Welltec A/S Annual Report 2023

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

Welltec's Annual report 2023
Approved at the Annual Shareholders'
Meeting on 17 June 2024

Meeting CHAIRPERSON: Peter Schnettler Kristensen

Welltec®

Contents

Company profile

Welltec A/S is a part of the Welltec International Group financial statements (Central Business Registration No: 30 69 50 03), where consolidated financial statements are available.

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

It is our philosophy to challenge conventional thinking by developing novel products and services that 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 design, engineer, and manufacture effective and unique technologies that enhance production and recovery rates for our clients. Our ability to perform complex operations in extended reach and horizontal wells enables operators to drill multiple wells from a single topside location, increasing efficiency and reducing environmental footprint. This same technology also allows for subsequent rigless interventions, significantly reducing the industry's energy consumption and carbon emissions.

Moreover, our unique Completion technologies contribute to environmental stewardship by aiding in the prevention and elimination of methane production to the surface. Methane, being 80 times more harmful than CO2 to the atmosphere, highlights the significant impact of our solutions on reducing greenhouse gas emissions. This commitment to environmental responsibility aligns with our goal of providing sustainable and impactful solutions to the energy industry, and for future generations.

In a further stride toward innovation, Welltec® has established a third business segment in New Energy and Climate Technology. In this area, our focus is on the application of our products and services in areas such as geothermal, carbon capture utilization and storage, spearheaded by an advanced full-scale Test Flow Loop facility in Esbjerg, Denmark. This facility serves as a valuable resource for our clients, allowing them to test downhole well components under replicated conditions of pressure and temperature. Moreover, the state-of-the-art setup facilitates the testing of components while flowing corrosive gases such as CO2 (and other chosen impurities), contributing to our efforts in addressing environmental concerns and supporting the development of sustainable energy solutions by ensuring the long-term performance of components.

Key figures and ratios Welltec A/S

USD in millions	2023	2022	2021	2020	2019**
Statement of comprehensive income					
Revenue	216	172	111	88	134
Earnings before interest, tax, depreciation and amortization (EBITDA)*	166	124	74	52	79
Operating profit (EBIT) before special items	139	99	49	19	47
Operating profit (EBIT)	139	88	48	22	47
Net financial income / (expenses)	10	7	6	(14)	(3)
Total profit before tax	148	95	54	8	44
Total net profit / (loss) for the year	114	69	39	(2)	35
Cash flows					
Cash flows from operating activities	157	82	71	85	43
Cash flows from investing activities	(51)	(13)	192	(49)	(3)
Cash flows from financing activities	(99)	(55)	(253)	(37)	(32)
Total cash flows	7	14	10	(1)	8
Balance					
Trade receivables	13	15	11	5	9
Equity**	221	120	53	15	28
Total assets**	373	280	251	440	487
Investments in intangible assets*	5	6	9	7	6
Investments in tangible assets*	35	19	15	14	25
Key ratios*					
EBITDA margin in percent*	77	72	67	58	59
EBIT margin before special items in percent	64	57	44	26	35
ROIC excl. goodwill in percent**	113	82	42	17	44
Return on equity in percent**	67	80	110	(9)	131
Number of employees, average	240	229	216	213	320

*For definitions of key ratios, investments and EBITDA see page 54.
**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	2023	2022	Change in %
Revenue	216	172	26
Cost of service provided and goods sold	(40)	(40)	(1)
Total gross profit	176	132	33
Development and manufacturing costs	(11)	(7)	46
Administrative expenses and sales costs	(26)	(26)	n/a
Total operating profit (EBIT) before special items	139	99	41
Special items	-	(11)	n/a
Total operating profit (EBIT)	139	88	58
Net financial income	10	7	(37)
Income taxes	(35)	(26)	(36)
Total profit for the year	114	69	64

Revenue
Revenue amounted to USD 216 million, an increase of 26% year on year. The increase in revenue reflects primarily an increase in Intervention Services of 26%.

Cost of service provided
The cost of services provided was USD 40 million, which is the same as in 2022.

Development and manufacturing costs
Development and manufacturing costs, not capitalised, increased to USD 11 million, which is USD 4 million higher than in 2022, due to higher spending on research and less on development projects, which meet the criteria for capitalization.

Administrative expenses and sales costs
Administrative expenses and sales costs were USD 26 million which is the same as last year.

Earnings before interest, tax, depreciation, amortization and special items (EBITDA)
EBITDA increased to USD 166 million, representing a margin of 77% against 72% in 2022. The increase in EBITDA was mainly attributable to higher sales and better margins.

Operating profit (EBIT) before special items
EBIT increased to USD 139 million from USD 99 million in 2022. The EBIT margin was 64% against 57% in 2022. The increased EBIT is related to higher sales.

Net financial income
Net financial income was USD 10 million. The dividends from subsidiaries are USD 5 million in 2023 (2022: USD 13 million).

Alternative performance measures - EBITDA reconciliation

USD in millions	2023	2022
Profit for the period	114	69
Income taxes	35	25
Financial income	(10)	(7)
Depreciation and amortization	26	24
Impairment loss	-	2
Issued warrants	1	0
Special items	-	11
Total EBITDA	166	124

Income taxes
Income taxes were an expense of USD 35 million, an increase of USD 9 million year on year.

Total profit for the year
2023 resulted in a profit of USD 114 million, representing an increase in the result of USD 45 million compared to 2022, driven by higher sales and productivity.

Transfer of the completion business
In May 2018, the completion business transitioned from Welltec A/S to Welltec Oilfield Solutions AG due to an initially planned shift of effective management from Denmark to Switzerland. However, due to changes in ownership of the Welltec Group and other internal restructurings, the effective management of the completion business never moved to Switzerland, which meant that there was an inherent tax risk. The position of Welltec Oilfield Solutions AG being the principal entity of the completion business could no longer be upheld, and the likelihood of having to enter into an international tax dispute between Switzerland and Denmark regarding the residual results of the completion business increased.

Based on this, Welltec managed to reach an amicable solution between the Danish and Swiss Tax Authorities, accepting the retransfer of the completion business to Welltec A/S and the remuneration of Welltec Oilfield Solutions AG for the years 2018 and onwards. With the retransfer of the completion business, the IP rights of completion return to the initial seller, Welltec A/S, which was a prerequisite for acceptance by the Danish Tax Authorities. Since the relocation of the completion business to Switzerland, Welltec has established a legal entity in Denmark dedicated to its completion business. Consequently, the completion business has been sold to Welltec Manufacturing Center Completions ApS as of January 1 2024. Due to this fact, the IP rights etc. retransferred to Welltec A/S have been classified as assets held for sale as of 31 December 2023.

Outlook

The result for 2023 exceeded our expectations. Market conditions were favourable, our clients continued to request our services and products at an all time high level and our organization delivered very strong service quality and safety.

Going into 2024, we continue to experience demand for our industry-leading intervention and completion technologies.

The current supply/demand balance in mind, we expect to see a continued demand for OFS services and products. This combined with our leading and high differentiated offerings points towards continued high activity.

For 2024, we expect revenue and results to be at par with 2023.

CAPEX levels are expected to be lower compared to 2023, while ensuring adequate resources to develop new innovative technology and to support the production of spare parts and tools to the fleet of well intervention equipment.

2024

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 three customers that accounted for more than 10% of our revenue, hence termination of this relationship would have an adverse effect on our revenue and profits. As such, visibility with respect to future revenues is limited and there can be no assurance that a trading relationship with important customers will continue.

Competitors

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

Operational Risks

Service Quality

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

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

Supply Chain

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

Catastrophic Events

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

Financial Risks

Financial Exposure

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

Foreign exchange fluctuations

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

Taxes

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

Liquidity Risk

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

Geopolitical and Regulatory Risks

Geopolitical

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

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

Risks
continued

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.

Russia
All above generically described risks converge regarding Russia, where Welltec in 2010 established a subsidiary. Since Russia's military invasion of Ukraine 24 February 2022, a complex regulatory environment has emerged through the adoption of 12 EU sanctions packages and a multitude of Russian counter sanction legislation

Environment, Social and Government

For information about the Company's Environment, Social and Governement and data ethics in accordance with section 99a and 99d of the Danish Financial Statement Act please refer to the annual report of Wellltec International ApS 2023 CVR no. 30695003, which can be obtained at www.welltec.com.

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

Addressing gender diversity challenges in the oil and gas industry, Welltec is committed to fostering inclusivity and increasing female representation. Our policy involves actively attracting and identifying female candidates, integrating bias-aware evaluation methods. In 2023, we strengthened our recruitment process for leadership roles both internally and externally that we encourage all qualified candidates to apply regardless of gender in order to work actively towards achieving our goal.

The percentages of the underrepresented gender and the related targets are as follows:

	2023
Shareholder-elected board members	
Total members	6
Underrepresentended gender	1
Underrepresentended gender	17%
Target	33%
Year for fulfilling target	2027

	2023
Management (level 1 and 2)	
Total members	16
Underrepresentended gender	4
Underrepresentended gender	25%
Target	31%
Year for fulfilling target	2027

The underrepresented gender is represented by one individual in the board of directors and our target is to increase the underrepresented gender by one. In 2023 there were no changes to the composition of board members, though no actions were taken to meet the target for the underrepresented gender. Furthermore, we aim to increase the underrepresented gender at management level by 2027.

Company Details

Company
Welltec A/S
Gydevang 25
3450 Allerød
Denmark

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Central Business Registration No: 13 47 88 05
Registered in: Allerød
Financial year: 1 January – 31 December 2023

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

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

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 2023 to 31 December 2023.

The financial statements are prepared in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2023 as well as of financial performance and cash flows for the financial year 1 January - 31 December 2023.

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, 14 June 2024

Executive Board

Peter Hansen
Chief Executive Officer

Michael Christensen
Chief Financial Officer

Board of Directors

Niels Harald de Coninck-Smith
Chairman

Alasdair Geddes Shiach

Benoît Ribadeau-Dumas

Klaus Martin Bukenberger

Maite Labairu Trenchs

Michel Pierre René Hourcard

Independent auditor’s report

To the shareholders 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 2023 and of the results of the Company’s operations and cash flows for the financial year 1 January to 31 December 2023 in accordance with IFRS Accounting Standards as adopted by the EU and further 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 2023, which comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including material accounting policy information, 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’ International 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 Management’s Review.

Our opinion on the financial statements does not cover Management’s 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 Management’s Review and, in doing so, consider whether Management’s 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 Management’s Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management’s Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management’s 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 IFRS Accounting 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 expected to influence the economic decisions of users taken on the basis of these financial statements.

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

We also:

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

Independent auditor’s report Continued

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 conditions that 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, 14 June 2024
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Central Business Registration No. 33 77 12 31

Anders Stig Lauritsen	Henrik Kyhnauv
State Authorized	State Authorized
Public Accountant	Public Accountant
mne32800	mne40028

Statement of comprehensive income

USD in thousands	Note	2023	2022
Revenue	3	215,511	171,714
Cost of services provided and goods sold	4,5	(40,137)	(39,694)
Total gross profit		175,374	132,020
Development and manufacturing costs	4,5	(10,683)	(7,298)
Administrative and sales costs	4,5	(26,155)	(26,141)
Total operating profit (EBIT) before special items		138,536	98,581
Net special items	6	-	(11,032)
Total operating profit (EBIT)		138,536	87,549
Financial income	7	14,405	21,204
Financial expenses	8	(4,674)	(14,084)
Total profit before tax		148,267	94,669
Income taxes	9	(34,503)	(25,447)
Total profit for the year		113,764	69,222

USD in thousands	2023	2022
Total profit for the period	113,764	69,222
Other comprehensive income for the year that will not be reclassified to the income statement, when specific conditions are met:		
Actuarial gains on defined benefit plans	(18)	45
Other comprehensive income for the year that will be reclassified subsequently to the income statement, when specific conditions are met:		
Unrealized exchange rate adjustments of foreign branches	987	(2,019)
Total comprehensive income	114,733	67,248
Distribution of profit for the year:		
Welltec International ApS shareholders' share of profit	113,764	69,222
Proposed dividend	(145,000)	(15,000)
Transfer to retained earnings	(31,236)	54,222
Total comprehensive income attributable to:		
Welltec International ApS shareholders' share of comprehensive income	114,733	67,248

Statement of financial position - assets

USD in thousands	Note	31 Dec. 2023	31 Dec. 2022
Non-current assets			
Intangible assets			
Technology		1,312	1,323
Completed development projects		8,284	12,612
Development projects in progress		13,247	9,253
Patents and licenses		11,332	11,620
Total intangible assets	12	34,175	34,808
Tangible assets			
Leasehold improvements		1,602	1,332
Plant equipment and fleet		45,000	41,134
Other fixtures, fittings, tools and equipment		18	296
Plant equipment and fleet under construction		27,753	20,254
Right-of-use assets		13,390	13,940
Total tangible assets	13	87,763	76,956
Other non-current assets			
Loans to subsidiaries and affiliates	25	51,865	42,020
Investments in associated companies	14	2,402	1,028
Investments in subsidiaries	15	35,622	18,511
Other financial assets		589	-
Total other non-current assets		90,478	61,559
Total non-current assets		212,416	173,323

USD in thousands	Note	31 Dec. 2023	31 Dec. 2022
Current assets			
Receivables			
Trade receivables	16	13,135	14,716
Tax receivables		282	35
Receivables from subsidiaries and affiliates	25	74,780	46,947
Other receivables		3,096	2,838
Prepayments		2,056	4,069
Total receivables		93,349	68,605
Assets held for sale	17	22,547	-
Cash and cash equivalents		44,816	38,051
Total current assets		160,712	106,656
Total assets		373,128	279,979

Statement of financial position - liabilities

USD in thousands	Note	31 Dec. 2023	31 Dec. 2022
Equity			
Share capital	18	53,218	53,218
Currency translation reserve		(9,766)	(10,753)
Reserve for capitalized development projects		16,794	17,055
Retained earnings		15,625	45,784
Proposed dividend		145,000	15,000
Total equity		220,871	120,304
Non-current liabilities			
Deferred tax liabilities	19	11,878	5,855
Finance lease liabilities	21	11,675	11,850
Loan payable to subsidiaries and affiliates	21	224	82,022
Defined benefit plans	20	427	357
Other liabilities	21	2,045	1,926
Provisions		4,916	-
Total non-current liabilities		31,165	102,010
Current liabilities			
Current portion of finance lease liabilities	21	1,792	1,487
Payables to subsidiaries and affiliates	25	68,210	15,593
Trade payables		11,889	11,054
Current tax liabilities		32,249	21,891
Other payables	22	6,952	7,640
Total current liabilities		121,092	57,665
Total liabilities		152,257	159,675
Total equity and liabilities		373,128	279,979

Statement of changes in equity

USD in thousands	Share capital	Currency translation reserve	Reserve for capitalized development projects	Retained earnings	Proposed dividend	Total
Total equity at 31 December 2021	53,218	(8,734)	21,810	(13,595)	-	52,699
Profit for the year	-	-	-	54,222	15,000	69,222
Other comprehensive income/(loss)	-	(2,019)	-	-	-	(1,662)
Actuarial adjustments		-	-	45	-	45
Total comprehensive income for the year	-	(2,019)	-	54,267	15,000	67,605
Warrants vested	-	-	-	357	-	357
Capitalized development projects	-	-	(4,755)	4,755	-	-
Total other transactions	-	-	(4,755)	5,112	-	357
Total equity at 31 December 2022	53,218	(10,753)	17,055	45,784	15,000	120,304
Profit for the year	-	-	-	(31,236)	145,000	113,764
Other comprehensive income/(loss)	-	987	-	-	-	987
Actuarial adjustments	-	-	-	(18)	-	(18)
Total comprehensive income for the year	-	987	-	(31,254)	145,000	114,733
Dividend paid	-	-	-	-	(15,000)	(15,000)
Warrants vested	-	-	-	834	-	834
Capitalized development projects	-	-	(261)	261	-	-
Total other transactions	-	-	(261)	1,095	(15,000)	(14,166)
Total equity at 31 December 2023	53,218	(9,766)	16,794	15,625	145,000	220,871

Statement of cash flows

	Note	2023	2022
Operating profit (EBIT)		138,536	87,549
Non-cash adjustments	10	28,634	38,518
Changes in working capital	11	8,477	(34,548)
Income taxes paid		(18,369)	(9,200)
Changes in other financial assets, long-term		(589)	-
Total cash flows from operating activities		156,689	82,319
Investments in intangible assets		(5,439)	(5,546)
Investments in tangible assets		(34,802)	(19,394)
Investments in subsidiaries		(4,742)	-
Dividend from subsidiaries		5,205	12,631
Loan to subsidiaries and affiliates		(9,845)	(309)
Investments in associated companies		(1,374)	(1,028)
Total cash flows from investing activities		(50,997)	(13,646)
Financial income received		734	494
Financial expenses paid		(1,365)	(4,288)
Other financial expenses		-	(1,212)
Repayment of intercompany loan		(81,798)	(48,050)
Dividend paid to shareholders		(15,000)	-
Installments on leasing commitments		(1,532)	(1,718)
Total cash flows from financing activities		(98,961)	(54,774)
Increase/(decrease) in cash and cash equivalents		6,731	13,899
Cash and cash equivalents 1 January		38,051	24,612
Exchange rate adjustments at beginning of period		34	(460)
Total cash and cash equivalents at 31 December		44,816	38,051

Contents notes

1. Accounting policies

Basis of accounting
The financial statements for 2023 are presented in accordance with IFRS Accounting Standards as adopted by the EU (IFRS) and additional Danish disclosure requirements for annual reports of reporting class C (large) enterprises.

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 and other non-monetary assets purchased in foreign currencies and measured based on historical cost are translated at the transaction date exchange rate. If non-monetary items are restated at fair value, they are translated using the exchange rate at the date of restatement.

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

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

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

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

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

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

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

Exchange adjustments on deferred tax are recognized as part of the year's adjustment in deferred tax.

1. Accounting policies
Continued

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

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

Statement of comprehensive income

Revenue

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

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

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

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

Cost of services provided and goods sold

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

Development and manufacturing costs

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

Administrative and sales costs

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

Special items

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

Financial income and expenses

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

Statement of financial position

Intangible assets

Development projects

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

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

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

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

Other intangible assets

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

1. Accounting policies
Continued

comprises expenses directly attributable to the manufacturing of the asset, including materials, components, sub-suppliers rent, electricity and laboring costs. In the year when the tool is completed and ready to generate income, it is recognized under ‘Plant, equipment and fleet’. During construction, the asset is recognized under ‘Plant, equipment and fleet under construction’.

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

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

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

Impairment of property, plant, equipment, fleet and intangible assets

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

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

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

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

If the recoverable amount of the asset or the cash-generating unit is estimated to be lower than the carrying amount, the asset is written down to this lower recoverable amount. The individual asset is not written down to an amount that is lower than its fair value net of estimated selling costs.

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

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

Right-of-use assets and lease liabilities

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

Investments in associated companies

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

Investments in associates are accounted for under the equity method of accounting meaning that the investments are initially recognised at cost and adjusted thereafter to recognise the group’s share of the post-acquisition profits or losses of the associated companies’ profit or loss, and the group’s share of movements in other comprehensive income of the associated companies in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment. Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group’s interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Investments in subsidiaries

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

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

1. Accounting policies
Continued

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

Assets held for sale
Non-current assets are classified as assets held for sale when their carrying amounts are to be recovered principally through a sale transaction and a sale is considered highly probable. Such assets are stated at the lower of the carrying amount and fair value less costs to sell.

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.

Provisions
Provisions are recognized when, as a result of events arising before or at the balance sheet date, the Company has a legal or a constructive obligation, and it is likely that there may be an outflow of ressources embodying economic benefits to settle the obligation. The amount recognized as a provision is the Executive Management Board's best estimate of the amount required to settle the obligation.

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

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

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

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

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

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

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

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

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

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

Cash and cash equivalents comprise cash.

2. Use of critical accounting, estimats and judgements

The Company prepares its financial statements in accordance with IFRS Accounting Standards 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 2023, Welltec has capitalized USD 72,753 thousand as plant equipment and fleet – completed and under construction compared to USD 61,388 thousand at 31 December 2022.

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 13: 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 2023, Welltec has capitalized USD 21,531 thousands as development projects – completed and in progress – compared to USD 21,865 thousand at 31 December 2022.

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

2.3 Impairment test of intangible assets
For purposes of assessing the carrying amount of intangible assets of USD 34,175 thousand at 31 December 2023, compared to USD 34,808 thousand at 31 December 2022, 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 2029. 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 12: Intangible assets.

2. Use of critical accounting, estimats and judgements
Continued

2.4 Impairment of assets located in Russia
Prior to Russia's invasion of Ukraine on 24 February 2022, Welltec had exported technologies for use exclusively by Welltec Oilfield Services Russia, a subsidiary entirely staffed by non-EU, non-UK and non-US nationals. Such technologies were impacted gradually as EU sanctions packages were implemented over the course of 2022, and subsequently also later through 2023. Russian state counter sanctions have since March 2022 forbidden the re-export of such pre-24 February 2022, imported assets.

In 2022, Management decided to assess the recoverability of the carrying amount of these assets including intercompany loan and receivables. This led to a write down of these assets of USD 11 million. Significant accounting judgments have been applied to determine the write-down due to the nature of the matter disclosed.

Through 2023, given the continuation of military conflict and consequently an expansion of EU sanctions as well as Russian counter sanctions, the situation regarding above mentioned assets is unchanged, if not deteriorated. Therefore, Management has maintained the assets write-down in the Financial Statements for 2023.

3. Revenue from contracts with customers

3.1 Disaggregation of revenue from contracts with customers

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

	Europe, Africa & CEA		Americas		Middle East & Asia Pacific		Total	
USD in thousands	2023	2022	2023	2022	2023	2022	2023	2022
Tool rentals and services	149,312	122,387	21,892	21,007	41,549	25,779	212,753	169,173
Sale of goods	2,668	2,247	-	-	90	294	2,758	2,541
Total	151,980	124,634	21,892	21,007	41,639	26,073	215,511	171,714

USD 151,595 thousands (2022: USD 125,756 thousands) of the revenue is intercompany revenue. Please refer to note 25: Related parties for more details.

3.2 Assets and liabilities related to contracts with customers

Current contract assets relating to contracts with customers:

	2023	2022
Trade receivables	15,285	15,416
Loss allowance	(2,150)	(700)
Total contract assets	13,135	14,716

There were no contract liabilities in 2023 and 2022.

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

3. Revenue from contracts with customers
Continued

The Company has no un-satisfied long-term contracts in 2023 (2022: nil). The Company has applied the practical expedient in IFRS 15:121, whereas contracts with a duration below 12 months is not included.

3.3 Performance obligations
Tool rentals and services
Welltec's major part of the revenue derives from tool rentals (99% of total revenue). Sales are recognized over time, when the rental services have been performed. Revenue recognition takes place when there is no un-fullfilled obligation that could affect the customer's acceptance of the rental service. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A trade receivable will be recognized when the performance obligation has been fulfilled. Payments are typically due within 30 days from receipt of invoice and volume discounts is found in a few contracts. There is no financing component included in payment terms.

Sale of goods
Welltec's minor part of the revenue derives from sale of goods (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.

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

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

4. Staff costs

USD in thousands	2023	2022
Breakdown of staff costs:		
Wages and salaries	25,269	23,272
Share based payment to executives	834	357
Payments to defined contribution pension plans	1,004	1,304
Other social security costs	1,545	1,675
Total staff costs	28,651	26,608
Recognition of staff costs in the income statement:		
Cost of services provided	4,881	5,587
Administrative expenses and sales costs	12,818	11,197
Total staff costs in the income statement	17,699	16,784
Staff costs capitalized:		
Development costs capitalized	3,405	2,974
Production staff costs capitalized	7,547	6,850
Total staff costs capitalized	10,952	9,824
Number of employees:		
Average number of employees	240	229

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. The Company arranges for the regular payment (e.g. a fixed amount or a fixed percentage of the salary) of contributions to independent insurers who are responsible for the pension commitments. Once the Company has made payments of the contribution under the defined contribution pension plans, the Company 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

The Board of Directors does not receive board fees from Welltec A/S.

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

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

1 April 2023 the new CFO joined the Company. Until 31 March 2023 the Corporate Chief Accountant was appointed as Executive Officer according to the Danish Central Business Register. Consequently, salary and pensions paid to the Corporate Chief Accountant has been included from 1 January to 31 March 2023 in the figures for remuneration to the Executive Board.

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

USD in thousands	2023	2022
Staff salaries	1,178	1,634
Pension benefits	71	80
Share-based payments	526	357
Total remuneration to Executive Board	1,775	2,071

4. Staff costs
Continued

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

Remuneration to other key management, which consists of 4 employees (2022: 4 employees) includes salaries, bonuses, pensions, other social security costs including any severance payment and other staff costs.

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

USD in thousands	2023	2022
Staff salaries	1,216	1,249
Pension benefits	74	99
Total remuneration to other key management personnel	1,290	1,348

Incentive programs

The Company operates incentive schemes in the form of warrants (Equity-settled) to the Executive Board and members of the Key Management personnel of Welltec A/S. The purpose is to retain and motivate the said persons. The scheme is based on the shares of Welltec International ApS, and the warrants have no voting rights attached.

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

In 2023, warrants schemes to the Executive Board and Key Management personnel was granted. The warrant schemes consist of up to 56,250 warrants and vest over a 4 year period from 2023 to 2026. Furthermore, 4,500 warrants have been granted and paid for and can be exercised in the end of 2026. The total fair value of these warrants was at grant date USD 1.9 million. The fair value of the warrants scheme at grant date was calculated on the basis of the Black-Scholes model. The calculation for the 2023 scheme is based on an expected volatility of 25%, a risk-free interest rate at 1.75%, a share price of USD 39.5, the exercise price, an average option life of 48 month and no annual payment of dividends. The expected volatility has been determined using a historical volatility for a five-year period for comparable listed companies adjusted for a small-cap factor.

USD 834 thousand was recognized in the income statement in 2023 (2022: USD 357 thousands).

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
Total balance at 1 January 2022	-	-	-	-	-
Granted	-	162,000	-	162,000	72
Total balance at 31 December 2022	-	162,000	-	162,000	72
Granted	-	20,250	40,500	60,750	40
Total balance at 31 December 2023	-	182,250	40,500	222,750	63

5. Amortization, depreciation and impairment losses

USD in thousands	2023	2022
Technology	716	774
Completed development projects	5,227	3,834
Patents and licenses	1,131	1,048
Total amortization of intangible assets	7,074	5,656
Other fixtures, fittings, tools and equipment	222	627
Plant equipment and fleet	15,886	15,436
Leasehold improvements	515	175
Right-of-use assets	2,067	1,882
(Gain)/loss from disposal of plant equipment and fleet	-	(10)
Total depreciation of tangible assets	18,690	18,110
Total depreciation and amortization	25,764	23,766
Write-down of completed development projects	-	1,035
Write-down of plant equipment and fleet	-	719
Write-down of assets located in Russia	-	1,600
Total impairment losses	-	3,354
Recognition of amortization, depreciation and impairment losses by function:		
Cost of services provided	21,158	21,144
Development and manufacturing costs capitalized	604	554
Administrative and sales costs	4,002	3,822
Special items, write-down on assets located in Russia	-	1,600
Total amortization, depreciation and impairment losses	25,764	27,120

6. Special items

USD in thousands	2023	2022
Other special items	-	36
Write-down on assets located in Russia	-	(11,068)
Total net special items income / (expenses)	-	(11,032)

7. Financial income

USD in thousands	2023	2022
Interest income	734	494
Interest income from financial assets that are not measured at fair value through profit or loss:	734	494
Reversal of impairment on intercompany receivables	-	3,420
Reversal of impairment on investment in subsidiaries	7,400	-
Dividends from subsidiaries	5,205	12,631
Exchange rate gains	1,066	4,659
Total financial income	14,405	21,204

8. Financial expenses

USD in thousands	2023	2022
Interest expenses	73	817
Interest to subsidiaries and affiliates	184	3,499
Other financial expenses	171	647
Interest expenses from financial liabilities that are not measured at fair value through profit or loss	428	4,963
Impairment on investments in subsidiaries	-	200
Impairment on intercompany receivables	3,338	8,782
Exchange rate loss	908	139
Total financial expenses	4,674	14,084

Borrowing costs capitalized on development projects are calculated based on the incurred costs and a weighted average capitalization rate of 8.35% (2022: 8.40%). The amount capitalized in 2023 is USD 818 thousand (2022: USD 565 thousand).

The net exchange rate gain at 31 December 2023 was USD 158 thousand (2022: Net exchange rate gain of USD 4,520 thousands).

9. Income taxes

USD in thousands	2023	2022
Current tax	28,782	23,407
Adjustment in corporation tax previous years	(2,549)	391
Total current tax incl. adj. in corporation tax previous years	26,233	23,798
Adjustment in deferred tax previous years	927	1,170
Change in deferred tax	5,169	(1,443)
Withholding tax non deductible	2,038	1,922
Other taxes	136	-
Total income taxes	34,503	25,447
Breakdown of tax:		
Profit before tax	148,267	94,669
Reconciliation of tax rate USD:		
Danish corporation tax rate	32,619	20,827
Effect of difference between tax rate for subsidiaries outside Denmark and Danish tax rate	87	72
Tax effect from tax provision	-	270
Non-taxable income and non-deductible expense	(3,712)	795
Timing differences	4,106	-
Withholding tax non deductible	2,038	1,922
Adjustments to previous years	(635)	1,561
Total income taxes	34,503	25,447

The statutory corporate income tax rate in Denmark in the year ended 31 December 2023 was 22%. The effective tax rate for Welltec A/S was 28.3%. The main principle driver for this increase in the tax rate are outlined below.

Non-recoverable 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 2023 Welltec was unable to claim a foreign tax credit for all the foreign WHT suffered. The excess WHT is USD 2.0 million.

Well Completion business restructure
The WCS business has been transferred back to Welltec A/S from Welltec Oilfield Solutions AG (Switzerland). As part of this, the agreement between the Swiss and Danish tax authorities on one hand and Welltec on the other hand has been reached with regards to the purchase price and remuneration of all involved legal entities for the year 2018 going forward. The entire tax effects of this transaction have been included in the financial statements for 2023. Please refer to Financial Review page 5 for more information.

10. Non-cash adjustments

USD in thousands	2023	2022
Depreciation of intangible and tangible assets	25,764	23,776
Disposal and impairment losses	6,731	1,754
Exchange rate adjustment on depreciation and fixed assets	(243)	(146)
Impairment of trade receivables	1,450	(200)
Currency adjustments, other	1,309	2,712
Impairment on investments in subsidiaries	-	118
Reversal of impairment on investments in subsidiaries	(7,400)	-
Change in other payables, long-term	119	(636)
Change in defined benefit plans	70	72
Write-down on assets related to Russia	-	1,618
Write-down on intercompany loans and receivables	-	9,450
Warrants vested	834	-
Total non-cash adjustments	28,634	38,518

11. Changes in working capital

USD in thousands	2023	2022
Change in trade receivables and prepayments	2,145	(5,396)
Change in receivables from subsidiaries and affiliates	(23,771)	(24,213)
Change in trade payables	835	1,874
Change in other payables	(544)	2,800
Change in other receivables	(258)	(272)
Change in payables to affiliates	52,617	(9,341)
Change in assets held for sale	(22,547)	-
Total changes in working capital	8,477	(34,548)

12. Intangible assets

USD in thousands	Technology	Completed development projects	Development projects in progress	Patents and licenses	Total
Costs at 1 January 2022	6,932	76,470	10,772	22,713	116,887
Additions	462	-	4,924	725	6,111
Transfer	-	5,857	(5,857)	-	-
Disposal	-	(3,450)	-	-	(3,450)
Total costs at 31 December 2022	7,394	78,877	9,839	23,438	119,548
Amortization and impairment losses at 1 January 2022	5,297	64,846	586	10,770	81,499
Amortization for the year	774	3,834	-	1,048	5,656
Impairment losses for the year	-	1,035	-	-	1,035
Disposal	-	(3,450)	-	-	(3,450)
Total amortization and impairment losses at 31 December 2022	6,071	66,265	586	11,818	84,740
Total carrying value at 31 December 2022	1,323	12,612	9,253	11,620	34,808
Costs at 1 January 2023	7,394	78,877	9,839	23,438	119,548
Additions	679	-	4,735	843	6,257
Transfer	-	741	(741)	-	-
Disposal	(645)	(6,291)	-	-	(6,936)
Exchange rate adjustment	-	68	-	-	68
Total costs at 31 December 2023	7,428	73,395	13,833	24,281	118,937
Amortization and impairment losses at 1 January 2023	6,071	66,265	586	11,818	84,740
Amortization for the year	716	5,227	-	1,131	7,074
Disposal	(645)	(6,173)	-	-	(6,818)
Exchange rate adjusmtment	(26)	(208)	-	-	(234)
Total amortization and impairment losses at 31 December 2023	6,116	65,111	586	12,949	84,762
Total carrying value at 31 December 2023	1,312	8,284	13,247	11,332	34,175

Development costs recognized in the income statement in 2023 amounts to USD 3,140 thousand (2022: USD 2,219 thousand).

Impairment of intangible assets
Impairment of development projects amounted to zero in 2023 (2022: USD 1,035 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.

13. Tangible assets

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

13. Tangible assets
Continued

USD in thousands	Leasehold improvement	Plant equipment and fleet	Other fixtures, fittings, tools and equipment	Plant equipment and fleet under construction	Total
Total costs at 1 January 2023	2,843	218,131	7,198	20,254	248,426
Additions	800	14,183	98	19,515	34,596
Transfer	-	12,016	-	(12,016)	-
Disposals	(541)	(15,637)	(1,341)	-	(17,519)
Total costs at 31 December 2023	3,102	228,693	5,955	27,753	265,503
Depreciation and impairment losses at 1 January 2023	1,511	176,997	6,902	-	185,410
Depreciation for the year	515	15,886	222	-	16,623
Disposal	(523)	(9,190)	(1,187)	-	(10,900)
Exchange rate adjustment	(3)	-	-	-	(3)
Total depreciation and impairment losses at 31 December 2023	1,500	183,693	5,937	-	191,130
Total carrying value at 31 December 2023	1,602	45,000	18	27,753	74,373

13. 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	2022
Balance 1 January	14,209	179	203	14,591
Additions and remeasurements during the year	(38)	1,278	210	1,450
Depreciation for the year	(1,568)	(192)	(122)	(1,882)
Disposal for the year	(96)	(39)	(24)	(159)
Exchange rate adjustment	(122)	84	(22)	(60)
Total balance 31 December	12,385	1,310	245	13,940

USD thousands	Land and buildings	Plant, equipment and fleet	Other fixtures, fittings, tools & equipment	2023
Balance 1 January	12,385	1,310	245	13,940
Additions and remeasurements during the year	107	1,471	19	1,597
Depreciation for the year	(1,409)	(529)	(129)	(2,067)
Disposal for the year	(6)	-	-	(6)
Exchange rate adjustment	(73)	3	(4)	(74)
Total balance 31 December	11,004	2,255	131	13,390

14.2 Leasing amounts recognized in the income statement

USD in thousands	2023	2022
Depreciation	(2,067)	(1,882)
Disposals	(6)	4
Interest on lease liabilities	(365)	(374)
Short-term leases	(173)	(169)
Total amounts recognized in the income statement	2,240	(2,421)

14.3 Amounts recognized in cash flow statement (excluding EBIT)

USD in thousands	2023	2022
Interest on lease liabilities	(365)	(374)
Installments on lease liabilities	(1,532)	(1,718)
Total outflow	(1,897)	(2,092)

14. Investment in associated companies

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

USD in thousands

Name of entity	Country of incorporation	Ownership interest held by Welltec	Profit/(loss) 2022*	Equity 31 Dec. 2022*	Principal activities
Isealate AS	Norway	47.17%	(549)	406	Technology development

*Latest financial statement from Isealate AS is from 31 December 2022.

USD in thousands	2023	2022
Cost 1 January	1,028	-
Additions	1,374	1,028
Cost 31 December	2,402	1,028
Carrying amount	2,402	1,028

The Company acquired additional 10.61% of the ownership in Isealate AS during 2023 at a cost of USD 1,374 thousands.

15. Investments in subsidiaries

Subsidiaries

USD in thousands	2023	2022
Total carrying amount 1 January	18,511	18,647
Additions	9,711	-
Impairment	-	(136)
Reversal of impairment	7,400	-
Total carrying amount 31 December	35,622	18,511

The carrying value of investments in the subsidiaries is pledged as security for issued bonds as of 31 December 2023 and 31 December 2022.

In 2023 the Company acquired 100% of the shares in Norwegian based Autentik AS and established Welltec Energy Solutions Poland sp. z o.o.

In 2023 impairment from prior years of USD 7,400 thousand was reversed according to the impairment test performed.

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	99.6%
Welltec Oilfield Services (India) Private Limited*	India	INR	100,000	100%
Welltec Oilfield Services (Kazakhstan) LLP*	Kazakhstan	KZT	151,200	100%
Welltec Kazakhstan Joint Venture LLP**	Kazakhstan	KZT	252,000	95%
Welltec Oilfield Services (Malaysia) Sdn. Bhd*	Malaysia	MYR	350,000	49%
Welltec Oilfield Services Mexico S.A.**	Mexico	MXN	50,000	100%
Welltec Oilfield Services (Nigeria) Ltd.***	Nigeria	NGN	25,000,000	30%
Welltec Oilfield Services (Norway)*	Norway	NOK	3,000,000	100%
Autentik AS *	Norway	NOK	51,695	100%
Welltech Oilfield Services (Muscat) LLC*	Oman	OMR	150,000	70%
Welltec Energy Solutions Poland sp. z o.o.	Poland	PLN	5,000	100%
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 Global Services FZE*	UAE	AED	300,000	100%
Welltec Inc.*	USA	USD	100,000	100%
Welltec Venezuela, C.A.***	Venezuela	VEF	195.31	100%

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

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

16. Trade receivables

USD in thousands	2023	2022
Trade receivables before allowance for doubtful accounts	15,285	15,416
Write-downs	(2,150)	(700)
Total trade receivables	13,135	14,716
Trade receivable turnover rate	28	34
Development in write-downs of trade receivables:		
Write-downs at 1 January	(700)	(900)
Realized losses during the year	-	900
Unrealized write-downs during the year deemed un-collectible	(1,450)	(700)
Total write-downs at 31 December	(2,150)	(700)
Specification of trade receivables by due date, not impaired:		
Not due	9,117	13,459
Up to 30 days	2,113	999
30-60 days	185	252
60-90 days	3,431	29
90+ days	439	677
Total trade receivables	15,285	15,416

16. Trade receivables
Continued

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

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

The Company had 3 customers, which accounted for 10% or more of the total revenue in 2023 (2022: 5 customers). The three customers represent 27%, 28% and 29% respectively.

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

The expected loss rates per 31 December 2023 are based on the payment profiles over a period of 3 years before 31 December 2021, 31 December 2022 and 31 December 2023 and the corresponding historical credit losses experienced within this period and specific customers' collectability.

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.

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

	31 December 2022				
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%	99.15%	
Trade receivable	13,549	999	252	706	15,416
Total loss allowance	-	-	-	700	700

USD in thousands	31 December 2023				
Expected credit loss rate	0%	0%	0%	55.55%	
Trade receivable	9,117	2,113	185	3,870	15,285
Total loss allowance	-	-	-	(2,150)	(2,150)

17. Assets held for sale

USD in thousands	2023	2022
Carrying amount of assets held for sale:		
Patents and licenses	8,492	-
Intellectual property rights	8,355	-
Development projects in progress	2,752	-
Inventories	2,948	-
Carrying amount	22,547	-

Assets held for sale comprise assets related to the re-transfer of assets from Welltec Oilfield Solutions AG in Switzerland to Welltec A/S in Denmark, which are held for sale and have subsequently been sold to Welltec Manufacturing Center Completions ApS on 1 January 2024.

18. Share capital

USD in thousands	2023	2022
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.

Dividend proposed for the financial year 2023 is USD 145 million (2022: USD 15 million - paid out in 2023).

19. Deferred tax assets and liabilities

USD in thousands	2023	2022
Deferred tax 1 January	(5,585)	(6,578)
Exchange rate adjustments	(197)	-
Adjustment of deferred tax — previous years	(927)	(721)
Change in deferred tax for the year	(5,169)	1.714
Total deferred tax liabilities 31 December	(11,878)	(5,585)
Deferred tax breakdown:		
Intangible assets	(7,519)	(7,658)
Tangible assets	681	1,573
Right of use assets	(2,946)	(3,038)
Current and non-current liabilities	2,062	2,998
Current assets	(3,952)	-
Other items	(204)	540
Total deferred tax liabilities 31 December	(11,878)	(5,585)
Deferred tax is recognized in the statement of financial position with:		
Deferred tax liabilities	(11,878)	(5,585)
Total deferred tax liabilities 31 December	(11,878)	(5,585)

20. Defined benefit plans

The Company has entered into defined benefit schemes in some countries, whereas employees with more than 5 years seniority achives the right to obtain a gratitude payment at the time of retirement or when leaving the Company. If leaving the Company before retirement, the gratitude will be paid out to a pension fund. The Company does not have any financial risk related to this, since there are no financial market risks. The obliagtion is actuarially adjusted yearly.

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

Weighted average rates	2023	2022
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount rate range 2% - 6.62%	6.60	4.51
Expected future rate of salary increase in range of 2% - 5.5%	6.31	5.35
Withdrawal/employee turnover rate 10% - 20%	18.71	18.07

USD in thousands	2023	2022
Amounts recognized as staff expenses in the income statement:		
Current service costs	50	62
Net interest expense	20	10
Total	70	72

USD in thousands	2023	2022
Amounts recognized in comprehensive income in respect of defined benefit schemes :		
Actuarial (gains)/losses	18	(45)
Total	18	(45)

USD in thousands	2023	2022
Movements in present value of unfunded defined benefit plans in the current year:		
Opening present value	357	330
Exchange rate adjustment	(5)	-
Acquisitions	(12)	-
Current service costs	50	62
Interest costs	20	10
Actuarial gains/losses from changes in financial assumptions	-	(2)
Actuarial gains/losses arising from experience adjustments	17	(43)
Closing present value of unfunded defined benefit plans	427	357

The calculation of the defined benefit plans is prepared by external actuary agents. The latest actuarial calculation related to the defined benefit schemes was made 31 December 2023.

The total benefits to be paid in 2024 are USD 72 thousands.

21. Current and non-current financial liabilities

USD in thousands	2023	2022
Finance lease liabilities	13,467	13,337
Loan payables to subsidiaries and affiliates	224	82,022
Total financial liabilities	13,691	95,359
Recognition of short-term and long-term financial liabilities in the statement of financial position:		
Non-current financial liabilities — finance lease liabilities	11,675	11,850
Non-current financial liabilities - loan payables to subsidiaries and affiliates	224	82,022
Current financial liabilities - finance lease liabilities	1,792	1,487
Total financial liabilities	13,691	95,359

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

2023					
Currency	Expiry	Fixed or floating interest	Effective interest rate %*	Carrying amount local (thousands)	Carrying amount USD (thousands)
DKK	2024 - 2031	fixed	2.55 - 6.86	89,935	13,334
INR	2026	fixed	8.62	286	3
AED	2024 - 2025	fixed	3.76 - 4.46	166	45
USD	2024 - 2026	floating/fixed	3.00 - 5.31	43,989	309
Total					13,691

*Interest rate spread contains weighted interest rates of: DKK: 2.87% (2022: 2.70%), USD: 4.67% (2022: 7.27%), INR: 8.62% (2022: 7.99%) and AED: 4.43% (2022: 4.38%).

21. Current and non-current financial liabilities
Continued

Maturity dates for financial liabilities

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

USD in thousands	2023 Less than 1 year	Between 1 and 5 years	Later than 5 years	Total
Finance lease commitments	1,792	6,954	4,721	13,467
Loan payables to subsidiaries and affiliates	-	224	-	224
Payables to subsidiaries and affiliates	68,210	-	-	68,210
Trade payables	11,889	-	-	11,889
Other liabilities	2,045	-	-	2,045
Provisions	-	4,916	-	4,916
Other payables	6,952	-	-	6,952
Total financial liabilities	90,888	12,094	4,721	107,703

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 16,586 thousands (2022: USD 22,528 thousand).

Undiscounted financial liabilities

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

USD in thousands	2023 Less than 1 year	Between 1 and 5 years	Later than 5 years	Total
Finance lease liabilities	2,166	7,584	4,920	14,670
Total undiscounted financial liabilities*	2,166	7,584	4,920	14,670

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

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

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

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

The fair value of the finance lease liabilities is approximately equal to their carrying amount as of 31 December 2023 and 31 December 2022.

21. Current and non-current financial liabilities
Continued

Net interest bearing debt

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

USD in thousands	2022	Included in cash flow from financing activities	Non-cash changes: New leases and remeasurements	2023
Finance lease commitments	13,337	(1,532)	1,662	13,467
Loan payables to subsidiaries and affiliates	82,022	(81,798)	-	224
Total interest bearing debt	95,359	(83,330)	1,662	13,691
Cash and cash equivalents	(38,051)	-	-	(44,816)
Net interest bearing debt	57,308	-	-	(31,125)

22. Other payables

USD in thousands	2023	2022
Wages and salaries, personal income taxes, social security costs, etc. payable	2,111	1,281
Holiday pay obligation	1,410	1,483
Accrued interests	-	133
Other costs payable	3,431	4,743
Total other payables	6,952	7,640

23. Assets charged and contingent liabilities

In 2023 the Company has issued bank guarantees to third parties in the amount of USD 10,469 thousand (2022: USD 11,620 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.

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

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

24. Financial instruments

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

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

24.2.1 Foreign currency risk management
The reporting currency of the Company is US dollars. The functional currency of the Danish companies are 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, UAE Dirham 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, for entities with functional currencies other than USD, are as follows stated in the material currencies affecting the Company:

	Assets		Liabilities	
USD in thousands	2023	2022	2023	2022
DKK	127,127	145,374	(87,887)	(152,137)
INR	25,257	60,844	(384)	(40,321)
AED	3,349	1,448	(1,977)	(208)
XAF	680	634	(1,064)	(1,107)

24.2.2 Foreign currency sensitivity analysis
The following table details the Company's sensitivity to a 10% increase or 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	2023	2022	2023	2022	2023	2022
Profit/(loss)	6,366	6,073	473	764	(83)	(166)
Equity	-	-	2,516	2,055	157	144

24. Financial instruments
Continued

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

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

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

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Company's profit for the year and equity as of 31 December 2023 would be affected with USD 3 thousand (2022: USD 820 thousand).

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

The Company 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 Revolving Credit Facility (RCF), which can be used for cash draw-downs, letter of credits and guarantees of an aggregate amount up to USD 40 million. The RCF contains requirements for mandatory prepayments upon certain events and a financial covenant (see below).

The cash position at 31 December 2023 is USD 44.8 million (2022: USD 38.5 million).

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.

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

Please see note 21: Current and non-current financial liabilities.

24.4 Categories of financial instruments

USD in thousands	2023	2022
Trade receivables	13,135	14,716
Loans to subsidiaries and affiliates	51,865	42,020
Receivables from subsidiaries and affiliates	74,780	46,947
Other receivables - current	3,096	2,838
Cash and cash equivalents	44,816	38,051
Total financial assets measured at amortized cost	187,692	144,572

USD in thousands	2023	2022
Finance lease commitments	13,467	13,337
Other liabilities	2,045	1,926
Loan payable to subsidiaries and affiliates	224	82,022
Payables to subsidiaries and affiliates	68,210	15,593
Trade payables	11,889	11,054
Other payables	6,952	7,640
Total financial liabilities measured at amortized cost	102,787	131,572

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

25. Related parties

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

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

2 7 Industries Holding B.V., Van Heuven Goedhartlaan 13D, 1181 LE, Amstelveen, The Netherlands (owns 33.33 - 49.99% of Welltec International ApS)

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

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

5 Subsidiaries of Welltec A/S

See note 15: Investments in subsidiaries.

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

2022

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

2023

USD in thousands	Affiliates*	Subsidiaries
Rental of equipment	28,231	123,364
Rendering of services (expenses)	210	(3,164)
Interest income/(expenses)	2,030	(2,214)
Total transactions	30,471	117,986

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

The following balances (before any impairment) were outstanding at the end of the reporting period:

	Amounts owed by related parties		Amounts owed to related parties	
USD in thousands	2023	2022	2023	2022
Welltec International ApS	10,000	10,715	(1,871)	(81,950)
Subsidiaries and affiliates	130,252	90,796	(66,563)	(15,665)
Total balances	140,252	101,512	(68,434)	(97,615)

26. Events after the balance sheet date

Sale of completion business
On 1 January 2024 the completion business was sold to Welltec Manufacturing Center Completion ApS at a consideration of USD 147 million. The assets were recognized as held for sale in the annual report 2023.

Other than this, no subsequent events occured, which may materially affect the financial statements for 2023.

Branches

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

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

Definitions

EBITDA is defined by the Company as reported operating profit (EBIT) before special items, amortization, depreciation, impairment losses and issued warrants. 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. The Company's definition of EBITDA may differ from the definition of EBITDA used by other companies. EBITDA as defined by the Company is reported to allow for a more accurate assessment of the business operations. The Company'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 and additions through business combinations excluding additions from financial leasing.

EBITA is defined as earnings before interest, taxes, depreciations, amortizations and impairments on fixed assets (excluding goodwill).

Average invested capital excl. goodwill is defined as the average sum of networking capital, tangible assets and intangible assets excl. goodwill.

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

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