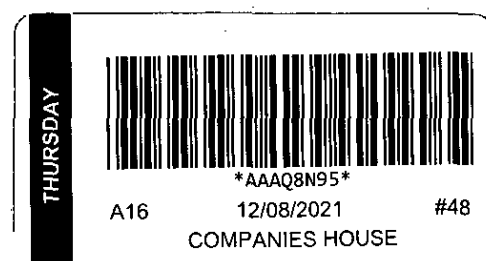


EXPRO HOLDINGS UK 2 LIMITED

Report and Financial Statements

Year ended 31 December 2020



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Contents**Page**

Strategic report	1
Directors' report	11
Independent auditor's report	14
Financial statements	
Statement of total comprehensive income	17
Statement of financial position	18
Statement of changes in equity	19
Notes to the Company's financial statements	20

Strategic report

Year Ended 31 December 2020

The directors present their Strategic report of Expro Holdings UK 2 Limited (the “Company” or “EHUK2” or “We”) for the year ended 31 December 2020. This Strategic report has been prepared for the Expro Group as a whole and therefore gives greater emphasis to those matters which are significant to the Company and its subsidiary undertakings (together “the Group” or “Expro”) when viewed as a whole.

The Company’s business

We are a member of the Expro group of companies. Established nearly 50 years ago, the Group provides highly specialised well flow optimisation services, combining innovative disruptive technology with high quality data across well flow management, subsea well access, well intervention and integrity and production solutions. Further information regarding our services offering is set out below under our customer engagement disclosure – *The services we provide to our customers*.

The Company’s principal activity is that of a holding company and our subsidiaries include a number of the main operating companies of the Expro group. As such, they operate in a large number of locations across the globe and their activities span each of Expro’s core areas of capability.

Financial results, operating performance and key performance indicators

We did not generate any revenue for year ended 31 December 2020 and 31 December 2019. The Company’s loss for year ended 31 December 2020 was \$1.0m (31 December 2019: \$0.4m loss), which primarily represents the legal fees of the Group.

The Company’s net assets as at 31 December 2020 were \$1,005.6m (31 December 2019: \$1,006.6m) which represent investments in Expro Holdings UK 3 Limited (“EHUK3”), cash at bank, other payables and amount due to related parties.

As an intermediate group holding company, there are no specific key performance indicators relevant, other than those noted above.

Strategic direction

Despite the challenges caused during the year by the global pandemic, the Group maintained its reputation for strong extraordinary performance and, with a well-equipped workforce, it continued to be recognised for safety, outstanding service quality and long-standing partnerships.

Nevertheless, Expro’s customers and markets are also evolving and in response to those changes, we launched new corporate messaging and strategic direction in 2020 in readiness for a new era. The multi-year, progressive rebalancing of our portfolio enhances our through-cycle resiliency in the market.

Our new strategy helps us to shape, position and strive ahead as a confident, forward-thinking brand which will allow us to create the value and sustainability necessary in order that we may, in turn, evolve and continue to operate successfully in a changing industry.

This strategy supports our determined commitment not only to product portfolio enhancement, but also delivery of our new digitalisation and environmental initiatives within our business practices and increasing our relevance and commitment to creating a lower carbon future.

- **Advancing** – Develop a balanced portfolio through aggressively pursuing innovation and technologies that provide tangible benefits throughout the well lifecycle

Strategic report (continued)

Year Ended 31 December 2020

Strategic direction (continued)

- **Efficiency and focus** - Executing on all of our financial targets by applying a selective, focussed strategy and a relentless drive for efficiency.
- **Digital transformation** - Evolving our digital initiative to unleash the power of data within our business practices
- **Our planet** - Increase our relevance and be part of the solution to create a lower carbon future
- **Extraordinary performance** - Continuously exceed industry expectations with excellent safety and operational performance
- **People** - Nurture our culture to equip and empower our people to be diverse, flexible, agile and responsive

Expro had historically been recognised as a high technology offshore provider. During the year, the strategic decision was taken to diversify the business portfolio to become more cyclic resilient, whilst preserving capability and reputation to fully benefit from an offshore recovery. Part of this advancing strategy was the sale of the PowerChokes business in November 2020, allowing Expro to invest the funds in developing the core business, such as Production and Well Intervention. We expanded both businesses in order to enhance exposure to the lifecycle of the field. Expro's increased focus on client opex expenditure and National Oil Companies (NOCs) has enabled activity shift from ~75%/25% offshore / land to current ~55%/45% with similar shift in capex versus opex activity.

Stakeholder Engagement – the Section 172 Statement

The success of our business is linked, in part, to the quality of our engagement with our stakeholders. The nature and extent of the principal decisions taken by the business is invariably influenced by our desire to seek continuous improvement in service quality through engagement and feedback processes with our key stakeholders, namely – our Employees, our Customers and our Suppliers. The likely consequences of any long-term decisions are set out in more detail in the Principal Risks and Uncertainties disclosures below.

In performing their duties under section 172, the directors of the Company have had regard to the matters set out in section 172 (1) as follows:

1. Our Customers – the need to foster relationships with the group's customers

The services we provide to our customers

For clients working across the entire well lifecycle, Expro is the well flow optimisation expert. We combine innovative technologies with high quality data across well flow management, subsea well access, well intervention and production solutions, delivering a service that is not just state of the art but highly accurate.

Our broad portfolio of products and critical services provide cost-effective solutions to enhance production and improve recovery across the well lifecycle from exploration through to abandonment, including:

- Well testing and appraisal services: proficiently gathering valuable well and reservoir data with the utmost regard for well-site safety and environmental impact
- Subsea, completion and intervention services: ensuring safe well access, intervention and optimised production
- Production services: fast-track, cost-effective, early field production, optimisation and enhancement systems

We have a shared mutual confidence and understanding with clients, giving flexible and creative answers to problems. We are a business that thinks ahead and works to help address the critical energy challenges of today and engineer the answers of tomorrow.

Nearing 50 years of market leadership, we have an extensive footprint and operate in approximately 50 countries. We have a diverse and stable customer base, comprising national oil companies ("NOC"), international oil companies ("IOC") and independent exploration and production companies ("Independents"). We have strong relationships with a number of the world's largest NOCs and IOCs, some of which have been our customers on a continuous basis for over 20 years.

Strategic report (continued)

Year Ended 31 December 2020

Stakeholder Engagement – the *Section 172 Statement (continued)*

1. Our Customers – the need to foster relationships with the group's customers (continued)

We organise and manage our operations on a geographical basis. During the current year, the Expro Group changed its reportable segment structure and the key financial information used by our management team is organised around our four operating segments: (i) Asia ("ASIA"), (ii) Europe and Sub-Saharan Africa ("ESSA"), (iii) Middle East and North Africa ("MENA") and (iv) North and Latin America ("NLA"), which represent our operating segments.

With a well-equipped, well-motivated workforce, we continue to be recognised for safety, extraordinary performance and long-standing partnerships. Expro continues to create a customer experience that is unique, constructive and progressive by always being forthright and determined.

How we engage with our customers

Led by the strategic direction from the Executive Management Team, the organisation interacts with customers on a wide range of topics, always seeking to understand customer requirements both immediate and in the future - from ongoing operations at well sites to technology and solutions for future needs.

To maximise customer satisfaction our teams engage with our customers regularly through face-to-face interactions either at our customer's or our own premises, however during the year, virtual engagement was increased as a result of the pandemic. In the early stages of the pandemic, we communicated with our customers to explain our policies and also the precautions being implemented based on guidelines and restrictions issued by governments in the regions in which we operate. Examples of this included extended and changes in operational shifts, PCR tests and isolation periods, and utilizing in-country resource where feasible.

We also engage with customers digitally via email, video conference, phone and through social media and the Expro website www.exprogroup.com. Regular monitoring of customer satisfaction is conducted via post-job feedback surveys which are completed by the customer and then reviewed by our operations teams.

2. Our People – the interests of our employees

How we engage with our people

Our people are at the heart of our success. We work together to retain a strong, motivated workforce, to ensure that every employee has a clear development plan that realises their ambition and potential.

Embracing teamwork and communicating effectively are embedded across our culture and are integral to how we behave. In 2020 the impact of the Coronavirus pandemic challenged our traditional approach to working and the Expro Executive Management Team prioritised employee engagement to continue to put our people at the heart of Expro's cultural identity, by seeking to enhance our working practices and communications during the year to:

- Provide transparency, clarity and reassurance. After the pandemic hit across our regions, the CEO and COO delivered all employee email communications on a regular basis, supported by a library of guidance resources on our internal portal.
- Improve employee engagement levels. The enhanced digital software platforms that we use, including the introduction of the collaboration tool, Microsoft Teams, allowed us to transition our CEO quarterly audio webcasts to video webcasts. From feedback and attendance figures, we saw a dramatic increase in overall employee engagement.
- Ensure our people were properly supported with the introduction of our Employee Assistance Programme (EAP), providing employees with assistance and guidance during challenging times. Across the year, a mix of face-to-face counselling, single session therapy, and telephonic counselling was provided on various topics. The most common being emotional health and family/relationship advice.
- Encourage positive health and wellbeing on a global and regional level, including 11 global communications supported through our Health and Wellbeing hub on the company's internal portal.

Strategic report (continued)

Year Ended 31 December 2020

Stakeholder Engagement – the *Section 172 Statement (continued)*

2. Our People – the interests of our employee (continued)

- Prioritise safety. We launched our final hand safety campaign, 'It's in your hands', during the year to raise awareness across the group through a series of videos and posters to remind all employees to be aware of their environment and to assess their workplace before they begin work. The video was the third and final theme in the campaign, focusing on the impact a hand injury can have on our social life – the two previous campaigns in 2019 covered the themes, family and hobbies.
- Champion safety at every opportunity. An employee focussed video campaign was launched to encourage everyone across Expro to think about safety and Expro's safety culture. The campaign demonstrated that it is not a process but part of our people's culture, with positive feedback received across the Group.
- Create an inclusive learning environment. Our new video communication platform, Microsoft Stream, provided an improved approach for competency skill-based understanding, learning, and education. This was launched to help provide an open learning environment and encourage personal development and knowledge sharing across the Group.
- Not only to look after themselves, but also support their communities through CSR initiatives across the world with an increased focus on environmental improvement opportunities. Details of these can be found within our CSR report available on our website (www.exprogroup.com).

3. Our Suppliers – the need to foster the group's relationships with its suppliers

How we engage with our suppliers

Expro partners with approximately 10,000 suppliers globally, ranging from small, individual locally-owned businesses to large multinational corporations. In 2020, Expro spent approximately \$350M on 3rd party expenditure to supply the Group's needs ranging from stationery and general operational support items to high specification and complex equipment supporting onshore and offshore oil and gas wells. The overall split is roughly 7% on facilities and 93% on OPEX/CAPEX requirements. It is of critical importance that we ensure that our business engagements with the composite third party supply base are performed in a legally compliant and disciplined manner.

How the supply chain supports the business

Our supply chain is comprised of procurement, strategic sourcing, logistics, supplier compliance, and overall materials management. The function is a matrix organisation split between a central executive group and a regional team based in each of our fundamental geographies. Global functional managers provide overall leadership, strategic direction, subject matter expertise and training for the entire supply chain function. These processes cover basic supply chain management, supplier relations and compliance, quality, procurement, materials management, logistics, and trade control.

Globally the supply chain team work foremost to align resources to support business needs at operational and product line levels. There is an additional emphasis with respect to developing and investing in our people, to optimise our tools through improved processes and procedures. These are designed to sustain impact to the business and minimise risk exposures. Our mission remains to ensure business and operational continuity at the lowest possible cost while driving agility, integrity, and overall service quality.

How the supply chain engages with suppliers

At both group and regional levels, we are segmented into **three** primary areas of emphasis to ensure we measure internal compliance in balance with external relationship management.

- The **procurement** department's primary function is to ensure governance and adherence to policy. This encompasses the entire cycle of requisition to order fulfilment while maintaining a healthy and preferred relationship status with our supply base. The strategic sourcing function also engages directly with internal technical and business line stakeholders to ensure clear and aligned positioning with our higher-level supplier relationships.

Strategic report (continued)

Year Ended 31 December 2020

Stakeholder Engagement – the Section 172 Statement (continued)

3. Our Suppliers – the need to foster the group's relationships with its suppliers (continued)

- The **logistics** function ensures that all activities related to customs compliance and subsequent delivery of goods comply with legal and local customs requirements and export control laws. The goal is to ensure that our conveyances are consistent and cost-effective to meet operational requirements while ensuring maximum integrity.
- The **materials management** function develops and sustains controls for overall inventory visibility and governance across all Expro entities. This is typically delivered through procedures that support effective control and management of net demand versus existing inventory recognition. It is imperative to note that the materials management function requires alignment with procurement and logistics within the supply chain function and Expro's geographies and business lines to ensure proper utilisation of materials across the organisation.

4. Our Reputation

Expro has built an enviable reputation for reliability and integrity. The Expro Group of Companies operates under the Expro Code of Conduct, which provides a framework for responsible, innovative and ethical yet commercial business practices. The Expro Code of Conduct applies to all employees and all contractors and service providers are expected to comply with those parts of the Expro Code that relate to them or have adopted similar codes of conduct.

We consider compliance with the Expro Code of Conduct to be one of the cornerstones of delivering operational excellence and critical to the maintenance of Expro's reputation as a trustworthy and reliable organisation that protects the international operating reputations of its customers.

Our people are critical to our success as they are the drivers of our methodologies. At Expro, we are guided by three core values:

- **People** – are at the heart of our success. We recognise the value of our people and are committed to providing the working environment, encouragement and personal development to achieve our goals.
- **Performance** – getting it right first time, every time. We are passionate about safely delivering excellent quality customer service. We embrace teamwork, individually and collectively assuming responsibility for delivering the highest standard of service.
- **Partnerships** – we listen to our customers and build relationships to understand their needs. We innovatively apply, adapt or develop our technologies and services to provide timely and effective solutions.

We live by our mission: 'To know everything about your subject is excellent. To take genuine pride in everything is Expro.'

5. Environment, Social and Governance ('ESG')

Expro have stewardship responsibilities to our people, the communities in which we operate and our planet. ESG processes and procedures focus on non-financial performance indicators that address a company's attitude towards responsible investment, sustainability, our impact on society and the environment, and other ethical and corporate governance considerations.

Environment

The long term health of the planet is of critical importance to all of us and we are committed to advancing a lower carbon future, underpinned by our goals to maximize efficiency today and to transform our business, improve our products and services and help our customers lower their emissions for a better tomorrow. The depletion of natural resources and the threat of climate change raise legitimate concerns about the environment and the potential financial impact on businesses. Sustainable options are increasingly being considered. The issues are diverse, but the main areas are:

- factors contributing to climate change
- efficient energy consumption
- responsible disposal of hazardous waste
- sustainability of resources
- the impacts of climate change on businesses

Strategic report (continued)

Year Ended 31 December 2020

Stakeholder Engagement – the Section 172 Statement (continued)

5. Environment, Social and Governance ('ESG') (continued)

Social

We want to attract, develop and retain the best talent to create a diverse and inclusive working environment, where everyone is accepted, valued and treated fairly without discrimination. Inclusion, diversity and equality are important considerations in relation to the way in which businesses operate and can generate competitive advantage.

We engage with local communities, not only to reduce the impact of our operations, but also to positively impact such communities where possible. The impact that a company has on its employees, local communities and society are a key area of focus. The main areas of consideration are:

- preservation of human rights and avoidance of any complicity in human rights abuses
- equality and diversity amongst employees
- non-discriminatory employment practices
- ensuring there is no exploitation of child labour or indentured servitude
- health and safety

Corporate Governance

We are committed to doing business ethically and transparently, using our values and code of conduct to guide us. As a trusted business, we work to a consistent and high standard wherever we operate in the world, including strong anti-bribery, anti-corruption and supply chain standards and financial transparency. Corporate Governance addresses responsibilities of the management of a company, its structures, corporate values and accountability processes. This relates to the following areas:

- board and management structure
- employee relations and workplace grievances
- executive remuneration
- corporate codes of conduct

6. The Environment

Expro is committed to reducing harm to the environment and promoting sustainability practices to achieve extraordinary performance. This will be achieved through:

- **Portfolio shift** - We are committed to adopt and adapt technologies and services to help deliver a sustainable business for us and our clients. We will advance and develop by harnessing the power of data, technology and innovation.
- **Measure and drive** - We are committed to minimising our hydrocarbon footprint across our operations to reduce the environmental impact. This will be achieved by driving performance and efficiency improvements to achieve considered, quantified objectives.
- **A considered supply chain** - We will be selective and methodical to ensure that our own value and supply chain are playing their part in reducing their environmental impact, not only helping us achieve our targets, but also our customers.
- **Achieve together** - Together with our people, we will develop our relationship with the environment to make a positive contribution to the geographies and communities that we are part of.

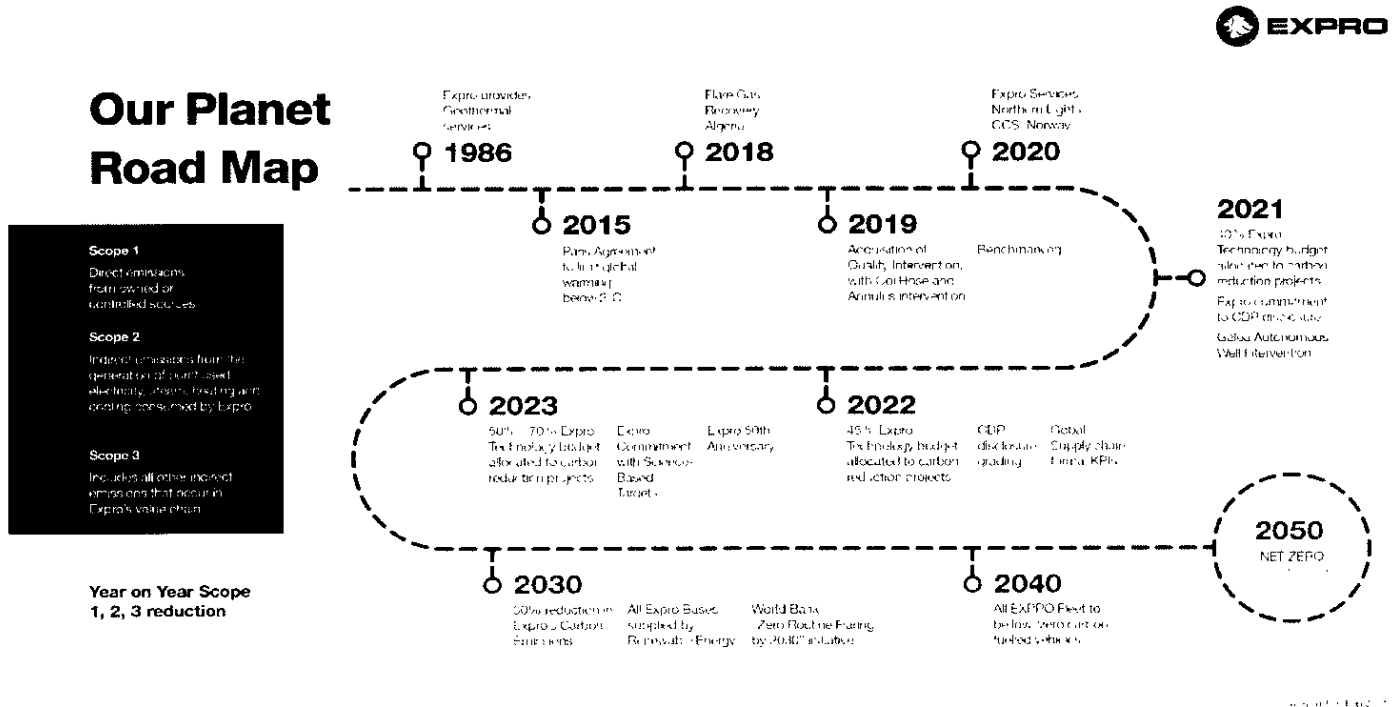
We have developed a roadmap with our commitment to achieving a 50% reduction in CO₂e by 2030 and Net Zero by 2050 in scopes 1, 2 and 3.

Strategic report (continued)

Year Ended 31 December 2020

Stakeholder Engagement – the Section 172 Statement (continued)

6. The Environment (continued)



Other matters

Health and safety

Health and safety is a critical priority for Expro, with commitment from all levels of the business to maintain industry-leading standards. In 2020 Expro continued to outperform its peers in this area. Our safety performance for lost time injury frequency (LTIF) and total recordable case frequency (TRCF) remains below the industry benchmark, the International Oil and Gas Producers (IOGP), and has done for a number of years. Achieving 401 days loss time incident (LTI) free and 11.1 million manhours without an LTI, highlights the strong commitment to safety across the year.

In 2020 Expro was awarded the Scotland RoSPA (Royal Society for the Prevention of Accidents) Trophy and recognised with an Order of Distinction for 16 consecutive gold awards. The Scotland Trophy recognises the company that has demonstrated the highest standard of health and safety management and performance of all participating companies based in or operating in Scotland, across all industry sectors.

Supporting this award this year Expro has shown commitment towards the continual improvement and raising of health and safety standards through outstanding service quality and safety initiatives. This has been delivered through its team of more than 100 HSEQ specialists, who have also driven environmental improvements and health and wellbeing programs that have led to the Company's strong safety culture.

The importance of health and safety is at the core of all activities, at all levels of the business, in all corners of the world, this is evidenced through 1,268 management-led regional safety engagement sessions and four global webcasts streamed to all 3,930 employees across 47 countries.

Employees remain at the heart of these achievements and whilst we continue to drive improvement, sustainability of performance is a key factor of our strategic focus in the year ahead.

In the meantime, our long-standing Excellence in Operations programme continues to drive safety and quality across the business. From organisation objectives, key performance indicators and employee performance appraisals – health and safety remains at the forefront of our business drivers.

Strategic report (continued)

Year Ended 31 December 2020

Other matters (continued)

Social responsibility

We strive to have a positive impact on the communities in which we operate and are committed to conducting business with integrity at all times. We achieve this by complying with the law of the countries in which we operate, supporting the United Nations' Universal Declaration of Human Rights, giving proper regard to health, safety and the environment, and adhering to the *Expro Code of Conduct*.

Risk management

As part of the Expro Group we benefit from a comprehensive set of policies and procedures to cover major risk areas, including, but not limited to, finance, operations, human resources, health and safety. Expro also operates a self-certification process which requires us to confirm compliance with key financial policies. This certification process is completed quarterly.

Anti-bribery and anti-corruption

We have a zero tolerance approach to bribery and corruption and commit to acting professionally and with integrity in all our business dealings and relationships. We have in force effective systems to counter bribery wherever we operate and continue to monitor those systems.

Principal risks and uncertainties

The following risks could materially affect our subsidiaries' business or financial position. Controls are put in place for the mitigation of internal risks and management seeks to identify risks that are not within our control.

Oil price

The market conditions for upstream well flow optimisation services are closely linked to the price for oil and gas. Price is a factor of supply and demand, and in the short-term this is impacted by immediate issues such as the global economic and geopolitical environments. The prevailing price for oil, as well as the expectations in respect of future prices, will therefore directly impact our revenues, adjusted operating profit and cash flows.

Political

Our subsidiaries operate in a number of locations that are susceptible to political, social or economic instability. In such locations there is an increased risk of discriminatory adverse changes to relevant regulations or taxation policy and in some cases it may not be possible to effectively enforce our contractual rights through an independent legal system. In such locations our subsidiaries can also be exposed to slower collection of accounts receivable balances compared to more developed markets. Extreme periods of instability may result in an increased risk of disruption to operations, security threats to employees or expropriation of assets. We work with our subsidiaries to structure operations and contractual arrangements to mitigate these risks where possible.

Regulatory risk

The general upstream oil and gas sector is subject to significant regulation, which aims to ensure that the exploration, development and production of hydrocarbons are achieved in a safe and responsible manner. As a service provider, we are impacted by both regulation on our customers and regulations that impact us directly. Regulations on customers will impact where and how hydrocarbons could be developed and this in turn will impact the demand for our well-testing and commissioning segments. Regulation on the sector and service companies can be positive as it limits the amount of direct competition we experience in a number of our product and service offerings.

Foreign currency risk

Cash flow exposure

Many of our subsidiaries have future cash flows that are denominated in currencies other than the U.S. dollar ("USD"). Our primary cash flow exposures are revenues and expenses. Changes in the exchange rates between USD and other currencies in which our subsidiaries transact will cause fluctuations in the cash flows we expect to receive or pay when these cash flows are realized or settled. The Group generally attempts to minimize its currency exchange risk by seeking to naturally hedge its exposure by offsetting non-U.S. Dollar inflows with non-USD denominated local expenses. Expro generally does not enter into forward hedging agreements, and its largest exposures are to the British pound ("GBP") and Norwegian kroner ("NOK"), mainly driven by facility costs and employee compensation and benefits.

Strategic report (continued)

Year Ended 31 December 2020

Principal risks and uncertainties (continued)

Transaction exposure

Many of Expro's subsidiaries have assets and liabilities that are denominated in currencies other than the USD. Changes in the exchange rates between USD and the other currencies in which such liabilities are denominated can create fluctuations in Expro's reported statements of operations and cash flows.

Credit risk

Expro's exposure to credit risk is primarily through cash and cash equivalents, restricted cash, intercompany receivables and accounts receivable, including unbilled balances. Expro's liquid assets are invested in cash, with a mix of local and international banks, and highly rated, short-term money market deposits generally with original maturities of less than 90 days. Expro monitors the ratings of such investments and mitigates counterparty risks as appropriate. Expro do not consider there to be any immediate risk associated with intercompany balances as these are managed for the group as a whole and there is no indication of any liquidity risk associated with the group as a whole.

Expro extends credit to customers and other parties in the normal course of business and is thus subject to concentrations of customer credit risk. Expro has established various procedures to manage its credit exposure, including credit evaluations and maintaining an allowance for doubtful accounts. Expro is also exposed to credit risk because its customers are concentrated in the oil and natural gas industry. This concentration of customers impacts overall exposure to credit risk because Expro's customers may be similarly affected by changes in economic and industry conditions, including changes in oil and gas prices. Expro operates in more than 50 countries and as such, its receivables are spread over many countries and customers. Expro's customer base is comprised of a large number of International Oil Companies (IOC), NOC and Independents from all major oil and gas locations around the world. The majority of Expro's accounts receivable are due for payment in less than 90 days and largely comprise amounts receivable from IOCs and NOCs. Expro closely monitors accounts receivable and raises provisions for doubtful accounts and expected credit losses where it is deemed appropriate.

Liquidity risk

The effects of the COVID-19 pandemic continues to have an impact on the Company's liquidity reserves. We believe that the Group has sufficient liquidity to meet projected working capital requirements, with sufficient headroom to protect against variability of cash flows. Key ratios are monitored on a historical and forward-looking basis, to ensure that the Group has adequate liquidity to meet its contractual obligations as they fall due. Cash balances are held in a number of currencies, in order to meet our immediate operating and administrative expenses or to comply with local currency regulations.

Energy transition

The Energy transition is gaining increasing momentum and has accelerated throughout the pandemic as the positive environmental impact of reduction on demand has become increasingly visible. Hydrocarbons will play a vital role in the transition towards more sustainable energy resources and the existing expertise and future innovation within the oilfield services sector both to reduce the emissions and enhance efficiency within the current industry and the new industries will be critical. Expro is already active in the embryonic carbon capture and storage sector and has established operations and technologies within the geothermal industry. We continue to develop technologies to reduce the greenhouse gas impact of our client's operations and along with our digital transformation initiatives will enable Expro to continue to support our client's efficiency and environmental initiatives. The industry is changing, we will continue to evolve our approach to play our part to help our customers and wider society address the critical energy transition.

Strategic report (continued)

Year Ended 31 December 2020

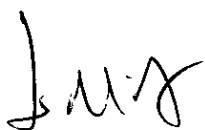
Future developments

On March 11, 2021, our Parent Company, Expro Group Holdings International Limited ("EGHIL") announced that Expro will combine with Frank's International N.V. in an all-stock transaction. The merger, which is expected to complete by end of Q3 2021, will bring together two companies with decades of market leadership, industry-acknowledged safety and service quality performance and a commitment to innovation and sustainability, to create a leading full-cycle service provider. We believe we are creating a truly exciting platform with scale, diversity and strong financial profile to accelerate growth and enhance value for shareholders, employees, customers and partners.

Though market conditions were challenging in 2020, oil demand is currently forecasted to recover in 2021. The Energy Information Administration ("EIA") at the end of May 2021 forecasts Brent crude oil spot prices to average \$68 per barrel in the second half of 2021 and \$60 per barrel in 2022 compared to an average of \$42 per barrel in 2020. The combination of falling oil inventories and supply discipline from OPEC+ is expected to limit downward pricing pressures, and the increased demand and commodity prices may provide a catalyst for increased activity. In response to this uncertain industry outlook, Expro continues to evaluate additional cost saving opportunities in order to reduce service delivery costs, increase productivity and improve profitability; however, Expro's commitment to safety, service quality and innovation remains steadfast.

The full impact of the COVID-19 outbreak and the resulting reduction in oil sector activity continues to evolve daily. However, with the widespread deployment of multiple vaccines, Expro expects demand for its services and solutions to trend positively throughout 2021 and 2022.

By order of the Board



John McAlister

Director
Second Floor,
Davidson House,
Forbury Square,
Reading,
Berkshire,
RG1 3EU,
United Kingdom.
24 June 2021

Expro Holdings UK 2 Limited
Registered in England & Wales with number 06491951
Registered office: Second Floor, Davidson House, Forbury Square, Reading, Berkshire, RG1 3EU, United Kingdom.

Directors' report

Year Ended 31 December 2020

The directors present their report on the affairs of the Company for the year ended 31 December 2020.

Corporate structure and Ultimate parent company

The Company's ultimate parent company and ultimate controlling party is Expro Group Holdings International Limited ("EGHIL"), a company incorporated in the Cayman Islands.

The parent company of the smallest and largest group for which consolidated financial statements are prepared and which include the Company is EGHIL. The Company's immediate parent company is also EGHIL.

Results and dividend

The loss for the year ended 31 December 2020 is \$1.0m (2019: \$0.4m). No dividends have been proposed or paid during the year.

Business review and future developments

The directors have chosen in accordance with S414c (11) of the Companies Act 2006 (the "Act") to include in the Strategic report, such matters, that would otherwise be required by regulations made under s416(4) of the Act to be disclosed in the Directors' report, as the directors consider are of strategic importance to the Company. Therefore, the information contained in the Strategic report constitutes a review of our business and details of expected future developments of our business. It also includes financial risk management, engagement with Expro's employees, suppliers, customers and principal risks and uncertainties within the Strategic report.

Going concern and future outlook

In assessing whether the financial statements for the Company should be prepared on the going concern basis, the directors have considered the future outlook of the Group and the Company.

The Company is a holding entity and a guarantor to a Revolving Credit Facility and controls the whole trading Group through its investments and has access to Group's financial resources through cash pooling arrangements or the receipt of dividends. The Company therefore assesses its going concern position on the same basis as the Group.

The full impact of the COVID-19 outbreak and the resulting reduction in oil sector activity continues to evolve daily. However, with the widespread deployment of multiple vaccines, Expro expects demand for its services and solutions to trend positively throughout 2021 and 2022. Taking this into account, the Directors have considered the future operating profits, cash flows and facilities available and concluded that the Company has considerable financial resources, along with access to a Revolving Credit Facility if needed and is well placed to manage its business risks successfully. The Directors have reviewed forecast profits and cash flows and examined the funding available to the Company and its subsidiary undertakings. Following this review, the Directors consider that the Company will be able to settle its liabilities as they fall due for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Employees

We do not directly employ any members of staff. Our subsidiaries employ approximately 3,930 employees and 830 contractors across the geographical regions in which they operate. We provide our services in industries with needs that are constantly evolving and place great importance on maintaining and developing the knowledge of our employees through training tools, competency processes, and structured development programmes. We manage competency frameworks for the vast majority of our operational employees. Training and on-the job development are the primary means through which we seek to adapt or enhance the competencies and expertise of our employees. For further information regarding our engagement with our employees during the year, please refer to the Stakeholder Engagement disclosure in the Strategic report.

We have two key processes through which we promote a performance-based culture. The Employee Development Plan (EDP) empowers employees to succeed in their current job and to develop for the future with the career aspiration discussion enhancing our leadership succession planning. The End of Grade Assessment (EOGA) in our competency programme incorporates a review of the behaviours and individual performance of our operational employees. We have also created a suite of programmes to facilitate training and development in a number of key areas. This includes ADVANCE; a series of intensive accelerated learning programmes which are aimed at different levels of personnel. It enables new and existing employees to develop and add value to the business at a much quicker rate. We have also implemented a multi-skilling programme aimed at cross-training a number of our personnel to allow us to increase efficiency.

Directors' report (continued)

Year Ended 31 December 2020

Employees (continued)

One of Expro's strategic goals is to create a motivated and prepared workforce, which is proud to join and be part of the Company and to be the employer of choice in our sector. To achieve this, we attract and develop talent that embraces Expro's values and ensure that we engage with our employees at all levels. When recruiting, we believe that we benefit from our reputation both as a high quality service provider and a global employer, combining varied career opportunities with tailored training, development and competitive compensation. Our sourcing tools increase our global footprint in recruitment marketing activities, providing channels to place our vacancies across multiple sources such as the Expro website, job boards and social media, allowing us to build and maintain talent pools in key disciplines and thereby pro-actively respond to our recruiting needs.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the requirements of the position and the aptitudes of the applicant concerned. Opportunities are available to disabled employees for training, development and promotion. In the event of individuals becoming disabled while employed by the Group, every effort is made to ensure that their employment with the Group continues, either by the provision of reasonable adjustments to their role or provision of an alternative position and, where appropriate, the provision of training. There may, however, be circumstances in which it will not be reasonably practicable for the company to accommodate such adjustments or to provide an alternative position.

Streamlined Energy and Carbon Reporting Statement

As a holding company, the Company does not consume more than 40,000Kwh.

Events after the reporting date

Events between the reporting date and the date the financial statements were authorised for issue that require disclosure are set out in Note 10.

Directors

The directors who served during the year or to the date of this report were:

John McAlister
Michael Bentham

Director's Indemnities

The Company indemnifies the directors in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006. Such qualifying third-party indemnity provisions for the benefit of the Company remains in force at the date of this report.

Share capital

There were no changes to the Company's share capital in the year.

Disclosure of information to the auditor

So far as each person who was a director at the date of this report was aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor was unaware. Having made enquiries of fellow directors and the auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Appointment of auditor

During the year Ernst & Young LLP resigned and Deloitte LLP has been appointed as auditor by resolution of the Company's sole shareholder and has expressed its willingness to continue in office as auditor and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Directors' report (continued)

Year Ended 31 December 2020

Directors' Responsibilities Statement

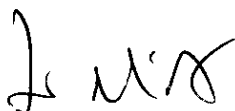
The directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 "Reduced Disclosure Framework".

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with UK Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



John McAlister
Director
Second Floor,
Davidson House,
Forbury Square,
Reading,
Berkshire,
RG1 3EU,
United Kingdom.
24 June 2021

Expro Holdings UK 2 Limited
Registered in England & Wales with number 06491951
Registered office: Second Floor, Davidson House, Forbury Square, Reading, Berkshire, RG1 3EU, United Kingdom.

Independent auditor's report

Year Ended 31 December 2020

Independent auditor's report to the members of Expro Holdings UK 2 Limited

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements of Expro Holdings UK 2 Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive loss;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 11.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters

Independent auditor's report (continued)

Year Ended 31 December 2020

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in and identified the key laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act 2006 and tax legislation.

We discussed among the audit engagement team, including relevant internal specialists such as valuations specialists, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and internal/external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.

Independent auditor's report (continued)

Year Ended 31 December 2020

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Matters on which we are required to report by exception

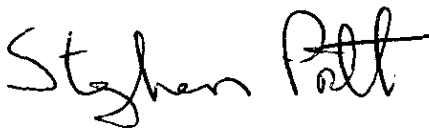
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- a) adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- b) the financial statements are not in agreement with the accounting records and returns; or
- c) certain disclosures of directors' remuneration specified by law are not made; or
- d) we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Stephen Pratt CA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Aberdeen
24 June 2021

Statement of total comprehensive income

Year Ended 31 December 2020

	Note	Year ended 31 December 2020 \$'000	Year ended 31 December 2019 \$'000
Administrative expense		996	350
Operating loss and loss before tax		996	350
Tax expense	5	-	-
Loss and total comprehensive loss for the year		996	350

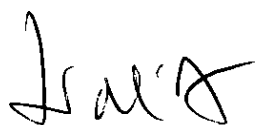
All amounts relate to continuing operations. The accompanying notes are an integral part of these financial statements.

Statement of financial position

As at 31 December 2020

		31 December 2020	31 December 2019
	Notes	\$'000	\$'000
Non-current assets			
Investments	6	1,009,025	1,009,025
		<u>1,009,025</u>	<u>1,009,025</u>
Current assets			
Cash		10	10
		<u>10</u>	<u>10</u>
Current liabilities			
Other payables	7	(279)	(1,722)
Amounts due to related parties	8	(3,139)	(700)
		<u>(3,418)</u>	<u>(2,422)</u>
Total assets less current liabilities		<u>1,005,617</u>	<u>1,006,613</u>
Equity			
Share capital	9	333,283	333,283
Share premium		1,583,963	1,583,963
Accumulated losses		(911,629)	(910,633)
Shareholders' funds		<u>1,005,617</u>	<u>1,006,613</u>

The financial statements were approved by the Board of Directors and authorised for issue on 24 June 2021. They were signed on behalf of the Board by:



John McAlister
Director

Statement of changes in equity

Year ended 31 December 2020

	Share capital \$'000	Share premium \$'000	Accumulated Losses \$'000	Total \$'000
Year Ended 31 December 2020				
At 1 January 2020	333,283	1,583,963	(910,633)	1,006,613
Loss and total comprehensive loss for the year	-	-	(996)	(996)
At 31 December 2020	333,283	1,583,963	(911,629)	1,005,617
Year Ended 31 December 2019				
At 1 January 2019	333,283	1,583,963	(910,283)	1,006,963
Loss and total comprehensive loss for the year	-	-	(350)	(350)
At 31 December 2019	333,283	1,583,963	(910,633)	1,006,613

The accompanying notes are an integral part of these financial statements.

Notes to the Company's financial statements

Year Ended 31 December 2020

1. Corporate information

The financial statements of the Company for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 24 June 2021.

The Company's principal activity is to be a holding company of subsidiaries that provide services and products that measure, improve, control and process flow from high value oil and gas wells, from exploration and appraisal through to mature field production optimisation and enhancement. Its business activities and principal risks and uncertainties are detailed in the Strategic report.

The Company's ultimate parent company and ultimate controlling party is Expro Group Holdings International Limited ("EGHIL"), a company incorporated in the Cayman Islands. The parent company of the group for which consolidated financial statements are prepared and which include the Company is EGHIL, which is also the Company's immediate parent company.

The Company has taken advantage of the exemption under s401 of the Companies Act 2006 not to prepare and deliver group accounts. Accordingly the financial statements present information about the Company as an individual undertaking and not about its group.

Copies of the consolidated financial statements of EGHIL are available from its registered office at 89 Nexus Way, Camana Bay, Grand Cayman KY1-9009, Cayman Islands.

The Company is a limited company incorporated in England and Wales. The registered office is located at Second Floor, Davidson House, Forbury Square, Reading, Berkshire, RG1 3EU, United Kingdom.

2. Basis of preparation and accounting policies

Going Concern

In assessing whether the financial statements for the Company should be prepared on the going concern basis, the directors have considered the future outlook of the Group and the Company.

The Company is a holding entity and a guarantor to a Revolving Credit Facility and controls the whole trading Group through its investments and has access to Group's financial resources through cash pooling arrangements or the receipt of dividends. The Company therefore assesses its going concern position on the same basis as the Group.

The full impact of the COVID-19 outbreak and the resulting reduction in oil sector activity continues to evolve daily. However, with the widespread deployment of multiple vaccines, Expro expects demand for its services and solutions to trend positively throughout 2021 and 2022. Taking this into account, the Directors have considered the future operating profits, cash flows and facilities available and concluded that the Company has considerable financial resources, along with access to a Revolving Credit Facility if needed and is well placed to manage its business risks successfully. The Directors have reviewed forecast profits and cash flows and examined the funding available to the Company and its subsidiary undertakings. Following this review, the Directors consider that the Company will be able to settle its liabilities as they fall due for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Notes to the Company's financial statements (continued)

Year Ended 31 December 2020

2. Basis of preparation and accounting policies (continued)

2.1 Basis of preparation and a statement of compliance with FRS 101

The Company's financial statements have been prepared in accordance with (i) Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101), as it applies to the financial statements of the Company for the year ended 31 December 2020, and (ii) the Companies Act 2006.

The financial statements are presented in US Dollar and all values are rounded to the nearest thousand US Dollars (\$'000) except where otherwise stated.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 10(d), 10(f), and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 *Share Based Payment*;
- the requirements of IFRS 7 *Financial Instruments: Disclosures*;
- the requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*.

The accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial period. The principal accounting policies adopted by the Company are set out in Note 2.3.

2.2 Significant accounting judgments, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date of the financial statements, and the amounts reported for revenues and expenses during the period.

Estimates and judgments are reviewed on an ongoing basis and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The key assumptions concerning the future and other key judgments at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment assessment and testing

FRS 101 requires management to perform impairment tests annually for its investments in subsidiaries. Impairment testing requires management to assess whether the carrying value of assets can be supported by the recoverable amount, which represents the higher of fair value less costs to sell, or value in use. Calculating the value in use requires assumptions to be made with respect to appropriate discount rates, long term growth rates and future financial results. Changes in the assumptions selected by management, especially discount rates used in the cash flow projections, could significantly affect the Company's impairment evaluations and therefore reported assets and financial results. However, in the current period, as noted in Note 6, management referenced the fair value less cost to sell from the value implied for the Group from the negotiation process with Frank's International N.V., which was in excess of the carrying value of the Company's investments. As this analysis was performed at the balance sheet date, it is possible that this fair value could fluctuate in future periods. The carrying value of the Company's investments and the future details of the calculations are provided in Note 6.

Notes to the Company's financial statements (continued)

Year Ended 31 December 2020

2. Basis of preparation and accounting policies (continued)

2.2 Significant accounting judgments, estimates and assumptions (continued)

Functional currency

In determining the functional currency for the Company, management has made judgements regarding the currency of the primary economic environment in which the entity operates. Management's view is that the currency which mainly influences the global market for oilfield services is the US dollar and therefore has assessed the US dollar to be the functional currency of the Company.

Changes in the underlying assumptions regarding the reversal of these differences, or in the tax regime where the differences arise, could result in significant changes in the carrying value of tax assets or liabilities. Refer to Note 5 for further information regarding the Company's income taxes.

2.3 Summary of significant accounting policies

Foreign currency translation

The functional reporting currency of the Company is the US Dollar as this is considered to be the currency of the primary economic environment in which it operates.

Transactions in foreign currencies are initially recorded in the functional currency by applying the monthly average rate which is approximate to the actual rate for the relevant accounting period on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date with all differences taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the monthly average rate at the date of the transaction.

Taxation

The tax expense represents the sum of the current tax payable and deferred tax.

The current tax payable is based on the taxable profit for the period. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates taxable income. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management regularly evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the statement of financial position liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available, against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiary undertakings and jointly controlled entities, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Notes to the Company's financial statements (continued)

Year Ended 31 December 2020

2.3 Summary of significant accounting policies (continued)

Taxation (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Uncertain tax positions generally occur where there is an uncertainty as to the meaning of the law, or to the applicability of the law to a particular transaction, or both. The Company determines whether it is more likely than not that its tax position will be sustained upon examination, based on the position's technical merits (this likelihood is the 'recognition threshold') and measures the amount of tax benefit that is to be recognized in the financial statements. A tax position that meets the recognition threshold is measured at the largest amount of benefit that has more than a fifty percent likelihood of being realized upon settlement. No benefit is recorded for tax positions that do not meet the recognition threshold.

Payables

Trade payables are measured at initial recognition at fair value and are subsequently carried at book value which, due to the short maturity period of trade payables, approximates to amortised cost.

Investments

Investments in subsidiaries are shareholdings in group undertakings which are shown at cost less provision for impairment.

Impairment of financial assets

In relation to the impairment of financial asset, the Company applies Expected Credit loss ("ECL"). Under the expected credit loss model, the Company accounts for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect the changes in credit risk since initial recognition of financial assets. It is not necessary for a credit event to have occurred before credit losses are recognised.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Expected credit losses are measured for the maximum contractual period over which entity is exposed to credit risk. The expected credit losses are recognised in the statement of comprehensive income.

Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is either:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within 12 months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when either:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Company classifies all other liabilities as non-current.

Notes to the Company's financial statements (continued)

Year Ended 31 December 2020

3 Staff costs

There were no employees of the Company in the year ended 31 December 2020 (31 December 2019: Nil).

The remuneration of the Company's directors who are also its key management personnel is set out below in aggregate:

	Year ended 31 December 2020	Year ended 31 December 2019
	\$'000	\$'000
Employment benefits	1,370	1,568
	<u>1,370</u>	<u>1,568</u>

Directors' emoluments have been borne by another Group company. The directors' services to the Company do not occupy a significant amount of their time and, as such, the directors consider it is not appropriate to allocate their remuneration in respect of their services provided to the Company.

The remuneration of the highest paid director of the Company is set out below:

	Year ended 31 December 2020	Year ended 31 December 2019
	\$'000	\$'000
Employment benefits	775	778
	<u>775</u>	<u>778</u>

Management incentive plans

During October 2018, the EGHIL Board of Directors approved the Expro Group Holdings International Limited 2018 Management Incentive Plan which comprises the following stock-based compensation plans (a) stock options to key management personnel of the Group and (b) restricted stock units.

Stock Options

EGHIL's stock option plans provide for the issuance of stock options to key management personnel, all of which become exercisable only on the occurrence of a Liquidity Event, as defined in the plan. The options for management vest over four years, subject to the fulfilment of continued service. Additionally, a portion of the management options is subject to performance conditions (linked to changes in Internal Rate of Returns ('IRR')) in addition to the service condition.

Restricted Stock Units

In addition to stock options, certain management personnel of the Group have been granted restricted stock units ("RSUs"), where each unit represents the right to receive, at the end of a stipulated period, one unrestricted share of stock with no exercise price. RSUs are subject to vesting over a three-year period. RSUs are only exercisable on a Liquidity Event as defined in the plan rules.

Due to the nature of the performance and exercise conditions, recognition of compensation cost for the stock options and RSUs has been deferred until the occurrence of a Liquidity Event, as defined in the plan rules.

Notes to the Company's financial statements (continued)

Year Ended 31 December 2020

4 Auditor remuneration

An analysis of auditor's remuneration of the Group is provided below:

	Year ended 31 December 2020	Year ended 31 December 2019
	\$'000	\$'000
Audit of the Group's annual financial statements	1,585	2,586
Audit of the Company's subsidiaries' financial statements pursuant to legislation	536	760
Audit related assurance services	80	15
Tax compliance services	50	255
Tax advisory services	110	57
Other services relating to corporate finance transactions	-	441
	2,361	4,114

The details of auditor's remuneration disclosed above relate to Expro group of companies as a whole. These expenses are being recharged to respective entities within the Group as incurred.

5 Tax

The major components of income tax expense for the periods under review were:

	Year ended 31 December 2020	Year ended 31 December 2019
	\$'000	\$'000
Income tax:		
United Kingdom:		
Corporation tax	-	-
Current tax expense	-	-

The charge for the year ended 31 December 2020 and 31 December 2019 can be reconciled to the loss per statement of profit and loss as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
	\$'000	\$'000
Loss before tax	996	350
Tax at the UK corporation tax rate of 19% (31 December 2019: 19%)	(189)	(67)
Effects of group relief	189	67
Tax expense at the effective tax rate of 0% (31 December 2019: 0%)	-	-

Notes to the Company's financial statements (continued)

Year Ended 31 December 2020

6 Investments

The following table shows the Company's investment in its subsidiaries for the year ended 31 December 2020 and 2019.

	At 31 December 2020 \$'000	At 31 December 2019 \$'000
Cost and net book value	1,009,025	1,009,025
Total	1,009,025	1,009,025

The Company observed a material increase in macro-economic uncertainty and a material decrease in oil and gas prices as a result of a combination of factors, including the substantial decline in global demand for oil caused by the COVID-19 pandemic and disagreements between the Organization of Petroleum Exporting Countries and other oil producing nations (OPEC+) regarding limits on production. As a result, customers significantly decreased capital budgets and other spending, which significantly impacted our global outlook for the energy services industry. We determined that these events constituted a triggering event that required us to perform review the recoverability of all investments. In the current period, management referenced the fair value less cost to sell from the value implied for the Group from the negotiation process with Frank's International N.V., which was in excess of the carrying value of the Company's investments. As a result of this review, no impairment charges were recognized during the year 31 December 2020 (31 December 2019: Nil).

Notes to the Company's financial statements (continued)

Year Ended 31 December 2020

6 Investments (continued)

A list of the Company's direct and indirect subsidiaries at 31 December 2020 is set out below.

Name of subsidiary	Place of incorporation and ownership (or registration)	Address of registered office
Expro Argentina, Srl	Argentina	San Martin 140 Piso 14 Ciudad Autonoma de Buenos Aires
Expro Group Australia Pty Ltd*	Australia	BDO 38 Station Street Subiaco, WA 6008
Expro Holdings Australia 1 Pty Ltd	Australia	BDO 38 Station Street Subiaco, WA 6008
Expro Holdings Australia 2 Pty Ltd	Australia	BDO 38 Station Street Subiaco, WA 6008
Expro Do Brasil Servicos Ltda	Brazil	Av Rio Branco 138 sala 1602, centro Rio de Janeiro 20040-002
Expro Do Brasil Propriedades Ltda	Brazil	Av Rio Branco 138 sala 1602, centro Rio de Janeiro 20040-002
Expro (B) SDN BHD	Brunei Darussalam	Lot No 2237 No 80 Lorong Setia DiRaja Kuala Belait KA 3131
Expro Group Canada Inc	Canada	3700, 400-3RD Avenue S.W. Calgary AB T2P 4H2
Expro Petroleum Equipment Technology (Beijing) Ltd Co.	China	Room 510, Air China Plaza No.36 Xiaoyun Road Chaoyang District Beijing 100027
Expro Gulf Ltd*	Cyprus	Arch. Makariou III, 284 Fortuna Court Block B 2 & 3 Floor Limassol
Expro Egypt LLC	Egypt	Katamia - Ein El Sokhna at KM 12 Cairo
Expro Equatorial Guinea Ltd	Equatorial Guinea	Calle Parque de Africa Malabo
Expro Production Systems FZE***	Dubai	Office No. LB16518 Jebel Ali Free Zone Dubai United Arab Emirates
Expro Gabon Sarl	Gabon	Zone Portuaire Oprag Port Gentil B P 2843
Expro Oilfield Services Ghana Ltd	Ghana	1000 Axis Lane, PMB 9 New Amanful Road Takoradi
Expro International Ltd	Guernsey	P O Box 286, 2nd Floor, Trafalgar Court, Les Banques, St Peter Port, GY1 4LY

Notes to the Company's financial statements (continued)

Year Ended 31 December 2020

6. Investments (continued)

Name of subsidiary	Place of incorporation and ownership (or registration)	Address of registered office
Expro Oilfield Services SDN BHD	Malaysia	Suite 1005, 10th Floor Wisma Hamzah-Kwong Hing No.1 Leboh Ampang 50100 Kuala Lumpur Wilayah Persekutuan
Exprotech (Malaysia) SDN BHD	Malaysia	Level 7 Menara Milenium Jalan Damanlela Pusat Bandar Damansara Damasara Heights 50490 Kuala Lumpur
Expro Servicios S de RL de CV	Mexico	Calle Euler, numero 152 Colonia Polanco, V Seccion Ciudad de Mexico CP 11560 Mexico
Expro Tool S de RL de CV	Mexico	Calle Euler, numero 152 Colonia Polanco, V Seccion Ciudad de Mexico CP 11560 Mexico
Expro International BV	Netherlands	Nijverheidsweg 4 1785 AA Den Helder
Expro Worldwide BV*	Netherlands	Nijverheidsweg 4 1785 AA Den Helder
Petrotech BV	Netherlands	Nijverheidsweg 4 1785 AA Den Helder
PT Expro Indonesia	Indonesia	The Garden Centre 5-19 Cilandak Commercial Estate Jl. Raya Cilandak KKO Jakarta 12560
PT Power Well Services Indonesia (in liquidation)	Indonesia	The Garden Centre 5-19 Cilandak Commercial Estate Jl. Raya Cilandak KKO Jakarta 12560
Expro Italiana Srl	Italy	Via Arapietra 29 65124 Pescara
Expro-ECOP JV LLP	Kazakhstan	Office 203 43 Dostyk Avenue 050010 Almaty
AS Petrotech Knowledge (Malaysia) Sdn Bhd	Malaysia	Level 7 Menara Milenium Jalan Damanlela Pusat Bandar Damansara Damasara Heights 50490 Kuala Lumpur
Expro Group Malaysia SDN BHD	Malaysia	Level 7 Menara Milenium Jalan Damanlela Pusat Bandar Damansara Damasara Heights 50490 Kuala Lumpur
Exprotech Nigeria Ltd	Nigeria	188 Awolowo Road S W Ikoyi Lagos

Notes to the Company's financial statements (continued)

Year Ended 31 December 2020

6 Investments (continued)

Name of subsidiary	Place of incorporation and ownership (or registration)	Address of registered office
PWSH Nigeria Ltd	Nigeria	1 Murtala Muhammed Drive Ikoyi Lagos
Expro Holdings Norway AS	Norway	Energivegen 12A 4056 Tananger 1124 Sola
Expro Norway AS	Norway	Energivegen 12A 4056 Tananger 1124 Sola
Petrotech AS*	Norway	Kvalamarka 26 5501 Haugesund
Expro Overseas Inc*	Panama	piso 9 y 10 Boulevard Oeste Santa Maria Business District
Expro Peru S.A.	Peru	c/o Rodrigo, Elias & Medrano Abogados Ave San Felipe 758 Lima 11
Expro Trinidad Ltd	Trinidad and Tobago	48 - 50 Sackville Street Port of Spain
Expro Oilfield Services Uganda (SMC) Limited	Uganda	3rd Floor Rwenzori Courts, Plot 2 & 4A, Nakasero Road, P.O. Box 3509, Kampala
Exploration and Production Services (Holdings) Ltd	UK	Second Floor, Davidson House, Forbury Square, Reading, Berkshire RG1 3EU
Expro Benelux Ltd	UK	Second Floor, Davidson House, Forbury Square, Reading, Berkshire RG1 3EU
Expro-ECOC (Holdings) Ltd	UK	Second Floor, Davidson House, Forbury Square, Reading, Berkshire RG1 3EU
Expro Eurasia Ltd*	UK	Second Floor, Davidson House, Forbury Square, Reading, Berkshire RG1 3EU
Ecodrill Nigeria Ltd	Nigeria	1A Elemenwo Road Rumukurusi Port-Harcourt

Notes to the Company's financial statements (continued)

Year Ended 31 December 2020

6 Investments (continued)

Name of subsidiary	Place of incorporation and ownership (or registration)	Address of registered office
Expro Group Integrated Services Limited	UK	Second Floor Davidson House Forbury Square Reading RG1 3EU
Expro Holdings UK 3 Ltd **	UK	Second Floor Davidson House Forbury Square Reading RG1 3EU
Expro Holdings UK 4 Ltd	UK	Second Floor Davidson House Forbury Square Reading RG1 3EU
Expro International Group Ltd	UK	Second Floor Davidson House Forbury Square Reading RG1 3EU
Expro North Sea Ltd*	UK	Second Floor Davidson House Forbury Square Reading RG1 3EU
Expro Oilfield Services PLC **	UK	Second Floor Davidson House Forbury Square Reading RG1 3EU
Expro Overseas Ltd	UK	Second Floor Davidson House Forbury Square Reading RG1 3EU
Expro Resources Ltd*	UK	Second Floor Davidson House Forbury Square Reading RG1 3EU
Expro Ukraine LLC	Ukraine	15 Zahorodnia Str Kyiv 03680
Expro Americas, LLC	USA	c/o Corporation Service Company 251 Little Falls Drive Wilmington, DE 19808
Expro Holdings US Inc	USA	c/o Corporation Service Company 251 Little Falls Drive Wilmington, DE 19808
Expro Meters, Inc.	USA	c/o Corporation Service Company 251 Little Falls Drive Wilmington, DE 19808

Notes to the Company's financial statements (continued)

Year Ended 31 December 2020

6 Investments (continued)

Name of subsidiary	Place of incorporation and ownership (or registration)	Address of registered office
Expro Midstream Services LLC	USA	c/o Corporation Service Company 251 Little Falls Drive Wilmington, DE 19808
Expro US Holdings, LLC	USA	c/o Corporation Service Company 251 Little Falls Drive Wilmington, DE 19808
Expro US Finco LLC	USA	c/o Corporation Service Company 251 Little Falls Drive Wilmington, DE 19808
Expro Chile Servicios de Exploracion y Produccion Ltda	Chile	Chile
Expro Oilfields India Private Limited	India	B1-103, 1st Floor, B-wing Boomerang Build Village Saki Chandivali, Powai, Andheri Maharashtra 400072 India

* In addition to its place of incorporation, operates in other countries

** Direct holding, all other entities are subsidiaries via indirect holdings

*** Immediate parent company is Expro Overseas Inc

All of the above companies are wholly owned subsidiaries with the exception of AS Petrotech Knowledge (Malaysia) Sdn Bhd, Expro-ECOC JV LLP, Expro Oilfield Services SDN BHD, Expro Oilfield Services Ghana Limited, Exprotech (Malaysia) Sdn Bhd, PT Expro Indonesia, and PT Power Well Services Indonesia (In Liquidation) these investments are done in ordinary shares.

All of the companies are involved in the provision of well flow management services and products to the upstream oil and gas industry.

7. Other payables

The following table is an analysis of the Company's other payables as at 31 December 2020 and 31 December 2019.

	At 31 December 2020	At 31 December 2019
	\$'000	\$'000
Other payables	279	1,722
	<u>279</u>	<u>1,722</u>

Other payables primarily represent the accruals for audit fees.

Notes to the Company's financial statements (continued)

Year Ended 31 December 2020

8. Amounts due to related parties

The following table is an analysis of the Company's amounts due to related parties as 31 December 2020 and 31 December 2019.

	At 31 December 2020	At 31 December 2019
	\$'000	\$'000
Amount due to related parties	3,139	700
	<u>3,139</u>	<u>700</u>

All companies within the Group, including the Company, have entered into an Intercompany Netting Agreement. This agreement gives the Company the legal right to settle its trading intercompany balances on a net basis with Exploration and Production Services (Holdings) Limited ("EPSH"), an indirect subsidiary, unless specific loan agreements are in place. This current account balance due to EPSH results from trading and other current activities on which no interest is charged and is repayable on demand.

As a result of this agreement, all intercompany balances, with the exception of any specific structural loan balances, are classified as a single current account balance due from EPSH.

9. Share capital

The following table is an analysis of the Company's share capital as at 31 December 2020 and 31 December 2019.

	At 31 December 2020	At 31 December 2019	At 31 December 2020	At 31 December 2019
	Thousands	Thousands	\$'000	\$'000
Allotted, called up and fully paid				
Ordinary shares of \$1 each	333,283	333,283	333,283	333,283

All ordinary shares issued have the same rights.

10. Subsequent events

There were no events between the reporting date and the date these financial statements were authorised for issue that require disclosure, other than as described below:

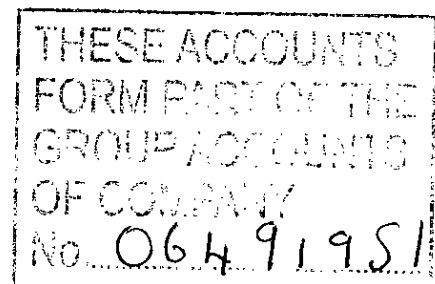
On March 11, 2021, EGHIL announced that it had entered into a definitive agreement to merge with Frank's International N.V., a leading provider of tubular running services, tubular products and offerings and cementing solutions. The merger is subject to shareholder approval of both parties, regulatory approval and to other customary closing conditions. The transaction is expected to close in the third quarter of 2021.

11. Collateral

The Company is a guarantor of the Expro Group's borrowing facilities and substantially all of its assets are encumbered or have been pledged as collateral under these facilities.

Expro Holdings UK 2 Limited

Consolidated Financial Statements as of and for
the Years Ended December 31, 2020 and 2019
and Independent Auditors' Report



Expro Holdings UK 2 Limited

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019:	
Consolidated Statements of Operations	2
Consolidated Statements of Comprehensive Loss	3
Consolidated Balance Sheets	4
Consolidated Statements of Cash Flows	5
Consolidated Statement of Stockholders' Equity	6
Notes to the Consolidated Financial Statements	7



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Expro Holdings UK 2 Limited

We have audited the accompanying consolidated financial statements of Expro Holdings UK 2 Limited and its subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2020, and the related consolidated statements of operations, comprehensive loss, cash flows, and stockholders' equity for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Expro Holdings UK 2 Limited and its subsidiaries as of December 31, 2020, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Predecessor Auditors' Opinion on 2019 Consolidated Financial Statements

The consolidated financial statements of the Company as of and for the year ended December 31, 2019, were audited by other auditors whose report, dated March 31, 2020, expressed an unmodified opinion on those statements and included an emphasis-of-matter paragraph that described the Company's change in its accounting policy for leases as of January 1, 2019 due to the adoption of Accounting Standards Codification 842, *Leases* discussed in Note 2 to the consolidated financial statements.

Deloitte & Touche LLP

March 26, 2021

Expro Holdings UK 2 Limited
Consolidated Statements of Operations
(in thousands)

	Year Ended December 31,	
	2020	2019
Total revenue	\$ 675,026	\$ 810,064
Operating costs and expenses:		
Cost of revenue	(679,793)	(799,377)
General and administrative	(24,590)	(29,670)
Impairment charges	(281,629)	(46,671)
Gain on disposal of group of assets	10,085	-
Severance and other charges	(13,930)	(4,444)
Total operating cost and expenses	(989,857)	(880,162)
Operating loss	(314,831)	(70,098)
Other income, net	2,278	226
Interest and finance charges, net	(5,656)	(3,300)
Loss before taxes and equity in income of joint ventures	(318,209)	(73,172)
Equity in income of joint ventures	13,589	9,639
Loss before income taxes	(304,620)	(63,533)
Income tax benefit	3,400	1,137
Net loss	\$ (301,220)	\$ (62,396)

The accompanying notes are an integral part of these consolidated financial statements.

Expro Holdings UK 2 Limited
Consolidated Statements of Comprehensive Loss
(in thousands)

	Year Ended December 31,	
	2020	2019
Net loss	\$ (301,220)	\$ (62,396)
Other comprehensive loss:		
Actuarial loss on defined benefit plans	(9,356)	(3,521)
Plan curtailment / amendment credit recognized	5,510	-
Reclassified net remeasurement gains	104	-
Income taxes on pension	(926)	-
Other comprehensive loss	(4,668)	(3,521)
Comprehensive loss	\$ (305,888)	\$ (65,917)

Expro Holdings UK 2 Limited
Consolidated Balance Sheets
(in thousands, except share data)

	December 31,	
	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 116,924	\$ 145,129
Restricted cash	3,785	1,956
Accounts receivable, net	193,600	230,996
Inventories, net	53,359	58,940
Income tax receivables	20,327	18,541
Other current assets	39,957	42,583
Total current assets	<u>427,952</u>	<u>498,145</u>
Property, plant and equipment, net	294,723	301,798
Investments in joint ventures	45,088	37,231
Intangible assets, net	173,168	260,511
Goodwill	25,504	211,572
Operating lease right-of-use assets	57,247	82,217
Non-current accounts receivable, net	11,321	13,346
Other non-current assets	4,748	4,973
Total assets	<u>\$ 1,039,751</u>	<u>\$ 1,409,793</u>
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 136,242	\$ 169,471
Income tax liabilities	13,657	18,975
Finance lease liabilities	1,220	1,608
Operating lease liabilities	14,057	16,983
Other current liabilities	59,043	51,657
Total current liabilities	<u>224,219</u>	<u>258,694</u>
Deferred tax liabilities, net	26,817	46,486
Post-retirement benefits	57,946	59,717
Non-current finance lease liabilities	16,974	19,044
Non-current operating lease liabilities	58,585	66,829
Other non-current liabilities	43,226	40,298
Total liabilities	<u>427,767</u>	<u>491,068</u>
Commitments and contingencies (Note 19)		
Stockholders' equity:		
Common stock	-	-
Additional paid-in capital	1,009,025	1,009,025
Accumulated other comprehensive (loss) income	(1,494)	3,174
Accumulated deficit	(395,547)	(93,474)
Total stockholders' equity	<u>611,984</u>	<u>918,725</u>
Total liabilities and stockholders' equity	<u>\$ 1,039,751</u>	<u>\$ 1,409,793</u>

The accompanying notes are an integral part of these consolidated financial statements.

Expro Holdings UK 2 Limited
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,	
	2020	2019
Cash flows from operating activities:		
Net loss	\$ (301,220)	\$ (62,396)
<i>Adjustments to reconcile net loss to net cash provided by operating activities:</i>		
Impairment charges	281,629	46,671
Depreciation and amortization	113,693	122,503
Equity in income of joint ventures	(13,589)	(9,639)
Elimination of unrealized profit on sales to joint ventures	2,085	3,558
Gain on disposal of group of assets	(10,085)	-
Deferred taxes	(20,596)	(18,296)
Unrealized foreign exchange	2,106	337
<i>Changes in assets and liabilities:</i>		
Accounts receivable, net	38,486	(24,172)
Inventories, net	2,780	(6,797)
Other assets	532	(1,966)
Accounts payable and accrued liabilities	(25,161)	18,892
Other liabilities	7,150	1,119
Income taxes, net	(4,241)	3,548
Other, net	(6,824)	4,719
Dividends received from joint ventures	3,646	3,128
Net cash provided by operating activities	70,391	81,209
Cash flows from investing activities:		
Capital expenditures	(112,387)	(104,062)
Proceeds from disposal of property, plant and equipment	114	10
Proceeds from disposal of group of assets	15,500	-
Payment for acquisition of business, net of cash acquired	-	(47,882)
Net cash used in investing activities	(96,773)	(151,934)
Cash flows from financing activities:		
Proceeds from release of collateral deposits	2,271	28,280
Payments of loan issuance and other transaction costs	(1,095)	(3,036)
Repayments of finance leases	(1,801)	(3,322)
Net cash (used in) provided by financing activities	(625)	21,922
Effect of exchange rate changes on cash and cash equivalents	631	566
Net decrease to cash and cash equivalents and restricted cash	(26,376)	(48,237)
Cash and cash equivalents and restricted cash at beginning of year	147,085	195,322
Cash and cash equivalents and restricted cash at end of year	\$ 120,709	\$ 147,085
Supplemental disclosure of cash flow information		
Cash paid for income taxes net of refunds	\$ (21,437)	\$ (13,603)
Cash paid for interest, net	\$ (2,630)	\$ (1,490)
Change in accounts payable and accrued expenses related to capital expenditures	\$ (9,375)	\$ (839)

The accompanying notes are an integral part of these consolidated financial statements

Expro Holdings UK 2 Limited
Consolidated Statements of Stockholders' Equity
(in thousands)

	Common Stock	Additional paid-in capital	Accumulated other comprehensive (loss) income	Accumulated deficit	Total Stockholder's Equity
Balance at January 1, 2019	\$ -	\$ 1,009,025	\$ 6,695	\$ (31,078)	\$ 984,642
Comprehensive loss:					
Net loss	-	-	-	(62,396)	(62,396)
Other comprehensive loss	-	-	(3,521)	-	(3,521)
Balance at December 31, 2019	\$ -	1,009,025	\$ 3,174	\$ (93,474)	\$ 918,725
Adoption of ASU 2016-13, <i>Financial Instruments - Credit Losses (Topic 326)</i>	-	-	-	(853)	(853)
Comprehensive loss:					
Net loss	-	-	-	(301,220)	(301,220)
Other comprehensive loss	-	-	(4,668)	-	(4,668)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 1,009,025</u>	<u>\$ (1,494)</u>	<u>\$ (395,547)</u>	<u>\$ 611,984</u>

The accompanying notes are an integral part of these consolidated financial statements.

Expro Holdings UK 2 Limited

Notes to the Consolidated Financial Statements

Years Ended December 31, 2020 and 2019

1. Business description

Expro Holdings UK 2 Limited (the “Company”) and our consolidated subsidiaries (collectively referred to as “We” or the “Group”), provide services and products that measure, improve, control and process flow from oil and gas wells, from exploration and appraisal through field production optimization and enhancement and field abandonment.

Expro Holdings UK 2 Limited is a limited company incorporated in Great Britain with its registered office situated in England and Wales. Our parent company is Expro Group Holdings International Limited (“Parent Company” or “EGHIL”), a limited company incorporated in Cayman Islands with its registered office situated in Cayman Islands.

2. Basis of preparation and significant accounting policies

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

The consolidated financial statements have been prepared using the United States dollar (“\$” or “U.S. dollar”) as the reporting currency.

Basis of consolidation

The consolidated financial statements reflect the accounts of the Company and all of its subsidiaries. All intercompany balances and transactions, including unrealized profits arising from them, have been eliminated for purposes of preparing these consolidated financial statements. Investments in which we do not have a controlling interest, but over which we do exercise significant influence, are accounted for under the equity method of accounting.

In addition, certain reclassifications of prior period balances have been made to conform to the current period presentation. These reclassifications had no impact on our net loss, working capital, cash flows or total equity previously reported.

Within the consolidated statements of operations for the year ended December 31, 2019, \$10.1 million of certain information technology and supply chain related costs were reclassified from general and administrative expenses to cost of revenue. Additionally, \$4.7 million of impairment charges of property, plant and equipment have been reclassified from cost of revenue to impairment charges. For the year ended December 31, 2019, the impact of the reclassifications was an increase to cost of revenue and impairment charges of \$5.4 million and \$4.7 million respectively and a decrease to general and administrative expenses of \$10.1 million.

Use of estimates

Preparation of the consolidated financial statements in accordance with U.S. GAAP requires us to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. Estimates and assumptions are used for, but are not limited to determining the following: purchase price allocation on business combinations, valuation of intangible assets, allowance for doubtful accounts and expected credit losses, inventory valuation, impairment assessment of goodwill, income tax provisions, recovery of deferred taxes, actuarial assumptions to determine costs and liabilities related to employee benefit plans and revenue recognition. While we believe that the estimates and assumptions used in the preparation of the consolidated financial statements are appropriate, actual results could differ from these estimates.

Revenue recognition

We recognize revenue from rendering of services over a period of time as the customer simultaneously consumes the benefit of the service while it is being rendered reflecting the amount of consideration to which the Group has a right to invoice. As part of rendering of services, the Group also provides rental equipment and personnel. In connection with the adoption of Accounting Standards Codification (“ASC”) Topic 842 Leases, the Group elected to adopt a practical expedient available to lessors, which allows the Group to combine the lease and non-lease components and account for the combined component in accordance with the accounting treatment for the predominant component. Therefore, the Group combines the lease and service component for certain of the Group’s service contracts and continues to account for the combined component under ASC Topic 606, Revenue from Contracts with Customers.

Expro Holdings UK 2 Limited
Notes to the Consolidated Financial Statements
Years Ended December 31, 2020 and 2019

Revenue recognition (continued)

Where contractual arrangements contain multiple performance obligations, we analyse each performance obligation within the sales arrangement to determine whether they are distinct. The revenue for contracts involving multiple performance obligations is allocated to each distinct performance obligation based on relative selling prices and is recognized on *satisfaction of each distinct performance obligation*. Further, a small number of our contracts contain penalty provisions for late delivery and installation of equipment, downtime or other equipment functionality. These penalties are typically percentage reductions in the total arrangement consideration, capped at a certain amount, or a reduction in the on-going service fee and are assessed as variable consideration in the contract. Revenue from the sale of goods is recognized at the point in time when the control has passed onto the customer which generally coincides with delivery and installation, where applicable.

Revenue is recognized to depict the transfer of promised services or goods to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services or goods. We do not include tax amounts collected from customers in sales transactions as a component of revenue.

Foreign currency transactions

All of our subsidiaries have designated the U.S. dollar as the functional currency. Gains and losses resulting from remeasurement of foreign currency denominated monetary assets and liabilities are included in the consolidated statements of operations as incurred. Gains and losses resulting from transactions denominated in a foreign currency are also included in the consolidated statements of operations as incurred. The Group recognized foreign currency losses of \$4.1 million and \$6.7 million for the years ended December 31, 2020 and 2019, respectively

Interest and finance charges, net

Our interest and finance charges primarily consist of interest and other costs that we incur in connection with our revolving credit facility and finance lease liabilities. Costs incurred that are directly related to the raising of debt financing, together with any original issue discount or premium, are recognized over the term of the loan or facility, using the effective interest method. All other finance costs are expensed in the period they are incurred.

Income taxes

We use the asset and liability method to account for income taxes whereby we calculate the deferred tax asset or liability account balances using tax laws and rates in effect at that time. Under this method, the balances of deferred tax liabilities and assets at the end of each period are determined using the tax rate expected to be in effect when taxes are actually paid or recovered. Valuation allowances are recorded to reduce gross deferred tax assets when it is more likely than not that some portion or all of the gross deferred tax assets will not be realized. In determining the need for valuation allowances, we have made judgments and considered estimates regarding estimated future taxable income and ongoing achievable tax planning strategies. These estimates and judgments include some degree of uncertainty therefore changes in these estimates and assumptions could require us to adjust the valuation allowances for our deferred tax assets accordingly. The ultimate realisation of the deferred tax assets depends on the generation of sufficient taxable income in the applicable taxing jurisdictions.

We operate in more than 50 countries and are subject to domestic (the United Kingdom (“UK”)) and numerous foreign taxing jurisdictions. Determination of taxable income in any jurisdiction requires the interpretation of the related tax laws and regulations and the use of estimates and assumptions regarding significant future events such as the amount, timing and character of income, deductions, and tax credits. Changes in tax laws, regulations or agreements in each taxing jurisdiction could have an impact on the amount of income taxes that we provide during any given year.

Our tax filings for various periods are subject to audit by the tax authorities in most jurisdictions in which we operate, and these assessments can result in additional taxes. Estimating the outcome of audits and assessments by the tax authorities involves uncertainty. We review the facts of each case and apply judgements and assumptions to determine the most likely outcome and we provide for taxes, interest and penalties on this basis.

In line with U.S. GAAP, we recognize the effects of a tax position in the consolidated financial statements when it is more likely than not that, based on the technical merits, some level of tax benefit related to a tax position will be sustained upon audit by tax authorities.

Expro Holdings UK 2 Limited

Notes to the Consolidated Financial Statements

Years Ended December 31, 2020 and 2019

Cash, cash equivalents and restricted cash

We consider all highly liquid instruments with original maturities of three months or less at the time of purchase to be cash equivalents. Restricted cash primarily relates to bank deposits which have been pledged as cash collateral for certain guarantees issued by various banks or minimum cash balances which must be maintained in accordance with contractual arrangements.

Accounts receivable, net

Accounts receivable represents customer transactions that have been invoiced as of the balance sheet date and unbilled receivables relate to customer transactions that have not yet been invoiced as of the balance sheet date. The carrying value of our receivables, net of the allowance for doubtful accounts and expected credit losses, represents the estimated net realizable value. We have an extensive global customer base comprising of a large number of international oil companies ("IOC"), national oil companies ("NOC") and independent exploration and production companies ("Independents") that operate in all major oil and gas locations around the world. We estimate reserves for expected credit losses using information about past events, current conditions and risk characteristics of customers, and reasonable and supportable forecasts relevant to assessing risk associated with the collectability of accounts and unbilled receivables. Additionally, we make allowance for doubtful accounts if events or circumstances indicate that any balances may be uncollectible. Past-due receivables are written off when collection efforts have been unsuccessful.

Inventories, net

Inventories are stated at the lower of cost or net realizable value. Cost comprises direct materials and where applicable, direct labour costs and overheads that have been incurred in bringing the inventories to their current location and condition calculated using the average cost method.

We regularly evaluate the quantities and values of our inventories in light of current market conditions, market trends and other factors, and record inventory write-downs as appropriate. This evaluation considers historical usage, expected demand, product obsolescence and other factors. Market conditions are subject to change, and actual consumption of our inventory could differ from expected demand.

Impairment of long-lived assets

We assess long-lived assets, including our property, plant and equipment, for impairment whenever events or changes in business circumstances arise that may indicate that the carrying amount of our long-lived assets may not be recoverable. These events and changes can include significant current period operating losses or negative cash flows associated with the use of a long-lived asset, or group of assets, combined with a history of such factors, significant changes in the manner of use of the assets, and current expectations that it is more likely than not that a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. For purposes of recognition and measurement of an impairment loss, long-lived assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. When impairment indicators are present, we compare undiscounted future cash flows, including the eventual disposition of the asset group at market value, to the asset group's carrying value to determine if the asset group is recoverable. If the carrying values are in excess of undiscounted expected future cash flows, we measure any impairment by comparing the fair value of the asset or asset group to its carrying value. Fair value is generally determined by considering (i) internally developed discounted projected cash flow analysis of the asset or asset group, (ii) third-party valuations, and/or (iii) information available regarding the current market for similar assets. If the fair value of an asset or asset group is determined to be less than the carrying amount of the asset or asset group, an impairment equal to the difference is recorded in the period that the impairment indicator occurs. Estimating future cash flows requires significant judgment, and projections may vary from the cash flows eventually realized, which could impact our ability to accurately assess whether an asset has been impaired.

We consider a long-lived asset to be abandoned after we have ceased use of such asset and we have no intent to use or re-purpose the asset in the future.

Expro Holdings UK 2 Limited
Notes to the Consolidated Financial Statements
Years Ended December 31, 2020 and 2019

Property, plant and equipment

Property, plant and equipment are stated at cost less impairment charges and accumulated depreciation. Cost includes the price paid to acquire or construct the asset, required installation costs, interest capitalized during the construction period and any expenditure that substantially adds to the value of the asset, substantially upgrades the assets for an enhanced use or substantially extends the useful life of an existing asset. We expense costs related to the routine repair and maintenance of property, plant and equipment at the time we incur them. We capitalize interest as part of the cost of acquiring or constructing certain assets, to the extent incurred, during the period of time required to place the property, plant and equipment into service.

When properties or equipment are sold, retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the books and the resulting gain or loss is recognized on the consolidated statements of operations.

We begin depreciation for such assets, including any related capitalized interest, once an asset is placed into operational service. We consider an asset to be placed into operational service when the asset is both in the location and intended condition for its intended use. We compute depreciation expense, with the exception of land, using the straight-line method on a net cost basis over the estimated useful lives of the assets, as presented in the table below.

Buildings	-	40 years
Leased property, including leasehold buildings	-	over the lesser of the remaining useful life or period of the lease
Plant and equipment	-	3 to 12 years

Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

For property, plant and equipment that has been placed into service, but is subsequently idled temporarily, we continue to record depreciation expense during the idle period. We adjust the estimated useful lives of the idled assets if the estimated useful lives have changed.

Goodwill

Goodwill is not subject to amortization and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. A qualitative assessment is allowed to determine if goodwill is potentially impaired. We have the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the quantitative goodwill impairment test. The qualitative assessment determines whether it is more likely than not that a reporting unit's fair value is less than its carrying amount. If it is more likely than not that the fair value of the reporting unit is less than the carrying amount, then a quantitative impairment test is performed. The quantitative goodwill impairment test is used to identify both the existence of impairment and the amount of impairment loss. The test compares the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit is less than its carrying value, an impairment loss is recorded based on that difference. Refer to Note 16 *Goodwill* for additional information.

Intangible assets, net

Identifiable intangible assets are amortized using the straight-line method over the estimated useful lives of the assets, ranging from one year to ten years. We evaluate impairment of our intangible assets on an asset group basis whenever circumstances indicate that the carrying value may not be recoverable. Intangible assets deemed to be impaired are written down to their fair value using a discounted cash flow model and, if available, comparable market values. Our intangible assets are primarily associated with trademarks, customer relationships and contracts ("CR&C"), technology and software. Refer to Note 15 *Intangible assets, net* for additional information.

Investments in joint ventures

We use the equity method of accounting for our equity investments where we hold more than 20% of the ownership interest of an investee or where we have the ability to significantly influence the operations or financial decision of the investee. Such investments are carried on the consolidated balance sheets at cost plus post-acquisition changes in our share of net income, less dividends received and less any impairments. Our consolidated statements of operations reflect our share of income from the joint ventures' results after tax. Any goodwill arising on the acquisition of a joint venture, representing the excess of the cost of the investment compared to the Group's share of the net fair value of the acquired identifiable net assets, is included in the carrying amount of the joint venture and is not amortized.

Expro Holdings UK 2 Limited

Notes to the Consolidated Financial Statements

Years Ended December 31, 2020 and 2019

Investments in joint ventures (continued)

The group evaluates its investments in joint ventures for potential impairment whenever events or changes in circumstances indicate that there may be a loss in the value of each investment that is other than temporary.

The results of the joint ventures are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies used into line with those of the Group, to take into account fair values assigned at the date of acquisition; and to reflect impairment losses where appropriate. Adjustments are also made in our consolidated financial statements to eliminate our share of unrealized gains and losses on transactions between us and our joint ventures.

Fair value measurements

We measure certain financial assets and liabilities at fair value at each balance sheet date and, for the purposes of impairment testing, use fair value to determine the recoverable amount of our non-financial assets.

Fair value is defined as the price that would be received from the sale of an asset or paid to transfer a liability (an exit price) on the measurement date in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by us. Accounting standards include disclosure requirements around fair values used for certain financial instruments and establish a fair value hierarchy. The hierarchy prioritizes valuation inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value is reported in one of three levels:

Level 1 – Valuation techniques in which all significant inputs are unadjusted quoted market prices from active markets for identical assets or liabilities being measured;

Level 2 - Valuation techniques in which significant inputs include quoted prices from active markets for assets or liabilities that are similar to the assets or liabilities being measured and/or quoted prices for assets or liabilities that are identical or similar to the assets or liabilities being measured from markets that are not active. Also, model-derived valuations in which all significant inputs and significant value drivers are observable in active markets are Level 2 valuation techniques; and

Level 3 - Valuation techniques in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are valuation technique inputs that reflect our own assumptions about the assumptions that market participants would use to price an asset or liability.

When available, we use quoted market prices to determine the fair value of an asset or liability. We determine the policies and procedures for both recurring fair value measurements and non-recurring fair value measurements, such as impairment tests.

At each reporting date, we analyse the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per our accounting policies.

For the purpose of fair value disclosures, we have determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Our financial instruments consist primarily of cash and cash equivalents, accounts receivable, other assets, finance lease liabilities, accounts payable and accrued liabilities. Due to their short-term nature, the carrying values for cash and cash equivalents, accounts receivable, other assets, accounts payable and accrued liabilities approximate their fair values. We estimate the fair value of our non-current accounts receivable and finance lease liabilities using discounted cash flow analysis applying rates available for debt on similar terms, credit risk and remaining maturities. Such fair value measurements are considered Level 2 under the fair value hierarchy.

Leases

We have operating and finance leases primarily related to real estate, transportation and equipment. We determine if an arrangement is a lease at inception. Upon commencement of a lease, we recognize an operating lease right-of-use asset ("ROU asset") and corresponding operating lease liability based on the then present value of all lease payments over the lease term. ROU assets represent the Group's right to use an underlying asset for the lease term and lease liabilities represent the Group's obligations to make lease payments arising from the lease. The accounting for some of our leases may require significant judgments, which includes determining the incremental borrowing rates to utilize in our net present value calculation of lease payments for lease agreements which do not provide an implicit rate, and assessing the likelihood of renewal or termination options, which are considered as part of assessing the lease term if the extension or termination is deemed to be reasonably certain.

Expro Holdings UK 2 Limited

Notes to the Consolidated Financial Statements

Years Ended December 31, 2020 and 2019

Leases (continued)

Leases which meet the criteria of a finance lease as defined by ASC 842 *Leases* are capitalized and included in “Property, plant and equipment, net” and “Finance lease liabilities” on the consolidated balance sheets. Our lease contracts generally do not provide any guaranteed residual values. Payments related to finance leases are apportioned between the reduction of the lease liability and finance charges in the consolidated statement of operations so as to achieve a constant rate of interest on the remaining balance of the liability. Leases which do not meet the definition of a finance lease are classified as operating leases and are included in Operating lease right-of-use assets and operating lease liabilities on the consolidated balance sheets. Lease expense is recognized on a straight-line basis over the shorter of the estimated useful life of the underlying asset or the lease term.

We do not separate lease and non-lease components for all classes of leased assets. Also, leases with an initial term of one year or less are not recorded on the consolidated balance sheets.

Post-retirement benefits

Defined Benefit Plans

The cost of providing benefits under defined benefit plans are determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current and prior periods. Both current and past service costs are recognized in net income (loss) as they arise.

The interest element of the defined benefit cost represents the change in present value of plan obligations resulting from the passage of time and is determined by applying a discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on plan assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year.

We initially recognize actuarial gains and losses as other comprehensive income in the year they arise. Where the net cumulative actuarial gains or losses for a plan exceeds 10 percent of that plan’s gross pension liability, or asset if higher, the amount of gains or losses above the 10 percent threshold are recognized in the consolidated statement of operations as a component of net pension costs (over the expected remaining working lives of the plan’s active participants or the remaining lives of plan members in the event the plan is no longer active), which is included in “Cost of revenue”.

The defined benefit pension asset or liability on the consolidated balance sheets comprise the total for each plan of the present value of the defined benefit obligation using a discount rate based on high quality corporate bonds less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price.

Defined Contribution Plans

The costs of providing benefits under a defined contribution plan are expensed at the time contributions become payable to the respective plan.

Refer to Note 20 *Post-retirement benefits* for a description of our pension and other post-retirement benefit plans.

Management incentive plans

Our Parent Company has established the Expro Group Holdings International Limited 2018 Management Incentive Plan (the “Management Incentive Plan”) which comprises the following stock-based compensation plans (a) stock options to non-executive directors and key management personnel of the Group and (b) restricted stock units. The stock-based compensation awards are accounted for in accordance with ASC 718, *Compensation—Stock Compensation* (“ASC 718”) which requires all stock-based payments to employees, including grants of employee stock options and restricted stock and modifications to existing stock awards, to be recognized in the consolidated statements of operations and consolidated statements of comprehensive loss based on their fair values calculated on the grant date. Expected forfeitures are not estimated but recognized on occurrence.

Expro Holdings UK 2 Limited
Notes to the Consolidated Financial Statements
Years Ended December 31, 2020 and 2019

Research and development

Research and development costs are expensed as incurred and relate to spending for new product development and innovation and includes internal engineering, materials and third-party costs. We incurred \$10.4 million and \$14.4 million of research and development costs for the years ended December 31, 2020 and 2019, respectively, which are included in “Cost of revenue” in the consolidated statements of operations.

Recent accounting pronouncements

Accounting guidance adopted

In June 2016, the Financial Accounting Standards Board (“FASB”) issued *Accounting Standards Update (“ASU”) 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires measurement and recognition of expected credit losses for financial assets held. On January 1, 2020, we early adopted the standard using a modified retrospective approach with a cumulative-effect adjustment to retained earnings. Prior period amounts have not been adjusted and continue to be reflected in accordance with our historical accounting. The adoption of this standard resulted in recording of additional expected credit losses on our accounts receivable aggregating \$0.9 million and a corresponding adjustment to our consolidated statements of equity. The adoption of this standard did not have a material impact on the profit or loss of the current period.

Additionally, we adopted the following ASUs as of January 1, 2020 with no material impact on our consolidated financial statements or disclosures.

- *ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework;*
- *ASU 2018-15, Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer’s accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract;*
- *ASU 2019-08, Compensation – Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Codification Improvements—Share-Based Consideration Payable to a Customer;*
- *ASU 2020-04: Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting;*

Accounting guidance not yet adopted

Below are the new accounting pronouncements that have been issued but not yet effective as of December 31, 2020. Adoption of these accounting pronouncements are not expected to have a material impact on our consolidated financial statements and disclosures.

- *ASU 2018-14, Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans;*
- *ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes;*
- *ASU 2020-01 Clarifying the interactions between Topic 321, Topic 323, and Topic 815;*
- *ASU 2020-08, Codification Improvements to Subtopic 310-20, Receivables—Nonrefundable Fees and Other Costs;*
- *ASU 2020-10, Codification Improvements;*
- *ASU 2021-01, Reference Rate Reform (Topic 848);*

Expro Holdings UK 2 Limited

Notes to the Consolidated Financial Statements

Years Ended December 31, 2020 and 2019

3. Dispositions and business combinations

Sale of group of assets

On November 13, 2020, the Group entered in to an agreement to transfer, sell and assign all rights, title and interest in and to certain identified tangible and intangible assets and liabilities relating to its pressure-control chokes product line for total cash consideration of \$15.5 million. The carrying value of net assets transferred was \$4.4 million. The Group recognized a gain on disposal of \$10.1 million, net of costs directly attributable to the sale aggregating \$1.0 million.

Acquisition of Quality Intervention AS

On July 1, 2019, Quality Intervention AS, a limited liability company registered in Norway, and its subsidiaries ("Quality Intervention"), was acquired (the "Acquisition") by our wholly owned subsidiary Expro Holdings Norway AS, a limited liability company registered in Norway ("ENAS"). Quality Intervention's shareholders received aggregate cash consideration of \$49.3 million, net of the customary closing adjustments. We incurred transaction costs related to the Acquisition of \$1.0 million during the year ended December 31, 2019 which are included in "Other income, net" in the consolidated statements of operations. In 2019, we recorded revenue of \$2.0 million and a net loss of \$0.8 million related to the Acquisition.

The Acquisition was accounted for as a business combination in accordance with ASC 805, *Business Combinations*, which required the assets acquired and liabilities assumed to be recorded at their acquisition date fair values. The fair value of the identifiable net assets acquired was \$17.7 million, primarily consisting of \$17.9 million of intangible assets, resulting in the recognition of goodwill of \$31.5 million.

The intangible asset is amortized on a straight-line basis over an estimated 10-year life. The goodwill consisted largely of the synergies and economies of scale expected from the technology providing more efficient services, the first mover advantage obtained through the acquisition and expected future developments resulting from the assembled workforce. The goodwill is not subject to amortization but will be evaluated at least annually for impairment or more frequently if impairment indicators are present.

4. Impairment charges

The following table presents total amount of impairment charges recognized during the years ended December 31, 2020 and 2019 (in thousands):

	Year Ended December 31,	
	2020	2019
Property, plant and equipment, net	\$ 19,993	\$ 4,713
Operating lease right-of-use assets	15,174	-
Intangible assets, net	60,394	17,901
Goodwill	186,068	24,057
Total	<u>\$ 281,629</u>	<u>\$ 46,671</u>

During the quarter ended March 31, 2020 the Group observed a material increase in macro-economic uncertainty and a material decrease in oil and gas prices as a result of a combination of factors, including the substantial decline in global demand for oil caused by the COVID-19 pandemic and disagreements between the Organization of Petroleum Exporting Countries and other oil producing nations (OPEC+) regarding limits on production. As a result, customers significantly decreased capital budgets and other spending, which significantly impacted our global outlook for the energy services industry. We determined that these events constituted a triggering event that required us to perform a quantitative goodwill impairment assessment as of March 31, 2020 ("testing date") and to review the recoverability of all our long-lived assets.

Goodwill

In performing the interim quantitative impairment test and consistent with our prior practice, we used the income approach to estimate the fair value of our reporting units, but also considered the market approach to validate the results. The income approach estimates the fair value by discounting the reporting unit's estimated future cash flows using an estimated discount rate, or expected return, that a marketplace participant would have required as of the valuation date. The market approach includes the use of comparative multiples to corroborate the discounted cash flow results and involves significant judgment in the selection of the appropriate peer group companies and valuation multiples.

Expro Holdings UK 2 Limited

Notes to the Consolidated Financial Statements

Years Ended December 31, 2020 and 2019

4. Impairment charges (continued)

Under the income approach, the fair value for each of our reporting units was determined based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. We utilized third-party valuation advisors to assist us with these valuations. These analyses included significant judgment, including significant Level 3 assumptions related to management's short-term and long-term forecast of operating performance, discount rates based on our estimated weighted average cost of capital, revenue growth rates, profitability margins and capital expenditures.

Our interim quantitative impairment test in 2020 determined the carrying value of certain of our reporting units exceeded their estimated fair value as of the testing date, which resulted in goodwill impairment charges of \$186.1 million. Our annual quantitative impairment test in 2020 determined no further impairment charges to goodwill were to be recorded. Our annual quantitative impairment test in 2019 determined the carrying value of certain of our reporting units exceeded their estimated fair value as of the testing date, which resulted in goodwill impairment charges of \$24.1 million. After the recording of impairment charges, the carrying value of certain of our impaired reporting units equaled their fair value whereas the estimated fair values of other reporting units was more than their carrying values.

Long-lived Assets

In reviewing the recoverability of our long-lived assets during 2020 and 2019, we identified certain of our long-lived assets which exceeded their respective fair values and certain of our long-lived assets which were deemed to be no longer useable. As a result, during 2020 we recorded impairment charges of \$20.0 million, \$60.4 million and \$15.2 million relating to our property, plant and equipment, intangible assets and operating lease right-of-use assets, respectively. During 2019, we recorded impairment charges of \$4.7 million and \$17.9 million relating to our property, plant and equipment and intangible assets, respectively.

5. Business segment reporting

Operating segments are defined as components of an enterprise for which separate financial information is available that is regularly evaluated by the Company's Chief Operating Decision Maker ("CODM"), which is our Chief Executive Officer, in deciding how to allocate resources and assess performance. During 2020, we changed our internal organization and reporting structure to combine our Europe and the Commonwealth of Independent States ("ECIS") and Sub-Saharan Africa ("SSA") operating segments into one segment Europe and Sub-Sahara Africa ("ESSA"). Accordingly, our operations were realigned into four operational segments which also represent our reporting segments and are aligned with our geographic regions as below:

- Europe and Sub-Saharan Africa ("ESSA")
- Asia ("ASIA")
- Middle East and North Africa ("MENA") and
- North and Latin America ("NLA").

Segment information as of and for the year ended December 31, 2019 has been reclassified to reflect the change in our reportable segments.

Each of these operational segments include a range of solutions which are provided across three main areas of capabilities:

Well testing and appraisal services

Services used for the safe production, measurement and sampling of hydrocarbons from a well during either exploration and appraisal testing of a new field, the flowback and clean-up of a new well prior to production or inline testing of a well during its producing life. Well testing typically involves the measurement of production rates, the recording of transient pressure data from the reservoir and the sampling of reservoir fluids. By analyzing this information, it is possible for the customer to estimate hydrocarbon reserves and determine rock properties, reservoir size and connectivity.

Subsea, completion and intervention services

A well completion consists of providing the in well tubulars and equipment needed for the safe production of hydrocarbons from the reservoir to surface production facilities. Completion services are required to install the completion string in the well and subsea completion landing strings facilitate this for subsea wells. We also provide wireline intervention services to subsequently service and monitor the performance of the well.

Expro Holdings UK 2 Limited
Notes to the Consolidated Financial Statements
Years Ended December 31, 2020 and 2019

5. Business segment reporting (continued)

Production services

Production systems are used to provide a safe and efficient means of processing produced oil, gas and water. Solids control equipment is used to remove sand or debris from the well, followed by a separation system to split the three different well streams. Gas is usually separated from the well stream for either consumption, sale, flaring or reinjection into the well or reservoir. Water is typically separated, treated and either disposed of overboard or re-injected into the reservoir for pressure maintenance. Oil is typically separated, treated as necessary, and pumped to storage facilities or an export pipeline. We can provide a range of production packages, onshore and offshore, for early production or for production enhancement.

The CODM does not regularly review financial performance of these three main areas of capability and as such, they are neither operating segments nor reporting units.

The following table presents our revenue disaggregated by our operating segments (in thousands):

	Year Ended December 31,	
	2020	2019
ESSA	\$ 219,534	\$ 256,790
ASIA	145,721	142,151
MENA	194,033	237,065
NLA	115,738	174,058
Total	<u>\$ 675,026</u>	<u>\$ 810,064</u>

Trading EBITDA

Our CODM regularly evaluates the performance of our operating segments using Trading EBITDA, which we define as loss before income taxes adjusted for interest and finance charges, other income, gain on disposal of group of assets, severance and other charges, impairment charges, depreciation and amortization, equity in income of joint ventures and corporate costs.

The following table presents our Trading EBITDA disaggregated by our operating segments and reconciliation to loss before income taxes (in thousands):

	Year Ended December 31,	
	2020	2019
ESSA	\$ 35,393	\$ 45,358
ASIA	34,976	28,762
MENA	77,296	86,043
NLA	54	15,031
Total Trading EBITDA	<u>147,719</u>	<u>175,194</u>
Corporate costs	(63,383)	(71,674)
Equity in income of joint ventures	13,589	9,639
Depreciation and amortization	(113,693)	(122,503)
Impairment charges	(281,629)	(46,671)
Severance and other charges	(13,930)	(4,444)
Gain on disposal of group of assets	10,085	-
Other income, net	2,278	226
Interest and finance charges, net	(5,656)	(3,300)
Loss before income taxes	<u>\$ (304,620)</u>	<u>\$ (63,533)</u>

Corporate costs include the costs of running our corporate head office and other central functions that support the operating segments, including research, engineering and development, logistics, sales and marketing and health and safety and are not attributable to a particular operating segment.

Expro Holdings UK 2 Limited
Notes to the Consolidated Financial Statements
Years Ended December 31, 2020 and 2019

5. Business segment reporting (continued)

The following table presents total assets by geographic region and assets held centrally. Assets held centrally includes corporate accounts receivable, property plant and equipment, investments in joint ventures, collateral deposits, income tax related balances, corporate cash and cash equivalents and restricted cash of \$ 59.0 million and \$89.6 million as of December 31, 2020 and December 31, 2019, respectively, and other current and non-current assets, which are not included in the measure of segment assets reviewed by the CODM:

	December 31,	
	2020	2019
ESSA	\$ 221,683	\$ 262,512
ASIA	173,688	206,627
MENA	284,635	433,149
NLA	97,738	211,360
Assets held centrally	262,007	296,145
Total	<u>\$ 1,039,751</u>	<u>\$ 1,409,793</u>

6. Revenue

Disaggregation of revenue

We disaggregate our revenue from contracts with customers by geography, as disclosed in Note 5 above, as we believe this best depicts how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors. Additionally, we disaggregate our revenue into main areas of capabilities.

The following table sets forth the total amount of revenue by main area of capabilities as follows (in thousands):

	Year Ended December 31,	
	2020	2019
Well testing and appraisal services	\$ 347,131	\$ 382,907
Subsea completion and intervention services	260,361	319,766
Production services	67,534	107,391
Total	<u>\$ 675,026</u>	<u>\$ 810,064</u>

Contract balances

We perform our obligations under contracts with our customers by transferring services and products in exchange for consideration. The timing of our performance often differs from the timing of our customer's payment, which results in the recognition of unbilled receivables and deferred revenue.

Unbilled receivables are initially recognized for revenue earned on completion of the performance obligation which are not yet invoiced to the customer. The amounts recognized as unbilled receivables are reclassified to accounts receivable upon billing. Deferred revenue represents the Group's obligations to transfer goods or services to customers for which the Group has received consideration, in full or part, from the customer.

Contract balances consisted of the following as of December 31, 2020 and December 31, 2019 (in thousands):

	December 31,	
	2020	2019
Accounts receivable, net	\$ 159,421	\$ 180,410
Unbilled receivables	\$ 45,500	\$ 63,932
Deferred revenue	\$ 29,063	\$ 18,387

Expro Holdings UK 2 Limited
Notes to the Consolidated Financial Statements
Years Ended December 31, 2020 and 2019

6. Revenue (continued)

The Group recognized revenue of \$6.3 million and \$8.9 million for the years ended December 31, 2020 and 2019, respectively, out of the deferred revenue balance as of the beginning of the applicable year.

Transaction price allocated to remaining performance obligations

Remaining performance obligations represent firm contracts for which work has not been performed or has been partially performed and future revenue recognition is expected. We have elected the practical expedient permitting the exclusion of disclosing remaining performance obligations for contracts that have an original expected duration of one year or less and for our long-term contracts we have a right to consideration from customers in an amount that corresponds directly with the value to the customer of the performance completed to date.

7. Severance and other charges

Due to the continued challenging environment in the energy services market, executive management approved a set of initiatives for the fiscal year 2020 and 2019 intended to accelerate operating cost reductions and improve overall operating efficiency.

Severance and other charges incurred during 2020 and 2019 were \$13.9 million and \$4.4 million, respectively, and consists of severance benefits to terminated employees and other termination related costs including facility exit costs, substantially all of which was paid out by the end of December 31, 2020 and December 31, 2019 each year.

8. Income taxes

The components of income tax expense (benefit) for the years ended December 31, 2020 and 2019 were as follows (in thousands):

	Year Ended December 31,	
	2020	2019
Current tax:		
UK	\$ (707)	\$ -
Foreign	17,883	17,160
Total current tax	17,176	17,160
Deferred tax:		
UK	-	(570)
Foreign	(20,576)	(17,727)
Total deferred tax	(20,576)	(18,297)
Income tax benefit	\$ (3,400)	\$ (1,137)

The UK and foreign components of income (loss) from continuing operations before income taxes and equity in income of joint ventures for the years ended December 31, 2020 and 2019 were as follows (in thousands):

	Year Ended December 31,	
	2020	2019
UK	\$ 22,819	\$ 33,071
Foreign	(341,028)	(106,243)
Total	\$ (318,209)	\$ (73,172)

Expro Holdings UK 2 Limited
Notes to the Consolidated Financial Statements
Years Ended December 31, 2020 and 2019

8. Income taxes (continued)

The provision for income taxes differs from the amount computed by applying the UK statutory income tax rate of 19% in effect as of December 31, 2020 and 2019 to income before taxes and equity in income of joint ventures for the reasons below (in thousands):

	Year Ended December 31,	
	2020	2019
Income tax expense at statutory rate	\$ (60,460)	\$ (13,902)
Permanent differences	121,709	9,872
Non-UK income taxed at different rates	(1,754)	(4,961)
Net tax charge related to attributes with full valuation allowance	(71,259)	12,769
Exempt dividends from joint ventures	14	-
Return to provision adjustments	6,150	(6,446)
Withholding taxes	984	876
Foreign exchange movements on tax balances	1,216	655
Income tax benefit	<u>\$ (3,400)</u>	<u>\$ (1,137)</u>
Effective tax rate on continuing operations	<u>1.1%</u>	<u>1.6%</u>

We have not provided United Kingdom income taxes and foreign withholding taxes on the undistributed earnings of foreign subsidiaries as of December 31, 2020 because we intend to permanently reinvest such earnings outside the United Kingdom. If these foreign earnings were to be repatriated in the future, the related United Kingdom tax liability would not be reduced by any foreign income taxes previously paid on these earnings. As of December 31, 2020, the Group is in a cumulative net loss position. It is not possible to estimate the amount of unrecognized deferred tax liability related to jurisdictions with cumulative earnings at this time.

The primary components of our deferred tax assets and liabilities as of December 31, 2020 and 2019 were as follows (in thousands):

	December 31,	
	2020	2019
Deferred tax assets:		
Net operating loss carry forwards	\$ 484,695	\$ 427,566
Employee compensation and benefits	7,767	10,479
Depreciation	24,759	17,486
Other	19,987	12,155
Valuation allowance	(512,711)	(443,398)
Total deferred tax assets	<u>24,497</u>	<u>24,288</u>
Deferred tax liabilities:		
Depreciation	(6,565)	(3,259)
Goodwill and other intangibles	(40,054)	(62,511)
Other	(4,695)	(5,004)
Total deferred tax liabilities	<u>(51,314)</u>	<u>(70,774)</u>
Net deferred tax liabilities	<u>\$ (26,817)</u>	<u>\$ (46,486)</u>

The changes in valuation allowance were as follows (in thousands):

	December 31,	
	2020	2019
Balance at the beginning of the period	\$ 443,398	\$ 507,159
Additions	72,025	312
Deductions	(2,712)	(64,073)
Balance at the end of the period	<u>\$ 512,711</u>	<u>\$ 443,398</u>

As of December 31, 2020, we had a total of \$2,408.9 million of net operating losses, of which \$2,087.0 million are not time limited and have an indefinite lifespan. Of the remaining losses, \$3.4 million will expire within the next one year, with the remaining balance expiring within the next 2 to 20 years. Net operational losses attributed to our UK companies are \$1,800.6 million.

Expro Holdings UK 2 Limited
Notes to the Consolidated Financial Statements
Years Ended December 31, 2020 and 2019

8. Income taxes (continued)

We recognize a valuation allowance where it is more likely than not that some part or all, of the deferred tax assets will not be realized. The realization of a deferred tax asset is dependent upon the ability to generate sufficient taxable income in the appropriate taxing jurisdictions where the deferred tax assets are initially recognized.

We have performed an analysis of uncertain tax positions in the various jurisdictions in which we operate and concluded that we are adequately provided.

The following table presents the changes in our uncertain tax positions as of December 31, 2020 and 2019 included in “Other non-current liabilities” on the consolidated balance sheets (in thousands):

	December 31,	
	2020	2019
Balance at the beginning of the period	\$ 32,515	\$ 36,819
Additions based on tax positions related to current period	2,182	4,009
Additions for tax positions of prior year period	1,787	8,646
Settlements with tax authorities	(665)	(720)
Reductions for tax positions of prior years	(763)	(15,267)
Reductions due to the lapse of statute of limitations	(188)	(800)
Effect of changes in foreign exchange rates	509	(172)
Balance at the end of the period	<u>\$ 35,377</u>	<u>\$ 32,515</u>

The amounts above include penalties and interest of \$1.7 million and \$4.2 million for the years ended December 31, 2020 and 2019, respectively. We classify penalties and interest relating to uncertain tax positions within income tax benefit in the consolidated statements of operations. As of December 31, 2020 and 2019, there are \$2.2 million and \$4.0 million of unrecognized tax benefits, respectively, that if recognized would affect the annual effective tax rate.

We file income tax returns in the United Kingdom and in various other foreign jurisdictions in respect of the Group subsidiaries. In all cases we are no longer subject to income tax examination by tax authorities for years prior to 2008. Tax filings of our subsidiaries, branches, and related entities are routinely examined in the normal course of business by the relevant tax authorities. We believe that there are no jurisdictions in which the outcome of unresolved issues is likely to be material to our results of operations, financial position or cash flows.

9. Investment in joint ventures

We have investments in two joint venture companies, which together provide us access to the Asian markets that otherwise would be challenging for us to penetrate or develop effectively on our own. COSL - Expro Testing Services (Tianjin) Co. Ltd (“CETS”), in which we have a 50% equity interest, has extensive offshore well testing and completions capabilities and a reputation for providing technology-driven solution in China. Similarly, PV Drilling Expro International Co. Ltd. (“PVD-Expro”) in which we have a 49% equity interest, offers the full suite of Expro products and services, including well testing and completions, in Vietnam. Both of these are strategic to our activities and offer the full capabilities and technology of Expro, but each company is independently managed. Investment in unconsolidated joint ventures are accounted for by the equity method.

The carrying value of our investment in joint ventures as of December 31, 2020 and 2019 was as follows (in thousands):

	December 31,	
	2020	2019
CETS	\$ 41,504	\$ 33,944
PVD-Expro	3,584	3,287
Total	<u>\$ 45,088</u>	<u>\$ 37,231</u>

Expro Holdings UK 2 Limited
Notes to the Consolidated Financial Statements
Years Ended December 31, 2020 and 2019

10. Accounts receivable, net

Accounts receivable, net consisted of the following as of December 31, 2020 and 2019 (in thousands):

	December 31,	
	2020	2019
Accounts receivable	\$ 215,750	\$ 254,067
Allowance for doubtful accounts and expected credit losses	(10,829)	(9,725)
Total	<u>\$ 204,921</u>	<u>\$ 244,342</u>
Current	193,600	230,996
Non – current	11,321	13,346
Total	<u>\$ 204,921</u>	<u>\$ 244,342</u>

The changes in allowance for doubtful accounts and expected credit losses were as follows (in thousands):

	December 31,	
	2020	2019
Balance at the beginning of the period	\$ 9,725	\$ 11,447
Adoption of <i>ASU 2016-13, Financial Instruments - Credit Losses (Topic 326)</i>	853	-
Additions / charged to expense	867	595
Other	(616)	(2,317)
Balance at the end of the period	<u>\$ 10,829</u>	<u>\$ 9,725</u>

11. Inventories, net

Inventories, net consisted of the following as of December 31, 2020 and 2019 (in thousands):

	December 31,	
	2020	2019
Raw materials, net	\$ 531	\$ 582
Equipment, spares and consumables, net	42,464	47,983
Work-in progress	10,364	10,375
Total	<u>\$ 53,359</u>	<u>\$ 58,940</u>

12. Other current assets and liabilities

Other current assets consisted of the following as of December 31, 2020 and 2019 (in thousands):

	December 31,	
	2020	2019
Prepayments	\$ 16,083	\$ 12,636
Value added tax receivables	19,213	21,984
Collateral deposits	1,761	4,032
Other	2,900	3,931
Total	<u>\$ 39,957</u>	<u>\$ 42,583</u>

Other current liabilities consisted of the following as of December 31, 2020 and 2019 (in thousands):

	December 31,	
	2020	2019
Deferred revenue	\$ 29,063	\$ 18,387
Other tax and social security	15,707	14,045
Other	14,273	19,225
Total	<u>\$ 59,043</u>	<u>\$ 51,657</u>

Expro Holdings UK 2 Limited
Notes to the Consolidated Financial Statements
Years Ended December 31, 2020 and 2019

13. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consisted of the following as of December 31, 2020 and 2019 (in thousands):

	December 31,	
	2020	2019
Accounts payable – trade	\$ 63,855	\$ 80,319
Payroll, vacation and other employee benefits	22,345	26,780
Accrued purchase orders	6,655	14,738
Other accrued liabilities	43,387	47,634
Total	<u>\$ 136,242</u>	<u>\$ 169,471</u>

14. Property, plant and equipment, net

Property, plant and equipment, net consisted of the following as of December 31, 2020 and 2019 (in thousands):

	December 31,	
	2020	2019
Cost:		
Land	\$ 3,379	\$ 3,379
Buildings and lease hold improvements	30,513	37,538
Plant and equipment	519,866	437,675
Total	553,758	478,592
Less: accumulated depreciation	(259,035)	(176,794)
Total	<u>\$ 294,723</u>	<u>\$ 301,798</u>

Depreciation expense relating to property, plant and equipment, including assets under finance leases, was \$85.4 million and \$87.9 million for the years ended December 31, 2020 and 2019, respectively, which is included in “Cost of revenue” in the consolidated statements of operations.

The carrying amount of our property, plant and equipment recognized in respect of assets held under finance leases as of December 31, 2020 and 2019 and included in amounts above is as follows (in thousands):

	December 31,	
	2020	2019
Cost:		
Buildings	\$ 18,932	\$ 21,626
Plant and equipment	1,520	1,084
Total	20,452	22,710
Less: accumulated amortisation	(6,674)	(4,225)
Total	<u>\$ 13,778</u>	<u>\$ 18,485</u>

We recognized an impairment charge of \$19.9 million and \$4.7 million for the years ended December 31, 2020 and 2019 respectively, which is included in “Impairment charges” on our consolidated statement of operations. Refer to Note 4 *Impairment charges* for further details.

Expro Holdings UK 2 Limited
Notes to the Consolidated Financial Statements
Years Ended December 31, 2020 and 2019

15. Intangible assets, net

The following table summarizes our intangible assets as of December 31, 2020 and 2019 (in thousands):

	December 31, 2020			December 31, 2019			
	Gross carrying amount	Accumulated impairment and amortization	Net book value	Gross carrying amount	Accumulated impairment and amortization	Net book value	Weighted average remaining life (years)
CR&C	\$ 215,200	\$ (78,846)	\$ 136,354	\$ 215,200	\$ (49,007)	\$ 166,193	7.1
Trademarks	40,100	(27,137)	12,963	40,100	(9,306)	30,794	7.1
Technology	79,538	(56,635)	22,903	84,128	(22,106)	62,022	7.8
Software	7,387	(6,439)	948	5,716	(4,214)	1,502	0.5
Total	<u>\$ 342,225</u>	<u>\$ (169,057)</u>	<u>\$ 173,168</u>	<u>\$ 345,144</u>	<u>\$ (84,633)</u>	<u>\$ 260,511</u>	<u>7.2</u>

Amortization expense for intangible assets was \$28.2 million and \$34.4 million for the years ended December 31, 2020 and 2019, respectively, which is included in "Cost of revenue" in the consolidated statements of operations.

We recognized impairment charges of \$60.4 million and \$ 17.9 million for the years ended December 31, 2020 and 2019, respectively, which is included in "Impairment charges" in our consolidated statement of operations. Refer to Note 4 *Impairment charges* for further details.

The following table summarizes impairment charges by geographic segment for the years ended December 31, 2020 and December 31, 2019 (in thousands):

2020:	CR&C	Technology	Trademarks	Total
ESSA	\$ -	\$ 6,909	\$ 4,070	\$ 10,979
ASIA	-	7,100	-	7,100
NLA	10,262	20,616	11,437	42,315
Total	<u>\$ 10,262</u>	<u>\$ 34,625</u>	<u>\$ 15,507</u>	<u>\$ 60,394</u>
2019:	CR&C	Technology	Trademarks	Total
ESSA	\$ 7,760	\$ 4,712	\$ 1,620	\$ 14,092
NLA	-	3,809	-	3,809
Total	<u>\$ 7,760</u>	<u>\$ 8,521</u>	<u>\$ 1,620</u>	<u>\$ 17,901</u>

Expected future intangible asset amortization as of December 31, 2020 is as follows (in thousands):

Years ending December 31,	
2021	\$ 24,984
2022	24,036
2023	24,036
2024	24,036
2025	24,036
Thereafter	52,040
Total	<u>\$ 173,168</u>

16. Goodwill

Our reporting units are either our operating segments or components of our operating segments depending on the level at which segment management oversees the business. Our reporting units include ECIS, SSA, MENA, ASIA, North America ("NAM") and Latin America ("LATAM").

The allocation of goodwill by reporting segment was as follows (in thousands):

	December 31,	
	2020	2019
ESSA	\$ 14,504	\$ 14,504
ASIA	11,000	48,890
MENA	-	123,891
NLA	-	24,287
Total	<u>\$ 25,504</u>	<u>\$ 211,572</u>

Expro Holdings UK 2 Limited
Notes to the Consolidated Financial Statements
Years Ended December 31, 2020 and 2019

16. Goodwill (continued)

The following table provides the gross carrying amount and cumulative impairment charges of goodwill for each reportable segment as of December 31, 2020 and 2019 (in thousands):

	2020				2019			
	Cost	Additions	Accumulated impairment	Net Book Value	Cost	Additions	Accumulated impairment	Net Book Value
ESSA	\$ 27,855	\$ -	\$ (13,351)	\$ 14,504	\$ 11,637	\$ 16,218	\$ (13,351)	\$ 14,504
ASIA	48,890	-	(37,890)	11,000	42,253	6,637	-	48,890
MENA	123,891	-	(123,891)	-	120,623	3,268	-	123,891
NLA	34,993	-	(34,993)	-	29,586	5,407	(10,706)	24,287
Total	\$ 235,629	\$ -	\$ (210,125)	\$ 25,504	\$ 204,099	\$ 31,530	\$ (24,057)	\$ 211,572

We recorded goodwill impairment charges of \$186.1 million and \$24.1 million for the years ended December 31, 2020 and 2019, respectively. Refer to Note 4 *Impairment charges* for further details.

The following table summarizes the impairment charges by reporting segment for the years ended December 31, 2020 and 2019 (in thousands):

	December 31,	
	2020	2019
ESSA	\$ -	\$ 13,351
ASIA	37,890	-
MENA	123,891	-
NLA	24,287	10,706
Total	\$ 186,068	\$ 24,057

17. Interest bearing loans

On December 20, 2018, we entered into a Revolving Credit Facility (“RCF”) with an aggregate commitment of \$150.0 million with up to \$100.0 million available for drawdowns as loans and up to \$50 million for bonds and guarantees. The RCF bears interest at U.S. dollar LIBOR plus 3.75% and is secured by a fixed and floating charge on the assets including cash and cash equivalents, accounts receivables, inventories and property, plant and equipment of some of our fully owned subsidiaries as defined in the agreement. During 2020, the Group entered into an amended agreement, which extended the maturity date of the RCF to December 31, 2022.

On December 18, 2020, the Group agreed to a \$12.5 million incremental facility, under the same RCF extended terms, bringing the aggregate commitment to \$162.5 million with up to \$100 million available for drawdowns as loan and up to \$62.5 million for bonds and guarantee.

No drawdowns as loans have been made, however, as of December 31, 2020 and 2019, we had utilized \$18.1 million and \$40.2 million, respectively, for bonds and guarantees.

18. Leases

We are a lessee for numerous operating leases, primarily related to real estate, transportation and equipment. The terms and conditions for these leases vary by the type of underlying asset. The vast majority of our operating leases have terms ranging between one and fifteen years, some of which include options to extend the leases, and some of which include options to terminate the leases. We include the renewal or termination options in the lease terms, when it is reasonably certain that we will exercise that option. We also lease certain real estate and equipment under finance leases. Our lease contracts generally do not provide any guaranteed residual values.

The accounting for some of our leases may require significant judgment, which includes determining whether a contract contains a lease, determining the incremental borrowing rates to utilize in our net present value calculation of lease payments for lease agreements which do not provide an implicit rate, and assessing the likelihood of renewal or termination options.

Expro Holdings UK 2 Limited
Notes to the Consolidated Financial Statements
Years Ended December 31, 2020 and 2019

18. Leases (continued)

The following tables illustrate the financial impact of our leases as of and for the twelve months ended December 31, 2020 and December 31, 2019, along with other supplemental information about our existing leases (in thousands, except years and percentages):

	December 31,	
	2020	2019
<i>Components of lease expenses:</i>		
Finance lease cost:		
Amortization of right of use assets	\$ 1,649	\$ 2,243
Interest incurred on lease liabilities	2,386	2,478
Operating lease costs	19,870	24,915
Short term lease costs	56,156	66,450
Total lease costs	<u>\$ 80,061</u>	<u>\$ 96,086</u>

	December 31,	
	2020	2019
<i>Other supplementary information (in thousands, except years):</i>		
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 23,134	\$ 24,095
Weighted average remaining lease term:		
Operating leases	8.5	8.7
Finance leases	11.7	11.9
Weighted average discount rate for operating leases	10.0%	10.3%
Weighted average discount rate for finance leases	13.5%	13.5%

The operating cash flows for finance leases approximates the interest expense for the year.

As of December 31, 2020, maturity of our lease liabilities are as follows (in thousands):

	Operating Leases	Finance Leases
Years ending December 31,		
2021	\$ 20,223	\$ 3,466
2022	14,740	3,313
2023	12,240	3,038
2024	9,686	2,916
2025	8,671	2,853
Due after 5 years	46,545	20,270
	112,105	35,856
Less: amounts representing interest	(39,463)	(17,662)
Total	<u>\$ 72,642</u>	<u>\$ 18,194</u>
Short-term portion	\$ 14,057	\$ 1,220
Long-term portion	<u>\$ 58,585</u>	<u>\$ 16,974</u>

19. Commitments and Contingencies

Commercial Commitments

During the normal course of business, we enter into commercial commitments in the form of letters of credit and bank guarantees to provide financial and performance assurance to third parties. We had entered into contractual commitments for the acquisition of property, plant and equipment totaling \$42.3 million and \$62.4 million as of December 31, 2020 and 2019, respectively.

Expro Holdings UK 2 Limited
Notes to the Consolidated Financial Statements
Years Ended December 31, 2020 and 2019

19. Commitments and Contingencies (continued)

Litigation

In the ordinary course of business, the Group is routinely involved in various pending or threatened litigation claims on disputes incidental to our business, which may or may not be covered by insurance. In our opinion, the Group's ultimate liability, if any, with respect to these action legal claims, disputes or compliance reviews is not expected to have a material adverse effect on these consolidated financial statements.

20. Post-retirement benefits

We operate a number of pension plans, primarily consisting of defined contribution plans for UK and non-UK employees. We also sponsor defined benefit pension plans for certain UK, Norway and Indonesia employees. The majority of our pension cost relates to defined contribution plans. The assets of the various defined benefit plans are held separately from those of the Group. Our principal retirement savings plans and pension plans are discussed below.

Defined contribution plans

We offer certain retirement savings plans to UK and non-UK employees. These plans are managed in accordance with applicable local statutes and practices and are defined contribution plans. These plans include a Group Personal Pension plan ("GPP") for UK employees, which is a portable, personal pension plan to which the employer contributes on a matching basis between a base of 4.5% and a ceiling of 6% of base salary. In addition, we offer 401k retirement savings plans for our United States employees and other defined contribution plans for our employees in Canada.

Effective July 1, 2020, the GPP for UK employees was temporarily modified, with the employer contribution matching basis ceiling being reduced to 4% of base salary from 6% of base salary and the employer contributions to the 401K retirement savings plan for our United States employees were temporarily suspended. As of December 31, 2020, these temporary reductions and suspensions were still in place.

Expenses recognized in respect of these plans were \$6.4 million and \$8.7 million for the years ended December 31, 2020 and 2019, respectively.

Defined benefit plans

We offer a pension plan to certain of our UK employees, which qualifies as a defined benefit plan. Effective October 1, 1999, this plan was closed to new entrants. The contributions to the plan are determined by a qualified external actuary on the basis of an annual valuation.

In December 2015, the decision was taken to close the UK defined benefit plan ("DB Plan") to new accrual. The status of the DB Plan's remaining active members has changed to that of deferred member. This change affected approximately 80 employees. As deferred members, these employees will no longer accrue further benefits under the DB Plan through their service. However, benefits earned through past service are retained and will continue to increase with inflation. In addition, affected individuals were auto-enrolled in the Group's defined contribution pension plan ("DC Plan").

On December 28, 2020, the Group, with the written consent of the trustees, amended the DB Plan rules to introduce a new pension option for members who retire before their state pension age - a bridging pension option. Under this new option, a plan member who receives his or her pension before the later of age 65 or their state pension age can elect to have their pension temporarily increased at retirement and then reduced at the time of state pension.

We also operate defined benefit and insured defined benefit arrangements in Norway. The assets of the plan are insurance contracts which guarantee the pensions secured to date, and an annual valuation of the plan amends the contribution rate each year.

In addition, we operate defined benefit arrangements under Indonesian Labor law providing retirement benefit, death, disability, voluntary resignation and other payments of severance due to change of ownership, redundancy and receivership, using lump sum formula expressed in terms of a multiple of final wages depending on the years of service completed.

Expro Holdings UK 2 Limited
Notes to the Consolidated Financial Statements
Years Ended December 31, 2020 and 2019

20. Post-retirement benefits (continued)

Further, the Group previously operated a defined benefit final pay pension plan in Holland. This plan was closed during 2020 and the transition has been made to a defined contribution plan. The closure of the defined benefit plan has been accounted as curtailment of the plan as per ASC 715 *Compensation - Retirement benefits* resulting in a net exceptional gain of \$2.3 million included in "Other income, net" in the consolidated statements of operations.

Key assumptions

The major assumptions, included on a weighted average basis across the defined benefit plans (UK, Holland, Norway and Indonesia), used to calculate the defined benefit plan liabilities were:

	December 31,	
	2020	2019
Discount rate	1.3%	2.0%
Expected return on plan assets	2.7%	3.4%
Expected rate of salary increases	0.1%	0.1%

The discount rate has been calculated with reference to AA rated corporate bonds of a suitable maturity. Expected rates of salary increases have been estimated by management following a review of the participant data. Within the UK plans pensionable salary was frozen in 2012 resulting in the reduction in the weighted average assumption for salary increases disclosed above.

The expected long-term return on cash is based on cash deposit rates available at the reporting date. The expected return on bonds is determined by reference to UK long term government bonds and bond yields at the reporting date. The expected rates of return on equities and property have been determined by setting an appropriate risk premium above government bond yields having regard to market conditions at the reporting date.

Net periodic benefit cost

Amounts recognized in the consolidated statements of operations and in the consolidated statements of comprehensive loss in respect of the defined benefit plans were as follows (in thousands):

	Year Ended December 31,	
	2020	2019
Current service cost	\$ (539)	\$ (1,218)
Interest cost	(4,551)	(6,083)
Expected return on plan assets	6,064	6,425
Plan curtailment / amendment events recognized in consolidated statements of operations	2,269	47
Reclassified net remeasurement loss	(104)	-
Amounts included in consolidated statements of operations	3,139	(829)
Remeasurement loss on defined benefit plans	(9,356)	(3,521)
Plan curtailment / amendment credit recognized in consolidated statements of other comprehensive loss	5,510	-
Reclassified net remeasurement gains	104	-
Other comprehensive loss	(3,742)	(3,521)
Total comprehensive loss	\$ (603)	\$ (4,350)

The service costs have primarily been included in "Cost of revenue" in the consolidated statements of operations. Interest cost, expected return on plan assets and plan curtailment / amendment events have been recognized in "Other income, net" in the consolidated statements of operations.

Expro Holdings UK 2 Limited
Notes to the Consolidated Financial Statements
Years Ended December 31, 2020 and 2019

20. Post-retirement benefits (continued)

The remeasurement loss is derived from the components shown in the table below (in thousands):

	Year Ended December 31,	
	2020	2019
Remeasurement gain on assets	\$ 16,678	\$ 18,801
Remeasurement loss on liabilities	(26,034)	(22,322)
Remeasurement loss on defined benefit plans	<u>\$ (9,356)</u>	<u>\$ (3,521)</u>

The amount of employer contributions expected to be paid to our defined benefit plans during the years to December 31, 2030 is set out below: (in thousands).

Years ending December 31:	
2021	\$ 4,028
2022	\$ 4,146
2023	\$ 4,296
2024	\$ 4,425
2025	\$ 4,515
Thereafter to December 31, 2030	\$ 16,461

The amounts included in the consolidated balance sheets arising from our obligations in respect of defined retirement benefit plans and post-employment benefits was as follows (in thousands):

	December 31,	
	2020	2019
Present value of defined benefit obligations	\$ (261,576)	\$ (254,271)
Fair value of plan assets	203,630	194,554
Deficit recognized under non-current liabilities	<u>\$ (57,946)</u>	<u>\$ (59,717)</u>

Changes in the present value of defined benefit obligations were as follows (in thousands):

	December 31,	
	2020	2019
Balance at the beginning of the period	\$ (254,271)	\$ (223,910)
Current service cost	(539)	(1,218)
Interest cost	(4,551)	(6,083)
Contributions from plan members	-	(103)
Remeasurement losses	(26,034)	(22,322)
Plan amendments	4,873	47
Settlements	17,432	-
Exchange differences	(8,026)	(8,620)
Benefits paid	9,505	7,913
Payroll tax of employer contributions	35	25
Balance at the end of the period	<u>\$ (261,576)</u>	<u>\$ (254,271)</u>

Expro Holdings UK 2 Limited
Notes to the Consolidated Financial Statements
Years Ended December 31, 2020 and 2019

20. Post-retirement benefits (continued)

Movements in fair value of plan assets were as follows (in thousands):

	December 31,	
	2020	2019
Balance at the beginning of the period	\$ 194,554	\$ 166,663
Actual return on plan assets	22,742	25,226
Exchange differences	6,393	6,518
Contributions from the sponsoring companies	4,005	3,982
Contributions from plan members	-	103
Settlements	(14,524)	-
Benefits paid	(9,505)	(7,913)
Payroll tax of employer contributions	(35)	(25)
Balance at the end of the period	<u>\$ 203,630</u>	<u>\$ 194,554</u>

The actual return on plan assets consists of the following (in thousands):

	December 31,	
	2020	2019
Expected return on plan assets	\$ 6,064	\$ 6,425
Remeasurement gain on plan assets	16,678	18,801
Actual return on plan assets	<u>\$ 22,742</u>	<u>\$ 25,226</u>

The investment strategy of the main UK plan ("UK Plan") is set by the trustees and is based on advice received from an investment consultant. The primary investment objective for the UK Plan is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they become due. In doing so, the aim is to maximize returns at an acceptable level of risk taking into consideration the circumstances of the UK Plan.

The investment strategy has been determined after considering the UK Plan's liability profile and requirements of the UK statutory funding objective, and an appropriate level of investment risk.

Taking all these factors into consideration, approximately 58% of the assets are invested in a growth portfolio, comprising diversified growth funds ("DGFs") and property, and approximately 42% of the assets in a stabilizing portfolio, comprising corporate bonds and liability driven investments. DGFs are actively managed multi-asset funds. The managers of the DGFs aim to deliver equity like returns in the long term, with lower volatility. They seek to do this by investing in a wide range of assets and investment contracts in order to implement their market views.

The present value of the UK Plan's future benefits payments to members is sensitive to changes in long term interest rates and long-term inflation expectations. Liability driven investment ("LDI") funds are more sensitive to changes in these factors and therefore provide more efficient hedging than traditional bonds. A small proportion of the assets have therefore been invested in LDI funds to help to reduce the volatility of the UK Plan's funding position. The hedging level is expected to be increased over time as the UK Plan's funding position improves.

Assets of the other plans are invested in a combination of equity, bonds, real estate and insurance contracts.

The analysis of the plan assets and the expected rate of return at the reporting date were as follows (in thousands):

	December 31, 2020		December 31, 2019	
	Expected rate of return %	Fair value of asset	Expected rate of return %	Fair value of asset
Mutual funds				
DGFs	4.2	\$ 116,590	4.8	\$ 110,725
LDI funds	0.7	67,395	1.3	46,971
Bond funds	1.4	17,382	2.0	21,495
Equities	2.3	233	2.3	230
Other assets	1.8	2,030	2.0	15,133
Total		<u>\$ 203,630</u>		<u>\$ 194,554</u>

Expro Holdings UK 2 Limited
Notes to the Consolidated Financial Statements
Years Ended December 31, 2020 and 2019

20. Post-retirement benefits (continued)

The aggregated asset categorization for the plans were as follows (in thousands):

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Mutual funds				
DGF's	\$ 116,590	\$ -	\$ -	\$ 116,590
LDI funds	67,395	-	-	67,395
Bond funds	17,382	-	-	17,382
Equities	233	-	-	233
Other assets	1,301	437	292	2,030
Total	<u>\$ 202,901</u>	<u>\$ 437</u>	<u>\$ 292</u>	<u>\$ 203,630</u>

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Mutual funds				
DGF's	\$ 110,725	\$ -	\$ -	\$ 110,725
LDI funds	46,971	-	-	46,971
Bond funds	21,495	-	-	21,495
Equities	230	-	-	230
Other assets	-	347	14,786	15,133
Total	<u>\$ 179,421</u>	<u>\$ 347</u>	<u>\$ 14,786</u>	<u>\$ 194,554</u>

Other assets primarily represent insurance contracts. The fair value is estimated, based on the underlying defined benefit obligation assumed by the insurers.

Movements in fair value of Level 3 assets were as follows (in thousands):

	December 31,	
	2020	2019
Balance at the beginning of the period	\$ 14,786	\$ 12,928
Actual return on plan assets	4	2,362
Exchange differences	(2)	(266)
Contributions from the sponsoring companies	28	405
Contributions from plan members	-	103
Settlement	(14,524)	-
Benefits paid	-	(746)
Balance at the end of the period	<u>\$ 292</u>	<u>\$ 14,786</u>

21. Management incentive plan

Stock based compensation plans

During October 2018, the Group's Board approved the Management Incentive Plan which comprises of (a) stock options to non-executive directors and key management personnel and (b) restricted stock units.

Stock options

Our Parent Company's stock option plans provide for the issuance of stock options to non-executive directors and key management personnel of the Group, all of which become exercisable only on the occurrence of a Liquidity Event, as defined in the plan. The options vest over the vesting period defined in the awards, subject to the fulfilment of continued service. Additionally, a portion of the management options are subject to performance conditions linked to the internal rate of returns ('IRR') in addition to the service condition.

There were 5.8 million and 6.4 million stock options issued and outstanding as of December 31, 2020 and 2019, respectively, with a weighted average exercise price of \$20.83 and \$20.81, respectively. The Parent Company granted no stock options in 2020 and granted 1.0 million stock options in 2019. Forfeitures consisted of 0.6 million and 0.4 million stock options during 2020 and 2019, respectively.

Expro Holdings UK 2 Limited

Notes to the Consolidated Financial Statements

Years Ended December 31, 2020 and 2019

21. Management incentive plan (continued)

Restricted stock units

In addition to stock options, certain management personnel have been granted restricted stock units ("RSUs"), where each unit represents the right to receive, at the end of a stipulated period, one unrestricted share of stock with no exercise price. RSUs are subject to vesting over a three-year period. RSUs are only exercisable on a Liquidity Event as defined in the plan rules.

There were 0.1 million outstanding RSUs as of December 31, 2020 and 2019.

The fair value of the stock options granted to non-executive directors and RSUs were estimated at the grant date using the Black-Scholes model and the fair value of the stock option granted to management was estimated using a Monte-Carlo Option valuation model. The grant-date fair value of the Parent Company's shares is a key input in determination of the fair value of the awards.

The key assumptions used to estimate the fair value of the stock options and the RSUs were as follows:

Risk free interest rate	1.74% - 3.0%
Expected volatility	40.0%
Dividend yield	0.0%
Weighted average fair value per share	\$ 20.69

The following table presents the weighted average fair value per option outstanding to non-executive directors and management and the stock options' remaining terms as of:

	December 31,	
	2020	2019
Non-executive directors	\$ 11.05	\$ 11.05
Management	\$ 7.82	\$ 7.84
Remaining term	7.10 years	8.10 years

Due to the nature of the performance and exercise conditions, recognition of compensation cost for the stock options and RSU have been deferred until the occurrence of a Liquidity Event, as defined in the Management Incentive Plan rules. As of December 31, 2020 and 2019, the total compensation cost related to non-vested stock option and RSUs not yet recognized was \$49.2 million and \$53.9 million, respectively.

22. Related party disclosures

Our related parties consist primarily of CETS and PVD-Expro, the two companies in which we exert significant influence. During the years ended December 31, 2020, and 2019, we provided goods and services to CETS and PVD-Expro totaling \$13.9 million and \$11.7 million, respectively. Additionally, during the years ended December 31, 2020, and 2019, we received dividends from CETS and PVD-Expro totaling \$3.6 million and \$3.1 million, respectively.

As of December 31, 2020 and 2019, amounts receivable from the related parties related to the sale of such good and services were \$7.2 million and \$9.0 million, respectively.

23. Subsequent events

The Group has evaluated subsequent events through March 26, 2021, the date the consolidated financial statements were issued. There were no events between the reporting date and the date the financial statements were issued that require disclosure, other than as disclosed below:

On March 11, 2021, our Parent Company announced that it had entered into a definitive agreement to merge with Frank's International N.V., a leading provider of tubular running services, tubular products and offerings and cementing solutions. The merger is subject to shareholder approval of both parties, regulatory approval and to other customary closing conditions. The transaction is expected to close in Q3 2021.