Welltec A/S Annual Report 2021

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

Welltec's Annual report 2021
Approved at the Annual Shareholders'
Meeting on 10 May 2022

Meeting CHAIRPERSON: Ole Nørgaard

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 A/S is a global technology company that develops and provides efficient hi-tech solutions for the energy sector. 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 rig-less interventions, significantly reducing the industry's energy consumption and carbon emissions.

An already trusted and reliable partner to multiple clients within the oilfield, Welltec is also successfully aiding clients within the renewable energy market and in particular, as a service and product provider to operators focused on geothermal energy and carbon capture and storage (CCS) projects.

Key figures and ratios Welltec A/S

USD in millions	2021	2020	2019**	2018	2017
Statement of comprehensive income					
Revenue	111	88	134	118	71
Earnings before interest, tax, depreciation and amortization (EBITDA)*	74	52	79	47	26
Operating profit / (loss) (EBIT) before special items	49	19	47	12	(32)
Operating profit / (loss) (EBIT)	48	22	47	3	(33)
Net financial income / (expenses)	6	(14)	(3)	(2)	(15)
Total profit / (loss) before tax	54	8	44	1	(47)
Total net profit / (loss) for the year	39	(2)	35	(4)	(36)
Cash flows					
Cash flows from operating activities	71	85	43	53	11
Cash flows from investing activities	192	(49)	(3)	(26)	(19)
Cash flows from financing activities	(253)	(37)	(32)	(36)	(8)
Total cash flows	10	(1)	8	(9)	(16)
Balance					
Trade receivables	11	5	9	11	8
Equity***	53	15	28	5	10
Total assets***	251	440	487	436	430
Investments in intangible assets*	9	7	6	10	13
Investments in tangible assets*	15	14	25	20	13
Key ratios*					
EBITDA margin in percent*	67	58	59	40	37
EBIT margin before special items in percent	44	26	35	4	(45)
ROIC excl. goodwill in percent***	42	17	44	4	(29)
Return on equity in percent***	110	(9)	131	(24)	(226)
Number of employees, average	216	213	320	290	270

*For definitions of key ratios, investments and EBITDA see page 50.
**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	2021	2020	Change in %
Revenue	111	88	27
Cost of service provided	(37)	(42)	10
Total gross profit	74	46	59
Development and manufacturing costs	(8)	(7)	(6)
Administrative expenses and sales costs	(17)	(20)	12
Total operating profit/(loss) (EBIT) before special items	49	19	154
Special items	(1)	2	(118)
Total operating profit/(loss) (EBIT)	48	21	125
Net financial income/(expenses)	6	(14)	143
Income taxes	(15)	(9)	(81)
Total profit/(loss) for the year	39	(2)	n/a

Alternative performance measures - EBITDA reconciliation

USD in millions	2021	2020
Profit/(loss) for the period	39	(2)
Income taxes	15	9
Financial income /(expenses)	(6)	14
Depreciation and amortization	24	27
Impairment loss	2	5
Issued warrants	-	1
Special items	-	(2)
Total EBITDA	74	52

Revenue
Revenues amounted to USD 111 million, an increase of 27% year on year. The increase in revenue reflects an increase in Intervention Services of 27%.

Cost of service provided
The cost of services provided was USD 37 million, a decrease of 10% compared to last year. The decrease was primarily attributable to lower depreciations.

Development and manufacturing costs
Development and manufacturing costs, not capitalised, increased to USD 8 million, which is USD 1 million higher than in 2020, due to higher activity in manufacturing.

Administrative expenses and sales costs
Administrative expenses and sales costs were USD 17 million, a decrease of 12% compared to last year. The decline is related to lower other external costs.

Earnings before interest, tax, depreciation, amortization and special items (EBITDA)
EBITDA increased to USD 74 million, representing a margin of 67% against 58% in 2020. The increase in EBITDA was mainly attributable to higher sales and better margins.

Operating profit before special items (EBIT)
EBIT increased to USD 48 million from USD 21 million in 2020. The EBIT margin was 44% against 26% in 2020, the increased EBIT is related to higher sales.

Net financial expenses
Net financial income were USD 6 million, This reflects an increase in dividends from subsidiaries of USD 14 million.

Income taxes
Income taxes were an expense of USD 15 million, an increase of USD 6 million year on year. The tax position is significantly affected by interest limitation rules in Denmark and non-refundable withholding taxes globally.

Result for the year
2021 resulted in a profit of USD 39 million, representing an increase in the result of USD 41 million compared to 2020, driven by higher sales and higher received dividends form subsidiaries.

Bond
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.

Outlook

Welltec A/S is a part of the Welltec International Group, whereas expected results are related to activities and financial performances in the other subsidiaries in the Group.

Please refer to the Outlook section in the 2021 Annual Report for Welltec International ApS.

2022

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 customer 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 serviced compared to Welltec. Further, Welltec is, to some extent, dependent on equipment provided by our competitors and acts or omissions by such competitors could restrict us from accessing wells using their equipment. In general, competition can result in pricing pressures, lower sales and reduced margins that could have an adverse effect on Welltec's revenue and profits.

Operational Risks

Service Quality

Welltec's ability to provide a high quality product and service provision is paramount to secure repeat sales with new and existing clients. Our service quality can be negatively affected by an inability to attract, train and retain highly skilled and qualified personnel to develop, manufacture and operate our equipment, with an adverse effect on Welltec's revenue.

Supply Chain

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

Catastrophic Events

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

Financial Risks

Financial Exposure

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

Foreign exchange fluctuations

The reporting currency of the Company is US Dollars and the functional currency for most of the Company'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. Fluctuations in the value of other currencies as compared with the US Dollar could result in translation losses or gains.

Taxes

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

Liquidity Risk

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

Legal Risks

Regulatory

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

Risks continued

Technology

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

Branches

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

Corporate social responsibility

For information about the Company's corporate social responsiblity and data ethics in accordance with section 99a, 99b and 99d of the Danish Financial Statement Act please refer to the annual report of Wellltec International ApS 2021.

Company Details

Company
Welltec A/S
Gydevang 25
3450 Allerød
Denmark

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Website: www.welltec.com
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Central Business Registration No: 13 47 88 05
Registered in: Allerød
Financial year: 1 January – 31 December 2021

Executive Board
Peter Hansen, Chief Executive Officer
Søren Søgaard Suhr, 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 2021 to 31 December 2021.

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 2021 as well as of financial performance and cash flows for the financial year 1 January - 31 December 2021.

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 29 March 2022

Executive Board

Peter Hansen
Chief Executive Officer

Søren Søgaard Suhr
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 reports

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 2021 and of the results of the Company's operations and cash flows for the financial year 1 January to 31 December 2021 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 2021, 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 reports 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 29 March 2022

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	2021	2020
Revenue	3	111,234	87,912
Cost of services provided	4,5	(37,119)	(41,437)
Total gross profit		74,115	46,475
Development and manufacturing costs	4,5	(7,948)	(7,487)
Administrative and sales costs	4,5	(17,255)	(19,698)
Total operating profit (EBIT) before special items		48,912	19,290
Special items income	6,7	77	3,564
Special items expenses	6	(485)	(1,270)
Total operating profit (EBIT)		48,504	21,584
Financial income	8	40,923	28,684
Financial expenses	9	(34,981)	(42,459)
Total profit before tax		54,446	7,809
Income taxes	10	(15,524)	(9,655)
Total profit / (loss) for the year		38,922	(1,846)
Other comprehensive (loss) for the year: Items that will be reclassified subsequently to the income statement, when specific conditions are met:			
Unrealized exchange rate adjustments of foreign branches		(1,507)	258
Total comprehensive income / (loss)		37,415	(1,588)
Distribution of profit/ (loss) for the year:			
Profit / (loss) for the year attributable to: Welltec A/S shareholder's share of profit / (loss)		38,922	(1,846)
Comprehensive income / (loss) attributable to:			
Welltec A/S shareholder's share of comprehensive income / (loss)		37,415	(1,588)

Statement of financial position - assets

USD in thousands	Note	31 Dec. 2021	31 Dec. 2020
Non-current assets			
Intangible assets			
Technology		1,635	1,559
Completed development projects		11,624	9,546
Development projects in progress		10,186	9,129
Patents and licenses		11,943	12,537
Total intangible assets	13	35,388	32,771
Tangible assets			
Land and buildings		-	-
Leasehold improvements		770	540
Plant equipment and fleet		43,892	43,187
Other fixtures, fittings, tools and equipment		610	451
Plant equipment and fleet under construction		17,255	19,093
Right-of-use assets		14,591	16,755
Total tangible assets	14	77,118	80,026
Other non-current assets			
Loans to subsidiaries and affiliates		42,028	237,507
Investments in subsidiaries	15	18,647	19,747
Total other non-current assets		60,675	257,254
Total non-current assets		173,181	370,051

USD in thousands	Note	31 Dec. 2021	31 Dec. 2020
Current assets			
Inventories	16	-	15,713
Receivables			
Trade receivables	17	11,060	4,706
Tax receivables		316	1,022
Receivables from subsidiaries and affiliates		37,429	31,368
Other receivables		2,566	1,099
Prepayments		2,129	1,556
Total receivables		53,500	39,751
Cash and cash equivalents		24,612	14,900
Total current assets		78,112	70,364
Total assets		251,293	440,415

Statement of financial position - liabilities

USD in thousands	Note	31 Dec. 2021	31 Dec. 2020
Equity			
Share capital	18	53,218	53,218
Currency translation reserve		(8,734)	(7,227)
Reserve for capitalized development projects		21,810	18,675
Retained earnings		(13,595)	(49,382)
Total equity		52,699	15,284
Non-current liabilities			
Deferred tax liabilities	19	6,578	2,315
Finance lease commitments	20	13,563	15,517
Loan payable to subsidiaries and affiliates	20	130,072	-
Other liabilities	20	2,892	2,172
Bank debt	20	-	15,000
Issued bonds	20	-	334,911
Total non-current liabilities		153,105	369,915
Current liabilities			
Current portion of finance lease commitments	20	1,346	3,128
Loan payable to subsidiaries and affiliates		-	4,909
Payables to subsidiaries and affiliates		24,934	27,616
Trade payables		9,180	7,486
Current tax liabilities		5,202	4,608
Other payables	21	4,827	7,469
Total current liabilities		45,489	55,216
Total liabilities		198,594	425,131
Total equity and liabilities		251,293	440,415

Statement of changes in equity

USD in thousands	Share capital	Currency translation reserve	Reserve for capitalized development projects	Retained earnings	Total
Total equity at 31 December 2019	53,218	(7,485)	21,446	(39,359)	(27,820)
Profit for the year	-	-	-	(1,846)	(1,846)
Unrealized exchange rate adj. of foreign subsidiaries and branches	-	258	-	-	258
Total comprehensive income for the year	-	258	-	(1,846)	(1,588)
Demerger	-	-	-	(10,948)	(10,948)
Capitalized development projects	-	-	(2,771)	2,771	-
Total other transactions	-	-	(2,771)	(8,177)	(10,948)
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 subsidiaries and 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

Statement of cash flows

	Note	2021	2020
Operating profit (EBIT)		48,504	21,584
Non-cash adjustments	11	28,781	37,238
Changes in working capital	12	3,196	34,573
Income taxes paid		(9,961)	(9,322)
Other receivables, long-term		-	704
Total cash flows from operating activities		70,520	84,777
Investments in intangible assets		(8,519)	(6,378)
Investments in tangible assets		(14,815)	(14,343)
Sale of tangible assets		33	2
Dividend from subsidiaries		20,078	5,892
Repayments from subsidiaries and affiliates		195,479	18,632
Loan to subsidiaries and affiliates		-	(73,085)
Financial income received		-	20,375
Total cash flows from investing activities		192,256	(48,905)
Financial income received		17,064	-
Financial expenses paid		(29,584)	(33,801)
Other financial expenses		(7,218)	(2,997)
Proceeds from bank loan		5,000	25,000
Installments on bank debts		(20,000)	(15,000)
Repayment of bond		(340,000)	-
Loan from subsidiaries and affiliates		125,163	-
Demerger - cash transfer		-	(5,991)
Installments on leasing commitments		(3,531)	(3,648)
Total cash flows from financing activities		(253,106)	(36,437)
Increase/(decrease) in cash and cash equivalents		9,670	(565)
Cash and cash equivalents 1 January		14,900	15,392
Exchange rate adjustments at beginning of period		42	73
Total cash and cash equivalents at 31 December		24,612	14,900

Contents notes

1. Accounting policies

Basis of accounting
The financial statements for 2021 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.

1. Accounting policies
Continued

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 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

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

Development and manufacturing costs

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

Administrative and sales costs

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

Special items

Special items consist of costs of a special nature in relation to the activities of the 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.

Goverment 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

1. Accounting policies
Continued

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

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

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For assets manufactured and owned by the 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

1. Accounting policies
Continued

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.

Financial assets

Other receivables

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

Investments in subsidiaries

Investments in subsidiaries are measured at cost in the 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.

Current assets

Inventories

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

Trade receivables

On initial recognition, trade receivables are measured at their transaction price and subsequently at amortized cost, which usually equals nominal amount less lifetime expected credit losses. The expected credit losses on trade receivables are estimated using a provision matrix based on historically information about the debtors realized losses adjusted for general economic conditions in the market. The 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.

Liabilities

Other financial liabilities

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

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.

In some countries, the Company has employee gratitude obligations, which are recognized in accordance with IAS19 Employee Benefits. The obligations are recognized as non-current other liabilities.

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 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 2021, Welltec has capitalized USD 61,147 thousand as plant equipment and fleet – completed and under construction compared to USD 62,280 thousand at 31 December 2020.

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 2021, Welltec has capitalized USD 21,810 thousands as development projects – completed and in progress – compared to USD 18,675 thousand at 31 December 2020.

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 35,388 thousand at 31 December 2021, compared to USD 32,771 thousand at 31 December 2020, 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 2027. 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.

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 & Russia		Americas		Middle East & Asia Pacific		Total	
USD in thousands	2021	2020	2021	2020	2021	2020	2021	2020
Rendering services	80,270	56,462	11,069	9,046	18,647	21,059	109,986	86,567
Sale of goods	1,248	1,345	-	-	-	-	1,248	1,345
Total	81,518	57,807	11,069	9,046	18,647	21,059	111,234	87,912

USD 83,635 thousands (2020: USD 65,776 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:

	2021	2020
Trade receivables	11,960	5,606
Loss allowance	(900)	(900)
Total contract assets	11,060	4,706

There were no contract liabilities in 2021 and 2020.

For more information about trade receivables and loss allowance, see note 17: Trade receivables.

3. Revenue from contracts with customers
Continued

3.3 Unsatisfied long-term contracts

	2021	2020
Aggregate amount of the transaction price allocated to long-term contracts that are partially or fully unsatisfied at year-end	-	19

In the amounts for unsatisfied long-term contracts only considerations for the notice periods in the customer contracts are included according to IFRS 15. The amount disclosed above does not include variable considerations, which is constrained. 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
Rendering of services
Welltec's major part of the revenue derives from rendering of services (99% of total revenue). Sales are recognized over time, when the services have been performed. Revenue recognition takes place when there is no un-fullfilled obligation that could affect the customer's acceptance of the service. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A trade receivable will be recognized when the 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 (1% 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

Parent

USD in thousands	2021	2020
Breakdown of staff costs:		
Wages and salaries	21,833	19,316
Share based payment to executives	-	1,278
Payments to defined contribution pension plans	1,272	1,462
Other social security costs	1,254	1,063
Total staff costs	24,359	23,119
Recognition of staff costs in the income statement:		
Cost of services provided	5,108	7,048
Administrative expenses and sales costs	9,225	6,381
Total staff costs in the income statement	14,333	13,429
Staff costs capitalized:		
Development costs capitalized	3,176	3,359
Production staff costs capitalized	6,850	6,331
Total staff costs capitalized	10,026	9,690
Number of employees:		
Average number of employees	216	213

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

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

From 2021, the Board of Directors does not receive any board fees in 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 comparative figures have not been restated.

Starting 2021, 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.

Total remuneration paid to Executive Board amounts to USD 742 thousands (2020: USD 2,693 thousand).

Key manangement includes employees with direct reporting to the CEO, excluding the CFO, who is classified as part of Executive Management due to the above definition. Remuneration to other key management, which consist of 9 employees including former employees (2020: 4 employees) contains staff salaries, pensions, other social security costs including any severance payment and other staff costs.

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

USD in thousands	2021	2020
Staff salaries and board fees	691	2,025
Pension benefits	51	128
Share-based payments	-	540
Total remuneration to Board of Directors and Executive Board	742	2,693

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	2021	2020
Staff salaries	1,746	1,234
Pension benefits	121	59
Share-based payments	-	229
Total remuneration to other key management personnel	1,867	1,522

4. Staff costs
Continued

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

In May 2017, warrants schemes to The Executive Board of Welltec A/S and certain key management personnel was granted. The warrant schemes consist of 231,438 warrants and vest over an employment period between one and four years until the end of 2021. The total fair value of these warrants was at grant date USD 9.4 million of which USD 1.3 million was recognized in the statement of comprehensive income in 2020 and 1.2 million was recognized in the statement of comprehensive income in 2019. The fair value of the warrants schemes at grant date was calculated on the basis of the Black-Scholes model. The calculation for the 2017 schemes is based on an expected volatility of 49%, a risk-free interest rate at (0.33)%, a share price of USD 94, the exercise price, an average option life of 46 month and no annual payment of dividends. The expected volatility has been determined using a historical volatility for a five-year period for comparable listed companies adjusted for a small-cap factor.

In 2021, all outstanding warrants were either exercised or expired. At year-end 2021, no warrants are outstanding.

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 2019	10,000	121,601	60,100	191,701	58
Forfeited	-	-	(1,800)	(1,800)	244
Total balance at 31 December 2019	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	-	-	-	-	-

The weighted average remaining contractual life and range of exercise price of outstanding warrants was 11 months at a price of USD 0.16-255 (adjusted for dilution impact) at 31 December 2020.

5. Amortization, depreciation and impairment losses

USD in thousands	2021	2020
Technology	711	904
Completed development projects	3,573	6,127
Patents and licenses	1,067	1,107
Total amortization of intangible assets	5,351	8,138
Other fixtures, fittings, tools and equipment	358	223
Plant equipment and fleet	14,705	14,492
Leasehold improvements	165	127
Right-of-use assets	3,316	3,849
(Gain)/loss from disposal of plant equipment and fleet	117	112
Total depreciation of tangible assets	18,661	18,803
Total depreciation and amortization	24,012	26,941
Write-down of technology	36	12
Write-down of completed development projects	819	1,528
Write-down of patents	59	1,035
Write-down of plant equipment and fleet	606	2,243
Write-down of other fixtures, fitting, tools and equipment	13	-
Total impairment losses	1,533	4,818
Recognition of amortization, depreciation and impairment losses by function:		
Cost of services provided	21,295	27,355
Development and manufacturing costs capitalized	313	246
Administrative and sales costs	3,937	4,158
Total amortization, depreciation and impairment losses	25,545	31,759

6. Special items

USD in thousands	2021	2020
Salary cost related to resigned employees	(357)	(1,179)
Other special items	(128)	(91)
Rent concessions (IFRS 16 Leases)	13	31
COVID-19 government grants	64	3,533
Total net special items income / (expenses)	(408)	2,294

7. Government grants

USD in thousands	2021	2020
COVID-19 compensation for fixed costs	-	3,533
COVID-19 support bank loan - interest benefit	64	-
Total government grants income	64	3,533

Government grants are recognized as special items income in the income statement.

8. Financial income

USD in thousands	2021	2020
Interest from subsidiaries and affiliates	16,769	19,427
Interest income	295	43
Other financial income	-	105
Interest income from financial assets that are not measured at fair value through profit or loss:	17,064	19,575
Reversal of impairment on intercompany receivables	2,976	-
Reversal of impairment on investments in subsidiaries	-	800
Dividends from subsidiaries	20,078	5,892
Exchange rate gains	805	2,417
Total financial income	40,923	28,684

9. Financial expenses

USD in thousands	2021	2020
Interest expenses	27,011	33,806
Other financial expenses	6,655	4,012
Interest expenses from financial liabilities that are not measured at fair value through profit or loss	33,666	37,018
Impairment on investments in subsidiaries	1,100	-
Exchange rate loss	215	4,641
Total financial expenses	34,981	42,459

Borrowing costs capitalized on development projects are calculated based on the incurred costs and a weighted average capitalization rate of 9.24% (2020: 10.29%). The amount capitalized in 2021 is USD 563 thousand (2020: USD 178 thousand).

The net exchange rate gain at 31 December 2021 was USD 590 thousand (2020: Net exchange rate loss of USD 2,225 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	2021	2020
Current tax	8,292	4,137
Adjustment in corporation tax previous years	1,025	(1,760)
Total current tax incl. adj. in corporation tax previous years	9,317	2,377
Adjustment in deferred tax previous years	3,909	2,536
Change in deferred tax	353	150
Other taxes	1,945	4,592
Total adjustments in deferred tax previous years	6,207	7,278
Total income taxes	15,524	9,655
Breakdown of tax:		
Profit before tax	54,446	7,809
Reconciliation of tax rate USD:		
Danish corporation tax rate	11,978	1,718
Effect of difference between tax rate for subsidiaries outside Denmark and Danish tax rate	(178)	(291)
Non-taxable income and non-deductible expense	(5,073)	(564)
Interest limitation, thin capitalization etc.	1,918	3,287
Withholding tax non deductible	1,945	3,592
Other taxes, including adjustments to previous years	4,934	1,913
Total income taxes	15,524	9,655

The statutory corporate income tax rate in Denmark in the year ended 31 December 2021 was 22%.

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

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

In the year ended 31 December 2020 the Danish tax group of Welltec had a net finance cost of USD 19.8 million but due to the domestic interest restrictions the tax deductible interest was limited to USD 3.6 million. This leads to a disallowance of USD 15.4 million under Danish corporate tax law.

The excess interest disallowed cannot be carried forward and thus Welltec consider the excess interest to be a permanent difference. Welltec calculate that the Danish CIT deduction lost as a result of this anti-avoidance legislation to be USD 3.7 million at 31 December 2020.

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 2021 Welltec was unable to claim a foreign tax credit for all the foreign WHT suffered. The excess WHT is USD 1.9 million.

11. Non-cash adjustments

USD in thousands	2021	2020
Depreciation of intangible and tangible assets	23,752	26,941
Disposal and impairment losses	2,103	4,485
Demerger - transfer of net assets	-	9,561
Exchange rate adjustment on depreciation and fixed assets	(55)	(410)
Impairment of trade receivables	-	256
Currency adjustments, other	2,261	(7,633)
Reversal/write-down on intercompany receivables	-	(1,000)
Write down investments on subsidiaries	-	2,361
Change in other payables, long-term	720	1,399
Share based payments	-	1,278
Total non-cash adjustments	28,781	37,238

12. Changes in working capital

USD in thousands	2021	2020
Change in trade receivables and prepayments	(6,927)	4,335
Change in inventories	15,713	(14,624)
Change in receivables from subsidiaries and affiliates	(3,085)	38,306
Change in trade payables	1,694	(4,315)
Change in other payables	(50)	(4,089)
Change in other receivables	(1,467)	(618)
Change in payables to affiliates	(2,682)	15,578
Total changes in working capital	3,196	34,573

13. Intangible assets

USD in thousands	Technology	Completed development projects	Development projects in progress	Patents and licenses	Total
Costs at 1January 2020	7,262	144,049	9,916	21,247	182,474
Demerger	(954)	(71)	-	(295)	(1,320)
Additions	522	-	5,459	993	6,974
Transfer	-	5,244	(5,244)	-	-
Exchange rate adjustment	(230)	(23,977)	-	-	(24,207)
Disposal	14	-	(416)	304	(98)
Total costs at 31 December 2020	6,614	125,245	9,715	22,249	163,823
Amortization and impairment losses at 1 January 2020	4,849	131,941	586	7,217	144,593
Demerger	(701)	(71)	-	(83)	(855)
Amortization for the year	904	6,127	-	1,107	8,138
Impairment losses for the year	12	1,528	-	1,035	2,575
Disposal	(29)	(23,842)	-	-	(23,871)
Exchange rate adjustment	20	16	-	436	472
Total amortization and impairment losses at 31 December 2020	5,055	115,699	586	9,712	131,052
Total carrying value at 31 December 2020	1,559	9,546	9,129	12,537	32,771
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

Development costs recognized in the income statement in 2021 amounts to USD 2,249 thousand (2020: USD 2,111 thousand).

Impairment of intangible assets
Impairment of development projects amounted to USD 819 thousands in 2021 (2020: USD 1,528 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 1January 2020	155	3,982	331,585	12,303	22,259	370,284
Demerger	-	-	(4,923)	(3,164)	-	(8,087)
Additions	-	278	364	511	13,188	14,341
Transfer	-	-	16,354	-	(16,354)	-
Disposals	-	(2,534)	(118,574)	(4,877)	-	(125,985)
Exchange rate adjustment	-	(3)	14	(2)	-	9
Total costs at 31 December 2020	155	1,723	224,820	4,771	19,093	250,562
Depreciation and impairment losses at 1 January 2020	155	3,592	285,925	9,654	-	299,326
Demerger	-	-	(2,159)	(848)	-	(3,007)
Depreciation for the year	-	127	14,492	223	-	14,842
Impairment losses for the year	-	-	2,242	-	-	2,242
Disposal	-	(2,534)	(118,574)	(4,877)	-	(125,985)
Exchange rate adjustment	-	(2)	(293)	168	-	(127)
Total depreciation and impairment losses at 31 December 2020	155	1,183	181,633	4,320	-	187,291
Total carrying value at 31 December 2020	-	540	43,187	451	19,093	63,271

14. Tangible assets
Continued

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

Impairment losses in 2021 and 2020 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	2020
Balance 1 January	22,024	6,676	327	29,027
Demerger	(6,381)	(2,563)	(29)	(8,973)
Additions and remeasurements during the year	632	28	-	660
Depreciation for the year	(1,660)	(2,002)	(187)	(2,849)
Disposal for the year	(42)	(92)	-	(134)
Exchange rate adjustment	(2)	27	(1)	24
Total balance 31 December	14,571	2,074	110	16,755

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

14.2 Leasing amounts recognized in the income statement

USD in thousands	2021	2020
Depreciation	(3,316)	(3,849)
Disposals	12	(28)
Interest on lease liabilities	(512)	(698)
Rent concessions (IFRS 16 Leases)	13	31
Short-term leases	(319)	(151)
Lease of low value assets	(46)	(75)
Total amounts recognized in the income statement	(4,168)	(4,470)

14.3 Amounts recognized in cash flow statement (excluding EBIT)

USD in thousands	2021	2020
Interest on lease liabilities	(512)	(698)
Installments on lease liabilities	(3,531)	(3,648)
Total outflow	(4,043)	(4,346)

15. Investments in subsidiaries

Parent

USD in thousands	2021	2020
Total carrying amount 1 January	19,747	22,108
Capital decrease	-	(3,161)
Impairment	(1,100)	-
Reversal of impairment previous years	-	800
Total carrying amount 31 December	18,647	19,747

The carrying value of investments in the subsidiaries is pledged as security for issued bonds as of 31 December 2021 and 31 December 2020.

15. 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	95%
Welltec Oilfield Services (India) Private Limited*	India	INR	100,000	100%
Welltec Oilfield Services (Kazakhstan) LLP*	Kazakhstan	KZT	151,200	100%
Welltec Kazakhstan Joint Venture LLP**	Kazakhstan	KZT	252,000	95%
Welltec Oilfield Services (Malaysia) Sdn. Bhd*	Malaysia	MYR	350,000	49%
Welltec Oilfield Services Mexico S.A.**	Mexico	MXN	50,000	100%
Welltec Oilfield Services (Nigeria) Ltd.***	Nigeria	NGN	25,000,000	30%
Welltec Oilfield Services (Norway)*	Norway	NOK	3,000,000	100%
Welltech Oilfield Services (Muscat) LLC*	Oman	OMR	150,000	70%
Welltec Oilfield Services (Doha) LLC.*	Qatar	QAR	1,000	49%
Welltec (RUS) Holding LLC*	Russia	RUB	100,000	100%
Welltec Oilfield Services (RUS) LLC.*****	Russia	RUB	100,000	100%
Welltec Oilfield Services (Saudi Arabia) Ltd*	Saudi Arabia	SAR	500,000	100%
Welltec (UK) Ltd.*	Scotland - UK	GBP	1	100%

15. Investments in subsidiaries
Continued

Name	Registered office	Currency	Capital	Share
Welltec Oilfield Services (Trinidad & Tobago) Limited****	Trinidad & Tobago	TTD	1	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.

16. Inventories

USD in thousands	2021	2020
Raw materials	-	10,112
Goods under manufacturing	-	3,318
Finished goods	-	2,283
Total inventories	-	15,713
Amount of write-down of inventories during the year	-	176
Cost of inventories included in cost of services provided	-	18,102

In 2021, inventories were sold to the affiliated company Welltec Manufacturing Center Completions ApS.

17. Trade receivables

USD in thousands	2021	2020
Trade receivables before allowance for doubtful accounts	11,960	5,606
Write-downs	(900)	(900)
Total trade receivables	11,060	4,706
Trade receivable turnover rate	39	29
Development in write-downs of trade receivables:		
Write-downs at 1 January	(900)	(644)
Unrealized write-downs during the year deemed un-collectible	-	(256)
Total write-downs at 31 December	(900)	(900)
Specification of trade receivables by due date, not impaired:		
Not due	9,400	2,932
Up to 30 days	357	610
30-60 days	565	429
60-90 days	350	23
90+ days	1,288	1,612
Total trade receivables	11,960	5,606

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 out-standing 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 zero customers, which accounted for 10% or more of the total revenue in 2021 (2020: zero).

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

The expected loss rates per 31 December 2021 are based on the payment profiles over a period of 3 years before 31 December 2019, 31 December 2020 and 31 December 2021 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 27% since 2020, whereas the provision for bad debt was at the same level as in 2020.

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

	31 December 2020				
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%	55,04%	
Trade receivable	2,932	610	429	1,635	5,606
Total loss allowance	-	-	-	900	900

USD in thousands	31 December 2021				
Expected credit loss rate	0%	0%	0%	55.95%	
Trade receivable	9,400	357	565	1,638	11,960
Total loss allowance	-	-	-	900	900

18. Share capital

USD in thousands	2021	2020
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 2021 or 2020 and no dividend is proposed related to the financial year 2021.

19. Deferred tax assets and liabilities

USD in thousands	2021	2020
Deferred tax 1 January	2,315	327
Transfer demerger	-	(612)
Adjustment of deferred tax — previous years	3,910	2,286
Change in deferred tax for the year	353	314
Total deferred tax (assets)/liabilities 31 December	6,578	2,315
Deferred tax breakdown:		
Intangible assets	7,563	6,919
Tangible assets	(449)	(971)
Right of use assets	3,091	-
Current and non-current liabilities	(3,243)	(3,633)
Other items	(384)	-
Total deferred tax (assets)/liabilities 31 December	6,578	2,315
Deferred tax is recognized in the statement of financial position with:		
Deferred tax liabilities	6,578	2,315
Total deferred tax (assets)/liabilities 31 December	6,578	2,315

20. Current and non-current financial liabilities

USD in thousands	2021	2020
Issued bonds	-	334,911
Finance lease commitments	14,909	18,645
Bank debt	-	15,000
Loan payable to subsidiaries and affiliates	130,072	-
Total financial liabilities	144,981	368,556
Recognition of short-term and long-term financial liabilities in the statement of financial position:		
Non-current financial liabilities — issued bonds	-	334,911
Non-current financial liabilities — lease commitments	13,563	15,517
Non-current financial liabilities — bank debt	-	15,000
Non-current financial liabilities - loan payables to subsidiaries and affiliates	130,072	-
Current financial liabilities - bank debt and lease commitmenrts	1,346	3,128
Total financial liabilities	144,981	368,556

		2020			
Currency	Expiry	Fixed or floating interest	Effective interest rate %*	Carrying amount local (thousands)	Carrying amount USD (thousands)
DKK	2021-2031	fixed	1.68 - 6.86	107,168	17,692
USD bonds	2022	fixed	9.75	334,911	334,911
USD other	2021-2023	floating/fixed	2.99 - 19.25	15,289	15,289
Other	2021-2023	fixed	4.90 - 11.91	-	664
Total					368,556

		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

*Interest rate spread contains weighted interest rates of: DKK: 2.58% (2020: 3.23%), USD: 7.27% (2020: 9.46%), INR: 8.02%, AED: 4.80% and other currencies (2020: 9.31%).

20. Current and non-current financial liabilities
Continued

20.1 Finance lease obligations

Finance lease relates to leases of properties with an average lease term of 5 years, manufacturing equipment with lease terms of 3-5 years and leases of vehicles with lease terms of 3 years. The 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 2021 and 31 December 2020.

	2021	2021	2020	2020
USD in thousands	Minimum lease payments	Present value of minimum lease payment	Minimum lease payments	Present value of minimum lease payment
Maturity of finance lease obligations:				
Within 1 year	2,015	1,346	4,227	3,128
Between 1 and 5 years	7,092	6,100	8,137	6,525
Over 5 years	8,034	7,463	9,899	8,992
Total finance lease obligations	17,141	14,909	22,263	18,645

20.2 Maturity dates for financial liabilities

	2020			
USD in thousands	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total
Finance lease commitments	3,128	6,525	8,992	18,645
Issued bonds	-	334,911	-	334,911
Bank debt	-	15,000	-	15,000
Payables to subsidiaries and affiliates	27,616	-	-	27,616
Trade payables	7,486	-	-	7,486
Other payables	7,469	-	-	7,469
Total financial liabilities	45,699	356,436	8,992	411,127

	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 payables	4,827	-	-	4,827
Total financial liabilities	40,287	6,172	137,463	183,922

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 45,161 thousands (2020: USD 63,890 thousand).

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.

20. Current and non-current financial liabilities
Continued

20.3 Net interest bearing debt

USD in thousands	2019	Included in cash flow from financing activities	Non-cash changes: New leases and remeasure-ments	Non-cash changes: Fair value adjustments	2020
Issued bonds	333,311	-	-	1,600	334,911
Finance lease commitments	27,450	(5,125)	(3,680)	-	18,645
Bank debt	5,000	10,000	-	-	15,000
Total interest bearing debt	365,764	4,875	(3,680)	1,600	368,556
Cash and cash equivalents	(15,392)	-	-	-	(14,900)
Net interest bearing debt	350,369	-	-	-	353,656

USD in thousands	2020	Included in cash flow from financing activities	Non-cash changes: New leases and remeasure-ments	Non-cash changes: Fair value adjustments	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

21. Other payables

USD in thousands	2021	2020
Wages and salaries, personal income taxes, social security costs, etc. payable	829	276
Holiday pay obligation	1,294	1,196
Accrued interests	120	2,712
Other costs payable	2,584	3,285
Total other payables	4,827	7,469

22. Assets charged and contingent liabilities

In 2021 the Company has issued bank guarantees to third parties in the amount of USD 7,402 thousand (2020: USD 7,137 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.

23. Financial Instruments

23.1 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.

23.2 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.

23.2.1 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	2021	2020	2021	2020
DKK	136,575	133,312	(202,160)	(169,520)
INR	55,041	53,906	(40,883)	(39,896)
AED	825	800	(14)	(665)
XAF	4,765	-	(2,806)	-

23.2.2 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	2021	2020	2021	2020	2021	2020
Profit/(loss)	4,530	(2,187)	147	350	(95)	932
Equity	-	-	1,436	1,424	104	54

23. Financial Instruments
Continued

23.2.3 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.

23.2.4 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 2021 would be affected with USD 1,300 thousand (2020: 3,550 thousand).

23.3.1 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 2021.

The cash position at year-end 2021 is USD 24.6 million (2020: USD 26.6 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. According to the current outlook for 2022 Welltec will be able to meet the covenant threshold for all quarters in 2022.

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.

23.3.2. 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 20.2: Maturity dates for financial liabilities.

23.4 Categories of financial instruments

USD in thousands	2021	2020
Trade receivables	11,060	4,706
Loans to subsidiaries and affiliates	42,028	237,507
Receivables from subsidiaries and affiliates	37,429	31,368
Other receivables - current	2,566	1,099
Cash and cash equivalents	24,612	14,900
Total financial assets measured at amortized cost	117,695	289,580

USD in thousands	2021	2020
Finance lease commitments	14,909	18,645
Issued bonds	-	334,911
Bank debt	-	15,000
Other liabilities	2,892	2,172
Loan payable to subsidiaries and affiliates	130,072	4,909
Payables to subsidiaries and affiliates	24,934	27,616
Trade payables	9,180	7,486
Other payables	4,827	7,469
Total financial liabilities measured at amortized cost	186,814	418,208

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

24. 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 15: Investments in subsidiaries.

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

2020 USD in thousands	Affiliates*	Subsidiaries
Rental of equipment	2,793	62,983
Rendering of services	4,767	3,021
Interest income/(expenses)	18,329	1,098
Total transactions	25,889	67,102

2021 USD in thousands	Affiliates*	Subsidiaries
Rental of equipment	5,093	78,542
Rendering of services	498	3,466
Interest income/(expenses)	16,644	125
Total transactions	22,235	82,133

*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 by related parties	
USD in thousands	2021	2020	2021	2020
Welltec International ApS	-	219,374	(130,000)	-
Subsidiaries and affiliates	79,455	49,500	(25,006)	(32,525)
Total balances	79,455	268,874	(155,006)	(32,525)

25. Events after the balance sheet date

On 24 February 2022, Russia invaded Ukraine resulting in a military conflict. As a consequence, sanctions have been imposed on Russia. Welltec continues to follow the situation very closely.

The livelihoods of Welltec employees are a priority. Therefore, operations in Russia will be pursued in full compliance with the applicable international laws and sanctions and will aim to live up to the contractual obligations entered with clients. New investments into Russia have been suspended.

In 2021, Russia accounted for some 6% of the evenue. Activities in Russia are handled by our Russian subsidiary Welltec Oilfield Services (RUS). As of 31 December 2021, Welltec Oilfield Services (RUS) had assets of USD 16.6 million, which primarily relate to inventory, trade receivables and cash balances with local banks. Additionally, Welltec A/S has leased tools to Welltec Oilfield Services (RUS) of USD 1.8 million, which are physically located in Russia. Welltec Oilfield Services (RUS) employs 72 employees. During 2022, Welltec will continuously monitor the need for impairments on the assets located in Russia.

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 Africa ApS E.G.***	Equatorial Guinea	2010 / XAF
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 including additions from financial leasing and additions through business combinations.

EBIT margin before special items

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

EBITDA margin

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

Return on equity

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

ROIC excl. goodwill

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