BREAKING THE SURFACE
ANNUAL REPORT 2019

WELLTEC A/S
CVR NO.: 13 47 88 05
GYDEVANG 25, DK-3450 ALLERØD

WELLTEC'S ANNUAL REPORT 2019
APPROVED AT THE ANNUAL SHAREHOLDERS'
MEETING ON 3 JUNE 2020

MEETING CHAIRPERSON: OLE NØRGAARD

Welltec®

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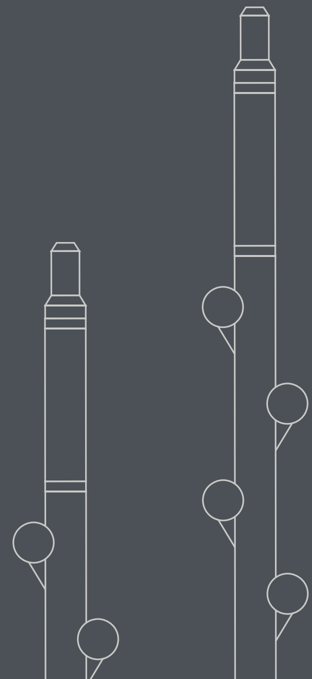


COMPANY PROFILE

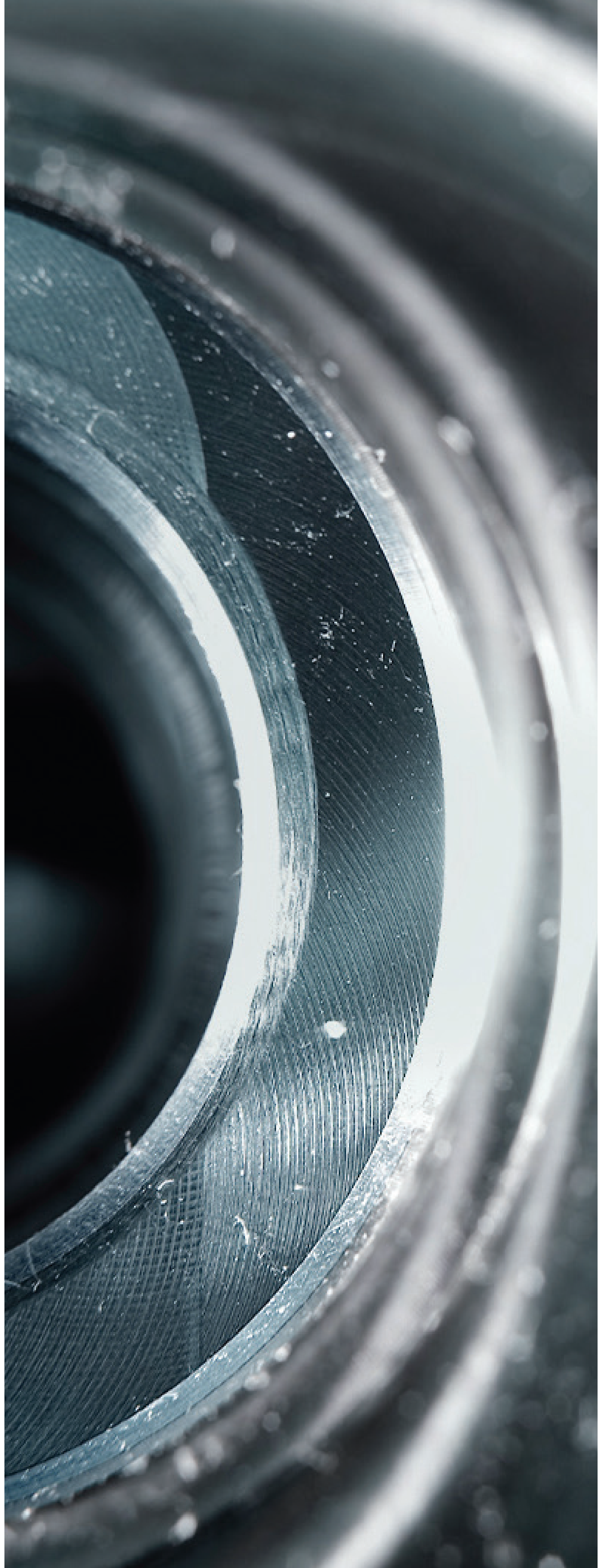
Welltec® is a global service provider which develops and delivers technology and services intended to transform the oil and gas industry. Our game-changing solutions are dedicated to optimizing the construction and management of our clients' well stock, from well completion design and construction to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

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

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

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

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



MANAGEMENT COMMENTARY
CONSOLIDATED KEY FIGURES AND RATIOS

WELLTEC A/S GROUP

USD in millions	2019	2018	2017	2016	2015
Statement of comprehensive income					
Revenue	262	237	170	189	246
Earnings before interest, tax, depreciation and amortization (EBITDA)*	97	67	50	68	96
Operating profit (EBIT) before special items	57	22	(16)	5	33
Operating profit/ (loss) (EBIT)	57	13	(20)	3	24
Net financial expenses	(24)	(19)	(17)	(26)	(40)
Profit / (loss) before tax	33	(6)	(37)	(23)	(16)
Net profit / (loss) for the year	21	(17)	(33)	(25)	(33)
Cash flows					
Cash flows from operating activities	63	74	32	53	79
Cash flows from investing activities	(14)	(45)	(50)	(10)	(43)
Cash flows from financing activities	(40)	(36)	(6)	(49)	(15)
Total cash flows	10	(6)	(24)	(6)	20

USD in millions	2019	2018	2017	2016	2015
Balance					
Trade receivables	43	48	49	45	61
Equity	48	26	49	56	78
Total assets	497	425	439	447	512
Investments in intangible assets**	6	9	13	12	19
Investments in tangible assets**	29	25	16	20	26
Key ratios*					
EBITDA margin in percent*	37	28	30	36	39
EBIT margin before special items in percent	22	9	(9)	3	13
ROIC excl. goodwill in percent	33	13	9	15	22
Return on equity in percent	58	(46)	(64)	(38)	(33)
Number of employees, average	876	802	730	736	894

*For definitions of key ratios, investments and EBITDA see page 78.

MANAGEMENT COMMENTARY CONTINUED
FINANCIAL REVIEW

USD in millions	2019	2018	Change in %
Revenue	262	237	10
Cost of service provided	(142)	(150)	5
Gross profit	120	87	37
Development and manufacturing costs	(6)	(7)	23
Administrative expenses and sales costs	(57)	(58)	n/a
Operating profit/(loss) (EBIT) before special items	57	22	100>
Special items	-	(9)	n/a
Operating profit/(loss) (EBIT)	57	13	100>
Net financial expenses	(24)	(19)	(26)
Income taxes	(12)	(11)	(5)
Profit/(loss) for the year	21	(17)	n/a

Revenue

Revenues amounted to USD 262 million, an increase of 10% year on year. The increase in revenue reflects a continued activity increase driven by rendering of services and changed sales mix over the year.

Cost of service provided

The cost of services provided was USD 142 million, a decrease of 5% compared to last year. The decrease was primarily attributable to lower depreciations offset by higher staff costs and higher level of operational cost, both due to increased activity.

Development and manufacturing costs

Development and manufacturing costs, not capitalised, decreased to USD 6 million, which is USD 1 million lower than in 2018.

Administrative expenses and sales costs

Administrative expenses and sales costs were at the same level as in 2018.

FINANCIAL REVIEW CONTINUED

ALTERNATIVE PERFORMANCE MEASURES - EBITDA RECONCILIATION

	2019	2018
Profit/(loss) for the period	21	(17)
Income taxes	12	11
Financial expenses (net)	24	19
Depreciation and amortization	38	38
Impairment loss	1	5
Issued warrants	1	1
Special items	-	9
EBITDA	**97**	**67**

Earnings before interest, tax, depreciation, amortization and special items (EBITDA)
EBITDA increased to USD 97 million, representing a margin of 38% against 28% in 2018. The rise in EBITDA was mainly attributable to higher sales.

Operating profit before special items (EBIT)
EBIT increased to USD 57 million from USD 22 million in 2018. The EBIT margin was 22% against 10% in 2018, the increased EBIT is related to higher sales partly offset by higher cost.

Net financial expenses
Net financial expenses were USD 24 million, an increase of 26% compared to last year. This reflects an increase in interest expenses of USD 2 million and an increase in currency losses of USD 11 million.

Income taxes
Income taxes were an expense of USD 12 million, an increase of USD 1 million year on year. The tax position is significantly affected by interest limitation rules in Denmark and non-refundable withholding taxes globally.

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Result for the year
2019 resulted in a profit of USD 21 million, representing an increase in the result of USD 38 million compared to 2018, driven by higher sales and lower cost of sales.

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

OUTLOOK

The outlook for the future will be negatively affected by the COVID-19 outbreak and the measures taken by governments in most of the world to mitigate the impacts of the outbreak, see also note 25. *Events after the balance sheet date*.

Even before the COVID-19 outbreak, 2020 was expected to be another challenging year for the industry as the volatile oil price environment continues to impact both operators and services companies. As we enter into 2020 the global supply of oil continues to outpace demand, which combined with complex geopolitical topics continue to fuel volatility and uncertainty across markets. This has been further fuelled by the COVID-19 outbreak. Before the COVID-19 outbreak, revenue was expected to be close to USD 300 million with an EBITDA margin around 40%. Many of Welltec's customers have indicated that they will continue operations and projects in progress, but there is still a risk that revenue and earnings will decline as a consequence of COVID-19. Management is monitoring developments closely. It is, however, too early to give an opinion about to which extent COVID-19 will impact revenue and earnings in 2020. Management does, however, expect a negative impact on the outlook for the year. Naturally, Management will continue to monitor the revenue development closely and continuously, and will take the necessary actions to uphold and maintain industry leading margin levels.

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.

Branches

An overview of the branches in the Welltec Group can be found on page 78.


CAT 2
flash GUARD®

CORPORATE SOCIAL RESPONSIBILITY

The following statement on Corporate Social Responsibility (CSR) pursuant to the Danish Financial Statement Act Section 99a and b is part of the Management Commentary in the 2019 Annual Report. It also serves as the company's Communication on Progress as required by the UN Global Compact. We continue to support and promote the principles of the UN Global Compact in our sphere of influence, in particular by integrating them in our business operations.

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

Our CSR Policies are incorporated in a Code of Conduct applicable globally. The areas currently covered by the Code of Conduct are: (i) Business Ethics, (ii) Anti-Corruption, (iii) Health, Safety and Environment, (iv) Employment, (v) Customers, and (vi) Community. The responsibility of monitoring overall CSR compliance has been delegated to the heads of Legal, Human Resources, QHSE (Quality, Health, Safety, and Environment) and commercial departments.

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

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

Implementation
Integrity and ethical conduct is a fundamental part of management procedures and Welltec´s Code of Conduct and is an underlying driver in all we do. The methods we employ to attain results are as important as the results themselves. Welltec employees are expected to perform their work with honesty, truthfulness and integrity, and conduct their business affairs fairly. All employees are responsible for the immediate and accurate reporting to higher management of work-related information of importance to the governing guidelines. We strongly encourage dialogue to make each other aware of situations that give rise to ethical questions and to articulate acceptable ways of handling those situations.

Key Results in 2019 and Future Plans
With the development of the Code of Conduct came also a training program for all existing employees. The training program was continued as mandatory for all new employees during their onboarding process and was conducted for all employees in 2019 Q4.

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

To improve our efforts to facilitate sound business ethics, we emphasize the use of our whistle-blower program. No case was submitted in 2019.

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

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

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

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

The Code of Conduct review and training in 2019 included the section on anti-corruption. The review was monitored by the Legal Department and the HR Department.

Key Results in 2019 and Future Plans
6 partner screening were performed in 2019.

In our screenings we continue to use external screening partners and their databases. We use a global screening service, which supports our due diligence and mitigate of risks relating to financial crime, bribery and corruption.

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

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

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

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

The company is the progress of implementing a separate climate policy. However, the company's business model in itself implies less use of energy and focuses on sustainability. The significant CO2 savings we bring to table on top the unintentional release of Methane for our industry are key elements in our business approach. We can already see the changes in the industry and we believe that this will become a key business parameter for the selection of our products and services.

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

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

Weekly Group management meetings are opened with a review on any health and safety issues which may have occurred. All locations have a QHSE Officer employed to lead the QHSE effort, ensure compliance with Welltec's policies and local legislation and conduct monthly meetings where all employees are required to attend. New hires attend a QHSE introduction program and participate in a Safety Card Observation Program (SCOP) to report on and proactively encourage safe working practices.

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

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

Key Results in 2019 and Future Plans
In 2019, Welltec had two environmental incidents, one environmental outlet to air and one environmental outlet to ground. The one occurred due to a Sub-Contractor error.

The number of recordable accidents (so-called MTO, LTI, RWC and FTL) decreased in 2019 together the Total Recordable Case Frequency. This was achieved by awareness training and focus on safety culture.

Quality
Quality is, and has always been, deeply ingrained in all processes at Welltec. Welltec is ISO 9001 certified by "Det Norske Veritas" (DNV), with periodic recertification audits every 3 years. The latest recertification took place during the second quarter of 2019.

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

Local bases were audited by FPAL, Apache, Ghana Petroleum Commission Inspection and Monitoring, Saudi Aramco, ENI, Total and Conoco Phillips.

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

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

Welltec adheres to a Diversity and Equal Opportunity Employment Policy approved by the Board of Directors in 2014. The policy formalizes our commitment to always choosing the best person for the job regardless of that person's race, religion, disability, gender, sexual orientation, age, or nationality.

Implementation

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

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

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

Our Workforce

The employee population is very diverse with respect to nationalities, reflecting the truly global nature of the company. As such there are 58 nationalities employed by Welltec.

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

Key Results in 2019 and Future Plans

In 2019 we have vastly increased the number of employees by 94 and thus expanded our workforce to support the growth of the company. This has increased our focus on our recruiting, screening, and onboarding processes, and Welltec has implemented new IT systems to support training, development, and recruiting of employees to accommodate the company's need for a flexible and highly skilled and trained workforce.

The global survey of Employee Motivation and Satisfaction was carried out in September 2019 with the aim of understanding the current state of our employee group as well as identifying possible areas of improvement. The survey was very well received with 87% of employees responding, an increase of 7 percentage points from 2018, and the survey clearly showed that motivation and satisfaction have generally improved in all geographic areas. On a Group level the survey showed that 85% of the employees are proud to work in Welltec, which is an increase of 3 percentage points, and 65% of the employees are excited about their future career in Welltec; also an increase of 3 percentage points compared to 2018. The average job satisfaction is 4.0 on a scale from 1 to 5 which is an increase from 3.9 compared to 2018.

To ensure the that our workforce has the best possible skills to do their job and perform at all times, we continue to improve our ability to record, document, monitor, and evaluate our employees' professional skills, and the training and development thereof, through improved HR processes and IT systems.

Women make up 15% of the total employee population which is a small decrease of 0.26 percentage points compared to 2018. On a managerial level women make up 10% of managers which is a slight decrease of 0.2 percentage points compared to 2018. The Senior Management Team consists of four members, including one woman.

The Board of Directors has set the objective to have at least one female member before or at the latest in 2024. One new member of the Board of Directors was elected in 2019. This was an election without any female candidates. The Board of Directors is on a current basis assessing potential candidates.

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

Customers

Policy

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

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

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

Implementation

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

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

Key Results in 2019 and Future Plans

Welltec's Group QHSE department continuing its involvement, to ensure the highest standards are applied to match heightened expectations from customers as the scope and complexity of services increase. An improved quality related investigation procedure was implemented and put into practice to streamline the process. The number of investigations, which required involvement from Group QHSE department, has decreased in 2019 compared to 2018.

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

Community

Policy

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

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

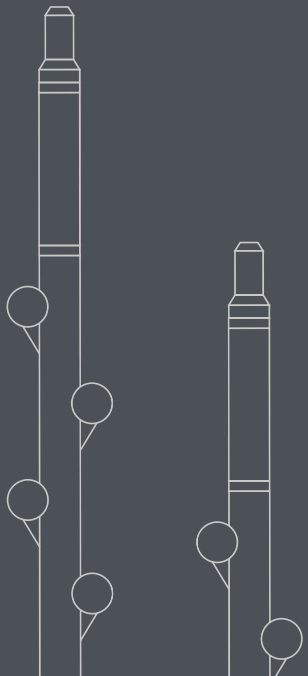
Implementation and Future Plans

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

Business model

A description of our business model can be found on our web site: https://www.welltec.com/company/manufacturing/

COMPANY DETAILS



Company

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Central Business Registration No: 13 47 88 05
Registered in: Allerød
Financial year: 1 January – 31 December 2019

Executive Board

Jørgen Hallundbæk, Chief Executive Officer

Board of Directors

Niels Harald de Coninck-Smith, Chairman
Alasdair Geddes Shiach
Enrico Vellano
John Haukvik
Jørgen Hallundbæk
Klaus Martin Bukenberger

Company auditors

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab

STATEMENT BY MANAGEMENT
ON THE ANNUAL REPORT

We have today considered and approved the annual report of Welltec A/S for the financial year 1 January 2019 to 31 December 2019.

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

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2019 as well as of their financial performance and their cash flows for the financial year 1 January 2019, to 31 December 2019. 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 29 May 2020

Executive Board

Jørgen Hallundbæk
Chief Executive Officer

Board of Directors

Niels Harald de Coninck-Smith
Chairman

John Haukvik

Alasdair Geddes Shiach

Jørgen Hallundbæk

Enrico Vellano

Klaus Martin Bukenberger

INDEPENDENT AUDITOR'S REPORTS

To the shareholders of Welltec A/S

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2019 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Welltec A/S for the financial year 1 January - 31 December 2019, which comprise statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, for both the Group and the Parent Company ("financial statements").

Basis for Opinion

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

Statement on Management Commentary

Management is responsible for the Management Commentary.

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

In connection with our audit of the financial statements, our responsibility is to read the Management Commentary and, in doing so, consider whether the Management Commentary is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management Commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, the Management Commentary is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in the Management Commentary.

Management's Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be ex-pected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

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

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

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

Hellerup 29 May 2020

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Statsautoriseret Revisionspartnerselskab
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Welltec

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

PARENT				GROUP	
2018	**2019**		**NOTE**	**2019**	**2018**
		USD in thousands			
117,583	134,054	Revenue	3	261,748	237,141
(77,355)	(59,795)	Cost of services provided	4,5	(141,940)	(149,957)
40,228	**74,259**	**Gross profit**		**119,808**	**87,184**
(6,839)	(6,429)	Development and manufacturing costs	4,5	(5,670)	(7,319)
(21,518)	(20,477)	Administrative and sales costs	4,5	(56,910)	(57,435)
(11,871)	**47,353**	**Operating profit (EBIT) before special items**		**57,228**	**(22,430)**
(8,681)	-	Special items	6	-	(9,295)
(3,190)	**47,353**	**Operating profit (EBIT)**		**57,228**	**(13,135)**
36,118	35,058	Financial income	7	20,437	21,862
(38,310)	(38,413)	Financial expenses	8	(44,559)	(40,992)
(998)	**43,998**	**Profit / (loss) before tax**		**33,106**	**(5,996)**
(5,238)	(9,004)	Income taxes	9	(11,661)	(11,140)
(4,240)	**34,994**	**Profit / (loss) for the year**		**21,445**	**(17,136)**
		Other comprehensive (loss) for the year: Items that will be reclassified subsequently to the income statement, when specific conditions are met:			
(836)	(4,513)	Unrealized exchange rate adjustments of foreign subsidiaries and branches		2,804	(5,905)
(5,076)	**30,481**	**Total comprehensive income / (loss)**		**24,249**	**(23,041)**
		Distribution of profit/ (loss) for the year			
(4,240)	**34,994**	Profit / (loss) for the year attributable to: Welltec A/S shareholder's share of profit / (loss)		**21,445**	**(17,136)**
		Total comprehensive income / (loss) attributable to			
(5,076)	**30,481**	Welltec A/S shareholder's share of comprehensive income / (loss)		**24,249**	**(23,041)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

PARENT				GROUP	
2018	2019		NOTE	2019	2018
		USD in thousands			
		Non-current assets			
		Intangible assets			
10,321	9,330	Development projects in progress		9,330	10,321
21,423	18,165	Completed development projects		18,179	21,423
-	-	Goodwill		2,504	2,402
3,007	2,413	Technology		2,413	3,007
14,047	14,030	Patents and licenses		13,987	14,003
48,798	**43,938**	**Total intangible assets**	12	**46,413**	**51,156**
		Tangible assets			
7,915	-	Land and buildings		1,364	9,015
685	390	Leasehold improvements		1,144	1,498
49,778	49,042	Plant equipment and fleet		49,363	50,152
751	2,649	Other fixtures, fittings, tools and equipment		4,600	2,200
24,337	22,259	Plant equipment and fleet under construction		22,821	24,110
-	29,027	Right-of-use assets		49,412	-
83,467	**103,367**	**Total tangible assets**		**128,704**	**86,975**
		Financial assets			
-	-	Deferred tax assets	19	1,689	1,247
221,324	229,540	Loans to subsidiaries and affiliates		200,525	183,596
-	704	Other receivables		718	412
18,695	22,108	Investments in subsidiaries	14	-	-
240,019	**252,352**	**Total financial assets**		**201,243**	**185,255**
372,284	**399,657**	**Total non-current assets**		**376,360**	**323,386**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

PARENT				GROUP	
2018	2019		NOTE	2019	2018
		USD in thousands			
		Current assets			
-	**1,089**	**Inventories**	**15**	**2,739**	**1,114**
		Receivables			
11,366	9,296	Trade receivables	16	42,861	47,772
-	529	Tax receivables		3,670	2,525
40,002	68,674	Receivables from subsidiaries and affiliates		33,639	19,224
2,158	481	Other receivables		3,427	4,313
2,535	1,557	Prepayments	17	3,632	5,837
56,061	**80,537**	**Total receivables**		**87,229**	**79,669**
7,260	**15,392**	**Cash and cash equivalents**		**30,372**	**21,328**
63,321	**97,018**	**Total current assets**		**120,340**	**102,111**
435,605	**496,675**	**Total assets**		**496,700**	**425,499**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

PARENT				GROUP	
2018	2019		NOTE	2019	2018
		USD in thousands			
		Equity			
53,218	53,218	Share capital	18	53,218	53,218
(2,972)	(7,485)	Currency translation reserve		(33,281)	(33,616)
18,418	21,446	Reserve for capitalized development projects		-	-
(63,963)	(31,997)	Retained earnings		28,082	6,015
4,701	**35,182**	**Total equity**		**48,019**	**25,617**
		Non-current liabilities			
2,632	2,404	Deferred tax liabilities	19	7,413	8,285
9,328	23,367	Finance lease commitments	20	40,289	9,338
-	773	Other liabilities		773	-
331,238	333,311	Issued bonds	20	333,311	331,238
343,199	**359,855**	**Total non-current liabilities**		**380,096**	**348,861**
		Current liabilities			
2,452	4,083	Current portion of non-current liabilities	20	7,778	2,452
46,239	51,395	Loan payable to subsidiaries and affiliates		-	-
-	5,000	Bank debt		5,000	-
9,849	12,038	Payables to subsidiaries and affiliates		903	-
12,441	11,801	Trade payables		15,474	15,394
3,324	5,769	Current tax liabilities		8,399	5,746
13,400	11,552	Other payables	21	31,031	27,429
87,705	**101,638**	**Total current liabilities**		**68,585**	**51,021**
430,904	**461,493**	**Total liabilities**		**448,681**	**399,882**
435,605	**496,675**	**Total equity and liabilities**		**496,700**	**425,499**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

GROUP	Share capital	Currency translation reserve	Retained earnings	Total
USD in thousands				
Equity at 31 December 2017	**53,218**	**(27,711)**	**23,151**	**48,658**
Loss for the year	-	-	(17,136)	(17,136)
Unrealized exchange rate adj. of foreign subsidiaries and branches	-	(5,905)	-	(5,905)
Total comprehensive (loss) for the year	**-**	**(5,905)**	**(17,136)**	**(23,041)**
	-			
Equity at 31 December 2018	**53,218**	**(33,616)**	**6,015**	**25,617**
IFRIC 23 transition	**-**	**-**	**(1,847)**	**(1,847)**
Profit for the year	-	-	21,445	21,445
Unrealized exchange rate adj. of foreign subsidiaries and branches	-	2,804	-	2,804
Total comprehensive income for the year	**-**	**2,804**	**21,445**	**24,249**
Equity at 31 December 2019	**53,218**	**(30,812)**	**25,613**	**48,019**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

PARENT *USD in thousands*	Share capital	Currency translation reserve	Reserve for capitalized development projects	Retained earnings	Total
Equity at 31 December 2017	**53,218**	**(2,136)**	**13,520**	**(54,825)**	**9,777**
Loss for the year	-	-	-	(4,240)	(4,240)
Unrealized exchange rate adj. of foreign subsidiaries and branches	-	(836)	-	-	(836)
Total comprehensive (loss) for the year	**-**	**(836)**	**-**	**(4,240)**	**(5,076)**
Capitalized development projects	-	-	4,898	(4,898)	-
Total other transactions	**-**	**-**	**4,898**	**(4,898)**	**-**
Equity at 31 December 2018	**53,218**	**(2,972)**	**18,418**	**(63,963)**	**4,701**
Profit for the year	-	-	-	34,994	34,994
Unrealized exchange rate adj. of foreign subsidiaries and branches	-	(4,513)	-	-	(4,513)
Total comprehensive income for the year	**-**	**(4,513)**	**-**	**34,994**	**30,481**
Capitalized development projects	-	-	3,028	(3,028),	-
Total other transactions	**-**	**-**	**3,028**	**(3,028)**	**-**
Equity at 31 December 2019	**53,218**	**(7,485)**	**21,446**	**(31,997)**	**35,182**

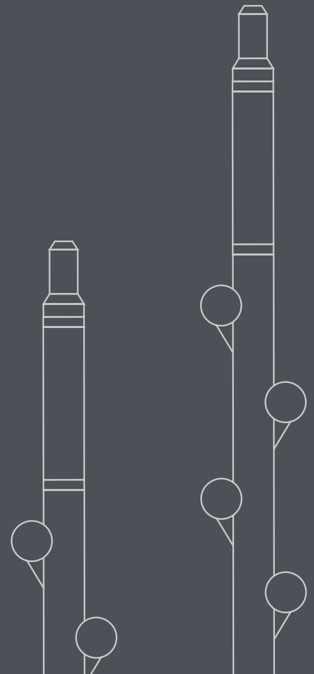
CONSOLIDATED STATEMENT OF CASH FLOWS

PARENT				GROUP	
2018	**2019**		**NOTE**	**2019**	**2018**
3,190	47,353	Operating profit (EBIT)		57,227	13,135
59,647	30,269	Non-cash adjustments	10	36,778	56,812
(5,544)	(27,498)	Changes in working capital	11	(3,016)	13,735
(3,910)	(7,316)	Income taxes paid		(11,468)	(9,873)
-	(704)	Other receivables, long-term		(17,233)	541
-	773	Other payables, long-term		773	-
53,383	**42,877**	**Cash flows from operating activities**		**63,061**	**74,350**
(9,551)	(5,515)	Investments in intangible assets		(5,545)	(9,551)
(20,303)	(25,490)	Investments in tangible assets		(28,758)	(20,948)
-	1,966	Sale of tangible assets		1,966	-
(380)	-	Capital increase in subsidiaries		-	-
10,249	8,748	Dividend from subsidiaries		-	-
(24,644)	(3,060)	Loan and repayments to subsidiaries and affiliates		-	(29,400)
18,810	20,682	Financial income received		18,509	15,156
(25,819)	**(2,669)**	**Cash flows from investing activities**		**(13,828)**	**(44,743)**

CONSOLIDATED STATEMENT OF CASH FLOWS CONTINUED

PARENT				GROUP	
2018	**2019**		**NOTE**	**2019**	**2018**
(32,708)	(33,658)	Financial expenses paid		(35,397)	(32,927)
(1,449)	-	Other financial expenses		(250)	(666)
-	15,108	Proceeds from bank loan		15,108	-
-	(10,000)	Installments on bank debts		(10,000)	-
(2,184)	(3,483)	Installments on leasing commitments		(8,981)	(2,175)
(36,340)	**(32,033)**	**Cash flows from financing activities**		**(39,520)**	**(35,768)**
(8,776)	**8,175**	**Increase/(decrease) in cash and cash equivalents**		**9,713**	**(6,161)**
16,166	7,260	Cash and cash equivalents 01.01		21,328	28,465
(130)	(43)	Exchange rate adjustments at beginning of period		(669)	(976)
7,260	**15,392**	**Cash and cash equivalents at 31.12**		**30,372**	**21,328**

CONTENTS NOTES



NOTES

1. ACCOUNTING POLICIES

Basis of accounting
The consolidated financial statements for 2019 are presented in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU and additional Danish disclosure requirements for annual reports of reporting class C (large) enterprises. Please see the Danish Executive Order on IFRS adoption issued in accordance with the Danish Financial Statement Act.

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

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

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

The accounting policies are unchanged from last year with the exception of accounting policies for leases and taxes, where new financial reporting standard and Interpretations have been applied.

Effect of new financial reporting standard (IFRS 16 Leasing)
IFRS 16 Leasing is effective for annual periods beginning on or after 1 January 2019. The standard has been implemented in the Group applying the simplified approach. Under this method, the cumulative effect of initially applying the standard is recognized at 1 January 2019. Right-of-use assets and lease liabilities have been recognized for those leases previously classified as operating leases, except for short-term leases and leases of low value assets. The right-of-use assets have been recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities are recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate as of 1 January 2019. The comparative information has not been restated.

Impact from IFRS 16 as of 1 January 2019:

USD in thousands	PARENT	GROUP
Tangible assets	9,870	34,574
Borrowings (non-current)	(8,096)	(27,751)
Borrowings (current)	(1,774)	(6,823)
Net assets	**-**	**-**

The change in policy has had an insignificant impact on the income statement. In the cash flow statement the principal repayment of lease liabilities is presented in 'Cash flows from financing activities', whereas the full lease payment under previous policies was presented in 'Cash flows from operating activities'.

Reconciliation of lease liabilities pursuant to IFRS 16 1 January 2019:

USD in thousands	PARENT
Operating lease liabilities 31 Dec 2018*	1,905
Short term leases	-
Leases of low value assets	-
Expected leases after notice periods*	9,149
Lease liability on transition (undiscounted)	**11,054**
Discounted using the weighted average incremental borrowing rate	6,01%
Lease liability on transition (discounted)	**9,870**

USD in thousands	GROUP
Operating lease liabilities 31 Dec 2018*	14,840
Short term leases	(77)
Leases of low value assets	(13)
Expected leases after notice periods*	24,343
Lease liability on transition (undiscounted)	**39,093**
Discounted using the weighted average incremental borrowing rate	6,49%
Lease liability on transition (discounted)	**34,574**

*Only leases for notice periods were included in the operational lease liability 31 December 2018.

Effect of new Interpretations (IFRIC 23 Uncertain tax positions)
IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019. In accordance with IFRIC 23, if an entity concludes that uncertainty exists in its tax treatment, it must consider whether it is probable that the taxation authority will accept such tax treatment.

Welltec identified that its uncertain tax provisions at 31 December 2018 should be revised in accordance with IFRIC 23. Under the transition rules outlined under IFRIC 23 groups have a choice of two methods on initial application:

a) Retrospectively applying in accordance with IAS 8, if that is possible or
b) Retrospectively with the cumulative effect of initially applying the interpretation recognized at the date of the initial application

If an entity selects option b) it shall not restate comparative information. Instead the entity shall recognize the cumulative effect of initially applying the interpretation as an adjustment to the opening balance of retained earnings.

Welltec has adopted approach b and adjusted the increase in its group IAS 12 adjustment of USD 1,847 thousands against retained earnings at 1 January 2019.

Recognition and measurement

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

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

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

Consolidated financial statements

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

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the parent company and its subsidiaries, which are all prepared in accordance with the Group's accounting policies. Upon consolidation, intra group income and expenses, balances, investments and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. Subsidiaries' financial statements items are recognized in full in the consolidated financial statements. Non-controlling interests' pro rata share of profit/loss and equity is shown as separate line items in the statement of comprehensive income and in the Group's equity, respectively.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the transaction date exchange rate. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the end of the reporting period are translated using the exchange rate at the end of the reporting period. Exchange differences that arise between the rate at the transaction date and the exchange rate effective at the payment date or the exchange rate at the end of the reporting period are recognized in statement of comprehensive income as financial income or financial expenses. Property, plant, equipment fleet, intangible assets, inventories and other non-monetary assets purchased in foreign currencies and measured based on historical cost are translated at the transaction date exchange rate. If non-monetary items are restated at fair value, they are translated using the exchange rate at the date of restatement. When foreign subsidiaries that use a functional currency different from USD are recognized in the consolidated financial statements, the statement of comprehensive income is translated at a monthly average exchange rate unless such rates vary significantly from the actual exchange rates at the transaction dates. In the latter case, the actual exchange rates are used. Statement of financial position items is translated using the exchange rates at the end of the reporting period. Goodwill is considered to belong to the relevant entity acquired and is translated using the exchange rate at the end of the reporting period.

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

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

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

Share-based payments

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

Income taxes and deferred tax

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

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

The 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.

Statement of comprehensive income

Revenue

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

Rendering of service revenue is recognized in the income statement when the performance obligation is satisfied, which is when the agreed service is provided. Income from contracted development projects on third parties' account is recognized as revenue as or when Welltec delivers the development services to the customers and such services are considered to provide added value to the customers.

Revenue from sales of goods is recognized in the income statement when control has been transferred to the buyer – usually when delivery and transfer of risk have taken place, and if the income can be reliably measured and is expected to be received.
Revenue is measured at fair value of the consideration received or receivable. If an interest-free credit has been arranged for payment of the consideration receivable that is longer than the usual credit period, the fair value of the consideration is determined by discounting future payments receivable. The difference between fair value and nominal amount of the consideration is recognized as financial income in profit or loss by applying the effective interest method.

Revenue is recorded net of VAT, duties and discounts.

Cost of services provided

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

Development and manufacturing costs

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

Administrative and sales costs

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

Special items

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

Financial income and expenses

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

Statement of financial position

Intangible assets

Goodwill

Upon initial recognition, goodwill is recognized in the statement of financial position and measured as the difference between cost of the enterprise acquired and the fair value of the assets, liabilities and contingent liabilities acquired. When goodwill is recognized, the goodwill amount is distributed on those of the Group's activities generating separate payments (cash-generating units). Determination of cash-generating units follows the management structure and internal finance management and reporting of the Group.

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

Development projects

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

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

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

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

Other intangible assets
Acquired intellectual property rights in the form of patents and licenses are measured at cost less accumulated amortization and impairment losses. Patents are amortized over their remaining duration, usually 20 years, and licenses are amortized over the term of the agreement. If the actual useful life is shorter than the remaining duration and the term of the agreement, respectively, amortization is made over such shorter useful life. Separable intangible assets acquired through business combinations are brand and technology. Brand is not amortized as the useful life is considered indefinite. Technology is amortized on a straight-line basis over its estimated useful life of 10 to 20 years.

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

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

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

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

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

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

If the asset does not generate cash flows separately from other assets, an estimate is made of the recoverable amount of the smallest cash-generating unit of which the asset forms part.
The recoverable amount is calculated as the higher of the asset's and the cash-generating unit's fair value less selling costs and net present value. When the net present value is determined, estimated future cash flows are discounted at present value using a discount rate that reflects current market estimates of the value of money in terms of time, as well as the particular risks related to the asset and the cash-generating unit, respectively, and for which no adjustment is made in the estimated future cash flows.

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

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

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

Right-of-use assets and lease liabilities
For contracts which are, or contain, a lease, the Group recognizes a

right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost, being the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date. The right-of-use asset is subsequently depreciated using the straight-line method over the lease period. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments outstanding at the commencement date, discounted using Welltec's incremental borrowing rate. The lease liability is measured using the effective interest method. It is remeasured when there is a change in future lease payments, typically due to a change in index or rate (e.g. inflation) on property leases, or if there is a reassessment of whether an extension or termination option will be exercised. A corresponding adjustment is made to the right-of-use asset, or in the income statement when the right-of-use asset has been fully depreciated. The right-of-use assets are presented in tangible assets and the lease liabilities in non-current and current liabilities. Lease contracts that have a lease term of 12 months or less and low value assets are not recognized on the balance sheet. These lease payments are expensed on a straight-line basis over the lease term.

Financial assets

Other receivables

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

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.

Current assets

Inventories

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

Trade receivables

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

Prepayments

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

Liabilities

Other financial liabilities

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

Own bonds

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

Pension obligations

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

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

Statement of cash flows

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

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

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

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

Cash flows from financing activities comprise financial expenses paid and changes in the size or composition of the parent company's share capital and related costs, the raising of loans, installments on interest-bearing debt, purchase of own shares, and payment of dividends.

Cash and cash equivalents comprise cash.

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 intervention service and completion solutions to the oil and gas industry, using tools developed and produced by Welltec®. The tools are used commercially in more than one accounting period, and are thus considered tangible assets and not inventories.
Costs directly attributable to bringing the tools to the condition necessary for them to be capable of operating in the manner intended by Management are capitalized as part of the costs of plant equipment and fleet. Costs directly related to performing commercial services with the tools are expensed as they occur.

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

Determining directly attributable costs is an accounting judgment.

At 31 December 2019, Welltec® has capitalized USD 72,184 thousand as plant equipment and fleet – completed and under construction compared to USD 74,262 thousand at 31 December 2018. Plant equipment and fleet are 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 31 December 2019, Welltec® has capitalized USD 27,509 thousands as development projects – completed and in progress – compared to USD 31,744 thousand at 31 December 2018. Completed development projects are amortized over their useful lives of usually 5 years.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

3.1 Disaggregation of revenue from contracts with customers

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

PARENT

	Europe, Africa & Russia		Americas		Middle East & Asia Pacific		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
USD in thousands								
Rendering of services	127,267	109,432	-	-	6,448	6,054	133,715	115,486
Sale of goods	339	1,452	-	-	-	645	339	2,097
Total	**127,606**	**110,884**	**-**	**-**	**6,448**	**6,699**	**134,054**	**117,583**

GROUP

	Europe, Africa & Russia		Americas		Middle East & Asia Pacific		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
USD in thousands								
Rendering of services	145,465	127,360	51,499	56,905	48,177	40,263	245,141	224,528
Sale of goods	4,699	6,528	9,981	4,451	1,927	1,634	16,607	12,613
Total	**150,164**	**133,888**	**61,480**	**61,356**	**50,104**	**41,897**	**261,748**	**237,141**

3.2 Assets and liabilities related to contracts with customers

PARENT				GROUP	
2018	2019		NOTE	2019	2018
		Current contract assets relating to contracts with customers:			
11,651	9,940	Trade receivables		44,780	49,733
(286)	(644)	Loss allowance		(1,919)	(1,961)
-	-	Other receivables		-	93
11,366	**9,296**	**Total contract assets**		**42,861**	**47,865**

There were no contract liabilities in 2019 and 2018.

Significant changes in contract assets and liabilities

The revenue has increased by 10% since 2018 for the Group and by 14% for the Parent company and despite of an increase in revenue the trade receivables decreased. The reason for this is the Management's increased focus on collecting receivables during 2019. For more information about trade receivables and loss allowance see note 16 *Trade receivables.*

3.3 Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried -forward contract liabilities. Revenue recognized that was included in the contract liability balance at the beginning of the period:

PARENT			GROUP	
2018	2019		2019	2018
-	-	Deferred income	-	85

3.4 Unsatisfied long-term contracts

PARENT 2018	PARENT 2019		GROUP 2019	GROUP 2018
21	61	Aggregate amount of the transaction price allocated to long-term contracts that are partially or fully unsatisfied at 31 December 2019	1,746	703

In the amounts for unsatisfied long-term contracts only considerations for the notice periods in the customer contracts are included according to IFRS 15. Management expects that the major part of the transaction price allocated to the unsatisfied contracts as of 31 December 2019 will be recognized as revenue during the first quarter of 2020. The amount disclosed above does not include variable considerations, which is constrained. The Group has applied the practical expedient in IFRS 15:121, whereas contracts with a duration below 12 months is not included.

3.5 Performance obligations

Rendering of services

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

A trade receivable will be recognized when the last milestone of the service contract has been fulfilled. Payments are typically due within 30 days from receipt of invoice and volume discounts is found in a few contracts. There is no financing component included in payment terms.

Sale of goods

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

3.6 Significant judgments

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

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

4. STAFF COSTS

PARENT 2018	PARENT 2019	USD in thousands	GROUP 2019	GROUP 2018
		Breakdown of staff costs		
30,207	28,909	Wages and salaries	83,896	85,367
1,338	1,230	Share based payment to executives	1,230	1,338
1,668	1,774	Payments to defined contribution pension plans	3,123	1,198
1,734	1,761	Other social security costs	3,923	4,153
34,946	**33,674**	**Total staff costs**	**92,172**	**92,055**
		Recognition of staff costs in the income statement		
9,224	16,161	Cost of services provided	51,394	49,527
13,254	5,764	Administrative expenses and sales costs	29,238	7,133
22,478	**21,925**	**Total**	**80,632**	**56,660**
		Staff costs capitalized		
5,335	4,009	Development costs capitalized	3,800	30,135
7,133	7,740	Production staff costs capitalized	7,740	5,260
12,468	**11,749**	**Total**	**11,540**	**35,395**
		Number of employees		
290	320	Average number of employees	876	802

4. STAFF COSTS CONTINUED

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 A/S Group including bonus, pension, other social security costs and share based payments can be specified as follows:

USD in thousands	**2019**	**2018**
Short-term staff benefits	2,042	1,297
Pension benefits	152	99
Share-based payments	522	551
Total remuneration to Executive Board and Board of Directors	**2,716**	**1,947**

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

USD in thousands	**2019**	**2018**
Short-term staff benefits	1,549	1,567
Pension benefits	94	96
Share-based payments	599	632
Total remuneration to other Key management personnel	**2,242**	**2,295**

4. STAFF COSTS CONTINUED

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.

IIn 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 the comprehensive income in 2014, and USD (677) thousand was recognized in the statement of comprehensive income in 2015. The negative amount is due to cancellation of warrant on employees leaving the Group resulting in costs from earlier periods being reversed. The fair value of the warrants schemes at grant date was calculated on the basis of the Black-Scholes model. The calculation for the 2013 schemes is based on an expected volatility of 45%, a risk-free interest rate at 0.01%, a share price of USD 174-309, the exercise price, an average option life of 36 month and no annual payment of dividends. The expected volatility has been determined using a historical volatility for a five-year period for comparable listed companies adjusted for a small-cap factor.

In December 2014, warrants schemes to key management personnel was granted. The warrant schemes consist of 42,300 warrants and vest over an employment period between one and four years until the end of 2017. The total fair value of these warrants was at grant date USD 5.4 million of which USD 614 thousand was recognized in the statement of comprehensive income in 2017 and USD 70 thousand was recognized in the statement of comprehensive income in 2015 and USD 1,182 thousand was recognized in the statement of 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.

In May 2017, warrants schemes to The Executive Board of Welltec A/S and certain key management personnel was granted. The warrant schemes consist of 231,438 warrants and vest over an employment period between one and four years until the end of 2021. The total fair value of these warrants was at grant date USD 9.4 million of which USD 1.2 million was recognized in the statement of comprehensive income in 2019 and 1.3 million was recognized in the statement of comprehensive income in 2018. The fair value of the warrants schemes at grant date was calculated on the basis of the Black-Scholes model. The calculation for the 2017 schemes is based on an expected volatility of 49%, a risk-free interest rate at (0.33)%, a share price of USD 94, the exercise price, an average option life of 46 month and no annual payment of dividends. The expected volatility has been determined using a historical volatility for a five-year period for comparable listed companies adjusted for a small-cap factor.

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

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

4. STAFF COSTS CONTINUED

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

Warrant scheme	Number*)	Grant date	Vesting date	Expiry date	Exercise price per warrant USD	Fair value per warrant at grant date USD	Outstanding at 31.Dec. 2019
Granted in 2006	227,721	Feb. 2006	2007 - 2009	Jun. 2016	0.15	0.9	0
Granted in 2009	68,000	Sept. 2009	2010 - 2012	Sep. 2015	33	3.7	0
Granted in 2011	290,850	Nov. 2011	2011 - 2014	Nov. 2016	34 - 147	29.7	0
Granted in 2013	50,800	Sep. 2013	2013 - 2017	Jun. 2020	136 - 241	44 - 103	3,000
Granted in 2014	42,300	Dec. 2014	2014 - 2017	Dec. 2020 - Dec. 2021	223 - 255	125 - 130	10,800
Granted in 2017	231,438	May 2017	2017	Jun. 2021	0.16-74	26-99	176,101
							191,701

*) The numbers for the 2005 and 2006 grant are after the conversion to warrants on shares in Welltec International ApS.
The exercise prices are adjusted for the dilution impact from dividend paid in 2012.
The exercise prices are contracted in DKK and translated above into USD based on the year-end rate

4. STAFF COSTS CONTINUED

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

	Board of Directors of Welltec A/S	Executive Board of Welltec A/S	Senior executives and key management personnel	Total number of warrants	Weighted average exercise price USD [1]
Balance at 01.01.2017	-	-	51,200	51,200	221
Granted	10,000	121,601	99,837	231,438)	43
Forfeited	-	-	(32,900)	(32,900)	221
Balance at 31.12.2017	10,000	121,601	118,137	249,738	28
Expired	-	-	(3,600)	(3,600)	157
Forfeited	-	-	(7,200)	(7,200)	40
Exercised	-	-	(47,237)	(47,237)	1
Balance at 31.12.2018	10,000	121,601	60,100	191,701	58
Forfeited	-	-	(1,800)	(1,800)	244
Balance at 31.12.2019	10,000	121,601	58,300	189,901	55

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

13,800 warrants are exercisable as of 31 December 2019. The weighted average remaining contractual life and range of exercise price of outstanding warrants was 21 months at a price of USD 0.16-255 (adjusted for dilution impact) at 31 December 2019 and 26 months at a price of USD 0.16 - 255 (adjusted for dilution impact) at 31 December 2018.

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

The total expense recognized in the statement of comprehensive income for all warrants schemes amounted to USD 1,230 thousand for 2019 (2018: USD 1,340 thousand).

5. AMORTIZATION, DEPRECIATION AND IMPAIRMENT LOSSES

PARENT			GROUP	
2018	2019		2019	2018
		USD in thousands		
12,963	7,722	Completed development projects	7,736	12,963
734	937	Patents and licenses	937	734
-	-	Customer relationship	-	-
1,098	1,307	Technology	1,307	1,098
14,795	**9,966**	**Total amortization of intangible assets**	**9,980**	**14,795**
458	490	Other fixtures and fittings, tools and equipment	1,238	1,250
478	-	Land and buildings	122	543
21,502	16,430	Plant equipment and fleet	16,508	21,546
151	155	Leasehold improvements	413	356
-	4,613	Right-of-use assets	10,384	-
-	(1,145)	(Gain)/loss from disposal of plant equipment and fleet	(1,221)	(121)
22,589	**20,543**	**Total depreciation of tangible assets**	**27,444**	**23,574**
37,384	**30,509**	**Total depreciation and amortization**	**37,424**	**38,369**
3,091	386	Write-down of completed development projects	386	3,091
1,949	793	Write-down of plant equipment and fleet	793	1,956
5,040	**1,179**	**Total impairment losses**	**1,179**	**5,047**
		Recognition of amortization , depreciation and impairment losses by function		
37,989	26,797	Cost of services provided	28,328	38,016
1,074	1,372	Development and manufacturing costs capitalized	1,372	1,074
3,361	3,519	Administrative and sales costs	8,903	4,326
42,424	**31,688**	**Total amortization, depreciation and impairment losses**	**38,603**	**43,416**

6. SPECIAL ITEMS

PARENT			GROUP	
2018	2019		2019	2018
		USD in thousands		
1,028	-	Salary cost related to resigned employees and special bonus	-	1,169
7,416	-	Write down of assets	-	7,416
237	-	Other special items	-	710
-	-	Costs related to termination of rental agreements etc.	-	-
8,681	**-**	**Total special items**	**-**	**9,295**

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

7. FINANCIAL INCOME

PARENT			GROUP	
2018	2019		2019	2018
		USD in thousands		
18,810	20,563	Interest from subsidiaries and affiliates	18,504	15,040
-	3	Interest income	4	116
4,300	4,970	Other financial income	-	-
23,110	**25,536**	**Interest income from financial assets that are not measured at fair value through profit or loss**	**18,508**	**15,156**
10,249	8,748	Dividends from subsidiaries	-	-
2,759	774	Exchange rate gains	1,929	6,705
36,118	**35,058**	**Total financial income**	**20,437**	**21,861**

8. FINANCIAL EXPENSES

PARENT 2018	PARENT 2019	*USD in thousands*	GROUP 2019	GROUP 2018
32,924	33,638	Interest expenses	35,377	33,143
2,996	1,958	Other financial expenses	2,323	2,214
35,920	**35,596**	**Interest expenses from financial liabilities that are not measured at fair value through profit or loss**	**37,700**	**35,357**
2,390	2,817	Exchange rate loss	6,859	5,635
38,310	**38,413**	**Total financial expenses**	**44,559**	**40,992**

Borrowing costs capitalized on development projects are calculated based on the incurred costs and a weighted average capitalization rate of 9.52% (9.5% in 2018). The amount capitalized in 2019 at Group and parent level is USD 696 thousand (USD 769 thousand in 2018).

The net exchange rate gain at Group level at 31 December 2019 was USD 40 thousand (a net exchange rate gain of USD 1,070 thousand in 2018).

The net exchange rate gain at parent level at 31 December 2019 was USD 2,927 thousand (a net exchange rate gain of USD 369 thousand in 2018).

9. INCOME TAXES

PARENT 2018	PARENT 2019	USD in thousands	GROUP 2019	GROUP 2018
2,638	9,531	Current tax	13,818	7,344
992	(2,489)	Adjustment in corporation tax previous years	(1,631)	1,238
3,630	**7,041**	**Current tax incl. adj. in corporation tax previous years**	**12,187**	**8,582**
4,213		Adjustment in deferred tax previous years	(332)	4,779
(5,672)	(184)	Change in deferred tax	(2,866)	(6,181)
0		Tax effect from tax provision	0	(937)
3,067	2,146	Other taxes	2,671	4,896
5,238	**9,004**	**Total Income taxes**	**11,661**	**11,140**
		A breakdown of tax:		
998	43,998	Profit / (loss) before tax	33,106	(5,996)
998	**43,998**		**33,106**	**(5,996)**
		Reconciliation of tax rate USD		
220	9,680	Danish corporation tax rate	7,283	(1,313)
(280)	93	Effect of difference between tax rate for subsidiaries outside Denmark and Danish tax rate	292	305
0		Tax effect from tax provision	0	(937)
(3,651)	(4,268)	Non-taxable income and non-deductible expense	210	1,027
5,880	3,842	Interest limitation, thin capitalization etc.	3,167	5,586
3,069	2,146	Withholding tax non deductible	2,332	4,897
0	(2,489)	Other taxes, including adjustments to previous years	(1,623)	1,575
5,238	**9,004**	**Total income taxes**	**11,661**	**11,140**

The statutory corporate income tax rate in Denmark in the year ended 31 December 2019 was 22%. The effective tax rate for the consolidated Group is 35% - representing a cumulative tax cost of 13% above the statutory rate.

The two principle drivers for this increase in the effective tax rate are outlined below.

Interest Limitation

Danish resident companies and Danish branches of foreign companies are subject to restrictions under domestic Corporate Income Tax ("CIT") Law which can significantly limit Danish tax deductions for financing costs.

In the year ended 31 December 2019 the Danish tax group of Welltec had a net finance cost of USD 17 million but due to the domestic interest restrictions the tax deductible interest was limited to USD 3.1 million. This leads to a disallowance of USD 13.9 million under Danish corporate tax law.

The excess interest disallowed cannot be carried forward and thus Welltec consider the excess interest to be a permanent difference. Welltec calculate that the Danish CIT deduction lost as a result of this anti-avoidance legislation to be USD 3.2 million at 31 December 2019.

Irrecoverable WHT

On payments from certain countries Welltec's Danish entities suffer withholding tax ("WHT") via deductions at source.

Under Danish CIT law Welltec is able to claim foreign tax credit for this WHT, however, the Danish foreign tax credit is limited to the Danish tax payable on the same foreign net income. The foreign net income is determined after allocating expenses of the Welltec recipient entity in line with its overall correlation of qualifying expenditure to revenue.

As a result of this, in the year ended 31 December 2019 Welltec was unable to claim a foreign tax credit for all the foreign WHT suffered. The excess WHT is USD 2 million.

Denmark – credit for taxes paid abroad

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

The tax credit calculations for the financial years 2013 to 2019 have been made up based on similar principles as applied by the Danish tax authorities for previous years.

10. NON-CASH ADJUSTMENTS

PARENT			GROUP	
2018	**2019**	*USD in thousands*	**2019**	**2018**
37,932	31,654	Depreciation of intangible and tangible assets	38,645	39,067
18,316	1,179	Disposal and impairment losses	1,179	18,329
-	(1,966)	Exchange rate adjustment on depreciation and fixed assets	(1,654)	532
-	358	Impairment of trade receivables	(42)	1,968
(2,241)	(1,243)	Currency adjustments, other	(2,580)	(4,424)
4,300	2,200	Reversal/write-down on intercompany receivables	-	-
-	(3,143)	Write down investments on subsidiaries	-	-
1,340	1,230	Share based payments	1,230	1,340
59,647	**30,269**	**Total non-cash adjustments**	**36,778**	**56,812**

11. CHANGES IN WORKING CAPITAL

PARENT			GROUP	
2018	**2019**	*USD in thousands*	**2019**	**2018**
(3,791)	3,064	Change in receivables and prepayments	7,532	(1,229)
6,116	(1,089)	Change in inventories	(1,625)	5,585
(16,518)	(30,872)	Change in receivables from subsidiaries and affiliates	(14,415)	1004
2,589	(640)	Change in trade payables	80	2,961
4,922	(1,827)	Change in other payables	3,625	4,168
(237)	1,677	Change in other receivables	884	1,292
1,375	2,189	Change in payables to affiliates	903	(46)
(5,544)	**(27,498)**	**Total changes in working capital**	**(3,016)**	**13,735**

12. INTANGIBLE ASSETS

GROUP	Goodwill	Other intangible assets*	Completed develop-ment projects	Develop-ment projects in progress	Patents and licenses	Total
USD in thousands						
Costs at 01.01. 2018	**2,610**	**8,680**	**180,267**	**12,530**	**23,566**	**227,653**
Additions	-	1,466	4,160	2,120	1,805	9,551
Transfer	-	-	2,526	(2,526)	-	-
Disposal	-	(258)	(47,584)	(1,217)	(5,180)	(54,239)
Exchange rate adjustment	(208)	-	-	-	-	(208)
Costs at 31.12 2018	**2,402**	**9,888**	**139,369**	**10,907**	**20,191**	**182,757**
Amortization and impairment losses at 01.01 2018	**-**	**5,761**	**142,385**	**586**	**5,454**	**154,186**
Amortization for the year	-	1,098	12,963	-	734	14,795
Impairment losses for the year	-	-	3,091	-	-	3,091
Disposal	-	-	(40,493)	-	-	(40,493)
Exchange rate adjustment	-	22	-	-	-	22
Amortization and impairment losses at 31.12 2018	**-**	**6,881**	**117,946**	**586**	**6,188**	**131,601**
Carrying value at 31.12 2018	**2,402**	**3,007**	**21,423**	**10,321**	**14,003**	**51,156**
Costs at 01.01 2019	**2,402**	**9,888**	**139,369**	**10,907**	**20,191**	**182,757**
Additions	-	713	207	3,704	921	5,545
Transfer	-	-	4,695	(4,695)	-	-
Disposal	-	-	(194)	-	-	(194)
Exchange rate adjustment	102	76	-	-	-	178
Costs at 31.12 2019	**2,504**	**10,677**	**144,077**	**9,916**	**21,112**	**188,286**
Amortization and impairment losses at 01.01 2019	**-**	**6,881**	**117,946**	**586**	**6,188**	**131,601**
Amortization for the year	-	1,307	7,736	-	937	9,980
Impairment losses for the year	-	-	386	-	-	386
Disposal	-	-	(175)	-	-	(175)
Exchange rate adjustment	-	76	5	-	-	81
Amortization and impairment losses at 31.12 2019	**-**	**8,264**	**125,898**	**586**	**7,125**	**141,873**
Carrying value at 31.12 2019	**2,504**	**2,413**	**18,179**	**9,330**	**13,987**	**46,413**

*Please see following specification.

12. INTANGIBLE ASSETS CONTINUED

Other intangible assets

GROUP *USD in thousands*	Customer relationship	Technology	Total
Costs at 01.01 2018	**1,683**	**6,997**	**8,680**
Additions	-	1,466	1,466
Disposals	-	(258)	(258)
Costs at 31.12 2018	**1,683**	**8,205**	**9,888**
Amortization and impairment losses at 01.01 2018	**1,683**	**4,078**	**5,761**
Amortization for the year	-	1,098	1,098
Exchange rate adjustment	-	22	22
Amortization and impairment losses at 31.12 2018	**1,683**	**5,198**	**6,881**
Carrying value at 31.12 2018	**-**	**3,007**	**3,007**
Costs at 01.01 2019	**1,683**	**8,205**	**9,888**
Additions	-	713	713
Exchange rate adjustment	76	-	76
Costs at 31.12 2019	**1,759**	**8,918**	**10,677**
Amortization and impairment losses at 01.01 2019	**1,683**	**5,198**	**6,881**
Amortization for the year	-	1,307	1,307
Exchange rate adjustment	76	-	76
Amortization and impairment losses at 31.12 2019	**1,759**	**6,505**	**8,264**
Carrying value at 31.12 2019	**-**	**2,413**	**2,413**

12. INTANGIBLE ASSETS CONTINUED

Goodwill and intangible assets with indefinite useful life
Goodwill of USD 2,504 thousand is related to the acquisition of Heat Seekers Ltd. in 2005, and has been subject to an annual impairment test. The impairment test performed in 2019 revealed no need for impairment of goodwill.

Goodwill has been tested at the aggregated level and the goodwill amount is allocated to the Group's cash-generating unit, Welltec A/S 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 A/S 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 are based on financial budget for 2020 and longterm forecasts until the end of 2025. A growth rate of 2.4% has been applied in the terminal period from 2026 and onwards.

The discount rate applied is based on a risk-adjusted after tax discount rate (weighted average cost of capital) of 11.7%. The weighted average cost of capital before tax is 12.2%. In 2018 the weighted average cost of capital used was 11.1 % which equals a before tax discount rate of 12.6 %.

Impairment test is based on following assumptions and market views: Consensus suggests that the overall demand for Oil & Gas is expected to continue to increase as a result of a growing world economy. The global oversupply of oil gradually diminished during the course of 2019 amid production declines and reduced investments. The weakening supply fundamentals coupled with a resilient demand paved the way for higher oil prices and more importantly a more stable oil price environment by the end of 2019. Looking into 2020, market consensus suggest a continued stabilization albeit with risk of increased volatility should geopolitical unrest or the OPEC production coordination yet again fail. For Welltec, the market potential remains unchanged, as the global demand continues to increase. In addition the current oil price environment requires the industry to adopt new technology that reduces cost of production and ultimately help operators create sustainable businesses.

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

Impairment of other intangible assets
Impairment of development projects amounted to USD 0.4 million (2018: USD 3.1 million), which has been recognized in the statement of comprehensive income under cost of services provided as the projects are closed. The recoverable amount was calculated on the basis of Management's re-assessed estimate of the value in use of the assets.

12. INTANGIBLE ASSETS CONTINUED

PARENT *USD in thousands*	Technology	Completed development projects	Development projects in progress	Patents and licenses	Total
Costs at 01.01 2018	**5,363**	**180,267**	**12,530**	**23,703**	**221,863**
Additions	1,466	4,160	2,120	1,805	9,551
Transfer	-	2,526	(2,526)	-	-
Disposal	(280)	(47.584)	(1,217)	(5,181)	(54,262)
Costs at 31.12 2018	**6,549**	**139,369**	**10,907**	**20,327**	**177,152**
Amortization and impairment losses at 01.01 2018	**2,444**	**142,386**	**586**	**5,546**	**150,962**
Amortization for the year	1,098	12,963	-	734	14,795
Impairment losses for the year	-	3,091	-	-	3,091
Disposal	-	(40,494)	-	-	(40,494)
Amortization and impairment losses at 31.12 2018	**3,542**	**117,946**	**586**	**6,280**	**128,354**
Carrying value at 31.12 2018	**3,007**	**21,423**	**10,321**	**14,047**	**48,798**
Costs at 01.01 2019	**6,549**	**139,369**	**10,907**	**20,327**	**177,152**
Additions	713	207	3,675	920	5,515
Transfer	-	4,666	(4,666)	-	-
Disposal	-	(193)	-	-	(193)
Costs at 31.12 2019	**7,262**	**144,049**	**9,916**	**21,247**	**182,474**
Amortization and impairment losses at 01.01 2019	**3,542**	**117,946**	**586**	**6,280**	**128,354**
Amortization for the year	1,307	7,722	-	937	9,966
Impairment losses for the year	-	386	-	-	386
Disposal	-	(170)	-	-	(170)
Amortization and impairment losses at 31.12 2019	**4,849**	**125,884**	**586**	**7,217**	**138,536**
Carrying value at 31.12 2019	**2,413**	**18,165**	**9,330**	**14,030**	**43,938**

Impairment of other intangible assets

Impairment of development projects amounted to USD 0.4 million (2018: USD 3.1 million), which has been recognized in the statement of comprehensive income under cost of services provided as the projects are closed. The recoverable amount was calculated on the basis of Management's re-assessed estimate of the value in use of the assets.

13. TANGIBLE ASSETS

GROUP *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 2018	**11,308**	**6,698**	**261,413**	**23,902**	**18,756**	**322,077**
Additions	93	592	5,494	1,068	17,464	24,711
Transfer	-	-	11,997	-	(11,997)	-
Disposals	-	(20)	(968)	(1,012)	-	(2,000)
Exchange rate adjustment	(111)	(148)	(30)	(1,328)	(113)	(1,730)
Costs at 31.12 2018	**11,290**	**7,122**	**277,906**	**22,630**	**24,110**	**343,058**
Depreciation and impairment losses at 01.01 2018	**1,751**	**5,413**	**205,239**	**21,230**	**-**	**233,633**
Depreciation for the year	543	356	21,546	1,250	-	23,695
Impairment losses for the year	-	-	1,956	-	-	1,956
Disposals	-	(14)	(963)	(852)	-	(1,829)
Exchange rate adjustment	(19)	(131)	(24)	(1,198)	-	(1,372)
Depreciation and impairment losses at 31.12 2018	**2,275**	**5,624**	**227,754**	**20,430**	**-**	**256,083**
Carrying value at 31.12 2018	**9,015**	**1,498**	**50,152**	**2,200**	**24,110**	**86,975**
Hereof held under finance lease	6,381	-	6,107	-	-	12,488
Costs at 01.01 2019	**11,290**	**7,122**	**277,906**	**22,630**	**24,110**	**343,058**
Transfer to right-of-use assets	(8,201)	-	(7,728)	-	-	(15,929)
Additions	366	539	7,540	4,712	14,218	27,375
Transfer	-	-	15,523	-	(15,523)	-
Disposals	(113)	(456)	(1,177)	(1,350)	-	(3,096)
Exchange rate adjustment	(1,447)	(16)	(474)	(446)	16	(2,367)
Costs at 31.12 2019	**1,895**	**7,189**	**291,590**	**25,546**	**22,821**	**349,041**
Depreciation and impairment losses at 01.01 2019	**2,275**	**5,624**	**227,754**	**20,430**	**-**	**256,083**
Transfer to right-of-use assets	(1,820)	-	(1,621)	-	-	(3,441)
Depreciation for the year	122	413	16,508	1,238	-	18,281
Impairment losses for the year	-	-	793	-	-	793
Disposals	(48)	(308)	(1,174)	(1,315)	-	(2,845)
Exchange rate adjustment	2	316	(33)	593	-	878
Depreciation and impairment losses at 31.12 2019	**531**	**6,045**	**242,227**	**20,946**	**-**	**269,749**
Carrying value at 31.12 2019	**1,364**	**1,144**	**49,363**	**4,600**	**22,821**	**79,292**

Impairment losses in 2019 and 2018 are related to scrapped tools, tools lost in the wells and impairment tests of the tool fleet.

13. TANGIBLE ASSETS CONTINUED

PARENT *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 2018	**9,830**	**3,911**	**301,248**	**9,958**	**18,344**	**343,291**
Additions	87	237	5,318	453	17,964	24,059
Transfer	-	-	11,971	-	(11,971)	-
Disposals	-	-	(966)	(502)	-	(1,468)
Exchange rate adjustment	-	(6)	-	(8)	-	(14)
Costs at 31.12 2018	**9,917**	**4,142**	**317,571**	**9,901**	**24,337**	**365,868**
Depreciation and impairment losses at 01.01 2018	**1,524**	**3,312**	**245,302**	**9,046**	**-**	**259,184**
Depreciation for the year	478	151	21,502	458	-	22,589
Impairment losses for the year	-	-	1,949	-	-	1,949
Disposal	-	-	(960)	(348)	-	(1,308)
Exchange rate adjustment	-	(6)	-	(6)	-	(12)
Depreciation and impairment losses at 31.12 2018	**2,002**	**3,457**	**267,793**	**9,150**	**-**	**282,402**
Carrying value at 31.12 2018	**7,915**	**685**	**49,778**	**751**	**24,337**	**83,466**
Hereof held under finance lease	6,381	-	6,107	-	-	12,488
Costs at 01.01 2019	**9,917**	**4,142**	**317,571**	**9,901**	**24,337**	**365,868**
Transfer to right-of-use assets	(8,201)	-	(7,728)	-	-	(15,929)
Additions	-	-	7,499	2,415	13,162	23,076
Transfer	-	-	15,240	-	(15,240)	-
Disposals	(61)	(158)	(891)	(11)	-	(1,121)
Exchange rate adjustment	(1,500)	(2)	(106)	(2)	-	(1,610)
Costs at 31.12 2019	**155**	**3,982**	**331,585**	**12,303**	**22,259**	**370,284**
Depreciation and impairment losses at 01.01 2019	**2,002**	**3,457**	**267,793**	**9,150**	**-**	**282,402**
Transfer to right-of-use assets	(1,820)	-	(1,621)	-	-	(3,441)
Depreciation for the year	-	155	16,430	490	-	17,075
Impairment losses for the year	-	-	793	-	-	793
Disposal	(16)	(11)	(891)	(11)	-	(929)
Exchange rate adjustment	(11)	(9)	39	25	-	44
Depreciation and impairment losses at 31.12 2019	**155**	**3,592**	**282,543**	**9,654**	**-**	**295,944**
Carrying value at 31.12 2019	**-**	**390**	**49,042**	**2,649**	**22,259**	**74,340**

Impairment losses in 2019 and 2018 are related to scrapped tools, tools lost in the wells and impairment tests of the tool fleet.

13. TANGIBLE ASSETS CONTINUED

13.1 Right-of-use assets in the balance sheet

GROUP	Land and buildings	Plant, equipment and fleet	Other fixtures, fittings, tools & equipment	2019
USD thousands				
Balance 1 January	6,381	6,107	-	12,488
Change in accounting policies leases	29,758	3,121	1,695	34,574
Additions during the year	8,749	2,817	1,168	12,734
Depreciation for the year	(6,285)	(3,153)	(946)	(10,384)
Balance 31 December	**38,603**	**8,892**	**1,917**	**49,412**

PARENT	Land and buildings	Plant, equipment and fleet	Other fixtures, fittings, tools & equipment	2019
USD thousands				
Balance 1 January	6,381	6,107	-	12,488
Change in accounting policies leases	9,527	195	148	9,870
Additions during the year	8,094	2,707	481	11,282
Depreciation for the year	(1,978)	(2,333)	(302)	(4,613)
Balance 31 December	**22,024**	**6,676**	**327**	**29,027**

13.2 Amounts recognized in the income statements

	PARENT 2019	GROUP 2019
USD thousands		
Depreciation	4,613	10,384
Interest on lease liabilities	1,276	2,767
Short-term leases	376	4,773
Lease of low value assets	-	11
Total amounts recognized in the income statement	**6,265**	**17,935**
Lease costs for 2018 were:	2,577	12,807

13.3 Amounts recognized in cash flow statement

	PARENT 2019	GROUP 2019
USD thousands		
Interest on lease liabilities	1,276	2,767
Installments on lease liabilities	3,483	8,981
Sale and lease back transaction	(1,966)	(1,966)
Total outflow	**2,793**	**9,782**

14. INVESTMENTS IN SUBSIDIARIES

	PARENT	
	2019	2018
USD in thousands		
Carrying amount 01.01	**18,695**	**28,615**
Additions	-	380
Reversal of impairment previous years	3,413	-
Impairment adjustment for the year	-	(10,300)
Carrying amount 31.12	**22,108**	**18,695**

The carrying value of investments in the subsidiaries is pledged as security for issued bonds as of 31 December 2019 and 31 December 2018.

14. INVESTMENTS IN SUBSIDIARIES CONTINUED

Name	Registered office	Currency	Capital	Share
Welltec Angola Lda.***	Angola	USD	5,000	49%
Welltec Oilfield Services Argentina SA**	Argentina	ARS	50,000	100%
Welltec Oilfield Services Pty. Ltd.*	Australia	AUD	10	100%
Welltec Oilfield Services (Azerbaijan) Ltd.*	Azerbaijan	USD	5,000	100%
Welltec do Brasil Ltda.**	Brazil	BRL	423,790	100%
Welltec Canada Inc.*	Canada	CAD	6,000,001	100%
Welltech Oilfield Services (Newfoundland & Labrador) Limited*	Canada	CAD	10	100%
Welltech Oilfield Services Congo SAS***	Congo	XAF	1,000,000	100%
RS 2001 ApS*	Denmark	DKK	125,000	100%
Welltec Latinamerica ApS*	Denmark	DKK	475,000	100%
Welltec Africa ApS*	Denmark	DKK	125,000	100%
Welltec Oilfield Services (Continental Europe) A/S*	Denmark	DKK	500,000	100%
Welltec Oilfield Services Gabon Sarl***	Gabon	CFA	1,000,000	100%
Welltec Oilfield Services (Ghana) Limited***	Ghana	GHC	40,818	90%
Welltech Oilfield Services (Guyana) Inc**	Guyana	GYD	500,000	100%
PT. Welltec Oilfield Services Indonesia*	Indonesia	USD	500,000	95%
Welltec Oilfield Services (India) Private Limited*	India	INR	100,000	100%
Welltec Oilfield Services (Kazakhstan) LLP*	Kazakhstan	KZT	151,200	100%
Welltec Kazakhstan Joint Venture LLP**	Kazakhstan	KZT	252,000	95%
Welltec Oilfield Services (Malaysia) Sdn. Bhd*	Malaysia	MYR	350,000	49%
Welltec Oilfield Services Mexico S.A.**	Mexico	MXN	50,000	100%
Welltec Oilfield Services (Nigeria) Ltd.***	Nigeria	NGN	25,000,000	30%
Welltec Oilfield Services (Norway)*	Norway	NOK	3,000,000	100%
Welltech Oilfield Services (Muscat) LLC*	Oman	OMR	150,000	70%
Welltec Oilfield Services (Doha) LLC.*	Qatar	QAR	1,000	49%
Welltec (RUS) Holding LLC*	Russia	RUB	100,000	100%
Welltec Oilfield Services (RUS) LLC.*****	Russia	RUB	100,000	100%
Welltec Oilfield Services (Saudi Arabia) Ltd*	Saudi Arabia	SAR	500,000	100%
Welltec (UK) Ltd.*	Scotland - UK	GBP	1	100%

14. INVESTMENTS IN SUBSIDIARIES CONTINUED

Name	**Registered office**	**Currency**	**Capital**	**Share**
Welltec Oilfield Services (Proprietary) (South Africa) Limited***	South Africa	ZAR	1,000	100%
Welltec Oilfield Services (Trinidad & Tobago) Limited****	Trinidad & Tobago	TTD	1	100%
Welltec Oilfield Services (Uganda) Limited***	Uganda	USD	10,000	100%
Welltec Inc.*	USA	USD	100,000	100%
Welltec Venezuela, C.A.***	Venezuela	VEF	1,000	100%

*Held by Welltec A/S
**Held by Welltec Latinamerica ApS
***Held by Welltec Africa ApS
****Held by Welltec Inc.
*****Held by Welltec (RUS) Holding LLC

Even though Welltec A/S only holds a 49% and 30% ownership interest in four subsidiaries, Welltec A/S controls the four subsidiaries through holdings of more than half of the voting power.

As stated above, Welltec owns a number of subsidiaries in the Group more than 50% but less than 100%. Welltec consolidates these entities 100% with no minority interest. Welltec de facto has 100% ownership according to the respective shareholder agreements as Welltec is entitled to receive 100% of the dividends of these entities.

15. INVENTORIES

PARENT 2018	PARENT 2019	USD in thousands	GROUP 2019	GROUP 2018
-	1,089	Raw materials	2,739	-
-	-	Finished goods	-	1,114
-	**1,089**	**Total inventories**	**2,739**	**1,114**
-	-	Amount of write-down of inventories during the year	-	-
-	-	Amount of reversal of write-down of inventories during the year	-	-
-	-	Cost of inventories included in cost of services provided	1,146	7,216

16. TRADE RECEIVABLES

PARENT 2018	PARENT 2019	USD in thousands	GROUP 2019	GROUP 2018
11,651	9,940	Trade receivables before allowance for doubtful accounts	44,780	49,733
(286)	(644)	Write-downs	(1,919)	(1,961)
11,366	**9,296**	**Total trade receivables**	**42,861**	**47,772**
36	27	Trade receivables — average fixed time of credit (days)	62	75
		Development in write-downs of trade receivables		
(300)	(285)	Write-downs at 01.01	(1,961)	(367)
-	-	Reversed, unrealized write-downs	-	62
15	-	Amounts written off during the year	1,275	142
-	(359)	Write-down in profit or loss	(1,233)	(1,798)
(285)	**(644)**	**Write-downs at 31.12**	**(1,919)**	**(1,961)**
		Specification of trade receivables by due date, not impaired		
7,031	3,502	Not due	31,210	30,147
1,862	2,785	Up to 30 days	6,012	8,647
579	1,462	30-60 days	4,260	3,210
752	825	60-90 days	1,991	1,408
427	701	90-120 days	1,117	1,644
1,000	665	120+ days	190	4,677
11,651	**9,940**	**Total trade receivables**	**44,780**	**49,733**

16. TRADE RECEIVABLES CONTINUED

16.1 Credit risk management

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

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

The Group and the Parent company had 2 customers, which accounted for 10% or more of the total revenue in 2019 (2018: 2 customers).

16.2 Impairment of trade receivables

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

The expected loss rates per 31 December 2019 are based on the payment profiles over a period of 3 years before 31 December 2017, 31 December 2018 and 31 December 2019 and the corresponding historical credit losses experienced within this period.

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

The revenue has increased by 10% since 2018 for the Group and by 14% for the Parent company, while the provision for bad debt remained at the same level as in 2018.

On that basis, the loss allowances were determined as follows for trade receivables:

PARENT

31 December 2018	Not past due	Less than 30 days past due	30 to 60 days past due	More than 60 days past due	Total
USD in thousands					
Expected credit loss rate	0%	0%	0%	13.1%	
Trade receivable	7,031	1,862	579	2,179	11,651
Loss allowance	**-**	**-**	**-**	**285**	**285**

31 December 2019	Not past due	Less than 30 days past due	30 to 60 days past due	More than 60 days past due	Total
USD in thousands					
Expected credit loss rate	0%	0%	0%	29.41%	
Trade receivable	3,502	2,785	1,462	2,191	9,940
Loss allowance	**-**	**-**	**-**	**644**	**644**

GROUP

31 December 2018	Not past due	Less than 30 days past due	30 to 60 days past due	More than 60 days past due	Total
USD in thousands					
Expected credit loss rate	0.04%	0.09%	0.15%	25%	
Trade receivable	30,147	8,647	3,210	7,729	49,733
Contract assets	93	-	-	-	93
Loss allowance	**12**	**8**	**5**	**1,936**	**1,961**

31 December 2019	Not past due	Less than 30 days past due	30 to 60 days past due	More than 60 days past due	Total
USD in thousands					
Expected credit loss rate	0.05%	0.07%	0.93%	56%	
Trade receivable	31,210	6,012	4,260	3,298	44,780
Loss allowance	**16**	**4**	**40**	**1,859**	**1,919**

17. SHARE CAPITAL

The share capital consists of 292,005,743 units at DKK 1 / USD 0.17. All shares are fully paid.

	GROUP	
USD in thousands	**2019**	**2018**
Share units 01.01.	53,218	53,218
Share units 31.12.	**53,218**	**53,218**

All the shares are fully paid and have the same rights.
No dividend was paid out in 2019 or 2018 and no dividend is proposed related to the financial year 2019.

18. DEFERRED TAX ASSETS AND LIABILITIES

PARENT			GROUP	
2018	2019		2019	2018
		USD in thousands		
4,243	2,632	Deferred tax 01.01	7,038	9,332
		IFRS 23 transition	1,847	
(153)		Exchange rate adjustments	17	45
4,214	(1,333)	Adjustment of deferred tax — previous years	(1,333)	4,780
-		Effect of change in income tax rate, current year		-
(5,672)	1,102	Change in deferred tax for the year	(1,845)	(7,119)
2,632	**2,401**	**Deferred tax assets(-)/liabilities 31.12**	**5,724**	**7,038**
		Deferred tax breakdown:		
16,553	9,565	Intangible assets	14,028	16,553
(8,937)	(3,593)	Tangible assets	(3,745)	(9,110)
0	0	Current assets		-
(4,983)	(3,571)	Current and non-current liabilities	(3,625)	(281)
0	0	Tax loss carried forward etc.	(933)	(123)
2,632	**2,401**	**Deferred tax assets(-)/liabilities 31.12**	**5,724**	**7,038**
		Deferred tax is recognized in the statement of financial position with		
-		Deferred tax assets	(1,689)	(1,247)
2,632	2,404	Deferred tax liabilities	7,413	8,285
2,632	**2,404**	**Deferred tax assets(-)/liabilities 31.12**	**5,724**	**7,038**

The Group does not recognize deferred tax assets that are unlikely to be realized or otherwise exposed to major risk or uncertainty.

19. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

PARENT 2018	PARENT 2019	*USD in thousands*	GROUP 2019	GROUP 2018
331,238	333,311	Issued bonds	333,311	331,238
11,781	27,450	Finance lease commitments	48,067	11,790
-	5,000	Bank debt	5,000	-
343,019	**365,761**	**Total**	**386,378**	**343,028**
		Recognition of short-term and long-term financial liabilities in the statement of financial position:		
9,329	23,367	Non-current financial liabilities — lease commitments	40,289	9,338
331,238	333,311	Non-current financial liabilities — issued bonds (incl. holding of own bonds)	333,311	331,238
2,452	9,083	Current financial liabilities	12,778	2,452
343,019	**365,761**	**Total**	**386,378**	**343,028**

19. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES CONTINUED

GROUP

2018

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

2019

Currency	Expiry	Fixed or floating interest	Effective interest rate %	Carrying amount local (thousands)	Carrying amount USD (thousands)
DKK	2027	floating	0.95 - 9.44	173,958	26,058
NOK	2027	floating	4.58	44,825	5,094
USD	2022-2027	floating/fixed	4.65 - 9.75	342,731	342,731
Other	2027	floating	2.19 - 27.05	-	12,495
					386,378

PARENT

2018

Currency	Expiry	Fixed or floating interest	Effective interest rate %	Carrying amount local (thousands)	Carrying amount USD (thousands)
DKK	2026	floating	0.95 - 9.44	76,805	11,781
USD	2022	fixed	9.75	331,238	331,238
					343,019

2019

Currency	Expiry	Fixed or floating interest	Effective interest rate %	Carrying amount local (thousands)	Carrying amount USD (thousands)
DKK	2027	floating	0.95 - 9.44	173,958	26,058
USD	2022	fixed	4.65 - 9.75	333,311	333,311
Other	2027	floating	3.31-19.25	-	6,392
					365,761

Issued bonds and bank debt

In November 2017, Welltec A/S issued bonds of a value of USD 340 million. The bonds have a fixed interest of 9.5% and an effective rate of 9.75%. The bonds are repayable in full in November 2022. The fair value of issued bonds at 31 December 2019 is USD 336 million (2018: USD 338 million). The fair value (level 1 in the fair value hierarchy) is based on the OTC quoted market price of 98.94 USD per. note (2018: 99.50 USD per note).

19. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES CONTINUED

19.1 Finance lease obligations

Finance lease relates to leases of properties with an average lease term of 5 years, manufacturing equipment with lease terms of 3-5 years and leases of vehicles with lease terms of 3 years. The Group and the Parent company have options to purchase a part of the buildings and equipment for a nominal amount at the end of the lease agreements. The Group's and the Parent company's obligations under finance leases are secured by the lessors' title to the leased assets. The fair value of the finance lease liabilities is approximately equal to their carrying amount as of 31 December 2019 and 31 December 2018.

GROUP	2019	2019	2018	2018
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	11,770	9,141	2,962	2,452
Between 1 and 5 years	30,022	25,329	7,803	6,348
Over 5 years	15,188	13,597	4,581	2,990
Total finance lease obligations	**56,980**	**48,067**	**15,346**	**11,790**

PARENT	2019	2019	2018	2018
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	5,416	4,083	2,962	2,452
Between 1 and 5 years	14,337	11,251	7,803	6,348
Over 5 years	13,606	12,116	4,581	2,981
Total finance lease obligations	**33,359**	**27,450**	**15,346**	**11,781**

19. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES CONTINUED

19.2 Maturity dates for financial liabilities

	2018			
GROUP	**Less than 1 year**	**Between 1 and 5 years**	**Later than 5 years**	**Total**
USD in thousands				
Finance lease commitments	2,452	6,348	2,990	11,790
Issued bonds (incl. holding of own bonds)	-	331,238	-	331,238
Trade payables	15,394	-	-	15,394
Other payables	27,429	-	-	27,429
Total financial liabilities	**45,275**	**337,586**	**2,990**	**385,851**

	2019			
GROUP	**Less than 1 year**	**Between 1 and 5 years**	**Later than 5 years**	**Total**
USD in thousands				
Finance lease commitments	9,141	25,329	13,597	48,067
Issued bonds	-	333,311	-	333,311
Bank debt	5,000	-	-	5,000
Payable to Subsidiaries and affiliates	903	-	-	903
Trade payables	15,474	-	-	15,474
Other payables	31,031	-	773	31,804
Total financial liabilities	**61,549**	**358,640**	**14,370**	**434,559**

All debt is measured at amortized cost. The amounts in the table above are exclusive of interest.
Interest on issued bonds mature on an annual basis with USD 26 million until maturity on 1 February 2019.

19. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES CONTINUED

	2018			
PARENT	**Less than 1 year**	**Between 1 and 5 years**	**Later than 5 years**	**Total**
USD in thousands				
Finance lease commitments	2,452	6,348	2,980	11,780
Issued bonds (incl, holding of own bonds)	-	331,238	-	331,238
Loan payables to subsidiaries and affiliates	46,239	-	-	46,239
Payables to subsidiaries and affiliates	9,849	-	-	9,849
Trade payables	12,441	-	-	12,441
Other payables	13,400	-	-	13,400
Total financial liabilities	**84,381**	**337,586**	**2,980**	**424,947**

	2019			
PARENT	**Less than 1 year**	**Between 1 and 5 years**	**Later than 5 years**	**Total**
USD in thousands				
Finance lease commitments	4,083	11,251	12,116	27,450
Issued bonds (incl, holding of own bonds)	-	333,311	-	333,311
Bank debt	5,000	-	-	5,000
Loan payables to subsidiaries and affiliates	51,395	-	-	51,395
Payables to subsidiaries and affiliates	12,038	-	-	12,038
Trade payables	11,801	-	-	11,801
Other payables	11,552	-	773	12,325
Total financial liabilities	**95,869**	**344,562**	**12,889**	**453,320**

All debt is measured at amortized cost. The amounts in the tables above are exclusive of interest.
Interest on issued bonds mature on an annual basis with USD 32.3 million until maturity 27 November 2022.

19. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES CONTINUED

19.3 Net interest bearing debt

			Non-cash changes			
GROUP *Currency*	**2018**	Included in cash flow from financing activities	IFRS 16 transition	New leases	Fair value adjustments	**2019**
Issued bonds	331,238	-	-	-	2,073	333,311
Finance lease commitments	11,790	(8,981)	34,574	10,684	-	48,067
Bank debt	-	5,000	-	-	-	5,000
Total interest bearing debt	**343,028**	(3,981)	34,574	10,684	2,073	**386,378**
Cash and cash equivalents	(21,328)	-	-	-	-	(30,372)
Net interest bearing debt	**321,700**	-	-	-	-	**356,006**

			Non-cash changes			
PARENT *Currency*	**2018**	Included in cash flow from financing activities	IFRS 16 transition	New leases	Fair value adjustments	**2019**
Issued bonds	331,238	-	-	-	2,073	333,311
Finance lease commitments	11,781	(3,483)	9,870	9,282	-	27,450
Bank debt	-	5,000	-	-	-	5,000
Total interest bearing debt	**343,019**	1,517	9,870	9,282	2,073	**365,761**
Cash and cash equivalents	(7,260)	-	-	-	-	(15,392)
Net interest bearing debt	**335,759**	-	-	-	-	**350,369**

20. OTHER PAYABLES

PARENT 2018	PARENT 2019	*USD in thousands*	GROUP 2019	GROUP 2018
3,312	4,279	Wages and salaries, personal income taxes, social security costs, etc. payable	8,016	8,402
3,398	2,978	Holiday pay obligation	5,809	5,981
2,727	2,707	Accrued interests	2,707	2,727
3,963	1,588	Other costs payable	14,499	10,319
13,400	**11,552**	**Total other payables**	**31,031**	**27,429**

21. FEES TO AUDITOR APPOINTED AT THE ANNUAL GENERAL MEETING

PARENT 2018	PARENT 2019	*USD in thousands*	GROUP 2019	GROUP 2018
86	83	Statutory audit services	262	226
86	**83**	**Statutory audit services**	**262**	**226**
-	-	Non-audit services:	-	-
-	-	Assurance opinions	-	-
189	90	Tax advisory services	90	189
141	204	Other	112	141
330	**294**	**Non-audit services**	**202**	**330**
416	**377**	**Total fees to auditors**	**464**	**556**

22. ASSETS CHARGED AND CONTINGENT LIABILITIES

In 2019 the Group has issued bank guarantees to third parties in the amount of USD 9,014 thousand. In 2018 bank guarantees to third parties were USD 4,555 thousand.

Welltec A/S is part of a Danish joint taxation scheme with Welltec International 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. Upto and including 22 February 2018 Welltec International and it Danish subsidiaries was jointly taxed with JH Holding, Allerød ApS and it Danish subsidiaries.

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

Welltec A/S 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.

Welltec A/S has issued letter of support for certain subsidiaries.

23. FINANCIAL INSTRUMENTS

23.1 General capital structure

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

23.2 Market risk

Due to the Group's foreign activities and credit facilities in foreign currencies, its 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 USD from 2012.

23.2.1 Foreign currency risk management

The reporting currency of the Group and the Parent company 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.

PARENT

The carrying amounts of the Parent company'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 Parent company:

	Assets		Liabilities	
	2019	**2018**	**2019**	**2018**
USD in thousands				
DKK	328,324	263,764	(353,532)	(246,389)
INR	50,547	-	(37,442)	-
AED	21,784	-	(33,020)	-

GROUP

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	
	2019	**2018**	**2019**	**2018**
USD in thousands				
DKK	328,324	263,764	(353,532)	(246,389)
NGN	21,741	-	(22,010)	-
NOK	11,165	8,070	(16,698)	(5,614)

23. FINANCIAL INSTRUMENTS CONTINUED

23.2.2 Foreign currency sensitivity analysis

The following tables detail the Parent and the Group's sensitivity to a 10% increase and decrease in DKK, INR, NOK, AED and NGN 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:

PARENT

	Currency DKK impact		Currency INR impact		Currency AED impact	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
USD in thousands						
Profit/(loss)	(275)	267	339	465	(207)	-
Equity	-	-	1,342	1,317	1,054	-

GROUP

	Currency DKK impact		Currency NGN impact		Currency NOK impact	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
USD in thousands						
Profit/(loss)	(275)	267	1,262	-	2,099	260
Equity	-	-	22	-	59	295

23. FINANCIAL INSTRUMENTS CONTINUED

23.2.3 Interest rate risk management

From the beginning of 2012 the Group's interest rate risk relates to the Group's interest bearing debt to bondholders. The interest is fixed at an effective rate of 8.5%. In November 2017 the interest bearing debt was refinanced with a new bond loan. The interest is fixed at an effective rate at 9,75%

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

23.2.4 Interest rate sensitivity analysis

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

If interest rates had been 250 basis points higher/lower and all other variables were held constant, the Group's: profit for the year and equity as of 31 December 2019 would be affected with USD 850 thousand (2018: 850 thousand).

23.3 Liquidity risk management

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

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

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

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

23. FINANCIAL INSTRUMENTS CONTINUED

23.4 Categories of financial instruments

PARENT			GROUP	
2018	2019	USD in thousands	2019	2018
-	704	Other receivables - non-current	718	412
11,366	9,296	Trade receivables	42,861	47,772
221,324	229,540	Loans to subsidiaries and affiliates	200,525	183,596
40,002	68,674	Receivables from subsidiaries and affiliates	33,639	19,224
2,158	481	Other receivables - current	3,427	4,313
7,260	15,392	Cash and cash equivalents	30,372	21,328
282,110	**324,087**	**Financial assets measured at amortized cost**	**311,542**	**276,645**

PARENT			GROUP	
2018	2019	USD in thousands	2019	2018
11,780	27,450	Finance lease commitments	48,067	11,790
331,238	333,311	Issued bonds	333,311	331,238
46,239	51,395	Loan payable to subsidiaries and affiliates	-	-
9,849	12,038	Payables to subsidiaries and affiliates	903	-
12,441	11,801	Trade payables	15,474	15,394
13,400	11,552	Other payables	31,031	27,429
424,947	**447,547**	**Financial liabilities measured at amortized cost**	**428,786**	**385,924**

24. WELLTEC'S RELATED PARTIES

The ultimate Parent company, preparing a consolidated financial statement in which the Welltec A/S Group is included, is Welltec International ApS, Gydevang 25, 3450 Allerød, Denmark

1. The parent company Welltec International ApS, Gydevang 25, 3450 Allerød, Denmark, which is owned by JH Holding. Allerød, ApS and 7 Industries and other shareholders
2. JH Holding. Allerød, ApS, Bredgade 25.2, 1260 København K, Denmark. Jørgen Hallundbæk is the ultimate controlling party.
3. 7 Industries Holding B.V., Van Heuven Goedhartlaan 13D, 1181 LE, Amstelveen, The Netherlands (owns more than 5% of Welltec International ApS).
4. Exor N.V., Gustav Mahlerolein 25, 1082 Amsterdam, The Netherlands (own more than 5%)
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 A/S – see note 14. *Investments in subsidiaries*

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation in accordance with the accounting policies. Details of transactions between the Group and other related parties are disclosed below.

24. WELLTEC'S RELATED PARTIES CONTINUED

24.1 Related parties transactions

GROUP

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

2018	Affiliates*	Key management personnel	Board of Directors
USD in thousands			
Interests received	15,040	-	-
Sale of shares in Welltec International ApS	13,005	-	-
Total transactions	**28,045**	**-**	**-**

2019	Affiliates*	Key management personnel	Board of Directors
USD in thousands			
Interests received	18,504	-	-
Rendering of services	16,739	-	-
Sale of tools	**1,122**	**-**	**-**
Total transactions	**36,365**	**-**	**-**

*The Parent company's principal shareholder and the principal shareholders other subsidiaries are defined as affiliates.

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

	Amounts owed by related parties		Amounts owed to related parties	
	2019	**2018**	**2019**	**2018**
USD in thousands				
Welltec International ApS	203,163	101,565	-	-
Welltec Holding ApS	-	84,572	-	-
Welltec Oilfield Intervention AG Group	30,231	16,646	(133)	-
Total balances	**233,394**	**202,820**	**(133)**	**-**

24. WELLTEC'S RELATED PARTIES CONTINUED

PARENT

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

2018	**Affiliates***	**Subsidiaries**	**Key management personnel**	**Board of Directors**
USD in thousands				
Rental of equipment	-	58,200	-	-
Rendering of services	13,005	-	-	-
Interest income/(expenses)	15,040	3,770	-	-
Total transactions	**28,045**	**61,970**	**-**	**-**

2019	**Affiliates***	**Subsidiaries**	**Key management personnel**	**Board of Directors**
USD in thousands				
Rental of equipment	-	82,950	-	-
Rendering of services	14,065	-	-	-
Sale of tools	1,122	-	-	-
Interest income/(Expenses)	18,525	2,038	-	-
Total transactions	**33,712**	**84,988**	**-**	**-**

*The parent company's principal shareholder and the principal shareholders other subsidaries are defined as affiliate.

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

	Amounts owed by related parties		**Amounts owed to related parties**	
	2019	**2018**	**2019**	**2018**
USD in thousands				
Welltec International ApS	203,163	101,565	-	-
Welltec Holding ApS	-	84,572	-	-
Subsidiaries and affiliates	87,354	75,189	(45,536)	(56,088)
Total balances	**290,517**	**261,326**	**(45,536)**	**(56,088)**

25. EVENTS AFTER THE BALANCE SHEET DATE

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

In consequence, the impairment test made by Management at 31 December 2019 is based on the future cash flows expected by Management at 31 December 2019, which may differ from the cash flows expected by Management at the time of adoption of the Annual Report, see comments in outlook for the future in Management's Review.

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

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

To ensure that Production, D&E and other departments can operate at an adequate production capacity, certain precautions has been implemented to mitigate the risk of COVID-19 infection in the production. A few suppliers from Italy are closed, but alternative suppliers have been introduced.

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

At 31 December 2019 cash and cash equivalents amounted to USD 30 million. Furthermore, a RCF of USD 40 million is available given that certain financial covenants are met. At 31 December 2019 USD 5 million has been drawn, and USD 9 million is reserved to warranties.

BRANCHES

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

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

DEFINITIONS

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.

EBIT margin before special items

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

EBITDA margin

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

Return on equity

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

ROIC excl. goodwill

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