Enhanced Well Technologies Group

Innovation in depth®

Annual Report 2019

BOARD OF DIRECTORS REPORT 2019
FOR
ENHANCED WELL TECHNOLOGIES GROUP AS

Reg. no: 922 585 881

Annual Report 2019

The official and audited financial results for Enhanced Well Technologies Group AS reflect the period 13th March through December 2019, as the parent company was incorporated on 13th March 2019.

The group was formed 15th July 2019, when Enhanced Well Technologies AS, a company owned and controlled by EV Private Equity and Shell Ventures B.V, completed the purchase of Enhanced Drilling Holding AS, from EDS and T&T Holdings AS a company controlled by the Altor 2003 Fund and Altor Fund II.

15th November 2019 the group completed an agreement to procure all the shares of IKM Cleandrill AS, from IKM Gruppen AS and CDI AS against a combination of cash and consideration in shares. The shareholders in IKM Cleandrill, IKM Gruppen AS and CDI AS, then became shareholders in Enhanced Well Technologies Group AS.

The group is operating under the Enhanced Drilling brand.

Enhanced Well Technologies Group AS Company Overview

Enhanced Well Technologies Group AS is a leading supplier of services and technology to the global oil and gas industry. The Group's main operations are based at Straume (Bergen), with other offices around the world including, Baku, Houston, Oslo and Perth.

The company provides technology, expertise and services to several of the world's major oil and gas fields, with a customer base comprising several medium sized operators, and a number of the large international oil companies. At year-end 2019, the Group had 113 professionals, all of who were permanent employees. The 2019 turnover was NOK 142 million, reflecting Enhanced Drilling from 15th July and IKM Cleandrill AS from 15th November onwards.

Enhanced Drilling

EC-Drill® is a step-change solution, solving a challenge commonly encountered in deep-water wells: drilling in narrow pressure windows. This is achieved by manipulating the bottom hole pressure in the wellbore by altering the level of drilling fluid in the riser. This is done by means of a pump fitted onto the riser. It is possible to cost-effectively negotiate narrow pressure windows and reach deep targets that would otherwise be impractical.

Other benefits include improved safety due to faster kick/loss detection, rig-time savings, drilling capabilities with near-constant BHP, reduced casing strings and the ability to change riser mud levels within minutes, rather than mud weights within hours.

In 2019, three EC-Drill® systems were in operations offshore on the Norwegian Continental Shelf (NCS) for Lundin and Equinor. Enhanced Drilling qualified an EC-Drill® MW system with Lundin in 2019. The system is designed to deploy over the side of the rig with minimal rig time use. The system will significantly increase the value proposition for the EC-Drill® market for shallow and mid-water use.

The group has entered into a contract for delivery of EC-Drill® services to Shell in the Gulf of Mexico with startup of operations in mid-2020. In addition, the group have contracted EC-Drill® services to be delivered on the Sangomar development in Senegal.

MPC® (Managed Pressure cementing) uses conventional cement to facilitate the safe isolation of challenging pressure zones (shallow gas or water) in narrow pressure window scenarios. The system resolves two major challenges: effective cement slurry placement, plus gas flow after cementing. The technology provides operators with precise control over the pressure and flow parameters of returning cement. Constant pressure is achieved at weak zones, preventing losses to the formation. The system is safety enhancing in that any influx or loss is quickly detected, enabling a rapid operator response to prevent the situation from escalating.

The RMR® encompasses a subsea pump thereby enabling a closed-loop circulation system. The system improves drilling operations by reducing the risk and cost of drilling top-hole sections; it also replaces "pump and dump" and ensures zero discharge to the environment. The system has been in use since 2003 and is a well-proven concept.

CTS® consists of a powerful and versatile subsea electrical-drive pump. The system enables the operator to keep the well-head area clear of cuttings by transporting them away from the site. This means later procedures, such as tying in umbilical, are more swiftly carried out, plus the system can create drilling opportunities in areas deemed to be environmentally sensitive (coral reefs, etc).

The RMR®, MPC® and CTS® service lines are well known in the market. Activity for 2019 grew from 24 wells in 2018 to 45 wells completed in 2019. Operations and activity for the future is supported by long term frame agreements and recurrent operations for customers.

Research and Development 2019

Innovation is at the core of the Enhanced Drilling story, hence the continuing investment in both further product development as well as next-generation concepts and technologies.

The main focus for innovation and technology development during 2019 have been to expand the applications for EC-Drill® beyond a problem-solving technology to a drilling optimizing technology. The majority of these initiatives are characterized by development of new methodologies and the digital tools to support the operations.

The EC-Drill® system have superior kick detection capabilities and Enhanced Drilling have initiated a project to develop an Enhanced Kick Detection system designed on the EC-Drill® system. The development is a joint development with Transocean during 2019 and 2020.

Working Environment, Environmental Performance and Personnel

A core objective of Enhanced Well Technologies Group is to have a safe and healthy working environment. We manage our business in accordance with the OHSAS 18001:2007 standard and parts of the company is certified.

Enhanced Well Technologies Group monitors performance continuously, and report status to the Group Executive Management Team and the Board of Directors on a regular basis. We have functioning safety organizations and Working Environment Committees; ensuring employee involvement in HSE related issues. Average illness absence during 2019 was 1,4%. During 2019 Enhanced Drilling had one lost time injury, one medical treatment (MTI) and zero first aid incidents.

The Group's operational activities are carried out globally and Enhanced Drilling's goal is to be a preferred service provider chosen for its "best in class" HSEQ performance.

The last years positive trend and results within HSEQ have continued in 2019 (full year):

- Lost Time Incidents (LTI) – 1
- Medical Treatment Incidents (MTI) – 1
- First Aid Incidents (FAI) – 0
- Total Recordable Incident Frequency (TRIF) – 10,7%
- Internal Audit Team Audits - 9
- Environmental Spills – 0
- Recycling – 83%

Energy consumption is at a normal level for our type of business and chemicals are managed to reduce use and planned discharge of environmentally hazardous chemicals.

Our focus on continuous improvement through both Quality Assurance and Control is reflected through a significant audit program that was performed as planned throughout the year.

Gender equality

As of 31st December 2019, the Board of Enhanced Well Technologies Group had 5 Board Members and 1 Observer, comprising of 6 male and 0 female.

Enhanced Well Technologies Group aspires to be an attractive employer. The Discrimination Act's objective is to promote gender equality, ensure equal opportunities and rights, and to prevent discrimination due to ethnicity, national origin, descent, skin color, language, religion and faith. The Group is working actively, determined and systematically to encourage the act's purpose within our business. Included in the activities are recruiting, salary and working conditions, promotion, development opportunities and protection against harassment.

The competence principle is decisive in all appointment processes. In a department where one gender is heavily under-represented, this is taken into account during the appointment process if other qualifications are otherwise equal. In connection with the yearly salary evaluation, attention is shown to possible inequality regarding average level of pay for men and women. The Enhanced Well Technologies Group provides equal pay for equal work and rewards good results.

Environmental Reporting

All Enhanced Well Technologies Group activities that affect the environment are managed by means of well-established systems and processes in order to identify and eliminate or reduce any negative impact, and to ensure, as a minimum, compliance with legislation and regulations set out by the authorities.

The environmental aspects of our activities are identified and managed. Enhanced Well Technologies Group aims to facilitate the continuous environmental improvement in our operations by adopting the principles of ISO 14001:2015, international standard for environmental management, and an increasing part of the business are being certified. We are running internal control activities to verify compliance.

Furthermore, many of the operational activities and products of the business are focused on protecting the environment. The RMR® is a product which in addition to its operational advantages offers environmentally friendly solutions to clients, by allowing zero discharge of chemicals and cuttings in drilling of top hole sections.

Remuneration

Information concerning remuneration of the Board of Directors and the Chief Executive Officer can be found in Note 24 to the consolidated financial statements.

The compensation for the external auditor can also be found in Note 24.

Risk Management and Internal Control

Internal control

Effective controls ensure that the group is not exposed to avoidable risk, that proper accounting records have been maintained, that the financial information used within the business is reliable and that the consolidated accounts preparation and financial reporting processes comply with all relevant regulatory reporting requirements.

The dynamics of the group and the environment within which it operates are continually evolving together with its exposure to risk. The internal control system is designed to manage rather than eliminate the risk of assets being unprotected and to guard against their unauthorized use and the failure to achieve business objectives. Internal controls can only provide reasonable and not absolute assurance against material misstatement or loss.

The directors confirm that there is an ongoing process for identifying, evaluating and managing the risk faced by the group and the operational effectiveness of the related controls, which has been in place for the year under review and up to the date of approval of the annual report and accounts.

Standard

Enhanced Well Technologies Group has defined roles, responsibilities and timelines for the accounting procedures including guidelines on the minimum level of internal control that each of the subsidiary companies should exercise over specified processes.

All companies prepare annual operating plans and budgets, and business strategies are prepared at regional level and approved by the board. In addition, Enhanced Well Technologies Group prepares financial forecast that are presented to the board. Detailed actual financial information is prepared monthly; performance compared to budget is monitored at company, regional and group level. In addition, actual performance is compared to latest forecast and prior year on a monthly basis including analysis of any significant variances.

Capital expenditure and investment decisions are treated as a part of the budget and forecast processes. Details about who has the right to approve investments are described in an authorization matrix. The cash position of the group is monitored daily and variances from expected levels are investigated thoroughly.

An important factor in ensuring proper financial reporting is good IT controls. There are many IT controls in place to access the accounting systems for the year as a whole and at the year-end these controls have been intensified.

Results, Cash Flow, Investments, Finance and Liquidity

The 2019 turnover was NOK 142 million, reflecting in fact Enhanced Drilling from 15th July and IKM Cleandrill AS from 15th November onwards. Based on proforma full year numbers for operating subsidiaries, 2019 total revenue shows MNOK 394 compared to MNOK 352 for 2018. The increased revenue is due to a higher international utilization of our RMR services compared to 2018.

Operating loss for Enhanced Well Technologies Group was NOK 45,5 million. Net losses from continued operations for the financial year 2019 were NOK 47,1 million.

Accumulated cash flow from Enhanced Well Technologies Group's operational activities was negative NOK 36,8 million. Total investments for the group were NOK 9,5 million related to new equipment and NOK 567,5 million for acquisition of subsidiaries. Net cash flow from financing activities were NOK 625,8 million. Cash and cash equivalents for the Group at 31.12.19 were NOK 12 million.

Enhanced Well Technologies Group's total interest-bearing debt at year end 2019 was NOK 336 million, which represent 36 % of the group's total assets.

At the end of the year, total assets amounted to NOK 940 million.

The equity to total assets ratio at 31.12.2019 was 34 %.

Financial risk

Financial risk factors

The Group's activities are exposed to a variety of financial risks. Market risks including currency risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by a central treasury department (Group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in cooperation with the Group's operating units. The board provides risk management policies covering specific areas, such as foreign exchange risk, interest rate risk, liquidity risk and credit risk.

Market risk

(i) **Foreign exchange risk**

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the AUD, CAD, EUR, GBP, and USD. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. Positions are reviewed monthly. The group held no FX derivatives at year end 2019.

(ii) **Price risk**

The Group is indirectly exposed to changes in the oil price, however current group policy is to not hedge oil price changes.

(iii) As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises from long-term borrowings, including financial leasing agreements. Borrowings and leasing agreements are issued at variable rates expose the group to cash flow interest rate risk. Group policy is that long term borrowings shall be based on floating interest rates, however interest rate derivatives shall be applied in order to avoid significant losses due to interest rate changes.

Credit risk

Credit risk is managed on group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks, as well as credit exposure to customers, including receivables and committed transactions. The Group's customers are mainly the large international oil companies with limited to low credit risk potential. The Group seeks to obtain financial guarantees from debtors where the credit risk and exposure is considered to be high. The Group's main bank at 31st December 2019 is DNB.

Liquidity risk

The Group has a customer portfolio with large, medium and small cap customers. Delayed payments from some of the largest customers at the same time could have a significant impact on the Group's liquidity situation. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Parent Company

Enhanced Well Technologies Group AS is the parent company and its main activity is to act as the owner of the shares in its subsidiaries. The operating result in 2019 was negative TNOK 42. The net result in 2019 was negative TNOK 34. An assessment of the Group's assets has shown no indication of impairment.

Accumulated cash flow from the company's operations was NOK 0 million and net cashflow for investment in subsidiaries was NOK 354 million.

The total assets were NOK 354 million. The equity to asset ratio was 100% at 31.12.2019.

Continued Operation

The Group`s external financing is through the company Enhanced Well Technologies AS. Enhanced Well Technologies AS entered into a 5 year senior facilities agreement with DNB Bank ASA, including term loans of NOK 262 million, revolving credit facility of NOK 58 million and a Capex Facility of NOK 50 million, the 12th of July 2019. The company`s financial position is directly related to Enhanced Well Technologies as the company's assets are pledged as security for group loans. Enhanced Well Technologies AS has met the financial covenants during 2019. The senior facilities agreement has been amended and restated in June 2020 with increased headroom on covenants and an additional liquidity facility of NOK 15 million. The amended senior facility agreement secures financial headroom for the Group throughout the corona virus downturn. Based on the Group's current trading and forecast, the Board does not expect a breach of covenants per Q2 2020 to Q2 2021.

The key assumptions made in the impairment test reflect the Board's current assessment of Enhanced Well Technologies Group's potential to adapt to and benefit from trends in the oil services industry. Management believes that the expectations reflected in the forward-looking forecasts used as a basis for the impairment reviews, are reasonable. However, as the impairment valuations are based on forward looking information, they will involve estimates, risk and uncertainty.

The Board has considered the factors above in relation to continued operations and concluded that in accordance with the Accounting Act §3-3a, we confirm that the financial statements have been prepared under the assumption of a going concern.

Events after balance sheet date

As of 1st April 2020, all employees of IKM Cleandrill AS have transferred their employment to Enhanced Drilling AS or Enhanced Drilling UK Ltd through a partly business transfer. Except for transfer of employment, IKM Cleandrill AS continues its business as before.

The Corona pandemic outbreak was declared a Public Health Emergency of International Concern on 30th January 2020 and on 11th March, the coronavirus outbreak was labelled a pandemic by the World Health Organization. The financial consequences of the corona eruption are events that have occurred following the balance sheet date for the 2019 financial year and are thus not included in the accounts. An international lock down and closed borders have resulted in several projects being postponed, as it has not been possible to bring operators around the world. Recently, some countries have partially opened up their international boarders, but entry has been followed by strict quarantine regulations.

As a consequence of the global lock down, demand for oil decreased and the oil price declined from approximately USD 52 to USD 22 per barrel. In addition, the oil price has been under pressure from the disagreements within OPEC+. Due to the sudden fall in demand for our RMR®, MPC®, EC-drill® and CTS® services, the company adjusted and reduced the cost base. Through Q2, oil prices are slowly increasing, reaching USD 40 a barrel early June. Seeing a controlled reopening of some international borders, the market is expected recover over the next twelve months. Management are closely monitoring the market developments and adjusts its available resources and cost levels to meet the business activity level.

Annual Result and Allocations

The Board proposes the following allocations of the Enhanced Well Technologies Group's net loss for the financial year:

Loss for the year	TNOK	(47 112)
Total loss allocated to retained earnings	TNOK	(47 112)

The Board proposes the following allocations of the parent company Enhanced Well Technologies Group AS' net loss for the financial year:

Loss for the year	TNOK	(34)
Total loss allocated to retained earnings	TNOK	(34)

Straume, 25th June 2020

Kjell Erik Jacobsen
Chairman

Gregory John Herrera
Board member

Geert-Peter Van Giessel
Board member

Martyn James Fear
Board member

Ståle Kyllingstad
Board member

Enhanced Well Technologies Group AS

Figures in TNOK

Consolidated income statement

Revenues and expenses from continuing operations	Note	13.03.2019-31.12.2019
Revenue		123 337
Other operating revenue		19 117
Total operating revenue	5,6,7,27	**142 454**
Project costs		40 378
Payroll expenses	19,24	69 401
Impairment, depreciation and amortisation	8,9	42 004
Other operating expenses	24,25,28	36 195
Total operating expenses		**187 978**
Net operating loss		**(45 524)**
Financial income		8 599
Financial expenses		14 978
Net financial items	26	**(6 379)**
Income before tax		**(51 903)**
Income tax	20	(4 791)
Net loss for the year		**(47 112)**
Non-controlling interests' share of loss for the year		-
Loss attributable to equity holders		(47 112)
		(47 112)
Loss per share from continuing operations (NOK)	23	(243,07)
Loss per share including discontinuing operations (NOK)	23	(243,07)

Enhanced Well Technologies Group AS

Figures in TNOK

Consolidated statement of comprehensive income	**13.03.2019-31.12.2019**
Net income for the year	(47 112)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:	
Currency translation differences	1 904
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**1 904**
Total comprehensive income for the period	**(45 207)**
Profit attributable to:	
- Owners of the company	(45 207)
	(45 207)

Enhanced Well Technologies Group AS

Figures in TNOK

Consolidated balance as of 31 December

Assets	**Note**	**2019**
Non-current assets		
Intangible assets		
Deferred tax assets	20	3 340
Other intangibles	8	65 541
Goodwill	8	41 600
Total intangible assets		**110 481**
Tangible fixed assets		
Machinery and operating equipment	9	652 349
Total tangible fixed assets		**652 349**
Financial non-current assets		
Long term receivables		65
Total financial non-current assets		**65**
Total non-current assets	6	**762 895**
Current assets		
Inventories		
Inventories	11	27 740
Total inventories		**27 740**
Current receivables		
Trade receivables	12,13,27	104 057
Other receivables	14	32 995
Total current receivables	16	**137 052**
Bank deposits, cash in hand, etc.		
Bank deposits, cash in hand, etc.		11 898
Total bank deposits, cash in hand, etc.	15,16	**11 898**
Total current assets		**176 690**
Total assets		**939 585**

Enhanced Well Technologies Group AS

Figures in TNOK

Consolidated balance as of 31 December

Equity and liabilities	Note	2019
Equity		
Paid in equity		
Share capital	17,18	354
Share premium fund		353 739
Total paid in equity		**354 094**
Earned equity		
Retained earnings		(35 009)
Total earned equity		**(35 009)**
Total equity		**319 085**
Liabilities		
Provisions for liabilities		
Deferred tax	20	69 223
Total provisions for liabilities		**69 223**
Non-current liabilities		
Debt to credit institutions	16,21	227 715
Deferred revenue, grants received for R&D	29	53 716
Other long term liability	25	69 792
Total non-current liabilities		**351 223**
Current liabilities		
Debt to credit institutions	16,21	48 212
Trade payables	27	54 451
Income tax payable	20	3 473
Other taxes payable		9 441
Other current liabilities	22,28	84 477
Total current liabilities		**200 054**
Total liabilities		**620 500**
Total equity and liabilities		**939 585**

Straume, 25.06.2020

Kjell Erik Jacobsen
Chairman

Gregory John Herrera
Board Member

Geert-Peter Van Giessel
Board Member

Martyn James Fear
Board Member

Ståle Kyllingstad
Board Member

Enhanced Well Technologies Group AS

Figures in TNOK

Consolidated statement of changes in equity

	Share capital	Share premium fund	Total paid in equity	Translation effects	Retained earnings	Total equity
Opening balance 13.03.19	**30**	**-**	**30**	**-**	**-**	**30**
Redemption of shares 12.07.2019	(30)	-	(30)	-	-	(30)
Increase in share capital 12.07.19	278	277 227	277 505	-	-	277 505
Increase in share capital 15.11.19	77	76 512	76 589	-	-	76 589
Other equity transaction	-	-	-	-	10 198	10 198
Profit for the period	-	-	-	-	(47 112)	(47 112)
Other comprehensive income	-	-	-	1 904	-	1 904
Total recognised income and expense for 2019	**-**	**-**	**-**	**1 904**	**(47 112)**	**(45 207)**
Adjustment to equity for 2019	**324**	**353 739**	**354 064**	**1 904**	**(36 914)**	**319 054**
Closing balance 31.12.19	**354**	**353 739**	**354 094**	**1 904**	**(36 914)**	**319 084**

Enhanced Well Technologies Group AS

Figures in TNOK

Consolidated statement of cash flows

	Note	2019
Operating activities		
Profit/(loss) before taxes from continuing operations		(51 903)
Profit before taxes from discontinued operations		-
Profit before tax		**(51 903)**
Non-cash adjustments to reconcile profit before tax to net cash flows		
Impairment, depreciation and amortisation	8,9	42 004
Finance income	26	(8 599)
Finance costs	26	14 978
Working capital adjustments:		
Increase in trade and other receivables and prepayments		(9 856)
Increase in inventory		(1 406)
Decrease (increase) in trade and other payables		(78 347)
Decrease (increase) in other provisions		56 267
		(36 861)
Interest received		66
Income tax paid		-
Net cash flow from operational activities		**(36 795)**
Investing activities		
Capital expenditure for property, plant and equipment and intangible assets	8,9	(9 543)
Net outflow from acquisition of subsidiary	8	(567 528)
Net cash flows used in investing activities		**(577 071)**
Financing activities		
Proceeds from borrowings		296 112
Repayment of borrowings		(10 800)
Arrangement fee borrowings		(10 022)
Proceeds from equity		354 094
Interest paid		(3 619)
Net cash flow from (used) in financing activities		**625 764**
Net increase in cash and cash equivalents		11 898
Net foreign exchange differences		-
Cash and cash equivalents at start of period		-
Cash and cash equivalents at end of period	15	**11 898**

1 Accounting principles

Company information

Enhanced Well Technologies Group AS (the Company) and its subsidiaries (together 'the Group'), is a leading supplier of services and technology to the global oil and gas offshore industry. The Group's main operations are based at Straume (near Bergen), Norway. Offices and workshops globally include Oslo in Norway, Aberdeen in the UK, Houston in the US, Perth in Australia and Baku, Azerbaijan. There are also workshop facilities in St John's, Canada.

The company is a limited liability company incorporated and domiciled in Norway. The address of its registered office is Smålonane 16, 5353 Straume.

The consolidated financial statements of Enhanced Well Technologies Group AS, for the period 13.03.2019 to 31.12.2019, were authorized for issue in accordance with the resolutions of the Board of Directors 25.06.2020.

Statement of compliance

The consolidated financial statements have been prepared in accordance with the Norwegian Accounting Act, Norwegian Generally Accepted Accounting Practice (NGAAP) and IFRS Light.

Significant accounting policies

The financial statements are prepared under the historical cost convention with some exceptions, as detailed in the accounting policies set out below. These policies have been applied consistently to all periods presented in these consolidated financial statements.

The financial year follows the calendar year. Income statement items are classified by nature.

The functional currency of Enhanced Well Technologies Group AS is the Norwegian krone (NOK). The consolidated financial statements are presented in NOK.

As a result of rounding adjustments, the figures in one columns included in the financial statements may not add up to the total of that column.

Basis of consolidation

The consolidated financial statements include the accounts of Enhanced Well Technologies Group AS and its subsidiaries, which are entities in which Enhanced Well Technologies Group AS has the power to govern the financial and operating policies of the entity (control). Control is normally achieved through ownership, directly or indirectly, of more than 50 percent of the voting power. Currently, Enhanced Well Technologies Group AS has more than 50 percent of the voting power in all subsidiaries. Subsidiaries are included from the date control commences until the date control ceases.

Intercompany transactions and balances have been eliminated. Profits and losses resulting from intercompany transaction have been eliminated.

Reportable segments

The Group identifies its operating segments on the basis of those components of Enhanced Well Technologies Group that are regularly reviewed by the chief operating decision maker. Enhanced Well Technologies Group combines operating segments when these satisfy relevant aggregation criteria.

The Group's accounting policies as described in this note also apply to the specific financial information included in the reportable segments related disclosure in these consolidated financial statements.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency of the entity by applying the rate of exchange as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange at the balance sheet date. Realized and unrealized currency gains or losses are included in Financial expense.

Presentation currency

For consolidation purposes, the financial statements of subsidiaries with a functional currency other than Norwegian kroner (NOK) are translated into NOK. Assets and liabilities are translated using the rate of exchange as of the balance sheet date. Income, expenses and cash flows are translated using the average exchange rate for the reported period. Translation adjustments are recognized in Other comprehensive income and accumulated in Currency translation reserve in Other components of equity. On disposal of such subsidiary the cumulative translation adjustment of the disposed entity is recognized in the income statement.

Business combinations

Determining whether an acquisition meets the definition of a business combination requires judgement to be applied on a case by case basis. Acquisitions are assessed under the relevant IFRS criteria to establish whether the transaction represents a business combination or an asset purchase.

Business combinations, except for transactions between entities under common control, are accounted for using the acquisition method of accounting. The acquired identifiable tangible and intangible assets, liabilities and contingent liabilities are measured at their fair values at the date of the acquisition.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

Revenue includes only the gross inflows of economic benefits received and receivable by the entity on its own account. Amounts collected on behalf of third parties such as sales taxes, goods and services taxes and value added taxes are not economic benefits which flow to the entity and do not result in increases in equity. Therefore, they are excluded from revenue. Similarly, when an agency relationship, the gross inflows of economic benefits include amounts collected on behalf of the principal and which do not result in increases in equity for the entity. The amounts collected on behalf of the principal are not revenue. Instead, revenue is the amount of commission.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Group's operations mainly consist of services related to personnel and equipment hire. Consequently, the revenue recognition is based on daily/monthly rates and actual registered hours. Revenue is recognized when it is probable that transactions will generate future economic benefits that will flow to the company and the revenue amount can be reliably estimated. Revenues from the sale of goods are recognized in the income statement once delivery has taken place, the risk has been transferred and the company has established a receivable due by customer.

Revenues relating to projects are recognized in the income statement in line with delivery of the service. For projects expected to generate a loss, the full estimated loss is recorded as cost immediately.

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

Public grants

Government grants are recognized in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. Grants are recognized when there is a reasonable assurance that the Group will comply with relevant conditions and the grants will be received. Government grants are deferred in Other non-current liabilities until the associated activity is performed or expenses recognized. Investment grants are recognized over the period the associated asset is depreciated. Grants are recognized in Other income, net.

Other income, net

Transactions resulting in income from activities other than normal sales operations are classified as Other income, net. This includes gains resulting from the sale property, plant and equipment, investments in subsidiaries as well as government grants, insurance compensation and rental revenue.

Classification of assets and liabilities

Assets are classified as current assets when:

- the asset is a part of the unit's service cycle and is expected to be realized or used during the course of the unit's normal production period;

- the asset is held for trading purposes and is expected to be realized within 12 months of balance sheet date;

- the asset is cash or cash equivalent

All other assets are classified as non-current.

Liabilities are classified as current liabilities when:

- the liability is a part of the unit's service range, and is expected to be settled during the course of normal production period;

- the liability is kept for trading purposes;

- settlement has been agreed within 12 months after balance sheet date;

- the unit does not have an unconditional right to postpone settlement of the liability until at least 12 months after balance sheet date;

All other liabilities are classified as non-current.

Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination.

(b) Trademarks and licenses

Separately acquired trademarks and licenses are shown at historical cost. Trademarks and licenses acquired in a business combination are recognized at fair value at the acquisition date. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives of 15 to 20 years.

(c) Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of the customer relationship (3-8 years).

(d) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (3-4 years).

Costs associated with maintaining computer software are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that are probable to generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortized over their estimated useful lives (3-4 years).

(e) Research and development

Expenses relating to research are recognized in the income statement when they are incurred. Expenses relating to development are recognized in the income statement when they are incurred unless the following criteria are met in full:

- ability to measure reliably the expenditure attributable to the intangible asset during its development;

- the technical feasibility of completing the intangible asset so that it will be available for use or sale, has been demonstrated;

- the intention and ability to complete the intangible asset and sell it or use it in the company's operations has been demonstrated;

- the intangible asset will generate probable future economic benefits; and

- availability of sufficient technical, financial and other resources for completing the project are present.

When all the above criteria are met, the costs relating to development start to be recognized in the balance sheet. Costs that have been charged as expenses in previous accounting periods are not recognized in the balance sheet.

Recognized development costs are depreciated on a straight-line basis over the estimated useful life of the asset (5-8 years). The recoverable amount of the development costs will be estimated when there is an indication of impairment or that the need for previous periods' impairment losses no longer exists and should be reversed to the original cost.

(f) Other intangible assets

Acquired technology, licenses and customer relationships are capitalized and carried at cost less accumulated amortization.

Amortization is calculated using the straight-line method over their estimated useful lives.

Property, plant and equipment

Property, plant and equipment is recognized in the balance sheet at acquisition cost when there are probable future economic benefits and the cost can be measured reliably. The carrying value of property, plant and equipment is comprised of the historical cost less accumulated depreciation and any accumulated impairment losses.

The cost of property, plant and equipment comprises the purchase price, including duties/taxes and direct acquisition costs linked to making the asset fit for use. Expenses incurred after the asset has been taken into use, such as repairs and maintenance, are normally recognized in the income statement. In cases where increased earnings can be demonstrated as a result of repairs/maintenance, the expenditure on this will be recognized in the balance sheet as additions to property, plant and equipment.

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

– Machinery 5-10 years

– Vehicles 3-5 years

– Furniture, fittings and equipment 3-8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Assets under construction are classified as property, plant and equipment. Assets under construction are not depreciated.

Depreciation begins when the assets is available for use, and continues until the asset has been derecognized even if it is idle.

The write-down requirement for fixed assets is assessed if there are indications of impairment. If the carrying amount of an asset is higher than the recoverable amount, a write-down is recognized in the income statement. The recoverable amount is the higher of fair value less expected costs to sell and value in use.

Fair value less expected costs to sell is the amount which can be obtained if the asset is sold to an independent third party, less costs to sell. Recoverable amounts are determined separately for all assets, but – if impossible – recoverable amount is calculated together with the unit to which the asset belongs.

Write-downs which have been recognized in the income statement in previous periods are reversed if there is information to suggest that the write-down no longer exists. However, no reversal is made if the carrying amount is higher than it would have been if normal depreciation had been used.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within ‘other operating revenue’ in the income statement.

IFRS 16 Leases

IFRS 16 was issued in January 2016. It results in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized.

The impact of IFRS 16 is that implementation of the standard results in significant leases that previously were treated as operating leases, wherein costs were recorded as operating cost, is now being treated as financial lease and a lease obligation and an equivalent asset (right to use) is recognized on the balance sheet. Lease expenses according to IFRS 16 is in the form of depreciation and interest expense instead of as operating expenses as under previous standard. The effect of implementation of the standard is increased assets and increased liabilities, and that operating profit before depreciation, financial items and tax (EBITDA) is improved.

The Group has adopted the standard from using the simplified approach. The Group has implemented the standard by applying the exceptions in the standard to exclude short-term and low-value leases. When considering the relevant rental period in the lease contracts, options to extend the contracts are included to the extent that they are very likely to be exercised. When calculating the present value of the lease contracts alternative borrowing rates for similar assets in similar economic environments are applied as discount rate.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the financial accounts.

Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognized at fair value and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category is presented in the income statement.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;

- a breach of contract, such as a default or delinquency in interest or principal payments;

- the Group, for economic or legal reasons relating to the borrower’s financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

- it becomes probable that the borrower will enter bankruptcy or other financial reorganization;

- the disappearance of an active market for that financial asset because of financial difficulties; or

- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

(i) adverse changes in the payment status of borrowers in the portfolio;

(ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

Inventories

Inventories are valued at the lower of cost, using the first-in, first-out method (FIFO), or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses. Inventory cost includes direct purchase costs, cost of production, transportation and manufacturing expenses.

Inventory write-downs to net realizable value occurs when the cost of the inventory is not recoverable and is reversed in later periods when there is clear evidence of an increase in the net realizable value.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet includes cash, bank deposits and all other monetary instruments with a maturity of less than three months from the date of acquisition, and are measured at nominal value. Cash and cash equivalents in the statement of cash flows is presented net of outstanding bank overdrafts connected to cash management activities.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity. In this case, the tax is also recognized in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Employee benefits

(a) Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

(c) Bonus plans

The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Provisions

Provisions are recognized when, and only when, the company has a present liability (legal or constructive) as a result of events that have taken place, it is probable that a financial outflow will take place as a result of this liability, and that the size of the amount can be estimated reliably. Provisions are reviewed on each balance sheet date and their level reflects the best estimate of the liability. When the effect of time is insignificant, the provisions will be equal to the size of the expense necessary to be free of the liability. When the effect of time is significant, the provisions will be the present value of future payments to cover the liability. Any increase in the provisions due to time is presented as interest costs.

Contingent liabilities

Contingent liabilities are defined as:

(i) possible obligations resulting from past events whose existence depends on future events;

(ii) obligations that are not recognized because it is not probable that they will lead to an outflow of resources; and

(iii) obligations that cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the annual financial statements, apart from contingent liabilities which are acquired through the acquisition of an entity. Significant contingent liabilities are disclosed, with the exception of contingent liabilities where the probability of the liability occurring is remote.

Contingent liabilities acquired upon the purchase of operations are recognized at fair value even if the liability is not probable. The assessment of probability and fair value is subject to constant review. Changes in the fair value are recognized in the income statement.

A contingent asset is not recognized in the annual financial statement unless deemed virtually certain to give rise to an inflow, but are disclosed where it is deemed probable that a benefit will accrue to the Group.

Cash Flow Statement

The cash flow statement has been prepared in line with the indirect model. The cash flow statement presents the accumulated cash flow for operational, investment and financial activities. The statement outlines the effect each activity has on liquid assets.

New standards and interpretations not yet adopted

Other standards, amendments to standards, and interpretations of standards, issued but not yet effective, are either not expected to materially impact the Group’s Consolidated financial statements, or are not expected to be relevant to the Group's Consolidated financial statements upon adoption.

1 Accounting principles

The Covid-19 virus pandemic

The coronavirus (Covid-19) pandemic has been declared a global emergency by the World Health Organisation (WHO), and has made countries, organisations and Enhanced Well Technologies Group take measures to mitigate risk for employees and business operations. The pandemic continues to progress and evolve, and at this juncture it is challenging to predict the full extent and duration of resulting operational and economic impact for the Group. A continued development of the pandemic and mitigating actions enforced by health authorities create uncertainty related to key assumptions applied in the valuation of our assets and measurement of our liabilities. These key assumptions include commodity prices, changes to demand for and supply of oil and gas, and the discount rate to be applied.

2 Financial risk management — Figures in TNOK

Financial risk factors
The Group's activities are exposed to a variety of financial risks. Market risks including currency risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by a central treasury department (Group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in cooperation with the Group's operating units. The board provides risk management policies covering specific areas, such as foreign exchange risk, interest rate risk, liquidity risk and credit risk.

(a) Market risk
(i) Foreign exchange risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the CAD, GBP, US and Australian Dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

(ii) Price risk
The Group is indirectly exposed to changes in the oil price, however current group policy is to not hedge oil price changes.

(iii) Cash flow and fair value interest rate risk
As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Group policy is that long-term borrowings shall be based on floating interest rates, however interest rate derivatives shall be applied in order to avoid significant losses due to interest rate changes.

(b) Credit risk
Credit risk is managed on group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks, as well as credit exposure to customers, including receivables and committed transactions.

The majority of the Group's debtors are publicly listed Norwegian and international oil companies. The Group's customers are mainly the large international oil companies with limited to low credit risk potential.

The Group's main bank at 31 December 2019 is DNB Bank ASA where the majority of group cash is deposited. In addition, the Group has other local banking relations in countries where DNB does not provide local services.

The table below shows the rating of the Group main cash management bank.

	Rating		2019	
Counterparty	**Moody`s**	**S&P**	**Overdraft facility limit**	**Cash balance in DNB Bank ASA**
DNB Bank ASA	Aa2	AA-	58 000	6 445

In addition the Group has a CAPEX Facility of TNOK 50 000.

2 Financial risk management (cont.) Figures in TNOK

(c) Liquidity risk
The Group has a customer portfolio with large, medium and small cap customers. Delayed payments from some of the largest customers at the same time could have a significant impact on the Group's liquidity situation. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Group’s liquidity reserve and cash and cash equivalents on the basis of short-term and long-term cash flow forecasts.

The table below analyses the Group’s financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date.

2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 Years
Borrowings	48 212	22 350	214 750	-
Trade and other payables	138 928	-	-	-

Capital risk management
The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. There were no dividends in 2019.

The gearing ratios, defined as net debt to total capital, at 31 December 2019 was as follows:

	2019
Total borrowings (excluding capitalized arrangement fees)	285 312
Less: cash and cash equivalents	(11 898)
Net debt	**273 414**
Total equity	319 085
Total capital	**939 585**
Gearing ratio	**29 %**

2 Financial risk management (cont.)

Fair value estimation
The fair value of financial instruments traded in active markets (such as trading) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

3 Critical accounting estimates and judgements

The preparation of consolidated financial statements in accordance with IFRSs and applying the chosen accounting policies requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require material adjustment to the carrying amount of the asset or liability affected in future periods. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The accounting policies applied by Enhanced Well Technologies Group in which judgments, estimates and assumptions may significantly differ from actual results are addressed below.

Impairment of non-current assets
Enhanced Well Technologies Group accounts for the impairment of non-current assets in accordance with IAS 36 Impairment of Assets. Under IAS 36 Enhanced Well Technologies Group are required to assess the conditions that could cause an asset to become impairment at least annually, and to perform a recoverability test for potentially impaired assets held by the entity. Impairment exists when the carrying value of an assets or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less cost to sell and its value to use.

Directly observable market prices rarely exist for Enhanced Well Technologies Group' assets, however, fair value may be estimated based on recent observed transactions on comparable assets, bids or other discussions of potential transaction involving the asset, or internal models used by Enhanced Well Technologies Group for transactions involving the same type of assets. The value in use calculation is based on a discounted cash flow model. The cash flow is derived from budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. Such estimate are subjects to a number of assumptions including the useful lives of assets, replacement costs and the timing and amounts of certain future cash flows, which may be dependent on future prices, future activity, currency rates, and a suitable discount rate in order to calculate present value. While Enhanced Well Technologies Group believe that the assumptions are appropriate, such amounts estimated could differ materially from what will occur in the future.

3 Critical accounting estimates and judgements (cont.)

Impairment of goodwill
In accounting for the acquisition of business, Enhanced Well Technologies Group is required to determine the fair value of assets, liabilities, intangible assets and contingent liabilities at the time of acquisition. In case of business combination achieved in stages, Enhanced Well Technologies Group must also estimate the fair value of the existing ownership interest when it gains control. Any excess purchase price is included in goodwill.

In the business Enhanced Well Technologies Group operates, fair values of individual assets and liabilities are normally not readily observable in active markets, which require Enhanced Well Technologies Group to estimate the fair value of acquired assets and liabilities through valuation techniques. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from cash-generating units. See discussion above regarding impairment of non-current assets.

Fair value measurement of contingent consideration
Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definitions of a derivate and, thus a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

Capitalised development costs
Certain development costs are capitalised when it is probable that a development project will generate future economic benefits and certain criteria, including commercial and technological feasibility, have been met. These costs are then amortised on a systematic basis over their expected useful lives. During the development stage, management must estimate the commercial and technological feasibility of these projects as well as their expected useful lives.

Whenever there is an indicator that development costs capitalised for a specific project may be impaired, the recoverable amount of the asset is estimated. See discussion above regarding impairment of non-current assets.

Trade receivables
Calculation of provision for impairment of trade receivables is based on a number of estimates. Areas including significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are all considered indicators that the trade receivable is impaired. However, assessing the fair value of the amounts recoverable is highly judgmental and incomplete or incorrect information could lead to significant changes in the recoverable amounts.

Income tax
Enhanced Well Technologies Group calculates income tax expense based on reported income in the different legal entities. Deferred income tax expense is calculated based on the differences between the assets' carrying value for financial reporting purposes and their respective tax basis that are considered temporary in nature. The total amount of income tax expense and allocation between current and deferred income tax requires management's interpretation of complex tax laws and regulations in the many tax jurisdictions where Enhanced Well Technologies Group operates. Valuation of deferred tax assets is dependent on management's assessment of future recoverability of the deferred benefit. Expected recoverability may result from expected taxable income in the near future, planned transactions or planned tax optimizing measures. Economic conditions may change and lead to a different conclusion regarding recoverability, and such change may affect the result for each reporting period. Tax authorities in different jurisdictions may challenge Enhanced Well Technologies Group's calculation of tax payable from prior periods. Such process may lead to changes to prior periods' taxable income, resulting in changes to income tax expense in the period of change. During the period when tax authorities may challenge the taxable income, management is required to make estimates of the probability and size of possible tax adjustments. Such estimates may change as additional information becomes known.

4 Business combinations — Figures in TNOK

On 15 July 2019, the Group acquired 100 % of the share capital in Enhanced Drilling Holding AS and its subsidiaries. Enhanced Drilling is a provider of specialist drilling technology and services to the international offshore oil and gas industry. The company's head office is in Straume (near Bergen), Norway.

Enhanced Drilling has, for 30 years, built an enviable track record and world-class reputation for its innovative offshore drilling technology and services which have been deployed on more than 800 wells. Enhanced Drilling provides services within EC-Drill - Managed Pressure Drilling system, RMR - Riserless Mud Recovery system, MPC - Managed Pressure Cementing System, and CTS - Cuttings Transportation system.

On 15 November 2019, the Group acquired 100 % of the share capital in IKM Cleandrill AS and its subsidiary. IKM Cleandrill is a service provider to the global offshore drilling industry. The company specializes in drilling fluid handling at top hole drilling, and has developed a new generation of riserless mud recovery technology. The company's head office is in Straume (near Bergen), Norway.

The acquisition of Enhanced Drilling and IKM Cleandrill is part of a strategic plan to develop industry-leading services in riserless mud recovery and managed pressure drilling.

The purchase price allocation has been performed with asistance from third-party valuation experts. The fair values of the identifiable assets and liabilities of the business as the acquisition date 15 July 2019 and 15 November 2019 were:

Fair values as of acquisition date	**Enhanced Drilling Holding AS**	**IKM Cleandrill AS**
Assets		
Goodwill	-	41 600
Deferred tax assets	3 526	600
Patent research and development	53 556	17 500
Fixed assets	388 227	278 500
Financial fixed assets	65	-
Inventories	26 334	-
Trade receivables	63 710	46 200
Other current assets	7 386	9 900
Cash and cash equivalents	5 009	100
Total assets	**547 813**	**394 400**
Total equity	4 052	201 900
Deferred tax	36 717	31 900
Pension liabilities	1 233	-
Other provisions for liabilities	60 382	54 100
Credit facility	-	79 600
Group loan	368 890	(500)
Trade payables	41 098	12 100
Tax payable	3	4 200
Employees tax deductions, other deductions	4 574	2 100
Public duties	(409)	-
Other current liabilities	31 272	9 000
Total shareholders' equity and liabilities	**547 813**	**394 400**

5 Segments — Figures in TNOK

Segment information for 2019 is reported in accordance with the reporting to Group Executive Management (chief operating decision makers) and is consistent with financial information used for assessing performance and allocating resources. The accounting principles for the segment reporting are consistent with those applied by the Group. Segment result is defined as EBITDA before other income and expenses.

The Group’s reportable segments are based on the business activities and geographical location. The main products and services are EC-Drill - Managed Pressure Drilling system, RMR - Riserless Mud Recovery system, MPC - Managed Pressure Cementing System, and CTS - Cuttings Transportation system.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and EBITDA and is measured consistently with operating profit or loss and EBITDA in the consolidated financial statements. However, Group financing and income taxes are managed on a Group basis.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Segment information 2019	**Australia**	**Azerbaijan**	**Brazil**	**Canada**	**Norway**	**UK**	**USA**	**Elim**	**Total**
Profit and Loss Account									
External operating revenues	5 967	24 689	-	2 013	84 746	11 472	13 566	-	142 454
Intercompany operating revenues	-	-	-	2 232	30 690	1 437	2 687	(37 046)	-
Project expenses/payroll expenses	(6 810)	(25 009)	-	(9 263)	(68 317)	(12 973)	(14 425)	27 019	(109 779)
Other operating expenses	(1 384)	(549)	(299)	(1 186)	(37 133)	(7 110)	(2 809)	14 275	(36 195)
EBITDA[1]	**(2 226)**	**(869)**	**(299)**	**(6 203)**	**9 986**	**(7 175)**	**(981)**	**4 247**	**(3 520)**
Depreciation and amortisation	(46)	-	-	(30)	(33 627)	-	-	(8 302)	(42 004)
Operating profit/ (loss)	**(2 272)**	**(869)**	**(299)**	**(6 233)**	**(23 641)**	**(7 175)**	**(981)**	**(4 055)**	**(45 524)**
Net financial items	360	-	(367)	6	(4 825)	(988)	(380)	(185)	(6 379)
Tax	-	(723)	(1)	-	2 409	1 585	(293)	1 814	4 791
Balance									
Non-current assets	618		7 889	20	759 033	8 183	3 348	(16 196)	762 895
Total assets	5 051		9 660	2 854	917 685	11 952	13 659	(21 278)	939 585
Capex	-	-	-	-	9 543	-	-	-	9 543

[1] EBITDA is short for Earnings Before Interest, Tax, Depreciation and Amortization, excluding stock write downs and is a non-GAAP measure which management uses to measure operations.

6	Geographical segment information	Figures in TNOK

Geographical segment reporting represents external customer sales based on the location of the customer.

Total operating revenues	**2019**
Norway	86 901
Europe ex. Norway	31 850
Australia	8 067
America	15 580
Asia	55
Africa	-
Total	**142 454**

Non-current assets	**2019**
Norway	758 916
Europe ex. Norway	-
Australia	618
America	3 361
Asia	-
Africa	-
Total	**762 895**

7	Operating revenues	Figures in TNOK

Operating revenue comprises:	**2019**
Sale of goods	130
Sale of services	123 207
Total revenue	**123 337**
Profit from sale of fixed assets	10 873
Recognised grants	7 794
Other sales	450
Total other operating revenue	**19 117**
Total operating revenue	**142 454**

8 Intangible assets — Figures in TNOK

2019	Goodwill	Self-developed patent/ development project	Total
Historical cost from acquisitions	-	235 844	235 844
Additions	41 600	13	41 613
Disposals	-	-	-
Exchange differences	-	-	-
Historical cost 31.12.	**41 600**	**235 858**	**277 458**
Accumulated amortisation from acquisitions	-	87 837	87 837
Amortisation of the year	-	5 492	5 492
Disposals amortisation during the year	-	-	-
Conversion variances	-	-	-
Amortisation 31.12.	**-**	**93 330**	**93 330**
Accumulated impairments from acquisitions	-	76 988	76 988
Impairments for the year	-	-	-
Conversion variances	-	-	-
Accumulated impairments 31.12.	**-**	**76 988**	**76 988**
Book value 31.12.	**41 600**	**65 540**	**107 140**
Amortisation rates		5-20 years	
Amortisation method		Linear	

Self-developed assets are started amortized when they are fully developed.

Goodwill for each acquisition	2019
IKM Cleandrill AS	41 600

Goodwill is related to synergy gains from the acquisition of IKM Cleandrill AS. IKM Cleandrill AS is the assessment unit for goodwill.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a three-year period.

The key assumptions used for value-in-use calculations are as follows:

Margin	30,0 %
Discount rate	13,3 %

9 Fixed assets

Figures in TNOK

2019	Right of use assets	Building	Machinery and operating equipment	Total
Historical cost from acquisitions	23 778	446	1 276 250	1 300 474
Additions	-	-	310 818	310 818
Disposals	-	-	(38 749)	(38 749)
Conversion variances	346	-	239	585
Historical cost 31.12.	**24 123**	**446**	**1 548 558**	**1 573 127**
Accumulated depreciation from acquisitions	3 587	191	837 895	841 673
Depreciation of the year	3 254	23	33 235	36 512
Disposals depreciation during the year	-	-	(33 232)	(33 232)
Conversion variances	40	-	202	243
Accumulated depreciations 31.12.	**6 881**	**215**	**838 100**	**845 196**
Accumulated impairments from acquisitions	-	-	75 571	75 571
Impairment of the year	-	-	-	-
Disposals impairment during the year	-	-	-	-
Conversion variances	-	-	12	12
Accumulated impairments 31.12.	**-**	**-**	**75 583**	**75 583**
Book value 31.12.	**17 242**	**231**	**634 875**	**652 349**
Depreciation rates	3 - 8 years	8 years	3 - 10 years	
Depreciation method	Linear	Linear	Linear	

The Group has implemented IFRS 16, resulted in long term rental agreements of offices and workshop facilities in addition to rented machinery are being treated as financial leasing.

The value of right to use assets is calculated by the sum of all future rent obligations, discounted to the implementation date by applying discount rate of 8%. The right to use assets are depreciated by straight line over the remaining rental period.

10 Group entities

Company	Head Office	Owner	Equity interest/ voting share 2019
Enhanced Drilling AS	Straume-Norway	Enhanced Drilling Holding AS	100 %
Enhanced Drilling Assets AS	Straume-Norway	Enhanced Drilling Holding AS	100 %
Enhanced Drilling Australia Pty Ltd	Perth-Australia	Enhanced Drilling Holding AS	100 %
Enhanced Drilling Canada Inc	St. Johns-Canada	Enhanced Drilling Inc	100 %
Enhanced Drilling Holding AS	Straume-Norway	Enhanced Well Technologies AS	100 %
Enhanced Drilling Inc	Houston-USA	Enhanced Drilling Holding AS	100 %
Enhanced Drilling Services do Brasil Ltda	Rio de Janeiro-Brasil	Enhanced Drilling Holding AS	100 %
Enhanced Drilling UK Ltd	Aberdeen-UK	Enhanced Drilling Holding AS	100 %
Enhanced Well Technologies AS	Straume-Norway	Enhanced Well Technologies Group AS	100 %
IKM Cleandrill AS	Straume-Norway	Enhanced Well Technologies AS	100 %
IKM Cleandrill Australia Pty Ltd	Perth-Australia	IKM Cleandrill AS	100 %

11	Inventory	
		2019
Stocks		-
Work in progress		-
Finished goods		27 740
Total inventories 31.12.		**27 740**

All amounts are net of any write-downs for obsolescence. For 2019 the total accumulated write-down for obsolescence included in inventory is TNOK 1 000.

12	Trade receivables	Figures in TNOK
		2019
Trade debtors at nominal value		65 418
Revenues not invoiced		38 639
Provisions for bad debt		-
Trade receivables 31.12.		**104 057**

13	Aging trade debtors at nominal value	Figures in TNOK
		2019
Receivables not overdue		91 556
Receivables overdue up to 3 months		12 501
Receivables overdue more than 3 months		-
Provision		-
Trade debtors 31.12.		**104 057**

14	Other current receivables	Figures in TNOK
		2019
Other taxes receivables		8 215
Advanced payments to suppliers		7 884
Overseas witholding taxes		765
Advanced payments employees		159
Other prepaid expenses		158
Other current assets		15 813
Other current receivables 31.12.		**32 995**

15	Cash and cash equivalents	Figures in TNOK
		2019
Cash		2
Bank deposits		11 896
Cash and cash equivalents 31.12.		**11 898**
Of which is restricted deposits		**-**
Unused overdraft facilities 31.12.		**6 388**

16 Financial instruments by category — Figures in TNOK

The accounting policies for financial instruments have been applied to the items below:

2019	Loans and receivables	Assets at fair value through the profit and loss	Total
Assets as per balance sheet			
Trade and other receivables	137 117	-	137 117
Cash and cash equivalents	11 898	-	11 898
Total	**149 015**	**-**	**149 015**

2019	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities	Total
Liabilities as per balance sheet				
Borrowings - DNB Bank ASA	-	-	275 926	275 926
Total	**-**	**-**	**275 926**	**275 926**

17 Share capital and shareholder information

At 31 December 2019 the company had a share capital of NOK 354 091 divided into 354 091 A-shares (Ordinary Shares) with total face value of NOK 354 091 and 0 B-shares (Preference Shares) with total face value of NOK 0, in total 354 091 shares each with a face value of NOK 1. All issued shares are fully paid.

All ordinary shares carry equal rights. Each ordinary share carries one vote at the general meeting of the company. The preference shares do not have any voting rights at the general meeting of the company. Unequal distributions may be made to the different shares classes, and the preference shares shall have a preferred right to distributions so that distributions on the ordinary shares may not take place before the preference shares have received full distribution as set out in § 4 in the Articles of Association of Enhanced Well Technologies Group AS.

Shareholders in Enhanced Well Technologies Group AS, as well as shares held by executive employees and board members including shares owned by affiliated individuals and companies, were at 31 December 2019 as follows:

	2019	
Shareholders	**Number of shares**	**Equity interest**
EV Private Equity V Plus LP	181 504	51,3 %
Shell Ventures B.V.	96 000	27,1 %
IKM Gruppen AS	62 225	17,6 %
CDI AS	14 362	4,1 %
Total shareholders	**354 091**	**100,0 %**
Board		
Ståle Kyllingstad (owned via IKM Gruppen AS)	62 225	17,6 %
Total shares owned by board members	**62 225**	**17,6 %**

18	Share capital and premium				Figures in TNOK
2019	**Number of shares (thousands)**	**A-Shares**	**B-Shares**	**Share premium**	**Total**
13.03. Incorporation	30	30	-	-	30
12.07. Redemtion of shares	(30)	(30)	-	-	(30)
12.07. Shares issued	278	278	-	277 227	277 505
15.11. Share issued	77	77	-	76 512	76 589
31.12.19	**354**	**354**	**-**	**353 739**	**354 094**

19 Pensions and pension commitments

Figures in TNOK

The Group companies provide various retirement plans in accordance with the local regulations and practice in the countries in which they operate.

Contribution plan

Defined contribution plans require the companies to make agreed contributions to a separate fund when employees have rendered services entitling them to contributions. The companies have no legal or constructive obligations to pay further contributions.

Defined benefit plan

Enhanced Well Technologies Group participates in a supplementary pension plan that entitles its Norwegian employees' life-long benefits in addition to other pension benefits. The benefits are financed through a pooled arrangement by private sector employers (avtalefestet pensjon, AFP) where also the Norwegian state contributes. The plan is a defined benefit plan with limited funding and where plan assets are not segregated. The information required to calculate the share of the plan and account for the plan as a defined benefit plan is not available from the plan administrator. Enhanced Well Technologies Group therefore accounts for the plan as if it were a defined contribution plan. The employer contributions are included in contribution plan.

	2019
Cost contribution plan	2 771
Cost defined benefit scheme	-
Total pension costs	**2 771**

	2019
Pension commitments	-
Total pension commitments	**-**

20 Tax — Figures in TNOK

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

	2019
Current income tax expense Norway	237
Current income tax expense abroad	58
Changes in deferred tax Norway	(3 795)
Change in deferred tax abroad	(1 292)
Income tax expense (from continuing operations)	**(4 791)**
Reconciliation of tax payable	
Tax payable in profit and loss account	(38)
Prepaid tax	(52)
Tax, international	3 563
Tax payable in balance sheet	**3 473**
Reconciliation of nominal and effective tax rate	
Pre-tax result	(51 903)
Applicable tax with tax rate 22%	**(11 419)**
Variance, actual and expected income tax expense	**6 627**
Explanation of why actual tax cost deviates from expected tax cost	
Tax effect from non-deductible costs	2 514
Tax effect from non-taxable income	(91)
Tax losses for which no deferred income tax asset was recognised	4 015
International tax rate deviates from Norwegian tax rate	190
Variance compared to applicable tax rate	**6 628**
Deferred tax assets as of 31.12.	3 340
Deferred tax liability as of 31.12.	69 223
Balance sheet value	**65 883**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The tax losses are connected to previous year's tax losses.

The Group have not recognised deferred income tax assets of TNOK 148 968 in respect of losses amounting to TNOK 664 851, related to Australian, Norwegian and UK companies, that can be carried forward against future taxable income.

Tax losses in Australia, Norway, US and UK can be offset against future taxable profit, and there is no limit for usage. Deferred tax assets will be booked when there is convincing evidence for future taxable profit. Interest cut off on intra group loans may be carried forward for deduction in the ten following income years.

Below is a specification of temporary differences between accounting and tax values, as well as calculation of deferred tax / tax advantage at the end of the financial year.

Basis for deferred tax	**2019**
Receivables	(61 800)
Inventory	(1 000)
Other current balance sheet items	(5 134)
Amount linked to current balance sheet items	**(67 934)**
Fixed assets and intangible assets	363 668
Long term receivables	(12 097)
Interest cut off on intra group loans	(75 481)
Loss carried forward	(674 305)
Amount linked to long-term balance sheet items	**(398 215)**
Total basis for deferred tax assets	**(466 149)**

21 Debt to credit institutions — Figures in TNOK

	2019
Long-term debt to credit institutions	229 600
Capex Facility	7 500
Capitalised arrangement fee deducted	(9 385)
Total long-term debt to credit institutions	**227 715**

	2019
Short-term debt to credit institutions	26 612
First year installment on long-term debt	21 600
Capitalised arrangement fee deducted	-
Total short-term debt to credit institutions	**48 212**

Guaranteed liabilities	**2019**
Total guaranteed liabilities	**285 312**

Average interest rate NOK loans	**6,6 %**

Amortization profile Debt to Credit Institutions	**2020**	**2021**	**2022**	**Thereafter**	**Total**
Revolving Facility	26 612	-	-	-	26 612
CAPEX Facility	-	750	750	6 000	7 500
Long-term loans	21 600	21 600	21 600	186 400	251 200
Total	**48 212**	**22 350**	**22 350**	**192 400**	**285 312**

The Group has a long-term loan Facility of TNOK 262 000, a Revolving Facility (the "RCF") of TNOK 58 000, and a CAPEX Facility of TNOK 50 000. During 2019 there was made a down payment on the long term loan of TNOK 10 800, balance on long-term loan per 31.12.2019 was 251 200. At December 2019 TNOK 7 500 was drawn under the Capex facility, and TNOK 51 611 was drawn in under the RCF, TNOK 26 611 in cash drawings and TNOK 25 000 in guarantees.

The Credit Facilities Agreement entered into with DNB Bank ASA includes the following financial covenants as agreed per June 2020:
(a) Cash flow cover:
the ratio of Cash flow to Debt Service for each period shall not be less than the ratio set out below opposite that relevant period:

(b) Leverage cover:
the ratio of Total Net Debt on the last day of the relevant period to adjusted EBITDA in respect of that relevant period shall not exceed the ratio set out below opposite that relevant period:

Relevant Period expiring	**Cash flow cover ratio**	**Leverage cover ratio**
31 March 2020	0,79	4,33
30 June 2020	0,58	6,27
30 September 2020	0,84	5,02
31 December 2020	0,72	6,56
31 March 2021	0,59	4,36
30 June 2021	1,04	3,19
30 September 2021	1,01	3,56
31 December 2021	0,90	2,99
Each relevant period expiring thereafter	1,00	2,50

The group's long-term debt is secured by pledge. Enhanced Well Technologies Group AS has in its involvement with DNB Bank ASA issued a negative pledge which includes the majority of its subsidiaries. Subsidiaries that are defined as obligors under Enhanced Well Technologies Group's loan agreement are jointly and severally liable for the group's debt.

According to the borrowing agreement with DNB Bank ASA there are other conditions related to disposals of assets, substantial change in the nature of business, mergers and further encumbrances.

22 Other current liabilities — Figures in TNOK

	2019
Holiday pay and wages due	14 634
Advances from customers	160
Incurred interest cost	2 083
Accrued costs	9 594
Seller credit for the purchase of shares in IKM Cleandrill AS	58 008
Current liabilities	**84 477**

23	Earnings per share	Figures in TNOK

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the company and held as treasury shares. There are no dilution effects as the company has no convertible bond or stock option plan.

Basis for calculation of earnings per share	**2019**
Net result allocated to shareholders from continuing operations	(47 112)
Net result allocated to shareholders including discontinued operations	(47 112)
Weighted average number of outstanding shares excluding treasury shares	194
Earnings per share from continuing operations (NOK)	(243,07)
Earnings per share including discontinuing operations (NOK)	(243,07)

24	Wages, fees, number of employees etc.	Figures in TNOK

	2019
Wages	58 770
Employers' social security contributions	7 893
Pension costs	2 771
Other remunerations	1 319
Hired personnel	369
Capitalised wages	(1 721)
Total	**69 401**
Average number of man-labour years	47

Pension costs are described in detail in Note 19 Pensions and Pension commitments.

Accumulated expenses for wages, pension premiums and other remuneration to managing director, other Group executives and members of the parent company's board accordingly for 2019 were:

2019	**Wages**	**Bonus**	**Pension premiums**	**Other remuneration**	**Total**
CEO-Mark Henskens from 15.07.19	986	-	38	62	1 086
CEO-Tom Hasler from 15.11.19	245	-	-	-	245
Board memebers	-	-	-	-	-
Total	**1 231**	**-**	**38**	**62**	**1 331**

Per 31.12.19 there are no loans or guarantees to the CEO or to members of the board. No related parties to these have loans or guarantees from the group.

Auditor's fee

The Board has reviewed the level and distribution of fees paid to our auditors, and considers them to be appropriate.

Specification of auditor's fee excl. VAT	**2019**
Fees for audit of annual accounts	248
Fees for other attestation services	-
Fees for tax-related services	137
Fees for other services	-
Total	**385**

25 Leasing — Figures in TNOK

The company has adopted IFRS 16 using the simplified approach. The company has implemented the standard by applying the exceptions in the standard to exclude short-term and low-value leases. Please see note 9 for capitalized lease agreements. Short term leases, low value leases and varialbe elements of lease agremments as shared cost and government charges are all recognizsed as operating expenses. Ordinary utility cost is not included as part of note 25.

The Group has entered into the following operating lease agreements for tangible assets not recognised in the balance sheet, but expensed as incurred:

	2019
Land, buildings and permanent property	1 692
Apartments	50
Machinery and operating equipment	196
Total	**1 938**

The Group has entered into lease agreements for premises, among others at Straume and Oslo, in Norway, Aberdeen in the UK, Houston in USA, St John's in Canada, Perth in Australia, Baku in Azerbaijan and Rio de Janeiro in Brazil. Duration of leases from 1 to 6 years.

Lease liabilities	**2019**
IFRS 16 lease liabilities	17 968
Lease liabilities related to lease contracts	50 618
Total	**68 587**

26 Financial income and expenses — Figures in TNOK

	2019
Interest income	403
Currency gain	8 196
Other financial income	-
Financial Income	**8 599**
Interest expense	7 936
Currency loss	6 938
Write-down long term financial assets	-
Other financial expense	103
Financial expenses	**14 978**
Net financial items	**(6 379)**

27 Financial market risk — Figures in TNOK

The Group has financial instruments linked to ordinary activities such as trade debtors, trade creditors and similar. Short-term and medium-term interest rate risk arises from floating interest rates on parts of the company's debt.

The Group's credit risk exposure is considered to be low. The majority of the Group's debtors are publicly listed Norwegian and international oil companies. The Group seeks to obtain financial guarantees from debtors where the credit risk and exposure is considered to be high.

A proportion of the Group's turnover is in foreign currencies, primarily AUD, CAD, GBP and USD. As a result of international operations, the Group is exposed to fluctuations in currency exchange rates. There were no FX contracts at year end 2019. The Group is not directly exposed to fluctuations in commodity prices. Below is an outline of the Group's total operating revenue, trade receivables and trade payables converted into NOK at balance sheet date:

		2019	
Currency	**Currency (1000)**	**TNOK**	**Share %**
Total operating revenue:			
AUD	969	5 967	4 %
CAD	300	2 013	1 %
EUR	69	756	1 %
GBP	760	8 334	6 %
NOK	106 357	106 357	75 %
USD	4 792	19 028	13 %
Total		**142 455**	**100 %**

27	Financial market risk (cont.)		Figures in TNOK

Currency	2019 Currency (1000)	TNOK	Share %
Trade receivables:			
AUD	584	3 609	3 %
GBP	10	119	0 %
NOK	81 827	81 827	79 %
USD	2 098	18 502	18 %
Total		**104 057**	**100 %**
Trade payables:			
AUD	100	621	1 %
AZN	78	412	1 %
BRL	3	6	0 %
CAD	54	367	1 %
EUR	165	1 633	3 %
GBP	180	2 083	4 %
MYR	107	232	0 %
NOK	42 856	42 856	79 %
SEK	10	9	0 %
USD	707	6 232	11 %
Total		**54 452**	**100 %**

28	Related parties	Figures in TNOK

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

	Other operating costs 2019
EV Private Equity Ltd	300
EV Private Equity IV AS	5
EV Private Equity V Plus (GP) Ltd	14 425
Total	**14 730**

	Trade payables 2019
EV Private Equity Ltd	173
EV Private Equity IV AS	5
EV Private Equity V Plus (GP) Ltd	6 006
Total	**6 185**

EV Private Equity Ltd, EV Private Equity IV AS and EV Private Equity V Plus (GP) Ltd are related companies with the shareholder EV Private Equity V Plus LP.

All transactions with related parties are carried out at market prices in connection with ordinary business transactions. There is not given or received any guarantees related to transaction with related parties in 2019. There is not recognised any provision for doubtful debts related to the amount of outstanding balances, and there is not recognised any expense during 2019 in respect of bad or doubtful debts due from related parties.

29 Public grants — Figures in TNOK

The Group has received grants from the Research Council of Norway in connection with research and developments projects. No terms and conditions apply to these grants.

The grants from the Research Council of Norway are recognised in the balance sheet and are posted as revenue in line with depreciation on the fixed assets to which they are linked.

	2019
Other long term liability 15.07.2019	16 348
Received during the year	-
Released to the income statement	(2 052)
Other long term liability 31.12.	**14 296**

30 Assets of disposal group classified as held for sale and discontinued operations

Per 31.12.2019 no operations are classified as discontinued.

31 Contingencies

After the balance sheet date, 58.007 new B-shares / preference shares have been issued, increasing the share capital to TNOK 412,098. The latest increase has yet to be registered at the Companies Register in Brønnøysund.

In 2019, the Company's subsidiary, Enhanced Well Technologies AS entered into a share purchase agreement for the purchase of all shares in IKM Cleandrill AS. Pursuant to Agreement, the purchase price for the shares were partly settled by a cash consideration and partly by the Sellers' issuance of sellers' credits formalized by promissory notes issued by Enhanced Technologies AS. The seller’s credits were to be partly converted into ordinary shares and partly into preference shares in the Company.

Settlement of the cash consideration and the conversion into ordinary shares was completed on 15 November 2019. Pursuant to the agreement, the remaining part of the consideration for the Shares is a sellers' credit promissory notes issued by Enhanced Technologies. The final purchase price for the shares was determined May 2020 and was settled by issuance of 58.007 B-shares / preference shares in the company.

The Corona pandemic outbreak was declared a Public Health Emergency of International Concern on 30th January 2020 and on 11th March, the coronavirus outbreak was labelled a pandemic by the World Health Organization. The financial consequences of the corona eruption are events that have occurred following the balance sheet date for the 2019 financial year and are thus not included in the accounts. An international lock down and closed borders have resulted in several projects being postponed, as it has not been possible to bring operators around the world. Recently, some countries have partially opened up their international boarders, but entry has been followed by strict quarantine regulations.

As a consequence of the global lock down, demand for oil decreased and the oil price declined from approximately USD 52 to USD 22 per barrel. In addition, the oil price has been under pressure from the disagreements within OPEC+. Due to the sudden fall in demand for our RMR®, MPC®, EC-drill® and CTS® services, the company adjusted and reduced the cost base. Through Q2, oil prices are slowly increasing, reaching USD 40 a barrel early June. Seeing a controlled reopening of some international borders, the market is expected recover over the next twelve months. Management are closely monitoring the market developments and adjusts its available resources and cost levels to meet the business activity level.

Enhanced Well Technologies Group AS

Figures in TNOK

Income Statement

Revenues and expenses	Note	13.03.2019-31.12.2019	
Other operating revenue		-	
Total operating revenue		**-**	
Other operating expenses	9	42	
Total operating expenses		**42**	
Net operating income		**(42)**	
Financial income and expenses			
Financial income		7	
Financial expenses			
Net financial items	10	**7**	
Income before tax		**(34)**	
Income tax	8	-	
Net income		**(34)**	
Appropriation of net income			
Retained earnings		(34)	
Total appropriation	6	**(34)**	

Enhanced Well Technologies Group AS

Figures in TNOK

Balance as of 31 December

Assets	**Note**	**2019**	**13.03.2019**
Non-current assets			
Financial non-current assets			
Investment in subsidiaries	3,6	354 094	
Total financial non-current assets		**354 094**	**-**
Total non-current assets		**354 094**	**-**
Current assets			
Current receivables			
Trade receivables		-	
Group receivables	2		
Total current receivables		**-**	**-**
Bank deposits, cash in hand, etc.			
Bank deposits, cash in hand, etc.	4	7	30
Total bank deposits, cash in hand, etc.		**7**	**30**
Total current assets		**7**	**30**
Total assets		**354 101**	**30**

Enhanced Well Technologies Group AS

Figures in TNOK

Balance as of 31 December

Equity and liabilities	Note	2019	13.03.2019
Equity			
Paid in equity			
Share capital	5 , 6	354	30
Share premium fund	5 , 6	353 739	-
Total paid in equity		**354 094**	**30**
Earned equity			
Earned equity	6	(34)	-
Total earned equity		**(34)**	**-**
Total equity	5 , 6	**354 059**	**30**
Liabilities			
Current liabilities			
Trade payables	7	42	-
Income tax payable	8	-	-
Group debt			-
Other current liabilities			-
Total current liabilities		**42**	**-**
Total liabilities		**42**	**-**
Total equity and liabilities		**354 101**	**30**

Straume, 25.06.2020

Kjell Erik Jacobsen
Chairman

Gregory John Herrera
Board Member

Geert-Peter Van Giessel
Board Member

Martyn James Fear
Board Member

Ståle Kyllingstad
Board Member

Enhanced Well Technologies Group AS

Figures in TNOK

Cash flow statement

	2019	13.03.2019
Cash flow from operating activities		
Ordinary profit/(loss) before taxes	(34)	-
Change in trade receivables	-	-
Change in trade payables	42	-
Change in other accruals		-
Net cash flow from operational activities	**7**	**-**
Cash flow from investment activities		
Cash outflows for acquisitions of shares in subsidiaries	(354 094)	
Net cash flow from investment activities	**(354 094)**	**-**
Cash flow from finance activities		
Proceeds from borrowings		-
Increased equity	354 064	30
Loan to subsidiaries		
Payable from group company		-
Net cash flow from finance activities	**354 064**	**30**
Net change in cash and equivalents	**(23)**	**30**
Cash and equivalents at start of period	**30**	**-**
Cash and equivalents at end of period	**7**	**30**

1 Accounting principles

Enhanced Well Technologies Group AS and its subsidiaries, are leading suppliers of services and technology to the oil and gas offshore industry. The company's main operations are based at Straume (Bergen). The company is a holding company and its business activity is investment in other companies in the oil field service sector and therewith realted activities.

The company is a limited liability company incorporated and domiciled in Norway. The address of its registered office is Smålonane 16, 5353 Straume.

The financial statements have been prepared in accordance with the Norwegian accounting act and accounting principles generally accepted in Norway (NGAAP) and IFRS light. The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, and the disclosure of contingent liabilities.

The financial year follows the calendar year. Income statement items are classified by nature.

Changes in accounting policy and disclosures
Effects of changes in accounting policies and correction of material errors in previous annual financial statements are recognised directly in equity. The comparative figures are restated accordingly.

Subsidiary companies
Subsidiary companies are valued in accordance with the cost method in the company accounts. The investment is calculated according to acquisition cost of the shares unless a write-down has been required. Group contributions are entered as revenue in the same year as allocation in the subsidiary company is made. If distribution exceeds ratio of retained earnings for the ownership in the period, the excess part is accounted for as a repayment of invested capital and recognised as a reduction of investment in the balance.

Classification and valuation of balance sheet items
Assets meant for permanent ownership or use is classified as non-current assets. Assets held as a part of the company's service cycle and is expected to be realised or used during the course of the unit's normal production period are classified as current assets. Receivables are classified as current if they are to be settled within one year. Analogous criteria apply for liabilities.

Non-current assets are valued at historical cost. Tangible fixed assets that deteriorate in value are depreciated on a linear basis over estimated financial lifespan. Tangible fixed assets are written down to real value in the event of a permanent decrease in value. Long-term liabilities in NOK, excluding other provisions, are entered in the balance sheet at nominal value at the time they arise. Provisions are discounted if the interest rate element is material.

Current assets are valued at the lowest of acquisition cost and fair value. Current liabilities are entered at nominal value at the time they arise.

Revenue recognition
Any service is recognised in the time of execution. Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met.

Estimates and assumptions
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, and the disclosure of contingent liabilities. Unrealised losses that are probable and quantifiable, and unconditional commitments and orders are expensed in accordance with generally accepted accounting principles.

Currency
Monetary items in foreign currency are converted according to the exchange rate of the balance sheet date. Foreign exchange gains and losses are recognised in the profit and loss account and are classified as financial items.

Contingent liabilities and contingent assets
Contingent liabilities are recognised if there is more than 50 % chance that they will have to be settled. Best estimates are used in calculating the settlement value. Provisions for contingencies inherent in the product cycle or with the expected settlement date within one year from the balance sheet date are classified as current liabilities. Other provisions are classified as provisions for liabilities under long-term debt.

Extraordinary income and expenses
Income is classified as extraordinary if they are unusual, irregular and material considered in relation to the company's business.

Tangible fixed assets
Tangible fixed assets are valued at cost less accumulated depreciation and write-downs. The costs of tangible fixed assets comprise the purchase price, including duties/taxes and direct acquisition costs linked to making the asset fit for use.

The write-down requirement for fixed assets is assessed if there are indications of impairment. If indication of impairment is present there are performed an estimate of discounted future cash flows for assets that will continue to be in use in the company, and an estimate of selling price less cost of assets that are for sale. If calculation shows a value less than the carrying value assets will be written off to fair value.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other operating revenue or other operating expenses in the income statement.

1 Accounting principles

Short-term investments
Short-term investments (shares classified as current) are valued at lowest of acquisition cost and fair value at the balance sheet date. Dividends and other disbursements are recognized as other financial income**.**

Receivables
Debtors and other receivables are entered in the balance sheet at nominal value less provision for bad debt. Provision for bad debt is estimated based on individual assessment of the debtors.

Cash and cash equivalents
Cash and cash equivalents are defined as cash and bank deposit.

Best estimate
When there is uncertainty associated with financial statement item, best estimate is used. Changes in estimates are recognised in the period in which the estimate is changed. Use of estimates is uncertain and may differ from actual results.

Tax
The cost of tax in the profit and loss account comprises both the period's tax payable, and changes in deferred tax. Deferred tax is calculated at a rate of 22 % based on the temporary differences between accounting and tax values, as well as any loss to be carried forward at the end of the financial year. Taxable and deductible temporary differenced that reverse or may reverse in the same period is offset. Deferred tax assets are recognized when it is probable that the company will have a sufficient future profit to utilize the tax asset. Tax increasing and tax reducing temporary differences are disclosed net.

2	Other current receivables	Figures in TNOK	
		31.12.2019	13.03.2019
Trade receivables			
Group receivables			-
Other current receivables		**-**	**-**

3	Investment in subsidiaries						Figures in TNOK

Company 2019	Head office	Equity interest / voting share	Share capital TNOK 100%	Equity TNOK 100%	Profit/(loss) TNOK 100%	Book value
Enhanced Well Technologies AS	Straume Norway	100 %	555	338 508	(15 586)	354 094
Total				**338 508**	**(15 586)**	**354 094**

4	Cash	Figures in TNOK	
		31.12.2019	13.03.2019
Cash		-	
Bank deposits		7	30
Cash and cash equivalents		**7**	**30**
Of which is restricted deposits:		**-**	**-**

5	Share Capital information	Figures in TNOK

12th July 2019 the share capital was reduced with TNOK 30 to 0, by redemption of shares. Immediately following the share capital decrease, the share capital was increased to TNOK 277,504 by issuance of new shares, each at face value NOK 1. 15th November 2019 the share capital was further increase from TNOK 277,504 to TNOK 354,091 by issuing 76,587 new shares.

Share capital 31.12.2019	Number	Face value	Balance
A-Shares	354 091	1	354 091
Total	-		354 091

Shareholders	A-Shares	B-Shares	Number of shares	Equity interes	Vote
EV Private Equity V Plus LP	181 504	-	181 504	51,3 %	51,3 %
Shell Ventures B.V	96 000	-	96 000	27,1 %	27,1 %
IKM Gruppen AS	62 225	-	62 225	17,6 %	17,6 %
CDI AS	14 362	-	14 362	4,1 %	4,1 %
Sum	354 091	-	354 091	100 %	100 %
Board					
Ståle Kyllingstad (owend via IKM Gruppen AS)	62 225	-	62 225	17,6 %	17,6 %

All ordinary shares carry equal rights. Each ordinary share carries one vote at the general meeting of the company. The preference shares do not have any voting rights at the general meeting of the company. Unequal distributions may be made to the different shares classes, and the preference shares shall have a preferred right to distributions so that distributions on the ordinary shares may not take place before the preference shares have received full distribution as set out in the Articles of Association of Enhanced Well Technologies Group AS.

6 Changes in equity

Figures in TNOK

	Share capital	Share premium fund	Other paid in capital	Total paid in equity	Earned equity	Sum
Opening balance 13.03.2019	30	-	-	30	-	30
Redemption of shares	-30			-30	-	-30
Issue new shares step # 1	278	277 227		277 505		277 505
Issue new shares step # 2	77	76 512		76 589		76 589
Loss for the year	-	-	-	-	(34)	(34)
Closing balance 31.12.2019	**354**	**353 739**	**-**	**354 094**	**(34)**	**354 059**

7 Current liabilities

Figures in TNOK

	2019
Trade payables	42
Total other current liabilities	**42**

8 Taxes

Figures in TNOK

	2019
Tax payable Norway	-
Amendments, deferred tax Norway	-
Income tax expense	**-**
Reconciliation of tax payable	
Tax payable	-
Tax payable of group contribution	
Tax payable in balance sheet	**-**
Reconciliation of tax payable	
Income before tax	(34)
Expected 22 % tax cost	**(8)**
Variance, actual and expected tax cost	**8**
Explanation why actual tax cost deviates from expected tax cost:	
Tax effect from non-deductible costs	-
Tax effect from non-taxable income	
Tax effect for which no deferred income tax asset was recognised	8
Variance compared to expected tax cost	**8**

Calculation of tax payable:	**2019**
Income before tax	(34)
Permanent differences	-
Interest cut off on intra group loans	-
Amendments, deferred tax	-
Basis for tax calculation	**(34)**

Deferred tax

Below is a specification of interim variations between account-related and tax-related values, as well as calculation of deferred tax/ tax asset at the end of the financial year.

Basis for deferred tax	**2019**		**Change**
Non-current assets	-		-
Profit and loss account			-
Interest cut off on intra group loans carried forward			-
Bank loan fee	-		-
Loss carried forward	(34)		34
Amount linked to long-term balance sheet items	**(34)**	**-**	**34**
Total basis for deferred tax assets	**(34)**	**-**	**34**
Deferred tax assets - 22% (22 %)	**(8)**	**-**	**(8)**

Deferred tax assets are not recognised in the balance sheet if it is less likely that the company can make use of the advantage it represents. There is no time limit attached to the application of the loss carried forward. Interest cut off on intra group loans may be carried forward for deduction in the ten following tax years.

9 Wages, fees, number of employees etc. — Figures in TNOK

	2019
Wages	-
Employers' social security contributions	-
Pension costs	-
Other remunerations	-
Total	**0**

	Wages	Pension premiums	Other remuneration	Totalt
	-	-	-	-
Board members	-	-	-	-
Total	**-**	**-**	**-**	**-**

Accumulated expenses for wages, pension premiums and other remuneration to group's CEO are paid by the subsidiary IKM Cleandrill AS. The parent company has no employees and is therefore not obligated to have pension scheme.

Specification of auditor's fee excl. VAT	**2019**	
Fees for audit of annual accounts, expenses during the year		
Fees for other attestation services (invoiced from previous auditor PWC)	42	-
Fees for tax-related services	-	-
Fees for other services	-	-
Total	**42**	**-**

10 Financial income and expenses — Figures in TNOK

	2019
Other interest income	7
Total financial income	**7**
Other financial expenses	-
Total financial expenses	**-**
Net financial items	**7**

11 After balance sheet date

After the balance sheet date, 58.007 new B-shares / preference shares have been issued, increasing the share capital to TNOK 412,098. The latest increase has yet to be registered at the Companies Register in Brønnøysund.

In 2019, the Company's subsidiary, Enhanced Well Technologies AS entered into a share purchase agreement for the purchase of all shares in IKM Cleandrill AS. Pursuant to Agreement, the purchase price for the Shares were partly settled by a cash consideration and partly by the Sellers' issuance of sellers' credits formalized by promissory notes issued by Enhanced Well Technologies AS. The seller’s credits were to be partly converted into ordinary shares and partly into preference shares in the Company.
Settlement of the cash consideration and the conversion into ordinary shares were completed on 15 November 2019. Pursuant to the agreement, the remaining part of the consideration for the Shares is a sellers' credit promissory notes issued by Enhanced Well Technologies. The final purchase price for the shares was determined May 2020 and was settled by issuance of 58.007 B-shares / preference shares in the parent company.