in management positions. In December 2015, the first woman was elected to the Board of Directors and as such the target of having at least one female member of the Board of Directors by April 1st 2017 was reached. Due to the late time of election, the Board of Directors has not yet set at new target.The Board of Directors will set a new target in 2016. The Board consists of four members elected by the shareholders.

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:

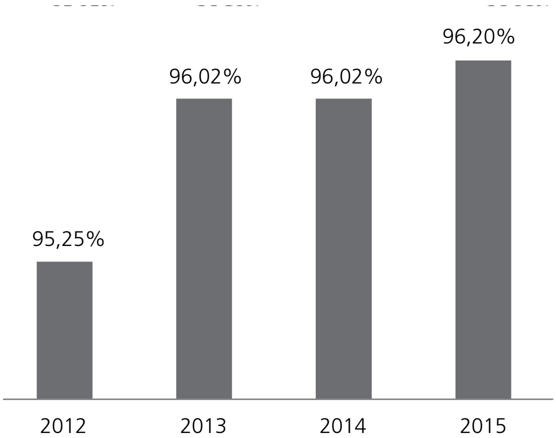
- that investigations requested by the clients are performed.
- that conformed and controlled methods are followed when handling misruns, covering from job planning, equipment, procedures, communication to human factors.
- lessons learned are properly communicated throughout the organization in order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

Key Results in 2015 and Future Plans

The overall numbers of customer-requested quality investigations decreased in 2015 compared to 2014, with Welltec's corporate 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.

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.

SERVICE QUALITY 2012-2015



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. Another example is participation in a school refurbishment.

Implementation and Future Plans

We will 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. We expect to report on results of our efforts in the coming year.

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, 2015 – December 31, 2015

Executive Board Jørgen Hallundbæk, Chief Executive Officer

Board of Directors Niels Harald De Coninck-Smith, Chairman
Annalisa Stupenengo
Jørgen Hallundbæk
Michael Bricker

Company auditors Deloitte Statsautoriseret Revisionspartnerselskab

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, 2015 to December 31, 2015.

The consolidated financial statements and parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports.

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, 2015 as well as of their financial performance and their cash flows for the financial year January 1, 2015, to December 31, 2015.

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, February 25, 2016

Executive Board:

Jørgen Hallundbæk
Chief Executive Officer

Board of Directors:

Niels Harald De Coninck-Smith
Chairman

Jørgen Hallundbæk

Annalisa Stupenengo

Michael Bricker

INDEPENDENT AUDITOR'S REPORTS

To the shareholders of Welltec International ApS

Report on the consolidated financial statements and parent financial statements

We have audited the consolidated financial statements and parent financial statements of Welltec International ApS for the financial year January 1 to December 31, 2015, which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes, including the accounting policies for the group as well as for the parent. The consolidated financial statements and parent financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and disclosure requirements of the Danish Financial Statements Act.

Management's responsibility for the consolidated financial statements and parent financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements and parent financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and parent financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and parent financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the consolidated financial statements and parent financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements and parent financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the consolidated financial statements and parent financial statements.

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements and parent financial statements give a true and fair view of the group's and the parent's financial position at December 31, 2015, and of the results of their operations and cash flows for the financial year January 1 to December 31, 2015 in accordance with International Financial Reporting Standards as adopted by the EU and disclosure requirements of the Danish Financial Statement Act.

Statement on the management commentary

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

On this basis, it is our opinion that the information provided in the management commentary is consistent with the consolidated financial statements and parent financial statements.

Copenhagen, February 25, 2016

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No. 33 96 35 56

Martin Faarborg
State Authorized
Public Accountant

Sumit Sudan
State Authorized
Public Accountant

FINANCIAL STATEMENTS

2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31, 2015, 2014 and 2013
(USD in thousands)

	NOTE	2015	2014	2013
Revenue	3	245,726	345,009	321,165
Cost of services provided	4, 5	(145,281)	(169,196)	(155,668)
Gross profit		**100,445**	**175,813**	**165,497**
Development and manufacturing costs	4, 5	(2,464)	(297)	(99)
Administrative expenses and sales costs	4, 5	(64,870)	(89,433)	(82,379)
Amortization of acquired intangibles in a business combination	5	(10,264)	(10,568)	(10,616)
Operating profit (EBIT) before special items		**22,847**	**75,515**	**72,403**
Special items	6	(8,500)	(0)	(4,698)
Operating profit (EBIT)		**14,347**	**75,515**	**67,705**
Financial income	7	37,884	39,782	23,236
Financial expenses	8	(70,077)	(61,281)	(49,411)
Profit / (loss) before tax		**(17,846)**	**54,016**	**41,530**
Income taxes	9	(14,849)	(32,810)	(20,887)
Profit / (loss) for the year		**(32,695)**	**21,206**	**20,643**
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		(8,993)	(13,763)	(9,342)
Total comprehensive income / (loss)		**(41,688)**	**7,443**	**11,301**
Distribution of profit / (loss) for the year				
Profit / (loss) for the year attributable to:				
Welltec International ApS shareholders' share of profit / (loss)		(32,695)	21,206	20,654
Non controlling interests share of profit / (loss) for the period		0	0	(11)
		(32,695)	**21,206**	**20,643**
Total comprehensive income / (loss) attributable to:				
Welltec International ApS shareholders' share of comprehensive income / (loss)		(41,688)	7,443	11,312
Non controlling interests share of comprehensive income / (loss)		0	0	(11)
		(41,688)	**7,443**	**11,301**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2015 and 2014
(USD in thousands)

	NOTE	2015	2014
Non-current assets			
Intangible assets			
Goodwill		242,340	242,340
Technology		51,501	56,197
Customer relationship		7,476	13,052
Brand		13,924	13,924
Completed development projects		73,351	63,811
Development projects in progress		10,338	29,482
Patents and licences		14,141	11,787
Total intangible assets	12	**413,071**	**430,593**
Tangible assets			
Land and buildings		10,318	11,446
Leasehold improvements		2,021	2,592
Plant equipment and fleet		80,609	86,654
Other fixtures, fittings, tools and equipment		7,084	10,956
Plant equipment and fleet under construction		19,817	22,892
Total tangible assets	13	**119,849**	**134,540**
Financial assets			
Deferred tax assets	19	816	1,774
Other receivables		1,756	2,800
Total financial assets		**2,572**	**4,574**
Total non-current assets		**535,492**	**569,707**
Current assets			
Inventories	15	**4,479**	**3,515**
Receivables			
Trade receivables	16	61,244	84,339
Tax receivables		5,256	17,626
Other receivables		5,757	12,530
Prepayments	17	3,323	4,698
Total receivables		**75,580**	**119,193**
Securities		**10,640**	**0**
Cash and cash equivalents		**61,040**	**42,696**
Total current assets		**151,739**	**165,404**
Total assets		**687,231**	**735,111**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2015 and 2014
(USD in thousands)

	NOTE	2015	2014
Equity			
Share capital	18	835	824
Currency translation reserve		(35,591)	(26,598)
Retained earnings		277,249	308,160
Total equity		**242,493**	**282,386**
Non-current liabilities			
Deferred tax liabilities	19	44,060	47,139
Finance lease commitments	20	8,011	8,251
Issued bonds	20	309,948	314,275
Bank debt	20	26,813	0
Total non-current liabilities		**388,832**	**369,665**
Current liabilities			
Current portion of non-current liabilities	20	1,357	1,271
Trade payables		12,111	19,257
Current tax liabilities		7,256	20,094
Other payables	21	35,182	42,438
Total current liabilities		**55,906**	**83,060**
Total liabilities		**444,738**	**452,725**
Total equity and liabilities		**687,231**	**735,111**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended December 31, 2015, 2014 and 2013
(USD in thousands)

	Share capital	Currency translation reserve	Retained earnings	Non-controlling interest	Total
Equity at December 31, 2013	**824**	**(12,835)**	**291,351**	**(725)**	**278,615**
Profit for the year	0	0	21,206	0	21,206
Unrealized exchange rate adj. of foreign subsidiaries and branches	0	(13,763)	0	0	(13,763)
Total comprehensive income for the year	**0**	**(13,763)**	**21,206**	**0**	**7,443**
Purchase of own shares and warrants	0	0	(3,939)	0	(3,939)
Purchase of minority interest	0	0	(725)	725	0
Share-based payment to executives	0	0	13	0	13
Tax credit related to exercise of warrants	0	0	254	0	254
Total other transactions	**0**	**0**	**(4,397)**	**725**	**(3,672)**
Equity at December 31, 2014	**824**	**(26,598)**	**308,160**	**0**	**282,386**
(Loss) for the year	0	0	(32,695)	0	(32,695)
Unrealized exchange rate adj. of foreign subsidiaries and branches	0	(8,993)	0	0	(8,993)
Total comprehensive (loss) for the year	**0**	**(8,993)**	**(32,695)**	**0**	**(41,688)**
Purchase of own shares	0	0	(233,799)	0	(233,799)
Capital increase	217	0	235,507	0	235,724
Costs related to capital increase	0	0	(687)	0	(687)
Capital decrease	(206)	0	206	0	0
Share-based payment to executives	0	0	505	0	505
Tax credit related to share option scheme	0	0	52	0	52
Total other transactions	**11**	**0**	**1,784**	**0**	**1,795**
Equity at December 31, 2015	**835**	**(35,591)**	**277,249**	**0**	**242,493**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31, 2015, 2014 and 2013
(USD in thousands)

	NOTE	2015	2014	2013
Operating profit (EBIT)		14,347	75,515	67,705
Non-cash adjustments	10	64,614	76,324	55,149
Changes in working capital	11	17,064	441	(7,554)
Income taxes paid		(17,388)	(32,163)	(16,465)
Other receivables, long-term		1,044	1,084	1,554
Other payables, long-term		0	(313)	(251)
Cash flows from operating activities		**79,681**	**120,888**	**100,138**
Investments in intangible assets		(19,186)	(37,822)	(33,818)
Investments in tangible assets		(23,611)	(37,218)	(52,020)
Sale of tangible assets		2,606	77	442
Investment in securities		(11,189)	0	0
Financial income received		605	269	1,241
Acquisition of activities		0	(942)	(1,797)
Cash flows from investing activities		**(50,775)**	**(75,636)**	**(85,952)**
Financial expenses paid		(27,505)	(30,824)	(30,849)
Other financial expenses		(955)	(526)	(1,455)
Purchase of own shares and warrants		(233,799)	(3,939)	(33,202)
Sale of own shares		0	0	5,377
Purchase of own bonds		(7,526)	0	0
Proceeds from non-current debt		27,395	0	14,976
Installments on current and non-current debt		(1,351)	(3,115)	(17,419)
Capital increase		235,724	0	45,965
Costs related to capital increase		(687)	0	(1,884)
Cash flows from financing activities		**(8,704)**	**(38,404)**	**(18,491)**
Increase / (decrease) in cash and cash equivalents		**20,202**	**6,848**	**(4,305)**
Cash and cash equivalents at beginning of period		42,696	38,812	41,985
Exchange rate adjustment at beginning of period		(1,858)	(2,964)	1,132
Cash and cash equivalents at December 31		**61,040**	**42,696**	**38,812**
Hereof restricted cash		92	16	0

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1. ACCOUNTING POLICIES

Basis of accounting

The consolidated financial statements for 2015 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 2014.

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 annual periods beginning on or after 1 January 2018. The standard has not yet been endorsed by the EU.

Welltec(R) is currently analyzing the potential effects of IFRS 15, however, since the analysis is at a preliminary stage, it is not possible to provide an estimate of the expected consequences. The preliminary analysis indicates that the more detailed requirements on identifying performance obligations as well as the requirements on determining whether revenue should be recognized over time or at a point in time, may to some extent affect the timing of future revenue recognition, however it is not expected to have any material impact on future consolidated financial statements.

IASB has also issued IFRS 9 "Financial Instruments", which awaits EU endorsement. 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. The standard has not yet been endorsed by the EU.

Welltec has not begun analysing the possible effects of IFRS 16 yet, however, 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

NOTES

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.

NOTES

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 according to a joint taxation agreement between the companies that are subject to deductibility limitation in proportion to their share of the total limitation. Deferred tax liabilities in respect of these balances are 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

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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.

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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

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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.

Securities

Securities comprises of mortgage- and corporate bonds and shares. All securities are listed. The securities are measured at fair value and value adjustments are recorded through the profit and loss statement.

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

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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.

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.

The tools are not sold to the customers, but are considered an integral and necessary part of, and thus directly related to the revenue generating activities, the same way as if the tools were produced both for own use and for sale to customers. Consequently, 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).

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At December 31, 2015, Welltec has capitalized USD 100,426 thousand as plant equipment and fleet – completed and under construction compared to USD 109,546 thousand at December 31, 2014. 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, 2015, Welltec has capitalized USD 83,689 thousands as development projects – completed and in progress – compared to USD 93,293 thousand at December 31, 2014. 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 35 % of total assets and 100 % of total equity at December 31, 2015, which is significant to the consolidated financial statements.

For purposes of assessing the carrying amount of goodwill and other intangible assets of USD 413,071 thousand at December 31, 2015, compared to USD 430,593 thousand at December 31, 2014, 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 2024. In addition to these the key assumptions used to estimate expected future cash flows are discount rates and growth rates. In 2014 and 2015 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 12. *Intangible assets.*

2.4 Deferred tax asset related to warrants

No deferred tax asset has been recognized for the temporary difference between the accumulated costs recognized related to share-based payments (warrants) and potential tax deduction if and when the warrants are exercised due to uncertainty about timing and size of the future actual tax deductions in various countries.

The tax value of the tax asset not capitalized has been estimated at December 31, 2015, to be approximately USD 8,903 thousand compared to USD 21,369 thousand of December 31, 2014. These amounts are also disclosed in note 19. *Deferred tax assets and liabilities.*

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3. REVENUE

3.1 Segment information

Based on IFRS 8 Operating Segment, the group has evaluated if the activities constitute more than one reporting segment. The internal monthly management reporting follows the group's accounting policies. The management group of Welltec International ApS constitutes the chief operating decision maker of Welltec International ApS.

The internal monthly management reporting is focused on group level as a whole, including revenue divided into geographical areas. It has been determined that Welltec International ApS only has one reporting segment.

Geographical information

The internal monthly management reporting has been changed to reflect the regional structure, and therefore the group's revenue is divided into these new geographic areas. Comparative information has been restated. The group's revenue is divided into the following geographic areas:

(USD in thousands)	2015	Restated 2014	Restated 2013
Europe, Africa and Russia/CIS	129,763	178,373	156,386
Americas	74,834	121,633	111,925
Middle East and Asia Pacific	41,129	45,003	52,854
Total revenue	**245,726**	**345,009**	**321,165**

Only an insignificant part of the group's revenue is generated in Denmark.

Information on major customers:
Out of total revenue for 2015, USD 40 million (2014: USD 53 million, 2013: USD 52 million) is derived from one customer.

Non-current assets

The group's non-current assets are divided into the following geographic areas:

(USD in thousands)	2015	2014	2013
Denmark	522,888	550,571	546,538
Other countries	12,604	19,136	23,038
Total non-current assets	**535,492**	**569,707**	**569,576**

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4. STAFF COSTS

(USD in thousands)	2015	2014	2013
Breakdown of staff costs:			
Wages and salaries	90,103	122,411	122,165
Share-based payment to executives	505	13	2,710
Payment to defined contribution pension plans	3,097	4,060	3,448
Other social security costs	4,940	6,119	6,258
Total staff costs	**98,645**	**132,603**	**134,581**
Recognition of staff costs:			
Cost of services provided	53,147	71,884	72,274
Development and manufacturing costs capitalized	12,633	17,473	20,026
Administrative costs	32,865	43,246	42,281
Total staff costs	**98,645**	**132,603**	**134,581**
Number of employees:			
Average number of employees	894	1,013	1,055

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)	2015	2014	2013
Short-term staff benefits	788	923	905
Pension benefits	74	89	89
Share-based payments	0	0	16
Total remuneration to Executive Board and Board of Directors	**862**	**1,012**	**1,010**

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)	2015	2014	2013
Short-term staff benefits	3,547	4,937	4,775
Pension benefits	121	101	90
Share-based payments	0	13	623
Total remuneration to other Key management personnel	**3,668**	**5,051**	**5,488**

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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 70 thousand was recognized in the statement of comprehensive income in 2014 and USD 1,182 thousand was recognized in the statement of the comprehensive income in 2015. 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.

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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 31.12.2015
Granted in 2006	227.721	Feb. 2006	2007 - 2009	Jun. 2016	0.15	0.9	147,711
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	261,250
Granted in 2013	50.800	Sep. 2013	2013 - 2017	Jun. 2020	140 - 249	44 - 103	26,800
Granted in 2014	42,300	Dec. 2014	2014 - 2017	Dec. 2020 - Dec. 2021	231 - 264	125 - 130	34,800
							470,561

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.

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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 01.01.2013	10,000	50,000	438,461	498,461	69
Granted	0	0	50,800	50,800	239
Forfeited	0	0	(4,000)	(4,000)	171
Balance at 31.12.2013	10,000	50,000	485,261	545,261	88
Granted	0	0	42,300	42,300	307
Forfeited	0	0	(8,100)	(8,100)	252
Balance at 31.12.2014	10,000	50,000	519,461	579,461	104
Exercised	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
These warrants are exercisable as of 31.12.2015		50,000		50,000	

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

Holding of warrants by Board of Directors of Welltec International ApS is related to a former member of the board.

The weighted average remaining contractual life and range of exercise price of outstanding warrants was 10 months and a price of USD 0.15 – 264 (adjusted for dilution impact) at December 31, 2015, 22 months and a price of USD 0.16-265 (adjusted for dilution impact) at December 31, 2014, and 30 months and a price of USD 0.18 -295 at December 31, 2013.

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 505 thousand for 2015. The total expense recognized in the statement of comprehensive income for all warrants schemes amounted to USD 13 thou-sand in 2014 and USD 2,710 thousand in 2013.

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5. AMORTIZATION, DEPRECIATION AND IMPAIRMENT LOSSES

(USD in thousands)	2015	2014	2013
Completed development projects	24,968	26,733	18,682
Patents and licenses	616	604	477
Customer relationship	5,455	5,614	5,661
Technology	4,809	4,953	4,955
Total amortization of intangible assets	**35,848**	**37,904**	**29,775**
Other fixtures and fittings, tools and equipment	3,862	5,288	4,596
Land and buildings	425	254	74
Plant equipment and fleet	29,361	25,637	20,927
Leasehold improvements	735	738	567
Gain/loss from disposal of plant equipment and fleet	(71)	(39)	(54)
Total depreciation of tangible assets	**34,312**	**31,878**	**26,110**
Total depreciation and amortization	**70,160**	**69,782**	**55,885**
Write-down of development projects	160	3,815	461
Write-down of plant equipment and fleet	1,953	5,925	3,609
Total impairment losses	**2,113**	**9,740**	**4,070**
Recognition of amortization, depreciation and impairment by function			
Cost of service provided	55,301	56,108	42,315
Development and manufacturing costs capitalized	588	916	1,077
Administrative and sales costs	6,120	11,931	5,947
Amortization of acquired intangible assets in a business combination	10,264	10,568	10,616
Total depreciation, amortization and impairment losses	**72,273**	**79,522**	**59,955**

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6. SPECIAL ITEMS

(USD in thousands)	2015	2014	2013
Salary cost related to resigned employees and special bonus	7,491	0	1,517
Non-recurring consultancy fees	0	0	3,181
Costs related to termination of rental agreements etc.	1,009	0	0
Total special items	**8,500**	**0**	**4,698**

Special items in 2015 are 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".

7. FINANCIAL INCOME

(USD in thousands)	2015	2014	2013
Interest income	604	269	1,241
Interest income from financial assets that are not measured at fair value through profit or loss	**604**	**269**	**1,241**
Fair value adjustment of derivative financial instruments	0	1,030	3,717
Exchange rate gains	37,280	38,482	18,278
Total financial income	**37,884**	**39,782**	**23,236**

8. FINANCIAL EXPENSES

(USD in thousands)	2015	2014	2013
Interest expenses	(27,086)	(30,231)	(29,440)
Other financial expenses	(3,295)	(3,490)	(3,815)
Interest expenses from financial liabilities that are not measured at fair value through profit or loss	**(30,381)**	**(33,721)**	**(33,255)**
Exchange rate loss	(39,696)	(27,560)	(16,156)
Total financial expenses	**(70,077)**	**(61,281)**	**(49,411)**

Borrowing costs capitalized on development projects are calculated based on the incurred costs and a weighted average capitalization rate of 7.5% (7.8% in 2014). The amount capitalized in 2015 is USD 410 thousand (USD 1,447 thousand in 2014 and USD 843 thousand in 2013).

The net profit impact at group level of derivative financial instruments measured at fair value through profit or loss amounted to a gain of USD 0 thousand at December 31, 2015, (a net gain of USD 1,030 thousand in 2014 and a net gain of USD 3,717 thousand in 2013).

The net exchange rate loss at December 31, 2015, was USD 2,416 thousand (a net exchange rate gain of USD 10,992 thousand in 2014 and a net exchange rate gain of USD 2,122 thousand in 2013).

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9. INCOME TAXES

(USD in thousands)	2015	2014	2013
Current tax	13,349	19,591	14,931
Adjustment in corporation tax previous years	14	10,595	4,550
Current tax incl. adj. in corporation tax previous years	**13,363**	**30,186**	**19,481**
Adjustment in deferred tax previous years	(395)	(8,146)	(363)
Change in deferred tax	384	4,685	1,969
Effect from change in tax rate, deferred tax	437	43	(4,651)
Tax effect from tax provision	(2,750)	3,253	4,370
Other taxes	3.810	2,789	81
Total	**14,849**	**32,810**	**20,887**
A breakdown of tax:			
Profit before tax	(17,846)	54,016	41,530
	(17,846)	**54,016**	**41,530**
Reconciliation of tax expense USD			
Danish corporation tax	(4,193)	13,234	10,383
Effect of exchange rate adjustment in USD and DKK on Danish corporation tax	1,491	(540)	3,322
Effect of difference between tax rate for subsidiaries outside Denmark and Danish tax rate	1,958	0	0
Tax effect from tax provision	(2,750)	3,253	4,370
Non-taxable income and non-deductible expenses	7,020	8,102	1,692
Interest limitation, thin capitalization etc	5,269	3,241	1,630
Withholding taxes non-deductible	5,400	3.229	1,566
Change in corporate income tax rate, current and coming years	437	0	(4,568)
Other taxes, including adjustment to previous years	217	2,291	2,492
Total	**14,849**	**32,810**	**20,887**

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 2015. In 2015 USD 52 thousand (2014 USD 254 thousand, 2013 USD 5,887 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 and 2014 and the preliminary tax calculation for 2015 have been made up based on similar principles as applied by the Danish tax authorities for previous years.

NOTES

10. NON-CASH ADJUSTMENTS

(USD in thousands)	2015	2014	2013
Depreciation of intangible and tangible assets	70,160	69,782	55,938
Disposal and impairment losses	2,113	9,740	4,070
Exchange rate adjustment on depreciation and fixed assets	2,894	3,687	(1,255)
Currency adjustments, other	(10,306)	(6,393)	(5,888)
Impairment of trade receivables	(752)	(505)	(426)
Share-based payments	505	13	2,710
Total non-cash adjustments	**64,614**	**76,324**	**55,149**

11. CHANGES IN WORKING CAPITAL

(USD in thousands)	2015	2014	2013
Change in receivables and prepayments	25,223	110	393
Change in inventories	(964)	(1,039)	(743)
Change in trade payables	(7,145)	3,842	(3,482)
Change in other payables	(6,823)	1,520	(2,203)
Change in other receivables	6,773	(3,638)	(687)
Change in payables to affiliates	0	(354)	(832)
Total changes in working capital	**17,064**	**441**	**(7,554)**

NOTES

12. INTANGIBLE ASSETS

(USD in thousands)	Goodwill	Other intangible assets*	Completed development projects	Development projects in progress	Patents and licenses	Total
Costs at 01.01 2014	**242,340**	**158,231**	**118,469**	**34,372**	**11,182**	**564,594**
Additions	0	415	0	33,695	3,712	37,822
Transfer	0	0	37,997	(37,997)	0	0
Exchange rate adjustment	0	(2,605)	0	0	(95)	(2,700)
Costs at 31.12 2014	**242,340**	**156,041**	**156,466**	**30,070**	**14,799**	**599,716**
Amortization and impairment losses at 01.01 2014	**0**	**64,328**	**62,107**	**588**	**2,445**	**129,468**
Amortization for the year	0	10,567	26,733	0	604	37,904
Impairment losses for the year	0	0	3,815	0	0	3,815
Exchange rate adjustment	0	(2,026)	0	0	(37)	(2,063)
Amortization and impairment losses at 31.12 2014	**0**	**72,868**	**92,655**	**588**	**3,012**	**169,123**
Carrying value at 31.12 2014	**242,340**	**83,173**	**63,811**	**29,482**	**11,787**	**430,593**
Costs at 01.01 2015	**242,340**	**156,041**	**156,466**	**30,070**	**14,799**	**599,716**
Additions	0	129	0	15,873	3,184	19,186
Transfer	0	0	35,017	(35,017)	0	0
Disposal	0	0	(13,043)	0	(371)	(13,414)
Exchange rate adjustment	0	0	0	0	91	91
Costs at 31.12 2015	**242,340**	**156,170**	**178,440**	**10,926**	**17,703**	**605,579**
Amortization and impairment losses at 01.01 2015	**0**	**72,868**	**92,655**	**588**	**3,012**	**169,123**
Amortization for the year	0	10,264	24,968	0	616	35,848
Impairment losses for the year	0	0	160	0	0	160
Disposal	0	0	(13,043)	0	(162)	(13,205)
Exchange rate adjustment	0	137	349	0	96	582
Amortization and impairment losses at 31.12 2015	**0**	**83,269**	**105,089**	**588**	**3,562**	**192,508**
Carrying value at 31.12 2015	**242,340**	**72,901**	**73,351**	**10,338**	**14,141**	**413,071**

* Please see following specification.

NOTES

Other intangible assets:

(USD in thousands)	Technology	Customer relationship	Brand	Total
Costs at 01.01 2014	**91,140**	**53,167**	**13,924**	**158,230**
Additions	415	0	0	415
Exchange rate adjustment	(1,374)	(1,231)	0	(2,605)
Costs at 31.12 2014	**90,181**	**51,936**	**13,924**	**156,041**
Amortization and impairment losses at 01.01 2014	**29,913**	**34,414**	**0**	**64,327**
Amortization for the year	4,953	5,614	0	10,567
Exchange rate adjustment	(882)	(1,144)	0	(2,026)
Amortization and impairment losses at 31.12 2014	**33,984**	**38,884**	**0**	**72,868**
Carrying value at 31.12 2014	**56,197**	**13,052**	**13,924**	**83,173**
Costs at 01.01 2015	**90,181**	**51,936**	**13,924**	**156,041**
Additions	129	0	0	129
Costs at 31.12 2015	**90,310**	**51,936**	**13,924**	**156,170**
Amortization and impairment losses at 01.01 2015	**33,984**	**38,884**	**0**	**72,868**
Amortization for the year	4,809	5,455	0	10,264
Exchange rate adjustment	16	121	0	137
Amortization and impairment losses at 31.12 2015	**38,809**	**44,460**	**0**	**83,269**
Carrying value at 31.12 2015	**51,501**	**7,476**	**13,924**	**72,901**

NOTES

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 2015 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 future earnings, growth rates and discount rates.

Expectations about future earnings are based on financial budgets and long-term forecasts until the end of 2024, including long-term growth rates. A budget period exceeding 5 years has been applied as Management deems a longer budget period needed in order to reflect the growth rates of the Welltec International ApS Group prior to the Group entering into a more steady growth situation. This is a result of the historic growth rates realized by the group as well as the future expected growth rates for the years included in the budget period, which Management has deemed to be 9 years. A growth rate of 2.0% has been applied in the terminal period from 2025 and onwards.

The discount rate applied is based on a risk-adjusted after tax discount rate (weighted average cost of capital) of 10.3%. The weighted average cost of capital before tax is 11.4%. In 2014 the weighted average cost of capital used was 9.2% which equals a before tax discount rate of 9.7%.

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. However, currently there is an oversupply, resulting in declining oil prices and volatility. As market consensus suggests, expectations are that supply and demand will reach balance over the course of the next 18 months, which inevitably will underpin the oil price and pave the way for a more stable oil price environment. 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.

In addition to the determination of the value in use above, recent transactions were conducted in October, 2015 and in February, 2016 both implying a fair value of approximately USD 800 million. Refer to note 27 in the consolidated financial statements.

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.

Impairment of other intangible assets

Impairment of development projects amounted to USD 0.2 million (2014: USD 3.8 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.

NOTES

13. TANGIBLE ASSETS

(USD in thousands)	Land and buildings	Leasehold improvement	Plant equipment and fleet	Other fixtures, fittings, tools and equipment	Plant equipment and fleet under construction	Total
Costs at 01.01 2014	**3,403**	**5,938**	**191,689**	**28,187**	**25,467**	**254,684**
Additions	9,683	615	1,882	4,390	29,746	46,315
Transfer	0	0	32,321	0	(32,321)	0
Disposals	(982)	0	(250)	(318)	0	(1,550)
Exchange rate adjustment	(203)	(175)	(43)	(3,061)	0	(3,481)
Costs at 31.12 2014	**11,901**	**6,378**	**225,598**	**29,198**	**22,892**	**295,967**
Depreciation and impairment losses at 01.01 2014	**341**	**3,152**	**107,550**	**15,194**	**0**	**126,237**
Depreciation for the year	254	738	25,637	5,288	0	31,917
Impairment losses for the year	0	0	5,925	0	0	5,925
Disposals	(115)	0	(177)	(1,929)	0	(2,221)
Exchange rate adjustment	(24)	(104)	9	(311)	0	(431)
Depreciation and impairment losses at 31.12 2014	**456**	**3,786**	**138,944**	**18,242**	**0**	**161,428**
Carrying value at 31.12 2014	**11,446**	**2,592**	**86,654**	**10,956**	**22,892**	**134,540**
Hereof held under finance lease	8,114	0	0	3,334	0	11,448
Costs at 01.01 2015	**11,901**	**6,378**	**225,598**	**29,198**	**22,892**	**295,967**
Additions	31	243	9,833	989	14,683	25,779
Transfer	0	0	17,427	(20)	(17,407)	0
Disposals	(413)	(100)	(2,744)	(1,549)	(174)	(4,980)
Exchange rate adjustment	(372)	(185)	(87)	(3,623)	(177)	(4,444)
Costs at 31.12 2015	**11,147**	**6,336**	**250,027**	**24,995**	**19,817**	**312,322**
Depreciation and impairment losses at 01.01 2015	**456**	**3,786**	**138,944**	**18,242**	**0**	**161,428**
Depreciation for the year	425	735	29,361	3,862	0	34,383
Impairment losses for the year	0	0	1,953	0	0	1,953
Disposals	(10)	(103)	(978)	(1,593)	0	(2,684)
Exchange rate adjustment	(42)	(103)	138	(2,600)	0	(2,607)
Depreciation and impairment losses at 31.12 2015	**829**	**4,316**	**169,418**	**17,911**	**0**	**192,473**
Carrying value at 31.12 2015	**10,318**	**2,021**	**80,609**	**7,084**	**19,817**	**119,849**
Hereof held under finance lease	7,773	0	0	3,599	0	11,372

Impairment losses in 2015 and in 2014 are related to scrapped tools, tools lost in the wells and impairment tests of the tool fleet.

NOTES

14. INVESTMENTS IN SUBSIDIARIES

The group has investments in the following subsidiaries:

Name	Registered office	Principal activity	Year / currency	Capital	Share
PT. Welltec Oilfield Services Indonesia*	Indonesia	Sales Company	2005 / USD	500,000	95%
Welltec Oilfield Services Argentina SA **	Argentina	Sales Company	2015 / ARS	50,000	90%
Welltec Oilfield Services (Malaysia) Sdn. Bhd*	Malaysia	Sales Company	2005 / MYR	350,000	49%
Welltec (UK) Ltd. *	Scotland - UK	Sales Company	2002 / GBP	1	100%
Welltec Canada Inc. *	Canada	Sales Company	2001 / CAD	6,000,001	100%
Welltec Inc. *	USA	Sales Company	2000 / USD	100,000	100%
RS 2001 ApS*	Denmark	Sales Company	2001 / DKK	125,000	100%
Welltec Oilfield Services Pty. Ltd.*	Australia	Sales Company	2005 / AUD	10	100%
Welltec Latinamerica ApS*	Denmark	Sales Company	2005 / DKK	475,000	100%
Welltec Africa ApS*	Denmark	Sales Company	2005 / DKK	125,000	100%
Welltec Venezuela, C.A.**	Venezuela	Sales Company	2005 / VEF	1,000	100%
Welltec do Brasil Ltda.**	Brasil	Sales Company	2006 / BRL	423,790	100%
Welltec Angola Lda.***	Angola	Sales Company	2006 / USD	5,000	49%
Welltec Oilfield Services (Nigeria) Ltd. ***	Nigeria	Sales Company	2006 / NGN	25,000,000	30%
Welltec Oilfield Services Gabon Sarl ***	Gabon	Sales Company	2015 / CFA	1,000,000	100%
Welltec Oilfield Services (Norway) *	Norway	Sales Company	2015 / NOK	3,000,000	100%
Welltec Oilfield Services (Doha) LLC.*	Qatar	Sales Company	2015 / QAR	1,000	49%
Welltec Oilfield Services (RUS) LLC.*	Russia	Sales Company	2007 / RUB	100,000	100%
Welltec Oilfield Services (Azerbaijan) Ltd.*	Azerbaijan	Sales Company	2007 / USD	5,000	100%
Welltec Oilfield Services Mexico S.A.**	Mexico	Sales Company	2007 / MXN	50,000	100%
Welltec Oilfield Services (India) Private Limited *	India	Sales Company	2008 / INR	100,000	100%
Welltec Oilfield Services (Saudi Arabia) Ltd*	Saudi Arabia	Sales Company	2008 / SAR	500,000	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 (Proprietary) (South Africa) Limited***	South Africa	Sales Company	2010 / ZAR	1,000	100%
Welltec Oilfield Services (Kazakhstan) LLP*	Kazakhstan	Sales Company	2011 / KZT	151,200	100%
Welltec Oilfield Services (Uganda) Limited***	Uganda	Sales Company	2012 / USD	10,000	100%
Welltec Oilfield Services (Ghana) Limited***	Ghana	Sales Company	2013 / GHC	40,818	49%
Welltec Oilfield Services (Ukraine) LLC*	Ukraine	Sales Company	2013 / UAH	1,000	100%
Welltec Oilfield Services (Continental Europe) A/S*	Denmark	Sales Company	2014 / DKK	500,000	100%

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

Even though Welltec A/S only holds a 49% and 30% ownership interest in five subsidiaries, Welltec A/S controls the five 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.

NOTES

15. INVENTORIES

(USD in thousands)	2015	2014
Raw materials	3,698	3,515
Finished goods	781	0
Total inventories	**4,479**	**3,515**

16. TRADE RECEIVABLES

(USD in thousands)	2015	2014
Trade receivables before allowance for doubtful accounts	61,507	85,353
Write-downs	(263)	(1,014)
Total trade receivables	**61,244**	**84,339**
Trade receivables – average fixed time of credit (days)	108	93
Development in write-downs of trade receivables		
Write-downs at 01.01	(1,014)	(509)
Reversed, unrealized write-downs	752	(387)
Amounts written off during the year as uncollectible	0	0
Write-down in profit or loss	(1)	(118)
Write-downs at 31.12	**(263)**	**(1,014)**
Specification of trade receivables by due date		
Not due	37,337	58,015
Up to 30 days	9,082	8,924
30-60 days	3,478	7,034
60-90 days	6,297	2,390
90-120 days	1,713	6,564
120+ days	3,337	1,412
Total trade receivables	**61,244**	**84,339**

In 2015, the write-down on receivables of USD 263 thousand are all related to trade receivables due more than 120+ days (2014: USD 1,014 thousand).

NOTES

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.

17. PREPAYMENTS

(USD in thousands)	2015	2014
Prepaid insurance	320	329
Prepaid lease	350	191
Prepaid rent	307	395
Prepaid creditors	2,132	3,783
Other prepayments	214	0
Total prepayments	**3,323**	**4,698**

18. SHARE CAPITAL

The share capital consists of 4.792.520 units of DKK 1 / USD 0.17. All shares are fully paid.

(USD in thousands)	Class A Shares	Class B Shares	2015 Total	Class A Shares	Class B Shares	2014 Total
Share units 01.01	587	237	824	587	237	824
Capital increase 02.07.15	11	0	11	0	0	0
Capital increase 26.10.15	237	0	237	0	0	0
Capital decrease 26.10.15	0	(237)	(237)	0	0	0
Share units 31.12	**835**	**0**	**835**	**587**	**237**	**824**

In 2015 the division into Class A and B Shares are repealed.

The shares are considered to be equity instruments as they do not include any unconditional contractual obligations to deliver cash to the shareholders. The 2013-issued shares of DKK 150 thousand (USD 27 thousand) are preferences shares as they within a certain timeframe (and subject to certain conditions being met) have certain preference rights over the other shares if Welltec does not complete an IPO.

In 2007, Welltec International ApS issued 71,601 warrants to Jørgen Hallundbæk as owner, which were exercisable at December 31, 2014. The total fair value of these warrants is USD 9,435 thousand as at December 31, 2015 (December 31, 2014: USD 18,387 thousand).

No dividend was paid out in 2015 or 2014, and no dividend is proposed related to the financial year 2015 and 2014.

NOTES

	Number of shares	Nominal value in DKK	Share of capital in %
Own shares 01.01.2014	**179,625**	**179,625**	**3.8**
Purchase of shares	15,656	15,656	0,3
Own shares 31.12.2014	**195,281**	**195,281**	**4.1**
Purchase of shares	35,388	35,388	0.7
Own shares 31.12.2015	**230,669**	**230,669**	**4.8**

In addition the group holds 14,500 own warrants at December 31, 2015 (December 31, 2014: 14,500 warrants).
During 2015 Welltec has purchased 35,388 own shares at a value of USD 5,076 thousand.
Welltec invests in own shares using excess liqudity to reduce the number of shareholders.

19. DEFERRED TAX ASSETS AND LIABILITIES

(USD in thousands)	2015	2014
Deferred tax 01.01	45,365	52,189
Exchange rate adjustments	203	(6,660)
Adjustment in deferred tax previous years	(395)	(8,146)
Change in deferred tax for the year	(2,366)	7,939
Effect of change in income tax rate, current year	437	(43)
Effect of change in income tax rate, coming years	0	86
Deferred tax assets (-)/liabilities 31.12	**43,244**	**45,365**
Deferred tax breakdown:		
Intangible assets	36,847	39,412
Tangible assets	4,314	(2,089)
Current and non-current liabilities	2,040	9,385
Current assets	173	(1,002)
Change in tax rate, coming years	0	(341)
Tax loss carried forward	(130)	0
Deferred tax assets (-)/liabilities 31.12	**43,244**	**45,365**
Deferred tax is recognized in the statement of financial position with:		
Deferred tax assets	(816)	(1,774)
Deferred tax liabilities	44,060	47,139
Deferred tax assets (-)/liabilities 31.12	**43,244**	**45,365**

The group does not recognize deferred tax assets that are unlikely to be realized or otherwise exposed to major risk or uncertainty. Deferred tax assets related to warrants are not recognized at December 31, 2015, due to uncertainty about timing and size of the future actual tax deductions in various countries. The tax value of the tax asset not capitalized has been estimated at December 31, 2015, to be approx. USD 8,903 thousand (December 31, 2014 USD 21,369 thousand).

NOTES

20. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

(USD in thousands)	2015	2014
Issued bonds	317,741	314,275
Holding of own bonds	(7,793)	0
Bank debt	26,813	0
Finance lease commitments	9,368	9,522
	346,129	**323,797**
Due within 1 year	1,357	1,271
Due within 1-2 years	1,237	982
Due within 2-3 years	27,737	846
Due within 3-4 years	310,724	637
Due within 4-5 years	854	314,766
Due after 5 years	4,220	5,295
	346,129	**323,797**
Recognition of short-term and long-term financial liabilities in the statement of financial position:		
Non-current financial liabilities — lease commitments	8,011	8,251
Non-current financial liabilities — issued bonds (incl. holding of own bonds)	309,948	314,275
Non-current financial liabilities — bank debt	26,813	0
Current financial liabilities	1,357	1,271
	346,129	**323,797**

2014

Currency	**Expiry**	**Fixed or floating interest**	**Effective interest rate %**	**Carrying amount local** (thousands)	**Carrying amount USD** (thousands)
DKK	2019	floating	0.29-9.98	58,291	**9,522**
USD	2019	fixed	8.5	314,275	**314,275**
					323,797

2015

Currency	**Expiry**	**Fixed or floating interest**	**Effective interest rate %**	**Carrying amount local** (thousands)	**Carrying amount USD** (thousands)
DKK	2024	floating	0.95-6.89	63,982	**9,368**
EUR	2018	floating	2.1	25,000	**26,813**
USD	2019	fixed	8.5	309,948	**309,948**
					346,129

Issued bonds and bank debt

In February 2012, Welltec A/S issued bonds of a value of USD 325 million. The bonds have a fixed interest of 8% and an effective rate of 8.5%. The bonds are repayable in full in February 2019. The fair value of issued bonds at December 31 2015, is USD 309 million (December 31, 2014 USD 317 million). The fair value is based on the quoted market price 95.00 USD per. note (December 31, 2014 97.25 USD per note) (level 1) on Bourse Luxembourg. Welltec has in 2015 purchased own bonds for a nominal value of USD 7,793 thousand.

In April 2015, Welltec A/S obtained a bank loan through the European Investment Bank of EUR 25 million (USD 28 million). The bank loan has a variable interest of 2.2% + 6 months EURIBOR. The bank loan is repayable in December 2018. The carrying amount of the bank debt is approximately equal to the fair value as of December 31, 2015.

NOTES

20.1 Finance lease obligations

Finance lease relates to a building with a lease term of 11.5 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.

	2015		2014	
(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	1,408	1,357	1,324	1,271
Between 1 and 5 years	3,942	3,791	3,104	2,956
Over 5 years	5,309	4,220	5,691	5,295
Total finance lease obligations	**10,659**	**9,368**	**10,119**	**9,522**

(USD in thousands)	**2015**	**2014**
Interest from finance lease, expensed	(496)	(399)

The fair value of the finance lease liabilities is approximately equal to their carrying amount as of December 31, 2015, and December 31, 2014.

20.2 Maturity dates for financial liabilities

	2014			
(USD in thousands)	**Less than 1 year**	**Between 1 and 5 years**	**Later than 5 years**	**Total**
Finance lease commitments	1,271	2,956	5,295	**9,522**
Issued bonds	0	314,275	0	**314,275**
Trade payables	19,257	0	0	**19,257**
Other payables	42,438	0	0	**42,438**
Total financial liabilities	**62,966**	**317,231**	**5,295**	**385,492**

All debt is measured at amortized cost, except from derivative financial instruments of USD 1,030 thousand that are measured at fair value through profit or loss. Derivative financial instruments are included in 'Other non-current liabilities'. 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.

NOTES

(USD in thousands)	2015 Less than 1 year	Between 1 and 5 years	Later than 5 years	Total
Finance lease commitments	1,357	3,791	4,220	**9,368**
Issued bonds (incl. holding of own bonds)	0	309,948	0	**309,948**
Bank debt	0	26,813	0	**26,813**
Trade payables	12,111	0	0	**12,111**
Other payables	35,182	0	0	**35,182**
Total financial liabilities	**48,650**	**340,552**	**4,220**	**393,422**

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 1 February 2019.

21. OTHER PAYABLES

(USD in thousands)	2015	2014
Wages and salaries, personal income taxes, social security costs, etc. payable	3,891	8,076
Holiday pay obligation	6,324	7,822
Accrued interests	10,703	11,124
Other costs payable	14,264	15,416
Total other payables	**35,182**	**42,438**

22. FEES TO AUDITOR APPOINTED AT THE ANNUAL GENERAL MEETING

(USD in thousands)	2015	2014	2013
Statutory audit services	455	423	620
Statutory audit services	**455**	**423**	**620**
Non-audit services:			
Assurance opinions	23	8	22
Tax advisory services	208	253	1,226
Other	74	186	1,044
Non-audit services	**305**	**447**	**2,292**
Total fees to auditor	**760**	**870**	**2,912**

NOTES

23. ASSETS CHARGED AND CONTINGENT LIABILITIES

In 2015 the Group has issued bank guarantees to third parties in the amount of USD 5,788 thousand. In 2014 bank guarantees to third parties were USD 6,065 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 debt established under the bond program and the loan from the European Investment Bank are guaranteed by Welltec International ApS, Welltec Holding ApS, Welltec Canada Inc., Welltec Africa ApS, Welltec Latinamerica ApS, RS 2001 ApS, Welltec (UK) Ltd, Welltec Inc. and Welltec Oilfield Services (RUS) LLC. Subject to certain exceptions and permitted liens, the debts established under the bond program and the loan are secured, by (i) all of the issued shares of the Issuer and each of the Guarantors (other than Welltec International ApS, Welltec (UK) Ltd and Welltec Oilfield Services (RUS) LLC), (ii) certain intercompany loans and receivables of the Issuer and the Guarantors, (iii) the bank accounts of the Issuer and certain of the Guarantors and (iv) certain other assets of certain of the subsidiary Guarantors, including receivables and intellectual property rights. The bonds, loans, and the bank guarantees are secured by first-ranking liens over the same property and assets that will secure the obligations outstanding under the Revolving Credit Facility, certain hedging obligations and certain other indebtedness.

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.

24. OPERATING LEASE COMMITMENTS

(USD in thousands)	2015	2014	2013
Rental and leasing obligations			
Due within 1 year	5,058	4,850	6,452
Due within 1-5 years	12,257	10,006	10,044
Over 5 years	11,492	6,205	8,592
Total rental and leasing obligations	**28,807**	**21,061**	**25,088**
Rental and leasing expenses for the year	**9,995**	**11,319**	**10,418**

The group has entered into operational leasing agreements regarding house rental, office furniture and company cars for the period 2016-2023.

Rental obligations are running from 3 to 36 months.

NOTES

25. FINANCIAL INSTRUMENTS

25.1 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.

25.2 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.

25.2.1 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)	**2015**	**2014**	**2015**	**2014**
DKK	171,293	179,583	(117,730)	(125,851)
GBP	7,341	10,864	(4,190)	(6,671)
NOK	27,011	31,543	(15,140)	(24,733)

NOTES

25.2.2 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.

(USD in thousands)	Currency DKK impact		Currency GBP impact		Currency NOK impact	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Profit/(Loss)	484	(5,373)	64	123	528	109
Equity	0	0	(324)	0	1,351	976

25.2.3 Fair value of interest swaps

(USD in thousands)	2014			
	Principal	**Market value**	**Exchange gain recognized in the P/L**	**Maturity period**
Interest swap				
DKK	0	0	680	2014
EUR	0	0	350	2014
Total swap contracts (loss)		**0**	**1,030**	

NOTES

(USD in thousands)	Principal	Market value	Exchange gain recognized in the P/L	Maturity period
	2015			
Interest swap				
DKK	0	0	0	2015
EUR	0	0	0	2015
Total swap contracts	**0**	**0**	**0**	

25.2.4 Fair value hierarchy of securities that are measured at fair value in the statement of financial position

In 2014 no items were included in the fair value hierarchy

(USD in thousands)	Quoted prices level 1	Observable input level 2	Non-observable input level 3	Total
	2015			
Securities	10,640	0	0	**10,640**

Securities are measured at fair value using the following fair value hierachy:

- Listed prices in active markets of identical assets or liabilites (Level 1).
- Listed prices in active markets of similar assets or liabilities, or other valuation methods where all material input is based on observable market data (Level 2).
- Valuation methods under which any material input is not based on observable market data (Level 3).

The valuation of securities in 2015 is based on listed prices in active markets.

There have been no transfers between levels 1, 2 and 3 in 2015.

25.2.5 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%.

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.

NOTES

25.2.6 Interest rate sensitivity analysis

The group's interest-bearing debt for 2015 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.

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, 2015 would be affected with USD 675 thousand (2014: Unaffected).

25.3 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.

Please see note 20.2. *Maturity dates for financial liabilities*.

25.4 Categories of financial instruments

(USD in thousands)	**2015**	**2014**
Other receivables	1,756	2,800
Trade receivables	61,244	84,339
Other receivables	5,757	12,530
Prepayments	3,323	4,698
Cash and cash equivalents	61,040	42,696
Receivables and loans	**133,120**	**147,063**
Securities	10,640	0
Fair value through profit and loss	**10,640**	**0**
Finance lease commitments	9,368	9,522
Issued bonds	309,948	314,275
Trade payables	12,111	19,257
Current tax liabilities	7,256	20,094
Other payables	35,182	42,438
Financial liabilities measured at amortized cost	**373,865**	**405,586**

NOTES

26. RELATED PARTIES

Welltec'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, Holland (owns more than 5%)
3. 7 Industries Lux S.a.r.l., 412F, route d'Esch, L-2086 Luxembourg, Luxembourg (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.

26.1 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)

2014	**Affiliates***	**Key management personnel**	**Board of Directors**
Share buyback	0	106	0
Legal services	0	0	1,149
Total transactions	**0**	**106**	**1,149**

2015	**Affiliates***	**Key management personnel**	**Board of Directors**
Share buyback	7,783	1,481	0
Legal services	0	0	1,005
Capital increase	232,783	0	0
Total transactions	**240,566**	**1,481**	**1,005**

*The parent company's principal shareholder(s) are defined as affiliates.

Summit Partners sold their shares back to Welltec International Aps for a cash amount of USD 220 million (thus Summit Partners is no longer a related party). This was followed by a capital reduction and issue of new shares to 7 Industries, Holding B.V. and 7 Industries Lux S.a.r.l.

Legal services from Board of Directors relates to a former member of the Board.

NOTES

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	
	2015	**2014**	**2015**	**2014**
Executive Board and Board of Directors	0	0	(563)	(323)
Total balances	**0**	**0**	**(563)**	**(323)**

27. EVENTS AFTER THE BALANCE SHEET DATE

On 10 February 2016, EXOR S.p.A. announced that it has acquired 13% of the shares in Welltec International ApS from 7 Industries Lux S.a.r.l. for USD 116 million.

No other significant events regarding the group's activities have occurred since December 31, 2015.

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2015

FINANCIAL STATEMENTS
PARENT COMPANY

PARENT STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31, 2015, 2014 and 2013

(USD in thousands)	NOTE	2015	2014	2013
Administrative costs	3	(469)	(285)	(365)
Operating loss (EBIT)		**(469)**	**(285)**	**(365)**
Financial income	4	8,453	12,712	53
Financial expenses	5	(4,326)	(6,098)	(11,687)
Profit/(loss) before tax		**3,658**	**6,329**	**(11,999)**
Income taxes	6	570	(21)	(1,021)
Profit/(loss) for the year		**4,228**	**6,308**	**(13,020)**
Total comprehensive income/(loss)		**4,228**	**6,308**	**(13,020)**
Allocation of total comprehensive income/(loss)				
Transferred to retained earnings		**4,228**	**6,308**	**(13,020)**

PARENT STATEMENT OF FINANCIAL POSITION

As of December 31, 2015 and 2014

(USD in thousands)

	NOTE	2015	2014
Non-current assets			
Financial assets			
Loan to subsidiaries	15	17,394	18,474
Investments in subsidiaries	9	392,576	392,576
Total financial assets		**409,970**	**411,050**
Total non-current assets		**409,970**	**411,050**
Current assets			
Receivables			
Tax receivables		351	0
Receivables from subsidiaries and affiliates	15	3,015	2,033
Total receivables		**3,366**	**2,033**
Cash and cash equivalents		**738**	**737**
Total current assets		**4,104**	**2,770**
Total assets		**414,074**	**413,820**

PARENT STATEMENT OF FINANCIAL POSITION

As of December 31, 2015 and 2014

(USD in thousands)

	NOTE	2015	2014
Equity			
Share capital	10	835	824
Retained earnings		328,548	317,100
Total equity		**329,383**	**317,924**
Non-current liabilities			
Loan from subsidiaries	11	84,197	95,749
Total non-current liabilities		**84,197**	**95,749**
Current liabilities			
Current tax liabilities		0	115
Payables to subsidiaries	11	228	15
Other payables		266	17
Total current liabilities		**494**	**147**
Total liabilities		**84,691**	**95,896**
Total equity and liabilities		**414,074**	**413,820**

PARENT STATEMENT OF CHANGES IN EQUITY

For the years ended December 31, 2015, 2014 and 2013

(USD in thousands)	Share capital	Retained earnings	Total
Equity at December 31, 2013	**824**	**310,779**	**311,603**
Profit for the year	0	6,308	6,308
Total comprehensive loss for the year	**0**	**6,308**	**6,308**
Share-based payment	0	13	13
Other transactions	**0**	**13**	**13**
Equity at December 31, 2014	**824**	**317,100**	**317,924**
Profit for the year	0	4,228	4,228
Total comprehensive income for the year	**0**	**4,228**	**4,228**
Purchase of own shares	0	(228,311)	(228,311)
Capital increase	217	235,507	235,724
Costs related to capital increase	0	(687)	(687)
Capital decrease	(206)	206	0
Share-based payment	0	505	505
Other transactions	**11**	**7,220**	**7,231**
Equity at December 31, 2015	**835**	**328,548**	**329,383**

PARENT STATEMENT OF CASH FLOWS

For the years ended December 31, 2015, 2014 and 2013

(USD in thousands)

	NOTE	2015	2014	2013
Operating loss (EBIT)		(469)	(285)	(365)
Non-cash adjustments	7	1,142	285	(4,323)
Changes in working capital	8	(598)	16	(7,776)
Income taxes received (paid)		0	0	520
Cash flows from operating activities		**75**	**16**	**(11,944)**
Financial income received		0	0	53
Capital increase in subsidiary		0	0	(46,257)
Repayment of loan from affiliates		(7,413)	0	21,458
Dividend received from subsidiaries		0	0	0
Cash flows from investing activities		**(7,413)**	**0**	**(24,746)**
Financial expenses paid		0	0	(7,364)
Purchase of own shares		(228,311)	0	0
Capital increase		235,724	0	45,928
Costs related to capital increase		0	0	(1,884)
Cash flows from financing activities		**7,413**	**0**	**36,680**
Increase/decrease in cash and cash equivalents		**75**	**16**	**(10)**
Exchange rate adjustment at beginning of period		(74)	(94)	37
Cash and cash equivalents at beginning of period		737	815	788
Cash and cash equivalents at December 31		**738**	**737**	**815**
Hereof restricted cash		92	16	0

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1. ACCOUNTING POLICIES

Basis of accounting

The annual report for 2015 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 2014.

Differences compared to the group's accounting policies

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

Investments in subsidiaries

Investments in subsidiaries are measured at cost in the parent company's financial statements. Where the recoverable amount of the investments is lower than cost, the investments are written down to this lower value.
Dividend from investments in subsidiaries is recognized in the statement of comprehensive income in the year it is declared.

2. USE OF CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Impairment of investment in subsidiaries

Investment in subsidiaries represents USD 392,576 thousand equalizing 95 % of total assets in the parent company. 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.

3. STAFF COSTS

There have been no employees in the parent company for the financial years 2013-2015.
See note 4. *Staff costs* in the consolidated financial statements for information on remuneration to Management

4. FINANCIAL INCOME

(USD in thousands)	**2015**	**2014**	**2013**
Interest from subsidiaries and affiliates	845	1,003	53
Interest income from financial assets that are not measured at fair value through profit or loss	**845**	**1,003**	**53**
Exchange rate gains	7,608	11,709	0
Total financial income	**8,453**	**12,712**	**53**

NOTES

5. FINANCIAL EXPENSES

(USD in thousands)	2015	2014	2013
Interest expenses	0	0	(25)
Interest expenses to subsidiaries and affiliates	(4,326)	(6,098)	(7,339)
Interest expenses from financial liabilities that are not measured at fair value through profit or loss	**(4,326)**	**(6,098)**	**(7,364)**
Exchange rate loss	(0)	(0)	(4,323)
Total financial expenses	**(4,326)**	**(6,098)**	**(11,687)**

The net exchange rate gain at December 31, 2015, was USD 7,608 thousand (a net exchange rate gain of USD 11,709 thousand in 2014 and a net exchange rate loss of USD 4,323 thousand in 2013).

6. INCOME TAXES

(USD in thousands)	2015	2014	2013
Current tax	(352)	(116)	(896)
Adjustment in corporation tax previous years	(218)	137	1.917
Current tax incl. adj. in corporation tax previous years	**(570)**	**21**	**1,021**
Income taxes	**(570)**	**21**	**1,021**
A breakdown of tax:			
Profit/(loss) before tax	3,658	6,329	(11,999)
	3,658	**6,329**	**(11,999)**
Reconciliation of tax rate (%)			
Danish corporation tax rate	23.5	24.5	25
Non-taxable income and non-deductible expenses	(39.1)	(27)	0
Other, including adjustment to previous years	0	2	(34)
	(15.6)	**0**	**(9)**

No income tax has been recognized in other comprehensive income (loss) or directly in equity in 2015, 2014 and 2013.

7. NON-CASH ADJUSTMENTS

(USD in thousands)	2015	2014	2013
Currency adjustments, other	1,142	285	(4,323)
Total non-cash adjustments	**1,142**	**285**	**(4,323)**

NOTES

8. CHANGES IN WORKING CAPITAL

(USD in thousands)	2015	2014	2013
Change in receivables and prepayments	0	0	5
Change in receivables from subsidiaries and affiliates (net)	(847)	16	(8,290)
Change in other payables	249	0	509
Total changes in working capital	**(598)**	**16**	**(7,776)**

9. INVESTMENTS IN SUBSIDIARIES

(USD in thousands)	2015	2014
Acquisition cost 01.01	392,576	392,576
Acquisition cost 31.12	**392,576**	**392,576**

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

The parent company has an investment in the following subsidiary:

Name	Registered country	2015	2014
Welltec Holding ApS	Denmark	100%*	100%*

* Welltec Holding ApS was acquired on July 27, 2008.

10. SHARE CAPITAL

See note 18. *Share capital* in the consolidated financial statements.

The parent company Welltec International ApS holds no own shares and no own warrants.

NOTES

11. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

11.1 Maturity dates for financial liabilities

	2014			
(USD in thousands)	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total
Loan from subsidiary	0	95,749	0	**95,749**
Payables to subsidiaries	15	0	0	**15**
Other payables	17	0	0	**17**
Total financial liabilities	**32**	**95,749**	**0**	**95,781**

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

	2015			
(USD in thousands)	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total
Loan from subsidiary	0	84,197	0	**84,197**
Payables to subsidiaries	228	0	0	**228**
Other payables	266	0	0	**266**
Total financial liabilities	**494**	**84,197**	**0**	**84,691**

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

12. FEES TO AUDITOR APPOINTED AT THE ANNUAL GENERAL MEETING

(USD in thousands)	2015	2014	2013
Statutory audit services	14	16	23
Statutory audit services	**14**	**16**	**22**
Non-audit services:			
Assurance opinions	0	0	0
Tax advisory	0	0	0
Other	0	0	0
Non-audit services	**0**	**0**	**0**
Total fees to auditors	**14**	**16**	**23**

NOTES

13. ASSETS CHARGED AND CONTINGENT LIABILITIES

See note 23. *Assets charged and contingent liabilities* in the consolidated financial statements.

The debt established under the bond program and the loan from the Europan Investment Bank are guaranteed by Welltec International ApS, Welltec Holding ApS, Welltec Canada Inc., Welltec Africa ApS, Welltec Latinamerica ApS, RS 2001 ApS, Welltec (UK) Ltd, Welltec Inc. and Welltec Oilfield Services (RUS) LLC. Subject to certain exceptions and permitted liens, the debts established under the bond program are secured, by (i) all of the issued shares of the Issuer and each of the Guarantors (other than Welltec International ApS, Welltec (UK) Ltd and Welltec Oilfield Services (RUS) LLC), (ii) certain intercompany loans and receivables of the Issuer and the Guarantors, (iii) the bank accounts of the Issuer and certain of the Guarantors and (iv) certain other assets of certain of the subsidiary Guarantors, including receivables and intellectual property rights. The bonds, loans, and the bank guarantees are secured by first-ranking liens over the same property and assets that will secure the obligations outstanding under the Revolving Credit Facility, certain hedging obligations and certain other indebtedness.

Welltec International ApS has issued a joined and several guarantee for a group company of USD 6,447 thousand.

14. FINANCIAL INSTRUMENTS

For group overview please see note 25. *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)	**2015**	**2014**	**2015**	**2014**
DKK	20,760	20,507	(84,691)	(95,781)

NOTES

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 26. *Related parties* in the consolidated financial statements.

15.1 Related party transactions

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

	2015		2014	
(USD in thousands)	**Subsidiaries**	**Affiliates**	**Subsidiaries**	**Affiliates**
Interest income/-(expenses)	(3,481)	0	(5,095)	0
Total transactions	**(3,481)**	**0**	**(5,095)**	**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	
	2015	**2014**	**2015**	**2014**
Subsidiaries	20,409	20,507	84,425	95,764
Total balances	**20,409**	**20,507**	**84,425**	**95,764**

16. EVENTS AFTER THE BALANCE SHEET DATE

See note 27. *Events after the balance sheet date* in the consolidated financial statements.

BRANCHES

The group holds the following branches:

Name	Registered office	Principal activity	Year / currency
Welltec Norway NUF*	Norway	Sales Branch	1999 / NOK
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

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