Welltec A/S Annual Report 2022

Welltec A/S
CVR No.: 13 47 88 05
Gydevang 25, DK-3450 Allerød

Welltec's Annual report 2022
Approved at the Annual Shareholders'
Meeting on 16 June 2023

Meeting CHAIRPERSON: Peter Schnettler Kristensen

Welltec®

Contents

Company profile

Welltec A/S is a part of the Welltec International Group (Central Business Registration No: 30 69 50 03), where consolidated figures from the Group can be obtained.

Welltec® is a global technology company that develops and provides efficient, hi-tech solutions for the energy Industry. Our pioneering technology enables our clients to optimize the management and development of their assets across the entire life cycle. We address factors that maximize value creation, continuously innovating to reduce well construction time, speed up access to hydrocarbons, increase reservoir contact, and enhance production whilst minimizing operating downtime and footprint.

It is our philosophy to challenge existing conventional thinking in order to develop novel products and services which increase oil and gas recovery while improving sustainability, efficiency, environmental and safety aspects of our industry.

Through our in-house state-of-the-art manufacturing facilities we engineer, develop, and manufacture effective and unique technologies that enhance production and recovery rates for our clients.

Our ability to perform complex operations in extended reach and horizontal wells enables operators to drill multiple wells from a single topside location, increasing efficiency and reducing environmental footprint. This same technology also allows for subsequent rigless interventions, significantly reducing the industry's energy consumption and carbon emissions.

As an already trusted and reliable partner to multiple clients within the oilfield, Welltec is also successfully aiding clients within New Energy and Climate Technology with a focused approach to helping clients operating in geothermal energy, carbon capture and storage (CCS) projects.

Key figures and ratios Welltec A/S

USD in millions	2022	2021	2020	2019**	2018
Statement of comprehensive income					
Revenue	172	111	88	134	118
Earnings before interest, tax, depreciation and amortization (EBITDA)*	124	74	52	79	47
Operating profit / (loss) (EBIT) before special items	99	49	19	47	12
Operating profit / (loss) (EBIT)	88	48	22	47	3
Net financial income / (expenses)	7	6	(14)	(3)	(2)
Total profit before tax	95	54	8	44	1
Total net profit / (loss) for the year	69	39	(2)	35	(4)
Cash flows					
Cash flows from operating activities	82	71	85	43	53
Cash flows from investing activities	(13)	192	(49)	(3)	(26)
Cash flows from financing activities	(55)	(253)	(37)	(32)	(36)
Total cash flows	14	10	(1)	8	(9)
Balance					
Trade receivables	15	11	5	9	11
Equity***	120	53	15	28	5
Total assets***	280	251	440	487	436
Investments in intangible assets*	6	9	7	6	10
Investments in tangible assets*	19	15	14	25	20
Key ratios*					
EBITDA margin in percent*	72	67	58	59	40
EBIT margin before special items in percent	57	44	26	35	4
ROIC excl. goodwill in percent***	82	42	17	44	4
Return on equity in percent***	80	110	(9)	131	(24)
Number of employees, average	229	216	213	320	290

*For definitions of key ratios, investments and EBITDA see page 51.
**IFRS 16 Leases was adopted 1 January 2019. Key figures from previous periods were not restated.
***An accounting error related to 2013/14 has been identified and corrected retrospectively in the annual report for 2020, whereas comparison figures for 2019 have been adjusted.

Financial review

Income statement

USD in millions	2022	2021	Change in %
Revenue	172	111	54
Cost of service provided	(40)	(37)	(7)
Total gross profit	132	74	78
Development and manufacturing costs	(7)	(8)	8
Administrative expenses and sales costs	(26)	(17)	(51)
Total operating profit (EBIT) before special items	99	49	>100
Special items	(11)	(1)	n/a
Total operating profit (EBIT)	88	48	80
Net financial income	7	6	20
Income taxes	(26)	(15)	(64)
Total profit for the year	69	39	78

Alternative performance measures - EBITDA reconciliation

USD in millions	2022	2021
Profit for the period	69	39
Income taxes	25	15
Financial income	(7)	(6)
Depreciation and amortization	24	24
Impairment loss	2	2
Issued warrants	0	0
Special items	11	0
Total EBITDA	124	74

Revenue
Revenues amounted to USD 172 million, an increase of 54% year on year. The increase in revenue reflects an increase in Intervention Services of 45%.

Cost of service provided
The cost of services provided was USD 40 million, an increase of 7% compared to last year. The increase was primarily attributable to higher activity in 2022.

Development and manufacturing costs
Development and manufacturing costs, not capitalised, decreased to USD 7 million, which is USD 1 million lower than in 2021, due to less spending on development and higher degree on development projects, which meet the criteria for capitalization.

Administrative expenses and sales costs
Administrative expenses and sales costs were USD 26 million, an increase of 51% compared to last year. The increase is related to higher travel cost and salaries to an increased number of employees.

Earnings before interest, tax, depreciation, amortization and special items (EBITDA)
EBITDA increased to USD 124 million, representing a margin of 72% against 67% in 2021. The increase in EBITDA was mainly attributable to higher sales and better margins.

Operating profit before special items (EBIT)
EBIT increased to USD 99 million from USD 49 million in 2021. The EBIT margin was 57% against 44% in 2021. The increased EBIT is related to higher sales.

Net financial income
Net financial income were USD 7 million. The dividends from subsidiaries are USD 13 million in 2022.

Income taxes
Income taxes were an expense of USD 26 million, an increase of USD 11 million year on year.

Result for the year
2022 resulted in a profit of USD 69 million, representing an increase in the result of USD 30 million compared to 2021, driven by higher sales and lower interest expenses.

Outlook

For 2022 Welltec A/S expected a global revenue growth in the low to mid-teens percentage, and an EBITDA margin in line with 2021. The result for 2022 exceeded our expectations. Market conditions were favourable, our clients very clearly requested our services and products at an all time high level and our organization delivered very strong service quality and safety.

CAPEX levels were expected to be slightly higher compared to 2021, ensuring adequate resources to develop new innovative technology, business areas and to support the production of spare parts and tools to the fleet of well intervention equipment. Due to the significant increase in revenue, CAPEX increased more than expected in the outlook for 2022 primarily driven by increased tool production.

Going into 2023, we continue to experience very strong demand for our industry-leading intervention technologies.

The current supply/demand in mind, we expect to see an overall OPEX spend increase amongst Oil & Gas operators, hence also an increase in demand for OFS services and products. This combined with our leading and highly differentiated offerings points towards a satisfactory result for full-year 2023.

For 2023, we expect single digit percentage growth in revenue compared to 2022. The EBITDA margin is expected to be in line with 2022.

CAPEX levels are expected to be slightly higher compared to 2022, ensuring adequate resources to develop new innovative technology, business areas and to support the production of spare parts and tools to the fleet of well intervention equipment.

2023

Risks

Risks Related to Our Business

Business and Industry Related Risks

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

Cyclical Market

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

Customers

Welltec's clients are typically not required to make minimum purchases under sales contracts and customers can typically terminate contracts without cause and on short notice. Notwithstanding our broad customer base, Welltec has two customers that accounted for more than 10% of our revenue, hence termination of this relationship would have an adverse effect on our revenue and profits. As such, visibility with respect to future revenues is limited and there can be no assurance that a trading relationship with important customers will continue.

Competitors

Welltec competes with large multinational companies that can offer a broader portfolio of integrated services compared to Welltec. Further, Welltec is, to some extent, dependent on equipment provided by our competitors and acts or omissions by such competitors could restrict us from accessing wells using their equipment. In general, competition can result in pricing pressures, lower sales and reduced margins that could have an adverse effect on Welltec's revenue and profits.

Operational Risks

Service Quality

Welltec's ability to provide a high quality product and service provision is paramount to securing repeated sales with new and existing clients.

Our service quality can be negatively affected by an inability to attract, train and retain highly skilled and qualified personnel to develop, manufacture and operate our equipment, with an adverse effect on Welltec's revenue.

Supply Chain

Welltec may experience constraints, anomalies or interruptions in our supply chain, ultimately restricting Welltec's ability to meet customer expectations. Such constraints may be due to supply chain bottlenecks, delays or disruptions in clearing goods from customs or events restricting Welltec's ability to procure, develop or manufacture new equipment or spare parts or maintain the existing fleet, and such could negatively affect our results of operations.

Catastrophic Events

Welltec's business operations could be subject to various catastrophic events, including blow outs, explosions, damage to or loss of third party property, injury to personnel, reputational damage and oil and hazardous substance spills into the environment, both on and off shore. Such events could, if the impact of such event is not covered by Welltec's insurance or are not subjected to Welltec's contractual indemnification protection, have an adverse effect on Welltec's revenue and profits.

Financial Risks

Financial Exposure

Due to Welltec's foreign activities in foreign currencies, its profit/loss, cash flows and equity are affected by changes in exchange rates for a number of currencies.

Foreign exchange fluctuations

The reporting currency of the Group is US Dollars and the functional currency for most of the Group's subsidiaries is that of the country in which the subsidiary is domiciled. The functional currency of the Danish operation and operations in some other countries is US dollars. This reflects the revenue and principal source of financing. A significant proportion of the Group's revenues, expenses and other liabilities are denominated in currencies other than the US Dollar, in particular Norwegian Kroner, Danish Kroner and Russian Rouble. Fluctuations in the value of other currencies as compared with the US Dollar could result in translation losses or gains.

Taxes

Welltec files income tax returns in multiple jurisdictions. Welltec's effective tax rate could be adversely affected by several factors, including changes in the income taxed by or allocated to the various jurisdictions with differing statutory tax rates; changing tax laws, regulations and interpretations of such tax laws in multiple jurisdictions; and the resolution of issues arising from tax audits or examinations together with any related interest or penalties. The determination of local tax liability is always subject to review or examination by authorities in operating jurisdictions. If a tax authority in any jurisdiction reviews filed tax returns and based on filing proposes an adjustment, including adjustments of transfer prices and terms applied, such an adjustment could have a negative impact on Welltec's net profit.

Liquidity Risk

Welltec's ability to make payments, refinance indebtedness, fund planned capital expenditures and other strategic investments will depend on our ability to generate cash in the future. This is, to a certain extent subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. Welltec expects to continue making capital investments in order to develop and purchase additional equipment to expand our services, increase our capacity and replace existing equipment. Such capital investments require cash that could otherwise be applied to other business needs. However, if Welltec does not incur these expenditures our competitive strength may decline and our business may be adversely affected. Further, Welltec faces a risk towards cash held in banks in jurisdictions, where cash balances can not be moved freely around in the Group.

Geopolitical Risk

Geopoltical tension and risk of armed conflicts, including the risk of terrorism, may impact Welltec's ability to operate and forecast performance.

Risks continued

Legal Risks

Regulatory

Welltec conducts business in multiple jurisdictions in a highly regulated industry. As such, Welltec is, directly or indirectly, subject to a variety of federal, provincial, state and local laws, regulations and guidelines, in all such jurisdictions, including laws and regulations relating to health and safety, the conduct of operations including business ethics and trade compliance, taxation, the protection of the environment and the manufacture, management, transportation and disposal of certain materials used in operations. Accordingly, Welltec could become subject to liabilities relating to the violation of such regulations in multiple jurisdictions, with an adverse effect on profits.

Technology

Welltec is a technology company, constantly challenging the operational boundaries in the industry. However, third parties may assert that our products, services, solutions and other intellectual property may infringe, on their proprietary rights. Any such potential future claims, regardless of merit, could result in multi-jurisdictional litigation, which could result in substantial expenses, cause significant delays and materially disrupt the conduct of business and have an adverse effect on our financial condition and results of operations.

Branches

An overview of the branches in the Welltec A/S Group can be found on page 50.

Environment, Social and Government

For information about the Company's Environment, Social and Governement and data ethics in accordance with section 99a and 99d of the Danish Financial Statement Act please refer to the annual report of Wellltec International ApS 2022 CVR no. 30695003, which can be obtained at www.welltec.com.

Section 99b of the Danish Financial Statement act
Our policy on the diversity agenda is to reflect and secure equal opportunities especally within management positions.

As is common in the oil and gas industry, the share of females is low in Welltec, however, Welltec actively works to increase the share of females in management positions, for example, by putting the needed extra effort into identifying relevant female candidates when recruiting which we will continue to work on in the coming years. Welltec aims to increase the share of female in management positions. The Senior Management team consists of two male members, the Chief Executive Officer and the Chief Financial Officer. The Board of Directors previously set the objective to have at least one female member before or at the latest in 2024. This was achieved in 2022, as one female member was appointed in March 2022. As of 31 December 2022, the Board of Directors consists of five male members and one female member. The Board of Directors is looking to appoint at least one more female candidate before 2024.

Company Details

Company
Welltec A/S
Gydevang 25
3450 Allerød
Denmark

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Central Business Registration No: 13 47 88 05
Registered in: Allerød
Financial year: 1 January – 31 December 2022

Executive Board
Peter Hansen, Chief Executive Officer
Michael Christensen, Chief Financial Officer

Board of Directors
Niels Harald de Coninck-Smith, Chairman
Alasdair Geddes Shiach
Benoît Ribadeau-Dumas
Klaus Martin Bukenberger
Maite Labairu Trenchs
Michel Pierre René Hourcard

Company auditors
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Statement by management on the annual report

We have today considered and approved the annual report of Welltec A/S for the financial year 1 January 2022 to 31 December 2022.

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

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2022 as well as of financial performance and cash flows for the financial year 1 January - 31 December 2022.

We also believe that the management review contains a fair review of the development of Company's activities and financial position, together with a description of the principal risks and uncertainties that the Company face.

We recommend the annual report for adoption at the Annual General Meeting

Allerød 8 June 2023

Executive Board

Peter Hansen
Chief Executive Officer

Michael Christensen
Chief Financial Officer

Board of Directors

Niels Harald de Coninck-Smith
Chairman

Alasdair Geddes Shiach

Benoît Ribadeau-Dumas

Klaus Martin Bukenberger

Maite Labairu Trenchs

Michel Pierre René Hourcard

Independent auditor's report

To the shareholder of Welltec A/S

Opinion
In our opinion, the Financial Statements give a true and fair view of the Company's financial position at 31 December 2022 and of the results of the Company's operations and cash flows for the financial year 1 January to 31 December 2022 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

We have audited the Financial Statements of Welltec A/S for the financial year 1 January - 31 December 2022, which comprise statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, for the Company ("financial statements").

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

Statement on Management Review
Management is responsible for the Management Review.

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

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

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

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

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

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

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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a

Independent auditor's report Continued

basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

Hellerup 8 June 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Central Business Registration No. 33 77 12 31

Tue Stensgård Sørensen
State Authorized
Public Accountant
mne32200

Henrik Kyhnauv
State Authorized
Public Accountant
mne40028

Statement of comprehensive income

USD in thousands	Note	2022	2021
Revenue	3	171,714	111,234
Cost of services provided and goods sold	4,5	(39,694)	(37,119)
Total gross profit		132,020	74,115
Development and manufacturing costs	4,5	(7,298)	(7,948)
Administrative and sales costs	4,5	(26,141)	(17,255)
Total operating profit (EBIT) before special items		98,581	48,912
Net special items	6,7	(11,032)	(408)
Total operating profit (EBIT)		87,549	48,504
Financial income	8	21,204	40,923
Financial expenses	9	(14,084)	(34,981)
Total profit before tax		94,669	54,446
Income taxes	10	(25,447)	(15,524)
Total profit for the year		69,222	38,922

USD in thousands	2022	2021
Total profit for the period	69,222	38,922
Other comprehensive income for the year that will not be reclassified to the income statement, when specific conditions are met:		
Actuarial gains on defined benefit plans	45	-
Other comprehensive income for the year that will be reclassified subsequently to the income statement, when specific conditions are met:		
Unrealized exchange rate adjustments of foreign branches	(2,019)	(1,507)
Total comprehensive income	67,248	37,415
Distribution of profit for the year:		
Welltec International ApS shareholders’ share of profit	69,222	38,922
Proposed dividend	(15,000)	-
Transfer to retained earnings	54,222	-
Total comprehensive income attributable to:		
Welltec International ApS shareholders’ share of comprehensive income	67,248	37,415

Statement of financial position - assets

USD in thousands	Note	31 Dec. 2022	31 Dec. 2021
Non-current assets			
Intangible assets			
Technology		1,323	1,635
Completed development projects		12,612	11,624
Development projects in progress		9,253	10,186
Patents and licenses		11,620	11,943
Total intangible assets	13	34,808	35,388
Tangible assets			
Land and buildings		-	-
Leasehold improvements		1,332	770
Plant equipment and fleet		41,134	43,892
Other fixtures, fittings, tools and equipment		296	610
Plant equipment and fleet under construction		20,254	17,255
Right-of-use assets		13,940	14,591
Total tangible assets	14	76,956	77,118
Other non-current assets			
Loans to subsidiaries and affiliates	25	42,020	42,028
Investment in associated company	15	1,028	-
Investments in subsidiaries	16	18,511	18,647
Total other non-current assets		61,559	60,675
Total non-current assets		173,323	173,181

USD in thousands	Note	31 Dec. 2022	31 Dec. 2021
Current assets			
Receivables			
Trade receivables	16	14,716	11,060
Tax receivables		35	316
Receivables from subsidiaries and affiliates	25	46,947	37,429
Other receivables		2,838	2,566
Prepayments		4,069	2,129
Total receivables		68,605	53,500
Cash and cash equivalents		38,051	24,612
Total current assets		106,656	78,112
Total assets		279,979	251,293

Statement of financial position - liabilities

USD in thousands	Note	31 Dec. 2022	31 Dec. 2021
Equity			
Share capital	18	53,218	53,218
Currency translation reserve		(10,753)	(8,734)
Reserve for capitalized development projects		17,055	21,810
Retained earnings		45,784	(13,595)
Proposed dividend		15,000	-
Total equity		120,304	52,699
Non-current liabilities			
Deferred tax liabilities	19	5,855	6,578
Finance lease liabilities	21	11,850	13,563
Loan payable to subsidiaries and affiliates	21	82,022	130,072
Defined benefit plans	20	357	330
Other liabilities	21	1,926	2,562
Total non-current liabilities		102,010	153,105
Current liabilities			
Current portion of finance lease liabilities	21	1,487	1,346
Payables to subsidiaries and affiliates	25	15,593	24,934
Trade payables		11,054	9,180
Current tax liabilities		21,891	5,202
Other payables	22	7,640	4,827
Total current liabilities		57,665	45,489
Total liabilities		159,675	198,594
Total equity and liabilities		279,979	251,293

Statement of changes in equity

USD in thousands	Share capital	Currency translation reserve	Reserve for capitalized development projects	Retained earnings	Proposed dividend	Total
Total equity at 31 December 2020	53,218	(7,227)	18,675	(49,382)	-	15,284
Profit for the year	-	-	-	38,922	-	38,922
Unrealized exchange rate adj. of foreign branches	-	(1,507)	-	-	-	(1,507)
Total comprehensive income for the year	-	(1,507)	-	38,922	-	37,415
Capitalized development projects	-	-	3,135	(3,135)	-	-
Total other transactions	-	-	3,135	(3,135)	-	-
Total equity at 31 December 2021	53,218	(8,734)	21,810	(13,595)	-	52,699
Profit for the year	-	-	-	54,222	15,000	69,222
Other comprehensive income/(loss)	-	(2,019)	-	-	-	(1,662)
Actuarial adjustments		-	-	45	-	45
Total comprehensive income for the year	-	(2,019)	-	54,267	15,000	67,605
Warrants vested	-	-	-	357	-	357
Capitalized development projects	-	-	(4,755)	4,755	-	-
Total other transactions	-	-	(4,755)	5,112	-	357
Total equity at 31 December 2022	53,218	(10,753)	17,055	45,784	15,000	120,304

Statement of cash flows

	Note	2022	2021
Operating profit (EBIT)		87,549	48,504
Non-cash adjustments	11	38,518	28,781
Changes in working capital	12	(34,548)	3,196
Income taxes paid		(9,200)	(9,961)
Total cash flows from operating activities		82,319	70,520
Investments in intangible assets		(5,546)	(8,519)
Investments in tangible assets		(19,394)	(14,815)
Sale of tangible assets		-	33
Dividend from subsidiaries		12,631	20,078
Repayments from subsidiaries and affiliates		-	195,479
Loan to subsidiaries and affiliates		(309)	-
Investments in associated company		(1,028)	-
Total cash flows from investing activities		(13,646)	192,256
Financial income received		494	17,064
Financial expenses paid		(4,288)	(29,584)
Other financial expenses		(1,212)	(7,218)
Proceeds from bank loan		-	5,000
Installments on bank debts		-	(20,000)
Repayment of bond		-	(340,000)
Loan from subsidiaries and affiliates		-	125,163
Repayment of intercompany loan		(48,050)	-
Installments on leasing commitments		(1,718)	(3,531)
Total cash flows from financing activities		(54,774)	(253,106)
Increase/(decrease) in cash and cash equivalents		13,899	9,670
Cash and cash equivalents 1 January		24,612	14,900
Exchange rate adjustments at beginning of period		(460)	42
Total cash and cash equivalents at 31 December		38,051	24,612

Contents notes

1. Accounting policies

Basis of accounting
The financial statements for 2022 are presented in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU and additional Danish disclosure requirements for annual reports of reporting class C (large) enterprises. Please see the Danish Executive Order on IFRS adoption issued in accordance with the Danish Financial Statement Act.

Pursuant to Section 112 of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The consolidated financial statements for the Welltec Group can be obtained by contacting Welltec International ApS, Allerød, Denmark.

With reference to section 96(3) of the Danish Financial Statement Act, fees to auditors appointed at the annual general meeting have not been disclosed, as the Company is included in the consolidated financial statements of Welltec International ApS.

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

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

The financial statements are presented in accordance with the new and revised standards (IFRS/IAS) and Interpretations (IFRIC).
The accounting policies are unchanged from last year.

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

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

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

Foreign currency translation
On initial recognition, transactions denominated in foreign currencies are translated at the transaction date exchange rate. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the end of the reporting period are translated using the exchange rate at the end of the reporting period.

Exchange differences that arise between the exchange rate at the transaction date and the exchange rate effective at the payment date or the exchange rate at the end of the reporting period are recognized in statement of comprehensive income as financial income or financial expenses. Property, plant, equipment fleet, intangible assets, inventories and other non-monetary assets purchased in foreign currencies and measured based on historical cost are translated at the transaction date exchange rate. If non-monetary items are restated at fair value, they are translated using the exchange rate at the date of restatement.

When foreign branches that use a functional currency different from USD are recognized in the financial statements, the statement of comprehensive income is translated at a monthly average exchange rate unless such exchange rate vary significantly from the actual exchange rate at the transaction dates. In the latter case, the actual exchange rates are used. Statement of financial position items is translated using the exchange rates at the end of the reporting period. The items in profit or loss are translated at average monthly exchange rates, with the exception of items deriving from non-monetary assets and liabilities, which are translated using the historical rates applicable to the relevant non-monetary assets and liabilities.

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

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

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

The current tax payable or receivable is recognized in the statement of financial position, computed as tax calculated on the taxable income for the year, adjusted for prepaid tax.
The current tax charge for the year is calculated based on the tax rates and tax legislation in each country applicable on the balance sheet date.

Deferred tax is recognized on all temporary differences between carrying values and tax-based values of assets and liabilities, except from deferred tax on all temporary differences on initial recognition of goodwill or on initial recognition of a transaction that is not a business combination, and for which the temporary difference found at the time of initial recognition neither affects profit nor loss for the year nor taxable income.

Deferred tax is calculated based on the expected recovery of each asset and the settlement of each liability, respectively.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability settled, based on the tax rates and tax legislation that have been enacted orsubstantively enacted in the respective countries on the balance sheet date. Changes in deferred tax resulting from changed tax rates or tax rules are recognized in profit or loss, unless the deferred tax is attributable to items previously recognized in other comprehensive income or in equity. If so, such changes are also recognized

1. Accounting policies
Continued

in other comprehensive income or in equity. Exchange adjustments on deferred tax are recognized as part of the year's adjustment in deferred tax.

Changes in local tax rates, affecting deferred tax, are used and thus affecting the value of the calculated deferred tax asset, alternatively deferred tax liability at year end.

Deferred tax assets, including the tax base of tax loss carry forwards, are recognized in the statement of financial position at their estimated realizable value, either as a set-off against deferred tax liabilities or as net tax assets for set-off against future positive taxable income. At the end of each reporting period, it is reassessed whether sufficient taxable income is probable to arise in the future for the deferred tax asset to be used.

Statement of comprehensive income

Revenue

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

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

Revenue from sales of goods is recognized in the income statement when control has been transferred to the buyer – usually when delivery and transfer of risk have taken place, and if the income can be reliably measured and is expected to be received.

Revenue is measured at fair value of the consideration received or receivable. If an interest-free credit has been arranged for payment of the consideration receivable that is longer than the usual credit period, the fair value of the consideration is determined by discounting future payments receivable. The difference between fair value and nominal amount of the consideration is recognized as financial income in profit or loss by applying the effective interest method. Revenue is recorded net of VAT, duties and discounts.

Cost of services provided and goods sold

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

Development and manufacturing costs

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

Administrative and sales costs

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

Special items

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

Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Financial income and expenses

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

Statement of financial position

Intangible assets

Development projects

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

On initial recognition, development costs are measured at cost. The cost of development projects comprises costs such as salaries and other costs that are directly attributable to the development projects and are needed to complete the project, calculated from the time at which the development project first meets the specific criteria for being recognized as an asset. Completed development projects are amortized on a straight-line basis using the estimated useful lives of the assets. The amortization period is 5 years. For development projects protected by intellectual property rights, the maximum amortization period is the remaining duration of the relevant rights, however, no more than 20 years.

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

Received grants in relation to development projects are deducted from the cost price of the capitalized asset.

Other intangible assets

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

1. Accounting policies
Continued

tized on a straight-line basis over its estimated useful life of 10 to 20 years.

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

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

The basis of depreciation is cost less estimated residual value after the end of useful life. The residual value is the estimated amount that would be earned if selling the asset today net of selling costs if the asset is of an age and a condition that is expected after the end of useful life straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings: 50 years
Leasehold improvements: 3-10 years
Plant, equipment and fleet: 3-10 years
Other fixtures and fittings, tools and equipment: 3-5 years

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

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

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

If the asset does not generate cash flows separately from other assets, an estimate is made of the recoverable amount of the smallest cash-generating unit of which the asset forms part.

The recoverable amount is calculated as the higher of the asset's and the cash-generating unit's fair value less selling costs and net present value. When the net present value is determined, estimated future cash flows are discounted at present value using a discount rate that reflects current market estimates of the value of money in terms of time, as well as the particular risks related to the asset and the cash-generating unit, respectively, and for which no adjustment is made in the estimated future cash flows.

If the recoverable amount of the asset or the cash-generating unit is estimated to be lower than the carrying amount, the asset is written down to this lower recoverable amount. The individual asset is not written down to an amount that is lower than its fair value net of estimated selling costs.
Impairment losses are recognized in the profit or loss. In case of any subsequent reversals of impairment losses resulting from change in assumptions of the estimated recoverable value, the carrying values of the asset and the cash-generating unit, respectively, are increased to the adjusted estimate of the recoverable value, however, no more than the carrying value which the asset or the cash-generating unit would have had if the write-down had not been performed.

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

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

Investments in associated companies
Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights.

Investments in associates are accounted for under the equity method of accounting meaning that the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the associated companies' profit or loss, and the group's share of movements in other comprehensive income of the associated companies in other comprehensive income. Dividends received or receivable from associates are

1. Accounting policies
Continued

recognised as a reduction in the carrying amount of the investment. Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Investments in subsidiaries
Investments in subsidiaries are measured at cost in the Company's financial statements. Where the recoverable amount of the investments is lower than cost, the investments are written down to this lower value.

Dividends from subsidiaries are recognized in the income statement, when it has been declared.

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

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

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

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

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

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

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

Defined benefit plans
The Company has entered into employee gratitude agreements with certain groups of employees, which are classified as defined benefit plans according to IAS19 Employee Benefits.

The employee obligation is recognized in the statement of financial position under non-current liabilities and is actuarially adjusted yearly.

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

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

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

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

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

Cash and cash equivalents comprise cash.

2. Use of critical accounting, estimats and judgements

The Company prepares its financial statements in accordance with IFRS as adopted by the EU, the application of which often requires judgments to be made by Management when preparing the Company's financial position and results. Under IFRS, Management are required to adopt those accounting policies most appropriate to the Company's circumstances for the purpose of presenting fairly the Company's financial position, financial performance and cash flows.

In determining and applying accounting policies, judgment is often required in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net asset position of the Company; it may later be determined that a different choice would have been more appropriate. Actual results may differ from the accounting estimates.

Estimates and assumptions are reviewed on an ongoing basis and have been prepared taking the market situation into consideration, but still ensuring that one-off effects which are not expected to exist in the long term do not affect estimation and determination of these key factors, including discount rates and expectations about the future.

Management considers that certain accounting estimates and assumptions relating to assets, liabilities and expenses are its critical accounting estimates and judgment.

A discussion of these critical accounting estimates and judgments are provided below and should be read in conjunction with the disclosure of the Company's significant IFRS accounting policies provided in note 1: Accounting policies to the financial statements.

2.1 Capitalization of tool fleet
Welltec's major activity is to provide services related to intervention service and completion solutions to the oil and gas industry, using tools developed and produced by Welltec. The tools are used commercially in more than one accounting period, and are thus considered tangible assets and not inventories.

Costs directly attributable to bringing the tools to the condition necessary for them to be capable of operating in the manner intended by Management are capitalized as part of the costs of plant equipment and fleet. Costs directly related to performing commercial services with the tools are expensed as they occur.

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

Determining directly attributable costs is an accounting judgment.

At 31 December 2022, Welltec has capitalized USD 62,988 thousand as plant equipment and fleet – completed and under construction compared to USD 61,147 thousand at 31 December 2021.

Plant equipment and fleet are depreciated over their useful lives, Plant equipment over 3-10 years and fleet over 5 years.

Please refer to note 12: Tangible assets for further details.

2.2 Capitalization of development projects
An internally generated intangible asset arising from development is recognized if, and only if, all of the criteria in IAS 38 have been meet. Development costs not meeting these criteria are expensed as incurred.

Development costs recognized as self-constructed intangible assets comprise all directly attributable costs necessary to create and prepare the asset to be capable of operating in the manner intended by Management. Such costs include costs of materials and services used in producing prototypes, salaries, fees to register legal rights as well as costs of field testing the developed tool. Determining directly attributable costs is an accounting judgment.

Welltec only engage in development activities aimed at developing new or improved tools for use in providing services to the oil and gas industry, and has no intention of selling developed technology, IP rights etc.

Welltec does not initiate a development project unless a specific need within the oil and gas industry has been identified or anticipated, and consequently that it can be demonstrated how the intangible asset will generate probable future economic benefits.

It is the opinion of Management that due to a short and market-oriented development process, development costs would normally be capitalized.

At 31 December 2022, Welltec has capitalized USD 21,865 thousands as development projects – completed and in progress – compared to USD 21,810 thousand at 31 December 2021.

Completed development projects are amortized over their useful lives of usually 5 years.

2.3 Impairment test of intangible assets
For purposes of assessing the carrying amount of intangible assets of USD 34,808 thousand at 31 December 2022, compared to USD 35,388 thousand at 31 December 2021, Management prepared its annual impairment test.

In performing the impairment test Management makes an assessment of whether Welltec A/S will be able to generate positive net cash flows sufficient to support the value of the intangible assets and other net assets of the entity. This assessment is based on estimates of expected future cash flows (value-in-use) made on the basis of financial budgets and long-term forecasts until the end of 2028. In addition to these the key assumptions used to estimate expected future cash flows are discount rates and growth rates. The oil price is volatile which generally increases the estimation uncertainty.

For a further description of the cash-generating unit, the impairment test and related key assumptions (being expectations about future earnings, growth rate and discount rate) please refer to note 11: Intangible assets.

2. Use of critical accounting, estimats and judgements
Continued

2.4 Impairment of assets located in Russia
The war in Ukraine and the sanctions in place towards Russia lead to uncertanties related to the Company's assets located in Russia, investment in the Russian subsidiary and the intercompany receivables and loans. Therefore, Management decided to make an assessment of the recoverability of the carrying amount of these assets. Management considered the valuation of assets as of 31 December 2022.

Due to significant pressure on the Russian economy, as part of the sanctions imposed, Management assessed that intercompany receivables and loans granted to the Russian subsidiary in prior years would not likely be paid based on the difficulties in the financial position of the Russian economy and in making payments from Russia to foreign countries. Furthermore, the tangible assets (tools fleet) showed significant signs of wear and tear as the tools can no longer be maintained, and therefore the book value did no longer reflect the value in use of the tools.

Consequently, Management has recognised a total write-down of USD 11 million in the Financial Statements for 2022. Significant accounting judgments have been applied to determine the write-down due to the nature of the matter disclosed. The write-down is seen as a special event and in accordance with Group accounting policy recognised as special items.

3. Revenue from contracts with customers

3.1 Disaggregation of revenue from contracts with customers

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

	Europe, Africa & CEA*		Americas		Middle East & Asia Pacific		Total	
USD in thousands	2022	2021	2022	2021	2022	2021	2022	2021
Tool rentals	122,387	80,270	21,007	11,069	25,779	18,647	169,173	109,986
Sale of goods	2,247	1,248	-	-	294	-	2,541	1,248
Total	124,634	81,518	21,007	11,069	26,073	18,647	171,714	111,234

* The geographical region Europe, Africa and CEA was called Europe, Africa & Russia in the financial statements for 2021 and earlier. The change of region name has not affected the figures from 2021 and earlier.

USD 125,756 thousands (2021: USD 83,635 thousands) of the revenue is intercompany revenue. Please refer to note 24: Related parties for more details.

3.2 Assets and liabilities related to contracts with customers

Current contract assets relating to contracts with customers:

	2022	2021
Trade receivables	15,416	11,960
Loss allowance	(700)	(900)
Total contract assets	14,716	11,060

There were no contract liabilities in 2022 and 2021.

For more information about trade receivables and loss allowance, see note 16: Trade receivables.

3. Revenue from contracts with customers
Continued

The Company has no un-satisfied long-term contracts in 2022 (2021: nil). The Company has applied the practical expedient in IFRS 15:121, whereas contracts with a duration below 12 months is not included.

3.4 Performance obligations
Tool rentals
Welltec's major part of the revenue derives from tool rentals (93% of total revenue). Sales are recognized over time, when the rental services have been performed. Revenue recognition takes place when there is no un-fullfilled obligation that could affect the customer's acceptance of the rental service. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A trade receivable will be recognized when the performance obligation has been fulfilled. Payments are typically due within 30 days from receipt of invoice and volume discounts is found in a few contracts. There is no financing component included in payment terms.

Sale of goods
Welltec's minor part of the revenue derives from sale of goods (7% of total revenue). Sales are recognized at a point in time, when the control of the goods has transferred, being the goods delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. The delivery takes place when the goods has been shipped to the specific location and Welltec has the objective evidence that all criteria for acceptance has been satisfied. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A trade receivable will be recognized when the control of the goods has transferred. Payments are typically due within 30 days from receipt of invoice. There is no financing component included in payment terms.

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

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

4. Staff costs

USD in thousands	2022	2021
Breakdown of staff costs:		
Wages and salaries	23,272	21,833
Share based payment to executives	357	-
Payments to defined contribution pension plans	1,304	1,272
Other social security costs	1,675	1,254
Total staff costs	26,608	24,359
Recognition of staff costs in the income statement:		
Cost of services provided	5,587	5,108
Administrative expenses and sales costs	11,197	9,225
Total staff costs in the income statement	16,784	14,333
Staff costs capitalized:		
Development costs capitalized	2,974	3,176
Production staff costs capitalized	6,850	6,850
Total staff costs capitalized	9,824	10,026
Number of employees:		
Average number of employees	229	216

Defined contribution plans
The Company operates pension schemes that cover certain groups of employees in Denmark and in foreign branches. Those pension schemes take the form of defined contribution plans. Welltec arranges for the regular payment (e.g. a fixed amount or a fixed percentage of the salary) of premiums to independent insurers who are responsible for the pension commitments. Once Welltec has made payments of the contribution under the defined contribution pension plans, Welltec has no further pension commitments related to employees or former employees.

Remuneration to members of the Board of Directors, Executive Board and other Key management personnel

From 2021, the Board of Directors does not receive board fees from Welltec A/S

In 2021, the management structure in Welltec Group changed, which also has an impact on the reporting of remuneration paid to members of th Executive Board and other key management personnel. In previous years, the Executive Board consisted of one person, whereas from 19 April 2021, the Executive Board consists of two persons.

The Executive Board includes all persons appointed as Management according to the Danish Central Business Register. The amount includes all salaries, pensions including any severance payments etc.

In 2022, changes were made to the Executive Board, as the Group's CFO, who was part of the Executive Board left Welltec. Salary costs up to his resignation on 11 November 2022, as well as severance pay etc. has been included in total remuneration to the Executive Board in 2022. Furthermore, from 12 November 2022, the Corporate Chief Accountant was appointed as Executive Officer according to the Danish Central Business Register and became a part of the Executive Board. Consequently, salary and pensions paid to the Corporate Chief Accountant has been included from 12 November to 31 December 2022.

The total remuneration of the Executive Board of Welltec A/S including bonus, pension, other social security costs, severance payment and share based payments can be specified as follows:

USD in thousands	2022	2021
Staff salaries	1,634	691
Pension benefits	80	51
Share-based payments	357	-
Total remuneration to Executive Board	2,071	742

4. Staff costs
Continued

Key Manangement includes employees with direct reporting to the CEO, excluding persons appointed as Management according to the Danish Central Business register.

Remuneration to other key management, which consists of 4 employees (2021: 9 employees) includes salaries, bonuses, pensions, other social security costs including any severance payment and other staff costs.

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

USD in thousands	2022	2021
Staff salaries	1,249	1,746
Pension benefits	99	121
Total remuneration to other key management personnel	1,348	1,867

Incentive programs
The Company operates incentive schemes in the form of warrants (Equity-settled) to the Board of Directors, Executive Board and certain senior executives (VP's) and other key personnel in Welltec A/S. The purpose is to retain and motivate the said persons. The schemes are based on the shares of Welltec International ApS, and the warrants have no voting rights attached.

In May 2017, warrants schemes to The Executive Board of Welltec A/S and certain key management personnel was granted. The warrant schemes consisted of 231,438 warrants and vested over an employment period between one and four years until the end of 2021.

In April 2022, warrants scheme to the Chief Executive Officer was granted. The warrant scheme consists of up to 150,000 warrants and vest over a 5 year period from 2022 to 2026. Furthermore, 12,000 warrants have been granted and paid for and can be exercised in the end of 2026. The total fair value of these warrants was at grant date USD 1.8 million of which USD 357 thousand was recognized in the income statement in 2022. The fair value of the warrants scheme at grant date was calculated on the basis of the Black-Scholes model. The calculation for the 2022 scheme is based on an expected volatility of 25%, a risk-free interest rate at (0.5)%, a share price of USD 72, the exercise price, an average option life of 48 month and no annual payment of dividends. The expected volatility has been determined using a historical volatility for a five-year period for comparable listed companies adjusted for a small-cap factor.

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

	Board of Directors of Welltec A/S	Executive Board of Welltec A/S	Senior executives and key management personnel	Total number of warrants	Weighted average exercise price USD
Balance at 1 January 2020	10,000	121,601	58,300	189,901	55
Expired	-	-	(4,800)	(4,800)	251
Total balance at 31 December 2020	10,000	121,601	53,500	185,101	55
Exercised	-	-	(8,250)	(8,250)	37
Expired	(10,000)	(121,601)	(45,250)	(176,851)	55
Total balance at 31 December 2021	-	-	-	-	-
Granted	-	162,000	-	-	72
Total balance at 31 December 2022	-	162,000	-	-	72

5. Amortization, depreciation and impairment losses

USD in thousands	2022	2021
Technology	774	711
Completed development projects	3,834	3,573
Patents and licenses	1,048	1,067
Total amortization of intangible assets	5,656	5,351
Other fixtures, fittings, tools and equipment	627	358
Plant equipment and fleet	15,436	14,705
Leasehold improvements	175	165
Right-of-use assets	1,882	3,316
(Gain)/loss from disposal of plant equipment and fleet	(10)	117
Total depreciation of tangible assets	18,110	18,661
Total depreciation and amortization	23,766	24,012
Write-down of technology	-	36
Write-down of completed development projects	1,035	819
Write-down of patents	-	59
Write-down of plant equipment and fleet	719	606
Write-down of other fixtures, fitting, tools and equipment	-	13
Write-down of assets located in Russia	1,600	-
Total impairment losses	3,354	1,533
Recognition of amortization, depreciation and impairment losses by function:		
Cost of services provided	21,144	21,295
Development and manufacturing costs capitalized	554	313
Administrative and sales costs	3,822	3,937
Special items, write-down on assets located in Russia	1,600	-
Total amortization, depreciation and impairment losses	27,120	25,545

6. Special items

USD in thousands	2022	2021
Salary cost related to resigned employees	-	(357)
Other special items	36	(128)
Rent concessions (IFRS 16 Leases)	-	13
COVID-19 government grants	-	64
Write-down on assets located in Russia	(1,600)	-
Impairment on intercompany loan and receivable, Russia	(9,450)	-
Write-down investments in Russian subsidiary	(18)	-
Total net special items income / (expenses)	(11,032)	(408)

7. Government grants

USD in thousands	2022	2021
COVID-19 support bank loan - interest benefit	-	64
Total government grants income	-	64

8. Financial income

USD in thousands	2022	2021
Interest income	494	16,769
Interest from subsidiaries and affiliates	-	295
Interest income from financial assets that are not measured at fair value through profit or loss:	494	17,064
Reversal of impairment on intercompany receivables	3,420	2,976
Dividends from subsidiaries	12,631	20,078
Exchange rate gains	4,659	805
Total financial income	21,204	40,923

9. Financial expenses

USD in thousands	2022	2021
Interest expenses	817	27,011
Interest to subsidiaries and affiliates	3,499	-
Other financial expenses	647	6,655
Interest expenses from financial liabilities that are not measured at fair value through profit or loss	4,963	33,666
Impairment on investments in subsidiaries	200	1,100
Impairment on intercompany receivables	8,782	-
Exchange rate loss	139	215
Total financial expenses	14,084	34,981

Borrowing costs capitalized on development projects are calculated based on the incurred costs and a weighted average capitalization rate of 8.40% (2021: 9.24%). The amount capitalized in 2022 is USD 565 thousand (2021: USD 563 thousand).

The net exchange rate gain at 31 December 2022 was USD 4,521 thousand (2021: Net exchange rate gain of USD 590 thousands).

In 2021, other financial expenses includes fair value loss for the pre-settled bond of USD 5,089 thousand.

10. Income taxes

USD in thousands	2022	2021
Current tax	23,407	8,292
Adjustment in corporation tax previous years	391	1,025
Total current tax incl. adj. in corporation tax previous years	23,798	9,317
Adjustment in deferred tax previous years	1,170	3,909
Change in deferred tax	(1,443)	353
Withholding tax non deductible	1,922	1,945
Total income taxes	25,447	15,524
Breakdown of tax:		
Profit before tax	94,669	54,446
Reconciliation of tax rate USD:		
Danish corporation tax rate	20,827	11,978
Effect of difference between tax rate for subsidiaries outside Denmark and Danish tax rate	72	(178)
Tax effect from tax provision	270	-
Non-taxable income and non-deductible expense	795	(5,073)
Interest limitation, thin capitalization etc.	-	1,918
Withholding tax non deductible	1,922	1,945
Adjustments to previous years	1,561	4,934
Total income taxes	25,447	15,524

The statutory corporate income tax rate in Denmark in the year ended 31 December 2022 was 22%. The effective tax rate for Welltec A/S was 26.9%. The main principle driver for this increase in the tax rate are outlined below.

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

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

As a result of this, in the year ended 31 December 2022 Welltec was unable to claim a foreign tax credit for all the foreign WHT suffered. The excess WHT is USD 1.9 million.

Well Completion business restructure
The WCS business will be sold back to Denmark from Switzerland. As part of this, agreement between the Swiss and Danish tax authorities on one hand and Welltec on the other hand has been reached with regards to the purchase price and remuneration of all involved legal entities for the year 2018 going forward. The entire tax effects of this transaction have been included in the financial statements for 2022.

11. Non-cash adjustments

USD in thousands	2022	2021
Depreciation of intangible and tangible assets	23,776	23,752
Disposal and impairment losses	1,754	2,103
Exchange rate adjustment on depreciation and fixed assets	(146)	(55)
Impairment of trade receivables	(200)	-
Currency adjustments, other	2,712	2,261
Impairment on investments in subsidiaries	118	-
Change in other payables, long-term	(636)	720
Change in defined benefit plans	72	-
Write-down on assets located in Russia	1,600	-
Write-down on intercompany loans and receivables	9,450	-
Write-down on investment in Russian subsidiary	18	-
Total non-cash adjustments	38,518	28,781

12. Changes in working capital

USD in thousands	2022	2021
Change in trade receivables and prepayments	(5,396)	(6,927)
Change in inventories	-	15,713
Change in receivables from subsidiaries and affiliates	(24,213)	(3,085)
Change in trade payables	1,874	1,694
Change in other payables	2,800	(50)
Change in other receivables	(272)	(1,467)
Change in payables to affiliates	(9,341)	(2,682)
Total changes in working capital	(34,548)	3,196

13. Intangible assets

USD in thousands	Technology	Completed development projects	Development projects in progress	Patents and licenses	Total
Costs at 1 January 2021	6,614	125,245	9,715	22,249	163,823
Additions	858	-	7,692	532	9,082
Transfer	-	6,635	(6,635)	-	-
Disposal	(540)	(55,410)	-	(68)	(56,018)
Total costs at 31 December 2021	6,932	76,470	10,772	22,713	116,887
Amortization and impairment losses at 1 January 2021	5,055	115,699	586	9,712	131,052
Amortization for the year	711	3,573	-	1,067	5,351
Impairment losses for the year	36	819	-	59	914
Disposal	(505)	(55,245)	-	(68)	(55,818)
Total amortization and impairment losses at 31 December 2021	5,297	64,846	586	10,770	81,499
Total carrying value at 31 December 2021	1,635	11,624	10,186	11,943	35,388
Costs at 1 January 2022	6,932	76,470	10,772	22,713	116,887
Additions	462	-	4,924	725	6,111
Transfer	-	5,857	(5,857)	-	-
Disposal	-	(3,450)	-	-	(3,450)
Total costs at 31 December 2022	7,394	78,877	9,839	23,438	119,548
Amortization and impairment losses at 1 January 2022	5,297	64,846	586	10,770	81,499
Amortization for the year	774	3,834	-	1,048	5,656
Impairment losses for the year	-	1,035	-	-	1,035
Disposal	-	(3,450)	-	-	(3,450)
Total amortization and impairment losses at 31 December 2022	6,071	66,265	586	11,818	84,740
Total carrying value at 31 December 2022	1,323	12,612	9,253	11,620	34,808

Development costs recognized in the income statement in 2022 amounts to USD 2,219 thousand (2021: USD 2,249 thousand).

Impairment of intangible assets
Impairment of development projects amounted to USD 1,035 thousands in 2022 (2021: USD 819 thousands), which has been recognized in the statement of comprehensive income under cost of services provided as the projects are closed. The recoverable amount was calculated on the basis of Management's re-assessed estimate of the value in use of the assets.

14. Tangible assets

USD in thousands	Land and buildings	Leasehold improvement	Plant equipment and fleet	Other fixtures, fittings, tools and equipment	Plant equipment and fleet under construction	Total
Total costs at 1 January 2021	155	1,723	224,820	4,771	19,093	250,562
Transfer from right-of-use assets	-	-	3,608	1,967	-	5,575
Additions	-	395	-	402	14,174	14,971
Transfer	-	-	16,012	-	(16,012)	-
Disposals	(155)	(12)	(8,416)	(234)	-	(8,817)
Exchange rate adjustment	-	-	(65)	(7)	-	(72)
Total costs at 31 December 2021	-	2,106	235,959	6,899	17,255	262,219
Depreciation and impairment losses at 1 January 2021	155	1,183	181,633	4,320	-	187,291
Transfer from right-of-use assets	-	-	3,548	1,646	-	5,194
Depreciation for the year	-	165	14,705	358	-	15,228
Impairment losses for the year	-	-	606	13	-	619
Disposal	(155)	(12)	(8,416)	(45)	-	(8,628)
Exchange rate adjustment	-	-	(9)	(3)	-	(12)
Total depreciation and impairment losses at 31 December 2021	-	1,336	192,067	6,289	-	199,692
Total carrying value at 31 December 2021	-	770	43,892	610	17,255	62,527

14. Tangible assets
Continued

USD in thousands	Leasehold improvement	Plant equipment and fleet	Other fixtures, fittings, tools and equipment	Plant equipment and fleet under construction	Total
Total costs at 1 January 2022	2,106	235,959	6,899	17,255	262,219
Additions	737	586	369	17,432	19,124
Transfer	-	14,411	-	(14,411)	-
Disposals	-	(32,825)	-	-	(32,825)
Exchange rate adjustment	-	-	(70)	(22)	(92)
Total costs at 31 December 2022	2,843	218,131	7,198	20,254	248,426
Depreciation and impairment losses at 1 January 2022	1,336	192,067	6,289	-	199,692
Depreciation for the year	175	15,436	627	-	16,238
Impairment losses for the year	-	719	-	-	719
Disposal	-	(32,825)	-	-	(32,825)
Write-down on assets located in Russia	-	1,600	-	-	1,600
Exchange rate adjustment	-	-	(14)	-	(14)
Total depreciation and impairment losses at 31 December 2022	1,511	176,997	6,902	-	185,410
Total carrying value at 31 December 2022	1,332	41,134	296	20,254	63,016

Impairment losses in 2022 and 2021 are related to scrapped tools, tools lost in the wells and impairment of the tool fleet.

14. Tangible assets
Continued

14.1 Right-of-use assets in the balance sheet

USD thousands	Land and buildings	Plant, equipment and fleet	Other fixtures, fittings, tools & equipment	2021
Balance 1 January	14,571	2,074	110	16,755
Transfer to tangible assets	-	(381)	-	(381)
Additions and remeasurements during the year	1,398	1	247	1,646
Depreciation for the year	(1,565)	(1,593)	(158)	(3,316)
Disposal for the year	(240)	(4)	-	(244)
Exchange rate adjustment	45	82	4	131
Total balance 31 December	14,209	179	203	14,591

USD thousands	Land and buildings	Plant, equipment and fleet	Other fixtures, fittings, tools & equipment	2022
Balance 1 January	14,209	179	203	14,591
Additions and remeasurements during the year	(38)	1,278	210	1,450
Depreciation for the year	(1,568)	(192)	(122)	(1,882)
Disposal for the year	(96)	(39)	(24)	(159)
Exchange rate adjustment	(122)	84	(22)	(60)
Total balance 31 December	12,385	1,310	245	13,940

14.2 Leasing amounts recognized in the income statement

USD in thousands	2022	2021
Depreciation	(1,882)	(3,316)
Disposals	4	12
Interest on lease liabilities	(374)	(512)
Rent concessions (IFRS 16 Leases)	-	13
Short-term leases	(169)	(319)
Lease of low value assets	-	(46)
Total amounts recognized in the income statement	(2,421)	(4,168)

14.3 Amounts recognized in cash flow statement (excluding EBIT)

USD in thousands	2022	2021
Interest on lease liabilities	(374)	(512)
Installments on lease liabilities	(1,718)	(3,531)
Total outflow	(2,092)	(4,043)

15. Investment in associated company

The Company's non-controlling immaterial interest (associated company) is summarized below:

USD in thousands

Name of entity	Country of incorporation	Ownership interest held by Welltec	Profit/(loss) 2021*	Equity 31 Dec. 2021*	Principal activities
Isealate AS	Norway	20.1%	(228)	(180)	Technology development

*Latest financial statement from Isealate AS is from 31 December 2021.

16. Investments in subsidiaries

Subsidiaries

USD in thousands	2022	2021
Total carrying amount 1 January	18,647	19,747
Impairment	(118)	(1,100)
Write-down investments in Russian subsidiary	(18)	-
Total carrying amount 31 December	18,511	18,647

The carrying value of investments in the subsidiaries is pledged as security for issued bonds as of 31 December 2022 and 31 December 2021.

16. Investments in subsidiaries - continued

Name	Registered office	Currency	Capital	Share
Welltec Angola Lda.***	Angola	USD	5,000	49%
Welltec Oilfield Services Argentina SA**	Argentina	ARS	2,344,908	100%
Welltec Oilfield Services Pty. Ltd.*	Australia	AUD	10	100%
Welltec Oilfield Services (Azerbaijan) Ltd.*	Azerbaijan	USD	5,000	100%
Welltec Bolivia Srl***/****	Bolivia	BOB	7,000	100%
Welltec do Brasil Ltda.**	Brazil	BRL	423,790	100%
Welltec Canada Inc.*	Canada	CAD	1	100%
Welltech Oilfield Services (Newfoundland & Labrador) Limited*	Canada	CAD	10	100%
Welltech Oilfield Services Congo SAS***	Congo	XAF	1,000,000	100%
Welltec Latinamerica ApS*	Denmark	DKK	500,000	100%
Welltec Africa ApS*	Denmark	DKK	125,000	100%
Welltec Tools Nigeria A/S*	Denmark	DKK	500,000	100%
Welltec Oilfield Services Gabon Sarl***	Gabon	XAF	1,000,000	100%
Welltec Oilfield Services (Ghana) Limited***	Ghana	USD	210,000	90%
Welltech Oilfield Services (Guyana) Inc**	Guyana	GYD	500,000	100%
PT. Welltec Oilfield Services Indonesia*	Indonesia	USD	1,440,750	99.6%
Welltec Oilfield Services (India) Private Limited*	India	INR	100,000	100%
Welltec Oilfield Services (Kazakhstan) LLP*	Kazakhstan	KZT	151,200	100%
Welltec Kazakhstan Joint Venture LLP**	Kazakhstan	KZT	252,000	95%
Welltec Oilfield Services (Malaysia) Sdn. Bhd*	Malaysia	MYR	350,000	49%
Welltec Oilfield Services Mexico S.A.**	Mexico	MXN	50,000	100%
Welltec Oilfield Services (Nigeria) Ltd.***	Nigeria	NGN	25,000,000	30%
Welltec Oilfield Services (Norway)*	Norway	NOK	3,000,000	100%
Welltech Oilfield Services (Muscat) LLC*	Oman	OMR	150,000	70%
Welltec Oilfield Services (Doha) LLC.*	Qatar	QAR	1,000	49%
Welltec (RUS) Holding LLC*	Russia	RUB	100,000	100%
Welltec Oilfield Services (RUS) LLC.*****	Russia	RUB	100,000	100%
Welltec Oilfield Services (Saudi Arabia) Ltd*	Saudi Arabia	SAR	500,000	100%
Welltec (UK) Ltd.*	Scotland - UK	GBP	1	100%

16. Investments in subsidiaries - continued

Name	Registered office	Currency	Capital	Share
Welltec Oilfield Services (Trinidad & Tobago) Limited****	Trinidad & Tobago	TTD	1	100%
Welltec Global Services FZE*	UAE	AED	300,000	100%
Welltec Inc.*	USA	USD	100,000	100%
Welltec Venezuela, C.A.***	Venezuela	VEF	195.31	100%

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

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

17. Trade receivables

USD in thousands	2022	2021
Trade receivables before allowance for doubtful accounts	15,416	11,960
Write-downs	(700)	(900)
Total trade receivables	14,716	11,060
Trade receivable turnover rate	34	39
Development in write-downs of trade receivables:		
Write-downs at 1 January	(900)	(900)
Realized losses during the year	900	-
Unrealized write-downs during the year deemed un-collectible	(700)	-
Total write-downs at 31 December	(700)	(900)
Specification of trade receivables by due date, not impaired:		
Not due	13,459	9,400
Up to 30 days	999	357
30-60 days	252	565
60-90 days	29	350
90+ days	677	1,288
Total trade receivables	15,416	11,960

17. Trade receivables
Continued

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

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

The Company had 5 customers, which accounted for 10% or more of the total revenue in 2022 (2021: zero).

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

The expected loss rates per 31 December 2022 are based on the payment profiles over a period of 3 years before 31 December 2020, 31 December 2021 and 31 December 2022 and the corresponding historical credit losses experienced within this period.

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

The revenue has increased by 50% compared to 2021, whereas the provision for bad debt was slightly lower than in 2021. In 2021 the provision for bad debt covered specific cases.

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

	31 December 2021				
USD in thousands	Not past due	Less than 30 days past due	30 to 60 days past due	More than 60 days past due	Total
Expected credit loss rate	0%	0%	0%	55.95%	
Trade receivable	9,400	357	565	1,638	11,960
Total loss allowance	-	-	-	900	900

USD in thousands	31 December 2022				
Expected credit loss rate	0%	0%	0%	99.15%	
Trade receivable	13,459	999	252	706	15,416
Total loss allowance	-	-	-	700	700

18. Share capital

USD in thousands	2022	2021
Share units 1 January	53,218	53,218
Total share units 31 December	53,218	53,218

The share capital consists of 292,005,743 units at DKK 1.

All the shares are fully paid and have the same rights.

No dividend was paid out in 2022 or 2021.

Dividend proposed for the financial year 2022 is USD 15 million (2021: zero).

19. Deferred tax assets and liabilities

USD in thousands	2022	2021
Deferred tax 1 January	6,578	2,315
Adjustment of deferred tax — previous years	721	3,910
Change in deferred tax for the year	(1.714)	353
Total deferred tax liabilities 31 December	5,585	6,578
Deferred tax breakdown:		
Intangible assets	7,658	7,563
Tangible assets	(1,573)	(449)
Right of use assets	3,038	3,091
Current and non-current liabilities	(2,998)	(3,243)
Other items	(540)	(384)
Total deferred tax liabilities 31 December	5,585	6,578
Deferred tax is recognized in the statement of financial position with:		
Deferred tax liabilities	5,585	6,578
Total deferred tax liabilities 31 December	5,585	6,578

20. Defined benefit plans

Welltec has entered into defined benefit schemes in some countries, whereas employees with more than 1 year seniority achives the right to obtain a gratitude payment at the time of retirement or when leaving Welltec. The obli-agtion is actuarially adjusted yearly.

The actuarial analysis is based on several actuarial reports with different rates, therefore the effects are shown in ranges.

Weighted average rates	2022	2021
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount rate range 2% - 6.62%	4.51	2.62
Expected future rate of salary increase in range of 2% - 5.5%	5.35	2.48
Withdrawal/employee turnover rate 10% - 20%	18.07	18.07

USD in thousands	2022	2021
Amounts recognized as staff expenses in the income statement:		
Current service costs	62	50
Net interest expense	10	9
Total	72	59

USD in thousands	2022	2021
Amounts recognized in comprehensive income in respect of defined benefit schemes :		
Actuarial (gains)/losses	(45)	41
Total	(45)	41

USD in thousands	2022	2021
Movements in present value of unfunded defined benefit plans in the current year:		
Opening present value	330	230
Current service costs	62	50
Interest costs	10	9
Actuarial gains/losses from changes in financial assumptions	(2)	-
Actuarial gains/losses arising from experience adjustments	(43)	41
Closing present value of unfunded defined benefit plans	357	330

The calculation of the defined benefit plans is prepared by external actuary agents. The latest actuarial calculation related to the defined benefit schemes was made 31 December 2022.

21. Current and non-current financial liabilities

USD in thousands	2022	2021
Finance lease liabilities	13,337	14,909
Loan payable to subsidiaries and affiliates	82,022	130,072
Total financial liabilities	95,359	144,981
Recognition of short-term and long-term financial liabilities in the statement of financial position:		
Non-current financial liabilities — finance lease liabilities	11,850	13,563
Non-current financial liabilities - loan payables to subsidiaries and affiliates	82,022	130,072
Current financial liabilities - finance lease liabilities	1,487	1,346
Total financial liabilities	95,359	144,981

	2021				
Currency	Expiry	Fixed or floating interest	Effective interest rate %*	Carrying amount local (thousands)	Carrying amount USD (thousands)
DKK	2022 - 2031	fixed	2.55 - 6.86	93,749	14,288
INR	2022 - 2023	fixed	7.79 - 11.91	14,743	198
AED	2023 - 2024	fixed	3.76 - 4.90	785	214
USD	2023- 2026	floating/fixed	7.25 - 19.25	130,281	130,281
Total					144,981

	2022				
Currency	Expiry	Fixed or floating interest	Effective interest rate %*	Carrying amount local (thousands)	Carrying amount USD (thousands)
DKK	2024 - 2031	fixed	2.55 - 6.86	93,641	13,069
INR	2023 - 2026	fixed	7.79 - 8.62	1,089	13
AED	2024 - 2025	fixed	3.76 - 4.46	349	80
USD	2024 - 2026	floating/fixed	3.00 - 19.25	82,197	82,197
Total					95,359

*Interest rate spread contains weighted interest rates of: DKK: 2,70% (2021: 2.58%), USD: % (2021: 7.27%), INR: 7,99% (2021: 8.02%) and AED: 4,38% (2021: 4.80%).

21. Current and non-current financial liabilities
Continued

Maturity dates for financial liabilities

2021 USD in thousands	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total
Finance lease commitments	1,346	6,100	7,463	14,909
Loan payables to subsidiaries and affiliates	-	72	130,000	130,072
Payables to subsidiaries and affiliates	24,934	-	-	24,934
Trade payables	9,180	-	-	9,180
Other liabilities	2,562	-	-	2,562
Other payables	4,827	-	-	4,827
Total financial liabilities	42,849	6,172	137,463	186,484

2022 USD in thousands	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total
Finance lease commitments	1,487	6,144	5,706	13,337
Loan payables to subsidiaries and affiliates	-	82,022	-	82,022
Payables to subsidiaries and affiliates	15,593	-	-	15,593
Trade payables	11,054	-	-	11,054
Other liabilities	1,926	-	-	1,926
Other payables	7,640	-	-	7,640
Total financial liabilities	37,700	88,166	5,706	131,572

All debt is measured at amortized cost. The amounts in the tables above are exclusive of interest. The future interest payments on the interest bearing debt amounts to USD 22,528 thousands (2021: USD 45,161 thousand).

Undiscounted financial liabilities

2021 USD in thousands	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total
Finance lease liabilities	2,019	7,386	7,685	17,090
Total undiscounted financial liabilities*	2,019	7,386	7,685	17,090

2022 USD in thousands	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total
Finance lease liabilities	1,967	6,997	6,001	14,965
Total undiscounted financial liabilities*	1,967	6,997	6,001	14,965

*Trade payables, payables to subsidiaries and affiliates, loan payables to subsidiaries and affiliates and other payables are not included in the table for undiscounted liabilities since these liabilities are already recognized with an undiscounted value.

Finance lease relates to leases of properties with an average lease term of 5 years, manufacturing equipment with lease terms of 3-5 years and leases of vehicles with lease terms of 3 years.

The Company has options to purchase a part of the buildings and equipment for a nominal amount at the end of the lease agreements.

The Company's obligations under finance leases are secured by the lessors' title to the leased assets.

The fair value of the finance lease liabilities is approximately equal to their carrying amount as of 31 December 2022 and 31 December 2021.

21. Current and non-current financial liabilities
Continued

Net interest bearing debt

USD in thousands	2020	Included in cash flow from financing activities	Non-cash changes New leases and remeasure-ments	Amortization	2021
Issued bonds	334,911	(340,000)	-	5,089	-
Finance lease commitments	18,645	(3,730)	(6)	-	14,909
Bank debt	15,000	(15,000)	-	-	-
Loan payables to subsidiaries and affiliates	-	130,072	-	-	130,072
Total interest bearing debt	368,556	(228,658)	(6)	5,089	144,981
Cash and cash equivalents	(14,900)	-	-	-	(24,612)
Net interest bearing debt	353,656	-	-	-	120,369

USD in thousands	2021	Included in cash flow from financing activities	Non-cash changes New leases and remeasure-ments	Amortization	2022
Finance lease commitments	14,909	(1,718)	146	-	13,337
Loan payables to subsidiaries and affiliates	130,072	(48,050)	-	-	82,022
Total interest bearing debt	144,981	(49,768)	146	-	95,359
Cash and cash equivalents	(24,612)	-	-	-	(38,051)
Net interest bearing debt	120,369	-	-	-	57,308

22. Other payables

USD in thousands	2022	2021
Wages and salaries, personal income taxes, social security costs, etc. payable	1,281	829
Holiday pay obligation	1,483	1,294
Accrued interests	133	120
Other costs payable	4,743	2,584
Total other payables	7,640	4,827

23. Assets charged and contingent liabilities

In 2022 the Company has issued bank guarantees to third parties in the amount of USD 11,620 thousand (2021: USD 7,402 thousand).

Welltec A/S is part of a Danish joint taxation scheme with Welltec International ApS and its Danish subsidiaries. As from the 2013 financial year, the Company has partly a joint and several liability and partly a secondary liability with respect to income taxes etc. for the jointly-taxed companies. As from 1 July 2012 it also has partly a joint and several liability and partly a secondary liability with respect to any obligations to withhold tax on interest, royalties and dividends for these companies. However, in both cases the secondary liability is capped at an amount equal to the share of the capital of the Company directly or indirectly owned by the ultimate parent company. Up to and including 22 February 2018 Welltec International and it's Danish subsidiaries were jointly taxed with JH Holding, Allerød ApS and it's Danish subsidiaries.

Welltec A/S is involved in legal proceedings and disputes in a number of countries against businesses and individuals. It is the opinion of Management that the outcome of these proceedings will not have a material impact on the Company's financial position, results of operations or cash flows.

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

24. Financial instruments

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

24.2 Market risk
Due to the Company's foreign activities and credit facilities in foreign currencies, its profit/loss, cash flows and equity are affected by changes in exchange rates and interest rates for a number of currencies.

A significant part of this change in exchange rates has been eliminated by changing functional currency for the Danish companies to USD from 2012.

24.2.1 Foreign currency risk management
The reporting currency of the Company is US dollars. The functional currency of the Danish companies is considered to be US dollars, and the rest of the Company's subsidiaries have the functional currency of the country in which the subsidiary is domiciled. A proportion of the Company's revenues, expenses and other liabilities are denominated in currencies other than US dollars, in particular Danish kroner, Indian Rupees, United Arab Emirates Dirhams and Central African Franc. Exchange rate exposures are managed within approved policy parameters.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows stated in the material currencies affecting the Company:

	Assets		Liabilities	
USD in thousands	2022	2021	2022	2021
DKK	145,374	136,575	(152,137)	(202,160)
INR	60,844	55,041	(40,321)	(40,883)
AED	1,448	825	(208)	(14)
XAF	634	4,765	(1,107)	(2,806)

24.2.2 Foreign currency sensitivity analysis
The following tables detail the Company's sensitivity to a 10% increase (same sensitivity to a 10% decrease) in DKK, INR and AED against the relevant foreign currencies. The percentage used is the sensitivity rate and is representing Management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Company where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and equity where the currency strengthens 10% against the relevant currency. For a 10% weakening of the currency against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances below would be negative:

	Currency DKK impact		Currency INR impact		Currency AED impact	
USD in thousands	2022	2021	2022	2021	2022	2021
Profit/(loss)	6,073	4,530	764	147	(166)	(95)
Equity	-	-	2,055	1,436	144	104

24. Financial Instruments
Continued

24.2.3 Interest rate risk management
As the interest rate on the loan payable to subsidiaries and afficilates is SOFR adjusted quartly and the adjustment is considered as low risk, the Company does not hedge interest rate risk.

Thus any changes in fair value are recognized directly in statement of comprehensive income as financial income or financial expenses.

24.2.4 Interest rate sensitivity analysis
A 100 basis point increase or decrease represents Management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Company's profit for the year and equity as of 31 December 2022 would be affected with USD 820 thousand (2021: USD 1,300 thousand).

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

The Compnay centrally adjusts the cash outflow in investments in intangible assets and property, plant and equipment in Denmark.

For general corporate and working capital purpose the Company holds a USD 40 million Revolving Credit Facility. The RCF contains requirements for mandatory prepayments upon certain events and a financial covenant (see below). There were no draw-down of the Revolving credit Facility at the end of 2022.

The cash position at year-end 2022 is USD 38 million (2021: USD 24.6 million including a USD 15 million RCF draw-down).

The availability of the revolving credit-facility is based on an interest cover maintenance covenant – L12M EBITDA over interest cost, tested on a quarterly basis.

In 2021 the outstanding bond was repaid with the redemption of loan receivable from Welltec International ApS and an additional loan granted from Welltec International ApS.

24.3.2. Capital Management
Financial risks are managed centrally, in order to ensure that relevant risks are monitored and, when appropriate, hedged in line with governing risk management policies. The Financial Risk Management & Policy Framework encompasses a broad range of risk factors ranging from liquidity and refinancing risk to FX, interest and counterparty risk. The core principle is for financial risk to be managed with a view to reducing significant risk.

Please see note 21: Maturity dates for financial liabilities.

24.4 Categories of financial instruments

USD in thousands	2022	2021
Trade receivables	14,716	11,060
Loans to subsidiaries and affiliates	42,020	42,028
Receivables from subsidiaries and affiliates	46,947	37,429
Other receivables - current	2,838	2,566
Cash and cash equivalents	38,051	24,612
Total financial assets measured at amortized cost	144,572	117,695

USD in thousands	2022	2021
Finance lease commitments	13,337	14,909
Other liabilities	1,926	2,562
Loan payable to subsidiaries and affiliates	82,022	130,072
Payables to subsidiaries and affiliates	15,593	24,934
Trade payables	11,054	9,180
Other payables	7,640	4,827
Total financial liabilities measured at amortized cost	131,572	186,484

All financial assets and liabilities are measured at cost or amortized cost. The carrying amounts for these approximate fair values.

25. Related parties

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

1 The Parent Company Welltec International ApS, Gydevang 25, 3450 Allerød, Denmark, which is owned by 7 Industries Holding B.V., Exor N.V. and other minority shareholders

2 JH Holding, Allerød, 2018 ApS, Amaliegade 35.1, 1256 Copenhagen K, Denmark. Jørgen Hallundbæk was the ultimate controlling party until 3 June 2021

3 7 Industries Holding B.V., Van Heuven Goedhartlaan 13D, 1181 LE, Amstelveen, The Netherlands (owns 33.33 - 49.99% of Welltec International ApS)

4 Exor N.V., Gustav Mahlerolein 25, 1082 Amsterdam, The Netherlands (owns 33.33 - 49.99% of Welltec International ApS)

5 Members of the Company's Executive Management and Board of Directors as well as close relatives of these members

6 Subsidiaries of Welltec A/S

See note 16: Investments in subsidiaries.

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

2021 USD in thousands	Affiliates*	Subsidiaries
Rental of equipment	5,093	78,542
Rendering of services (expenses)	(498)	(3,466)
Interest income/(expenses)	16,644	125
Total transactions	21,239	75,201

2022 USD in thousands	Affiliates*	Subsidiaries
Rental of equipment	2,742	123,014
Rendering of services (expenses)	248	(2,375)
Interest income/(expenses)	(6,671)	3,172
Total transactions	(3,681)	123,811

*The Company's principal shareholder and the principal shareholders' other subsidaries are defined as affiliates.

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

	Amounts owed by related parties		Amounts owed to related parties	
USD in thousands	2022	2021	2022	2021
Welltec International ApS	-	-	(81,950)	(130,000)
Subsidiaries and affiliates	98,419	79,457	(15,665)	(25,006)
Total balances	98,417	79,457	(97,615)	(155,006)

26. Events after the balance sheet date

Aquisition of Autentik AS
On 28 February 2023, Welltec A/S announced the acquisition of 100% of the shares of Norway based Autentik AS. Autentik AS is a niche technology provider specializing in electric wireline fishing and interventions.

The purchase price consists of a cash payment of NOK 49 million and an earn-out based on various parameters. Welltec A/S is working on a purchase price allocation.

Other than this, no subsequent events occured, which may materially affect the financial statements for 2022.

Branches

The Company holds the following sales branches:	Registered office	Year/ currency
Welltec A/S (Azerbaijan Branch)*	Azerbaijan	2008 / AZN
Welltec A/S (Brazilian Branch)*	Brazil	2011 / BRL
Welltec Latinamerica ApS (Brazilian Branch)**	Brazil	2006 / BRL
Welltec Latin America ApS Sucursal Columbiana**	Columbia	2011 / COP
Welltec Africa ApS Congo***	Congo	2013 / XAF
Welltec Latinamerica ApS (Ecuador Branch)**	Ecuador	2014 / USD
Welltec A/S (Gabon Branch)*	Gabon	2012 / XAF
Welltec A/S India Project Office*	India	2008 / INR
PT Welltec Oilfield Services Indonesia (Indonesian Branch)*	Indonesia	2018 / IDR
Welltec Africa ApS (Ivory Coast Branch)***	Ivory Coast	2015 / XAF
Welltec A/S (Kuwait Branch)*	Kuwait	2017 / USD
Welltec Oilfield Services Pty (Papua New Guinea Branch)****	Papua New Guinea	2019 / AUD
Welltec A/S - Abu Dhabi*	UAE	2011 / AED

*Held by Welltec A/S
**Held by Welltec Latinamerica ApS
***Held by Welltec Africa ApS
****Held by Welltec Oilfield Services Pty Ltd.

Definitions

EBITDA is defined by Welltec as reported operating profit (EBIT) before special items, amortization, depreciation, impairment losses and issued warrants (non-cash). Depreciation for these purposes includes depreciation attributable to development and manufacturing which is capitalized because it is considered a part of the costs that are directly attributable to the manufacturing of products. Welltec's definition of EBITDA may differ from the definition of EBITDA used by other companies. EBITDA as defined by Welltec is reported to allow for a more accurate assessment of the business operations. Welltec's definition of EBITDA should not be considered in isolation from, as substitutes for, or superior to the reported results prepared in accordance with International Financial Reporting Standards (IFRS).

Investments in intangible and tangible assets are defined as addition of fixed assets plus additions through business combinations excluding additions from financial leasing.

EBIT margin before special items

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

EBITDA margin

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

Return on equity

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

ROIC excl. goodwill

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