Welltec
Annual Report

Welltec International ApS
CVR No.: 30695003
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Welltec International's Annual report 2022
Approved at the Annual Shareholders' Meeting on 11 May 2023

Meeting **chairperson**: Ole Nørgaard

Welltec®

Contents

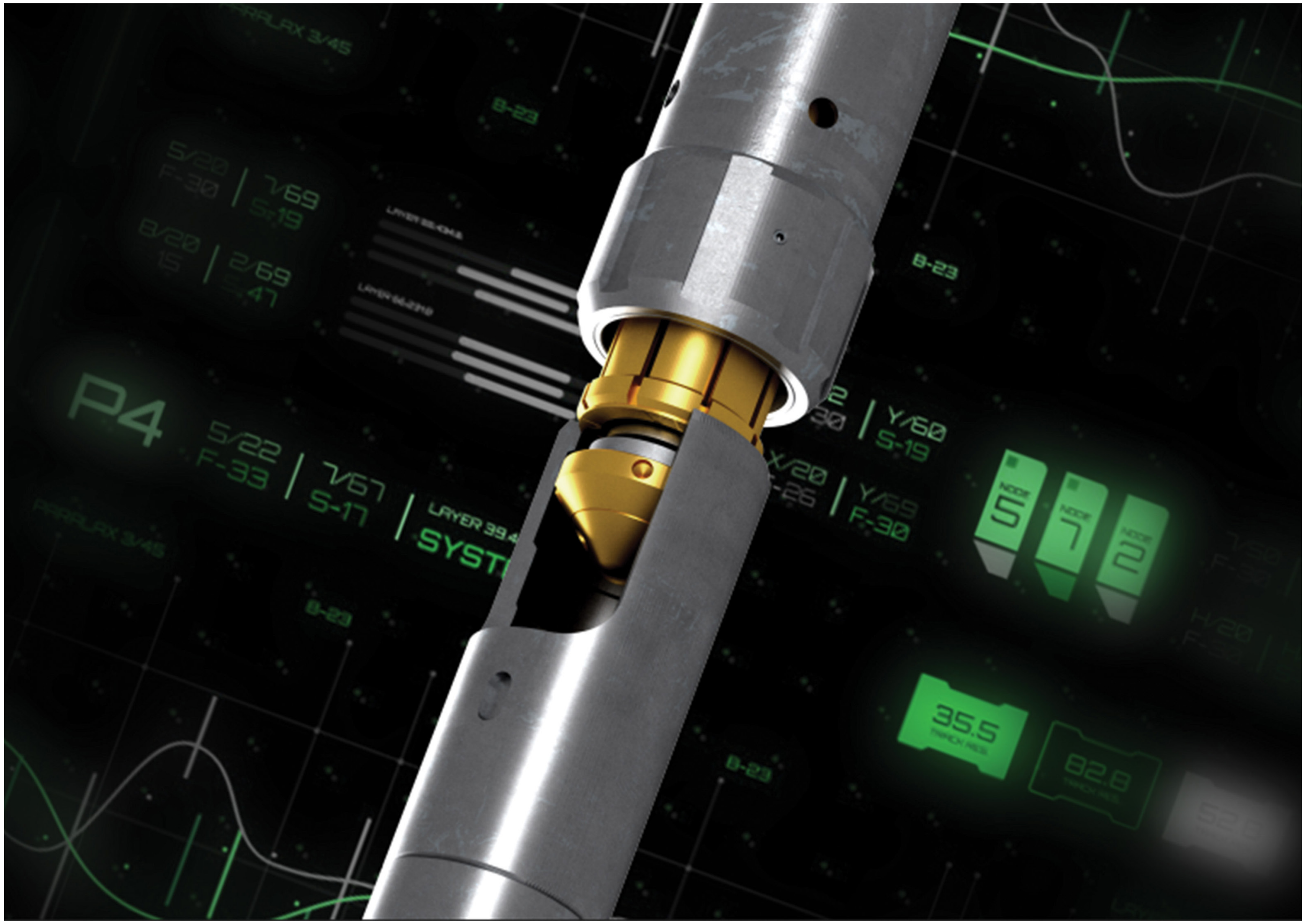
Company profile

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

It is our philosophy to challenge existing conventional thinking in order to develop novel products and services which increase oil and gas recovery while improving sustainability, efficiency, environmental and safety aspects of our industry. Through our in-house state-of-the-art manufacturing facilities we engineer, develop, and manufacture effective and unique technologies that enhance production and recovery rates for our clients.

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

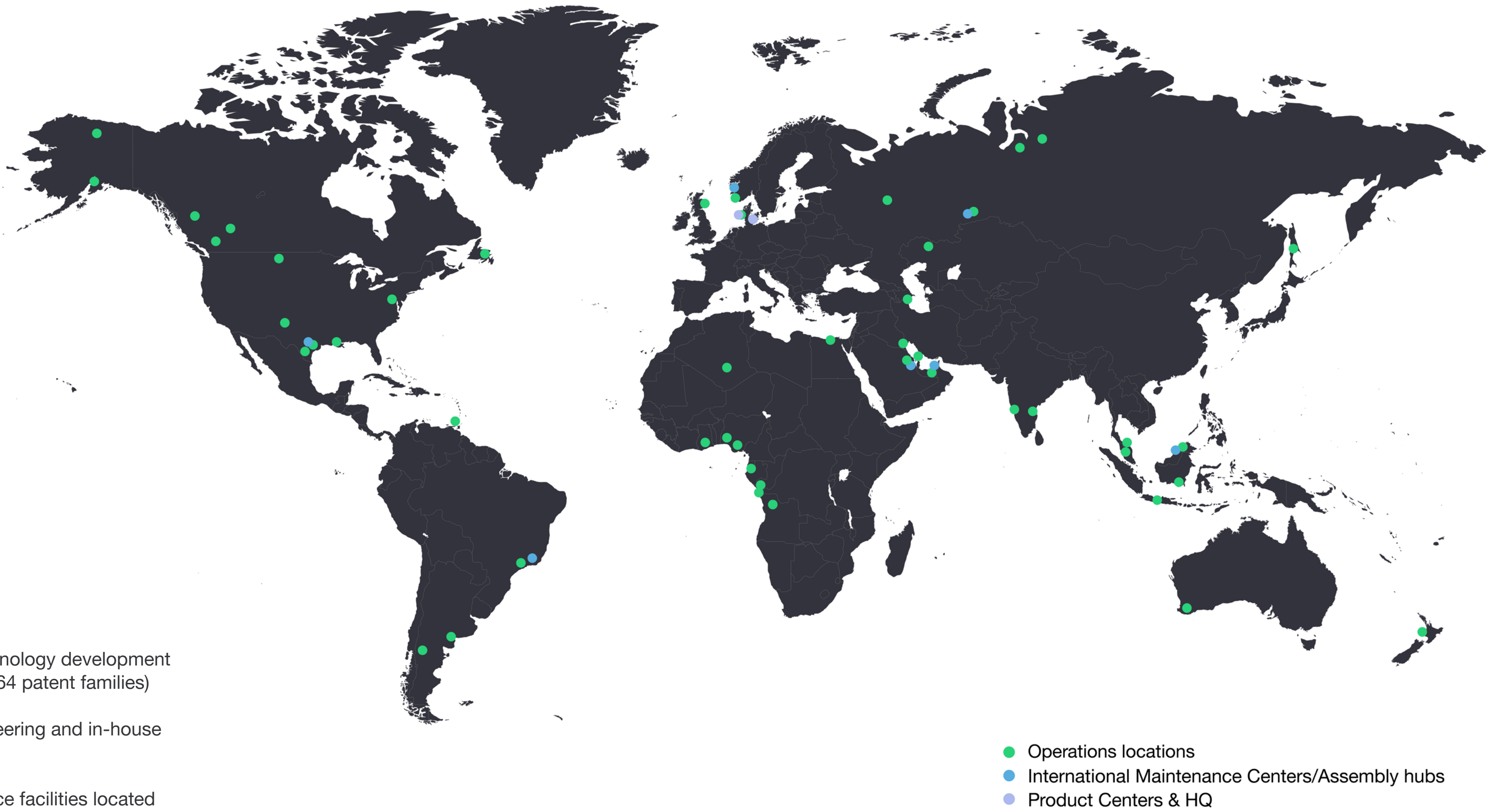
Acquisition of Autentik AS completed February, 2023. Market leading and award winning fishing solutions such as the Wellgrab ERFT (Electronically Releasable Fishing Tool) shown here



Our unique Completion technologies provide a totally new perspective to drilling and completing wells, adopting a holistic approach which adds value continuously over the life cycle of a well. From reducing geological uncertainty, accelerating first production, minimizing CAPEX, reducing costs, and simplifying plug & abandonment. The impact of our approach is immediate and has been proven to provide substantial savings and boost cash flow.

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

Company profile continued



- 29 years of innovative technology development within the energy sector (164 patent families)
- HQ, Development & Engineering and in-house manufacturing co-located
- 56 global offices and service facilities located in 26 countries
- 860 employees worldwide

Consolidated key figures and ratios Welltec International Group

USD in millions	2022	2021	2020	2019**	2018
Statement of comprehensive income					
Revenue	348	250	222	257	224
Earnings before interest, tax, depreciation and amortization (EBITDA)*	174	105	88	101	67
Operating profit (EBIT) before special items	135	67	42	58	21
Operating profit (EBIT)	124	66	41	58	11
Net financial expenses	(24)	(45)	(41)	(43)	(34)
Profit / (loss) before tax	99	21	0	15	(23)
Net profit / (loss) for the year	65	5	(16)	0	(31)
Cash flows					
Cash flows from operating activities	131	69	62	88	64
Cash flows from investing activities	(33)	(26)	(28)	(38)	(35)
Cash flows from financing activities	(71)	(29)	(34)	(40)	(36)
Total cash flows	27	14	0	10	(7)
Statement of financial position					
Trade receivables	63	55	39	46	48
Equity***	187	126	70	88	85
Total assets***	603	558	529	543	500
Investments in intangible assets*	7	10	13	12	14
Investments in tangible assets*	26	18	16	28	25
Key ratios*					
EBITDA margin in percent*	50	42	40	39	30
EBIT margin before special items in percent	39	27	19	23	10
ROIC excl. goodwill in percent***	65	32	24	32	20
Return on equity in percent***	42	5	(20)	0	(28)
Net debt/EBITDA gearing	1.50	3.01	4.17	3.57	4.88
Number of employees, average	860	830	835	877	804

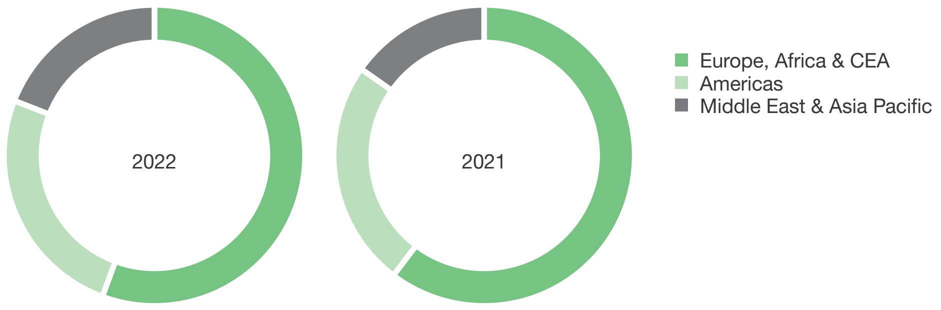
*For definitions of key ratios, investments and EBITDA see page 80.
**IFRS 16 Leases was adopted 1 January 2019. Key figures from previous periods were not restated.
***An accounting error related to 2013/14 has been identified and corrected retrospectively in the consolidated annual report for 2020, whereas comparison figures for 2019 have been adjusted.

Financial review

Income statement

USD in millions	2022	2021	Change in %
Revenue	348	250	39
Cost of services provided and goods sold	(142)	(122)	(16)
Total gross profit	206	128	61
Development and manufacturing costs	(8)	(10)	15
Administrative expenses and sales costs	(63)	(51)	(22)
Total operating profit (EBIT) before special items	135	67	100<
Net special items	(12)	(1)	(100<)
Total operating profit (EBIT)	123	66	88
Net financial expenses	(24)	(45)	46
Income taxes	(34)	(16)	(100<)
Total profit for the year	65	5	100<

Revenue geographical regions



General
Welltec entered into 2022 in a market with increasing spend in the oil and gas business, which led to a record high revenue for Welltec.

Although the Russian invasion of Ukraine causes uncertainty in the market, Welltec achieved a record high revenue and profit for the year, which Management find to be a satisfactory result for the year.

Revenue
Revenue amounted to USD 348 million, an increase of 39% year on year and the highest revenue ever in the history of Welltec. The increase in revenue is driven by an increase in sale of Intervention Services of 37% and an increase in Completion Services of 49%.

The increase in Intervention Services revenue is related to all areas, but primarily driven by Europe, Africa and CEA.

The increase in revenue related to Completion Services was positively affected by some larger orders of products, specifically in Middle East.

Cost of service provided and goods sold
The cost of services provided and goods sold was USD 142 million in 2022 - an increase of 16% due to the increaed activity, staff costs increased with 7%, mainly due to an increased number of employees. The depreciation and amortization were on the same level as in 2021.

Development and manufacturing costs
Development and manufacturing costs, not capitalized, declined to USD 8 million, a decrease of 15% compared to 2021. The decrease is driven by less spending on development and higher degree of development projects, which meet the criteria for capitalization.

Administrative expenses and sales costs
Administrative expenses and sales costs were USD 63 million, an increase of 22% compared to last year. The increase relates mainly to higher travel cost and salaries to an increased number of employees.

Earnings before interest, tax, depreciation, amortization and special items (EBITDA)
EBITDA increased to USD 174 million, representing a margin of 50% against 42% in 2021. The rise in EBITDA-margin was mainly attributable to lower increase in cost compared to the increase in revenue.

Operating profit before special items (EBIT)
EBIT before special items increased to USD 135 million from USD 67 million in 2021. The EBIT margin before special items was 39% against 27% in 2021. The higher EBIT is related to the increased activity.

Net financial expenses
Net financial expenses were USD 24 million, a decrease of USD 21 million compared to last year. The decrease mainly relates to lower bond interest, where 2021 was affected by one off costs related to the issuance of new bonds. Welltec repurchased bonds at a nominal value of USD 30 million during 2022, which casued the lower bond interest. Further, there was a higher gain on currency of USD 9 million compared to 2021.

Income taxes
Income taxes expenses were USD 34 million compared to a tax expense of USD 16 million in 2021. The tax position is impacted by interest limitation regulation in Denmark and non-refundable withholding taxes globally.

Result for the year
Welltec has had the best result since the establishment of the company. The profit is USD 65 million, representing an increase of USD 60 million compared to 2021. The increased profit is driven by improved margins and activity.

Financial review continued

Alternative performance measures - EBITDA reconciliation

USD in millions	2022	2021
Profit for the year	65	5
Income taxes	34	16
Financial expenses (net)	24	45
Depreciation and amortization	37	37
Impairment loss	2	2
Gain on sale of assets	-	(1)
Special items	12	1
Total EBITDA	174	105

Net cash flows
Cash-flows from operating activities which amounted to USD 131 million (USD 69 million in 2021) continued to generate strong cash flows underpinned by margin resilience and improved processes. The cash generated was used to service interest payments, repurchase of bonds, investments in D&E projects, patents, fleet of tools, tractors and equipment.

Investment in associated company
In 2022, the Group invested in an associated company Isealate AS. Welltec holds 20.1% of the share capital and the company develops technology, which can be used in the Welltec Group.

Russia invasion of Ukraine
The war in Ukraine has led to a number of difficulties operating in Russia. Welltec operates in Russia through a fully owned subsidary, which is active in both Intervention Services and Completion Services. Welltec has decided to continue operations in Russia as a termination most likely would result in a nationalisation or a transfer of Welltec tools and other equipment to local operators. Management has therefore decided to operate in Russia obeying the international sanctions.

Outlook

The result for 2022 exceeded our expectations. Market conditions were favourable, our clients very clearly requested our services and products at an all time high level and our organization delivered very strong service quality and safety.

Due to the significant increase in revenue, CAPEX increased more than expected in the outlook for 2022 primarily driven by increased tool production.

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

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

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

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

During 2023, the main focus will also be to use cash surplus to repurchase own bonds to lower the interest burden and leverage of the company.

2023

Risks

AKOFS Light Well Interventions (LWI) vessel. Joint collaboration providing WIS services exclusively to Equinor in Norway. Welltec is the largest provider of electrical wireline interventions across LWI operations around the world

Risks Related to Our Business

Business and Industry Related Risks

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

Cyclical Market

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

Customers

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

Competitors

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

Risks continued

Operational Risks

Service Quality

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

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

Supply Chain

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

Catastrophic Events

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

Financial Risks

Financial Exposure

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

Foreign exchange fluctuations

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

Taxes

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

Liquidity Risk

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

Geopolitical Risk

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

Legal Risks

Regulatory

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

Technology

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

Branches

An overview of the branches in the Welltec Group can be found on page 79.

Business model

Welltec is a global technology company that develops and provides efficient and hi-tech solutions for the energy sector. The company's business model is based on the provision of services and products primarily to oil and gas operators, but also to a fast growing new energy and climate technology market.

The technology portfolio maintained by Welltec is aimed at assisting clients in the construction, development and repair of oil, gas, geothermal and CCS (carbon, capture and storage) wells. The company also provides testing services for CCS and PtX applications.

Welltec's core activities can be divided into 3 main products lines: Welltec Interventions Services (WIS), Welltec Completions Services (WCS) and New Energy and Climate Technology (NECT).

WIS covers two main components, namely conveyance services and powered mechanical interventions services, both of which are deployed on electrical wireline. Conveyance is associated with transporting a payload (e.g. logging tools, perforation guns, or other interventions services etc.) by means of a robotic downhole tractor tool. The payloads are deployed in deviated or horizontal wells where gravity-based deployment by wireline is no longer possible. Powered mechanical services utilize specialized downhole technologies to clean, manipulate and repair downhole sections of a well and its associated hardware. Such services can include the cleaning and removal of well debris, the manipulation of downhole valves, cutting of downhole casing or tubing etc. Many services provided by Welltec in this category are considered unique in their capability and application.

It should be noted that typically, electric wireline services are provided by third party oilfield service providers. Welltec maintains hundreds of contracts with various operators and these contracts are formed either directly with clients or via the wireline service providers.

In some special cases, Welltec is contracted to operate its own electric wireline and is fully equipped to do so in select locations.

All WIS related technologies are engineered and manufactured in-house and are provided to clients internationally as a service delivered by Welltec trained field engineers and specialists.

WCS is focused on both upper and lower completions products which are based on metal expandable packer technology. The technology is unique to Welltec and allows the company to maintain niche and unique provider status. The packers are the backbone to products such as the Welltec Annular Barrier (WAB) which is now routinely used in complex well construction. The products are used for assuring the construction and integrity of wells and can also eliminate well emissions through ensuring well barriers and isolation up to V0 rating – the highest industry standard. WCS products are sold as products to clients which are then installed as part of the well completion in the construction phase and remain downhole for the entire life of the well. There can also be associated service revenue linked to WCS products depending on Welltec involvement during the installation phase.

As with WIS services, WCS products are also fully designed, engineered and manufactured in-house in Welltec's state-of-the-art manufacturing facilities located respectively in Allerød and Esbjerg, Denmark.

Welltec's newly established New Energy and Climate Technology (NECT) product line is focused on the application of WIS services and WCS products in New Energy markets. In particular with completions, the unique architecture and construction of the Welltec Annular Barrier and other WCS products means that they can be manufactured to extreme temperature ratings and highly resistant to corrosion and other adverse effects. These attributes make WCS products ideally suited to both geothermal and CCS applications.

In addition to the products and services outlined above, Welltec NECT has also expanded to incorporate niche testing services. An all-new full-scale CO2 and H2 testing facility constructed on Welltec's premisses in Esbjerg, Denmark, serves as a test centre for companies operating in new energy markets including carbon capture and storage (CCS) and PtX/H2 projects.

Environment, social, and governance

The following statement on Environment, social, and governance (ESG) pursuant to the Danish Financial Statement Act Section 99a, b and d is part of the Management Review in the Annual Report 2022. It also serves as the Group's Communication on Progress as required by the UN Global Compact. We continue to support and promote the principles of the UN Global Compact in our sphere of influence, in particular by integrating them in our business operations. For our description of the Welltec business model, please refer to page 11.

Completions Manufacturing in Saudi Arabia

Environment, social, and governance continued

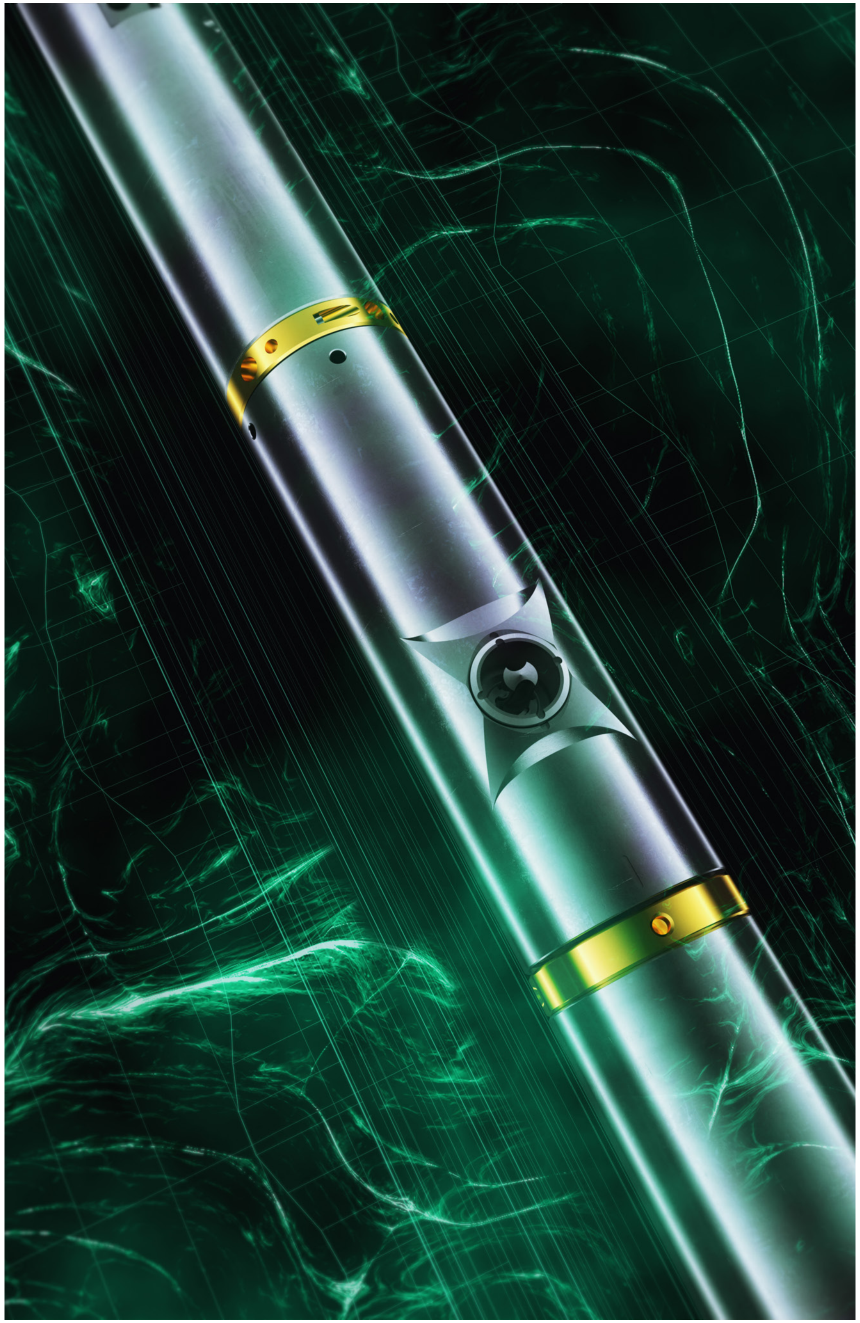
Environment, social, and governance Policy
Welltec focuses its ESG efforts on areas and issues directly affecting our business. We have outlined our responsibility in polices developed to comply with the objectives of ESG. The policies are approved by the Board of Directors. These principles are reviewed on a regular basis and updated against relevant codes of corporate governance and international standards, including the UN's Universal Declaration of Human Rights, the ILO's Declaration on Fundamental Principles and Rights at Work, the OECD's Guidelines for Multinational Enterprises, the Rio Declaration on Environment and Development, the UN Convention against Corruption, as well as applicable legislation governing the interest of our stakeholders. In addition to working towards the respect for human rights, we strive to make sure that Welltec's business, including the people contributing to it, is not involved in or related to any form of human rights abuses.

Our ESG Policies are incorporated in a Code of Conduct applicable globally and was updated in 2021 to further clarify our Entertainment policy in the countries we operate in. The areas currently covered by the Code of Conduct are: (i) Business Ethics, (ii) Anti-Corruption, (iii) Health, Safety and Environment, (iv) Employment, (v) Customers, and (vi) Community. The responsibility of monitoring overall ESG compliance has been delegated to the heads of Legal, Human Resources, QHSE (Quality, Health, Safety, and Environment) and commercial departments.

The policies continue to be communicated to all employees and are accessible on both our website and intranet and through awareness training. Moreover, a concerted effort is made to ensure that these are rooted in our thinking and our way of doing business.

Business Ethics
Policy
At Welltec 'we say what we do and we do what we say'. This principle is the back-bone of Welltec's Code of Conduct and promotes certainty in relation to all our stakeholders that predictability and reliability are the norm when dealing with Welltec. It is our policy to comply with all laws, rules and regulations applicable to our business and we strive to follow the course of action leading to the highest degree of integrity in situations where the law may be permissive.

Implementation
Integrity and ethical conduct is a fundamental part of management procedures and Welltec´s Code of Conduct and is an underlying driver in all we do. The methods we employ to attain results are as important as the results themselves. Welltec employees are expected to perform their work with honesty, truthfulness and integrity, and conduct their business affairs fairly. All employees are responsible for the immediate and accurate reporting to higher management of work-related information of importance to the governing guidelines. We strongly encourage dialogue to make each other aware of situations that give rise to ethical questions and to articulate acceptable ways of handling those situations.



Welltec® Puncher, WP218.
Non-explosive, high precision casing and tubing puncher developed for slim-hole applications

Environment, social, and governance continued

Key Results in 2022 and Future Plans
The Code of Conduct includes a training program for all existing employees. The training program was continued as mandatory for all new employees during their onboarding process and regular reminder and awareness training was conducted for all employees.

To continually improve our efforts to facilitate sound business ethics, an externally supported compliance audit program has been launched to focus on awareness training and to encourage direct reporting on matters of concern and the use of our whistle-blower program.

We have continued to conduct an anti-trust training program for all relevant employees also including more specific awareness building around areas of potential conflicts of interest. We will continue to work actively with human rights by conducting code of conduct training and spreading awareness.

Anti-Corruption
Policy
Our conviction to uphold ethical standards in all our corporate activities is a common mindset of all our employees and we strive to do business with customers and suppliers of sound business character and reputation. We have strict guidelines covering facilitation payments, bribery, entertainment and gifts, and our screening processes provide full transparency to mitigate the risk of corruption.

Implementation
Welltec maintains a general Partner Screening Program applicable for agents, representatives and joint venture partners in territories where transparency and corruption are imminent issues. This includes a questionnaire combined with a review process under which a potential partner is vetted for undue relationships and channels of influence. Furthermore, Welltec operates a zero-tolerance policy towards corruptive behaviour of employees and representatives.

The Code of Conduct review and training in 2022 included the section on anti-corruption. The review was monitored by the Legal Department and the HR Department.

Key Results in 2022 and Future Plans
Multiple partner screenings were performed in 2022. In our screenings we continue to use external screening partners and their databases. We use a global screening service, which supports our due diligence and mitigate risks relating to financial crime, bribery and corruption.

We have further maintained our Anti-Bribery and Corruption program. We continue to improve the screening procedures, review processes and further incorporate additional initiatives based on US and UK anti-corruption legislation, including incorporating appropriate measures in our contracts. We also carry on screening of vendors. Furthermore, we continue to monitor the initiatives and guidelines issued by relevant international bodies to identify policies and procedures that could improve our anti-corruption measures.

We strongly oppose facilitation payments. However, facilitation payments are still a challenge to some parts of our business, and we continue to train our employees in how to handle these situations and avoid facilitation payments. We focus in particular on employees in high-risk countries and where interaction with public authorities is frequent.

Health, Safety and Environment (HSE)
Policy
Welltec's mission is to provide effective and quantifiable energy solutions in a safe and sustainable manner. Our lightweight engineering and technological solutions are constructed with the vision to improve safety of our employees, customers and everyone that comes into contact with our operations. Furthermore, the respect for and preservation of the environment is a key element of our business proposition and as such an integrated way of thinking in Welltec, driving reduced environmental impacts, fuel consumption and carbon footprint.
We already see the changes in the industry, and we believe that the environmental perspective will become a key business parameter for the selection of our products and services. We are committed to developing and applying occupational health and safety standards and practices that are appropriate to the risks associated with our business activities. This is leveraged through a culture of learning and continuous improvement of internal Health, Safety and Environmental standards, procedures, and practices.

Implementation
HSE is an integral part of all decision-making, process-design and internal training programs. Management meetings are opened with a review of any health and safety events or focus areas. All locations have a HSE representative employed to lead the HSE efforts, ensure compliance with Welltec policies and local legislation and conduct monthly meetings where all employees are required to attend. New hires attend a QHSE introduction program and participate in our Safety Card Observation Program (SCOP) to report on and proactively encourage safe working practices. At any local operation, we ensure that respect for the environment is applied such that sustainability and recycling is promoted and secured to the greatest extent reasonably possible, while at the same time closely monitoring consumption of chemicals, waste, electricity, heat and water.
All safety and environmental incidents are recorded and analysed to ensure adoption of best HSE practices and to safeguard the environment.

Key Results in 2022 and Future Plans
Throughout 2022 Welltec delivered solid HSE performance despite the continued increase in global activity levels. Frontline TRCF (Total Recordable Case Frequency) was improved year-over-year and finished lower than the reference IOGP (the International Association of Oil & Gas Producers) TRCF rate for 2021, underscoring the solid performance.

Several important initiatives were launched in 2022. The adoption and implementation of

Environment, social, and governance continued

the IOGP 'Life Saving Rules', was a key lever to promote the HSE agenda internally. Internal standardized 'Life Saving Rules' campaigns were developed and distributed to all Welltec sites globally, to strengthen and promote the HSE agenda building on industry best practices. An internal 'Safety Award Program' – building on the internal SCOP, was rolled-out globally to recognise and encourage an engaged safety culture across all Welltec sites. Finally, Welltec continues to take an active role in reducing CO2 emissions from our manufacturing facilities, through the continued adoption of green energy sources.

Quality

Quality is, and has always been, deeply ingrained in all processes at Welltec. Welltec is ISO 9001 certified by "Det Norske Veritas" (DNV), with periodic recertification audits every 3 years. Additionally, Welltec's Management System and processes have been further developed to comply with API Specification Q1 and Q2 certifications. Welltec Brazil has achieved API Specification Q1 and Welltec Esbjerg manufacturing facility has formally also applied and been audited for API Specification Q1 certification and awaiting final certification. The Group QHSE function performs internal Management System audits at headquarters and local bases, to assess the effectiveness of the internal Management System of Welltec. The audits are the prime instrument for reviewing the business interfaces internally between headquarters and bases, and externally with customers to create specific action points for the cycle of continuous improvement. Welltec's facilities are further externally audited by relevant government authorities and certification bodies. Furthermore, oil operators, service partners and authorities perform external audits to assess Welltec's ability to effectively manage the hazards associated with the services provided.

All quality incidents are recorded and analysed to ensure adoption of best practices and to safeguard and continuously improve the service and product delivery.

Key Results in 2022 and Future Plans

Throughout 2022 Welltec delivered strong and record high Service Quality performance within both the Completions and Interventions segments. The strong Completions Service Quality was delivered despite a substantial uptake in product deployments across various new markets. The strong Interventions Service Quality performance was delivered despite a significant uptake in global activity levels, and a continued increase in job complexity.
Several important initiatives were identified and launched in 2022 – founded on a detailed, structured, and centralized incident handling process. The development and global implementation of the 'Fundamental 5' quality agenda, combined with the strong 'frontline staff' performance, was a key driver for Service Quality in 2022. Furthermore, several important product and tool enhancements were identified and implemented throughout the year, increasing service and product reliability.

Close up of WAB®, welded section

Environment, social, and governance continued

Employment

Policy

In Welltec we believe that our employees, their skills and their competencies, are the foundation of our business. Therefore, and with consideration to the often-challenging working conditions in the field, Welltec applies measures which 'go beyond the norm' to safeguard and maximize the employees' health and safety while performing their duties.

Welltec recognizes a shared responsibility on behalf of all employees to exercise the human rights principles of mutual respect and dignity in all working relationships and consequently enforces a policy of zero tolerance regarding harassment or discrimination. All employees have access to the whistle-blower system and complaints regarding discrimination can be filed there.

There have been no cases reported in the whistle blower system regarding discrimination or harassment in 2022.
Welltec adheres to a Diversity and Equal Opportunity Employment Policy approved by the Board of Directors in 2014. The policy formalizes our commitment to always choosing the best person for the job regardless of that person's race, religion, disability, gender, sexual orientation, age, or nationality.

Welltec actively recruits employees from many sources, including first-tier academic institutions as well as leading companies in the industry, depending on the requirements for a given position. A variety of profiling tools are used to assess the candidates. Furthermore, we actively encourage mobility and career progression within Welltec.

Welltec operates an extensive in-house training program which covers core operational aspects as well as sales skills and programs aimed at legal compliance. Participation is registered and tracked in the HR system, enabling on-going identification of training needs and supporting work-force planning.

For long-term ill employees, we work closely and actively with local authorities and municipalities to define individual solutions, including definition of flex jobs (permanently reduced work time), temporarily reduced work time, redefinition of work area, etc.

Employee diversity

The employee population is very diverse with respect to nationalities, reflecting the truly global nature of the company. As such there are 54 nationalities employed by Welltec.
Our policy on the diversity agenda is to reflect and secure equal opportunities especally within management positions.

As is common in the oil and gas industry, the share of females is low in Welltec, however, Welltec actively works to increase the share of females in management positions, for example, by putting the needed extra effort into identifying relevant female candidates when recruiting which we will continue to work on in the coming years. At present, women make up 16% of the total employee population which is the same level as 2020 and 2021. Welltec aims to increase the share of female in management positions to at least 20% in 2024. On a managerial level, women make up 14% of managers, which is a 2% increase compared to 2021. The Senior Management team consists of two male members, the Chief Executive Officer and the Executive Officer. The Board of Directors previously set the objective to have at least one female member before or at the latest in 2024. This was achieved in 2022, as one female member was appointed in March 2022. As of 31 December 2022, the Board of Directors consists of five male members and one female member. The Board of Directors is looking to appoint at least one more female candidate before 2024.

Key Results in 2022 and Future Plans

2022 was an exciting year for Welltec, as activity was high throughout the year and presented a change in the mix of jobs from the simpler interventions to more complex operations.

Welltec managed to come out with great results thanks to our great employees who have proven themselves to be willing to go above and beyond of what can be expected.

The global survey of Employee Engagement was carried out in November/December 2022 with the aim of understanding the current state of our employee group as well as identifying possible areas of improvement. The survey was very well received with 86% of employees responding, which is very satisfying, and the survey clearly showed that, despite the increasing activity and inflation, engagement has generally remained high in all geographic areas and in all topics. The average engagement score is 7.6 which is 0.1 above true benchmark with the Energy & Utilities sector. Welltec aims to conduct the Engagement survey twice annually going forward, to ensure we are always working with the most correct data to create and engaged and motivated workforce. To ensure that our workforce has the best possible skills to do their job and perform at all times, we continue to improve our ability to record, document, monitor, and evaluate our employees' professional skills, and the training and development thereof, through improved HR processes and IT systems.

Customers

Policy

Welltec views customers as business partners and pursues an open and transparent relationship characterized by frequent dialogue and a focus on serving their best interests. It is our policy to provide solutions that excel in quality, conform to industry best practice, and adhere to responsible standards of performance, including taking due care and consideration to the protection of the environment and the health and safety of all people involved.
Welltec operates an open-door policy in situations where a customer or regulatory body wishes to investigate any aspect of our operations. Any sub-optimal or non-compliant findings from internal Welltec investigations are openly disclosed in the interests of maximum transparency and continuous improvement. It must be

Environment, social, and governance continued

noted that all client communications and client related data are held in the strictest of confidence unless they explicitly state otherwise.

Implementation
Welltec continuously strives to provide the best products and services, enabled by a structured and open collaboration with our customers. This is achieved through active management of the entire job cycle and by ensuring:

- That a critical analysis is performed prior to contract award safeguarding compliance with internal, customer and industry specific requirements and standards
- That investigations requested by the clients are performed and failure reports are prepared in a timely manner
- That lessons learnt are properly communicated throughout the organization to minimize the risk of re-occurrence

The efficiency of the service delivery is anchored in Welltec's corporate QHSE department, to ensure the highest standards are applied to match heightened expectations from customers, as the scope and complexity of services increase. The structured approach on incident-handling has driven significant improvements in frontline HSE performance and delivered significant improvements in service quality since being implemented in 2018.

Key Results in 2022 and Future Plans
In 2022 Welltec recorded the 2nd best service quality performance in Welltec history on the backdrop of continued uptake in global activity levels. The development underscores the strength and robustness of the global service delivery process. Another key highlight was the continued increase in job complexity, which underscores the continued adoption of Welltec's unique and efficient service offering, where multiple solutions are combined into one tool string. An approach that has proven very efficient in high-end offshore environments.

The key achievements from 2022 underscore Welltec's ability to plan, deploy and execute highly complex operations globally in a very safe and reliable manner, which creates true value for our customers. Concurrently Welltec is taking an active role to deliver solutions to the broader energy transition. Based on our extensive experience in product development, material selection, testing and automated manufacturing we already reduce methane emission from gas producers; prolong the life of geothermal wells; prepare high integrity designs for carbon capture storage and hydrogen.

Enviromental Initatives
Policy
As a service provider to a global energy industry, we play a crucial role in ensuring future energy supplies. It is one of our core competencies to provide technologies, products, and services that will drive the industry into an innovative future, ensuring a reduced impact on the environment, and with less risk to the health and safety of the people involved. We consider the continued focus on this competence as a vital part of our responsibility towards the community. We operate from a significant number of premises in a variety of countries, and we have a responsibility to our employees, to the people living and working nearby, as well as the environment.

Implementation and Future Plans
We actively care and support measures to improve the environment in and around our operations.

New green initiatives implemented during 2022 at Welltec's main production facility in Allerød, include:

- Installation of a heat pump to provide heating and reduce natural gas consumption in 2023
- Energy consumption is partially covered by solar power, as of Q4 2022
- 90% of light sources changed to LED light
- Temperature sensors fitted in all administrative areas, monitored, and controlled through a central Energy Management System (EMS)
- Air compressor generated heat is recovered and transferred into one of the production buildings
- Charging stations have been installed for employee use with electric vehicles
- Food waste sorting has been introduced in the canteen

At our maintenance and production center in Macaé, Brazil, the roof of the workshop has been coated with a reflective nano-polymer material. This reduces natural heating of the building from the sun, in turn reducing energy consumption from cooling of the workshop, saving an estimated 1.3 tons of CO2 per month.

In 2023, Welltec has already planned a number of new initatives to save energy.

Community
Policy and implementation
We engage with communities at a range of levels in our capacity as customer, neighbor, employee, business, competitor, and resident. This engagement includes supporting local community groups and charities, and local initiatives for the development and education of young people in the areas where we operate.

Welltec works closely with local law enforcement agencies to address anti-social behavior, crime and vandalism.

Furthermore, our local offices provide support to community-based charities and projects in their respective areas, including support for employee efforts in fund raising and for small-scale projects.

Some of the projects we supported in 2022 include:

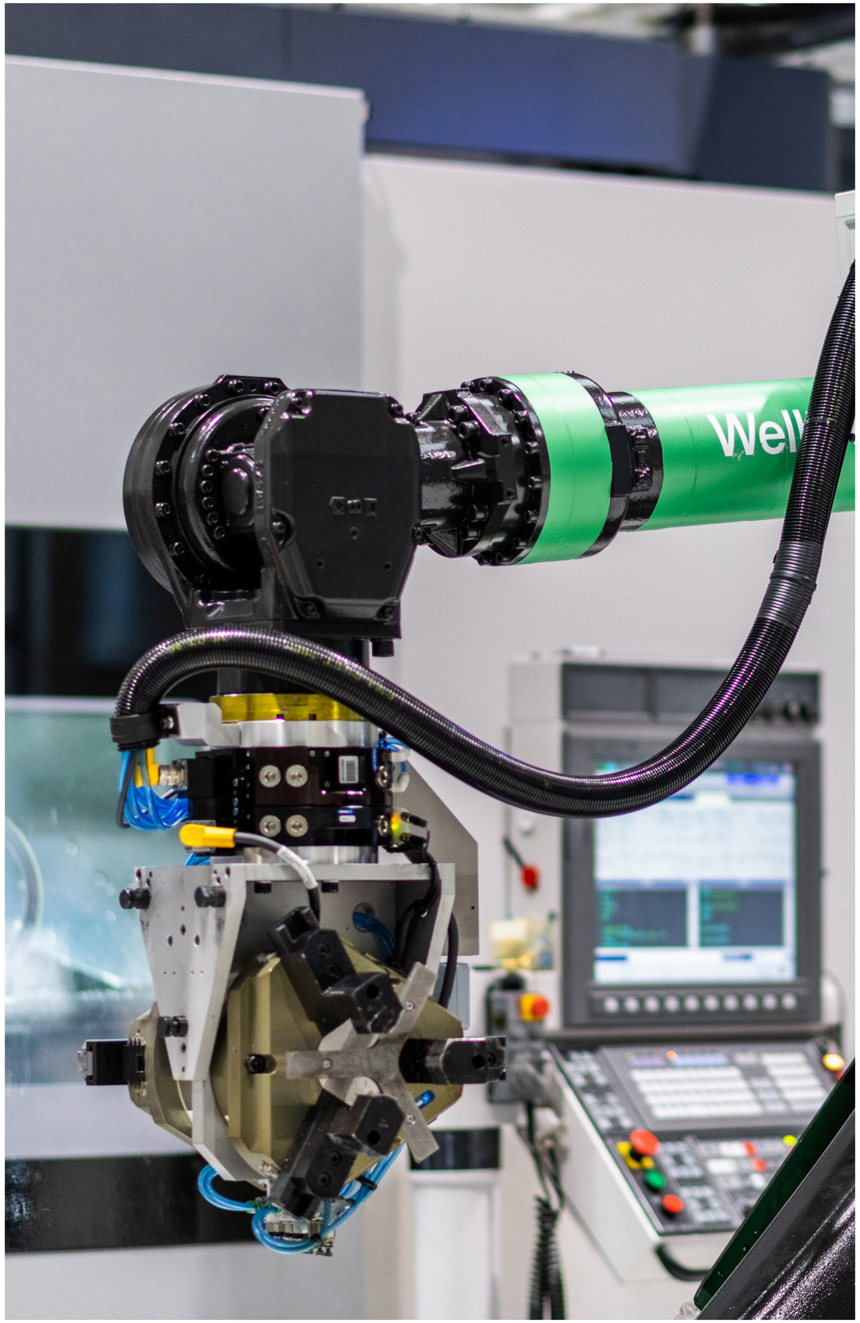
- Our colleagues in Angola equipped a new IT classroom for Lar Kuzola orphanage in Luanda
- In Malaysia, our fellow employees supported a Motor Neuron Disease Project

Environment, social, and governance continued

and Autism awareness week together with one of their customers
- Our USA team, among other projects, donated money to the Pittsburgh Children's Hospital and the Bethany House Academy sporting events
- Our UK colleagues continued their tradition of donating money to one charity per quarter, this year for Chest, Heart and Stroke; National Autistic Society; NHS Ward 108 Aberdeen Royal Infirmary; and Abernecessities Aberdeen.

In 2023, our localized teams plan to continue their engagement and support with their local communities across areas of health, sports, environment and education.

Data ethics
According to the Danish Financial Statements Act Section 99d Welltec must implement a policy for data ethics or explain the absence of such policy. In 2022 Welltec started to prepare this policy for data ethics, however Welltec decided to prolong the project to ensure that the policy is aligned with Welltec's business and finalize and implement the policy, when it is approved by the Board of Directors during 2023.



Fully automated CNC machining robot enables 24/7 operations in Allerød, Denmark

Company Details

Company
Welltec International ApS
Gydevang 25
3450 Allerød
Denmark

Phone: +45 48 14 35 14
Website: www.welltec.com
E-mail: receptiondk@welltec.com

Central Business Registration No: 30 69 50 03
Registered in: Allerød
Financial year: 1 January – 31 December 2022

Executive Board
Peter Hansen, Chief Executive Officer
Anders Qvortrup Christensen, Executive 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 International ApS for the financial year 1 January to 31 December 2022.

The consolidated financial statements and parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

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

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

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

Allerød 16 March 2023

Executive Board

Peter Hansen
Chief Executive Officer

Anders Qvortrup Christensen
Executive Officer

Board of Directors

Niels Harald de Coninck-Smith
Chairman

Alasdair Geddes Shiach

Michel Pierre René Hourcard

Klaus Martin Bukenberger

Maite Labairu Trenchs

Benoît Ribadeau-Dumas

Independent auditor's report

To the shareholders of Welltec International ApS

Opinion

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

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Welltec International ApS for the financial year 1 January - 31 December 2022, which comprise income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, for both the Group and the Parent 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 Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management Review

Management is responsible for the Management Review.

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

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

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

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

Management's Responsibilities for the Financial Statements

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

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent 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 Group or the Parent 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 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

Independent auditor's reports continued

expressing an opinion on the effectiveness of the Group's and the Parent 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 Group's and the Parent 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 i nadequate, 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 Group and the Parent 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 Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group 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 16 March 2023

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

Tue Stensgård Sørensen
State Authorized
Public Accountant
mne32200

Henrik Kyhnauv
State Authorized
Public Accountant
mne40028

Consolidated income statement

USD in thousands	Note	2022	2021
Revenue	4	348,009	250,185
Cost of services provided and goods sold	5, 6	(141,594)	(122,112)
Total gross profit		206,415	128,073
Development and manufacturing costs	5, 6	(8,496)	(10,026)
Administrative expenses and sales costs	5, 6	(62,602)	(51,136)
Total operating profit (EBIT) before special items		135,317	66,911
Net special items	7, 8	(11,732)	(1,049)
Total operating profit (EBIT)	3	123,585	65,862
Financial income	9	12,128	2,754
Financial expenses	10	(36,336)	(47,219)
Total profit before tax		99,377	21,397
Income taxes	11	(34,068)	(16,100)
Total profit for the period		65,309	5,297

Consolidated statement of comprehensive income

USD in thousands	2022	2021
Total profit for the period	65,309	5,297
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	137	-
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 subsidiaries and branches	(5,018)	(1,364)
Total comprehensive income	60,428	3,933
Distribution of profit for the year:		
Welltec International ApS shareholders' share of profit	65,309	5,297
Total comprehensive income attributable to:		
Welltec International ApS shareholders' share of comprehensive income	60,428	3,933

Consolidated statement of financial position — assets

USD in thousands	Note	31 Dec. 2022	31 Dec. 2021
Non-current assets			
Intangible assets			
Goodwill		242,340	242,340
Technology		1,354	1,706
Brand		13,924	13,924
Completed development projects		19,999	20,076
Development projects in progress		9,977	11,507
Patents and licenses		19,329	19,917
Total intangible assets	14	306,923	309,470
Tangible assets			
Land and buildings		54	1,076
Leasehold improvements		3,727	2,312
Plant, equipment and fleet		44,440	47,748
Plant, equipment and fleet under construction		20,285	17,255
Other fixtures, fittings, tools and equipment		6,249	4,397
Right-of-use assets		36,612	32,964
Total tangible assets	15	111,367	105,752
Other non-current assets			
Deferred tax assets	20	2,884	7,356
Investment in associated company	16	1,028	-
Other receivables		729	716
Total other non-current assets		4,641	8,072
Total non-current assets		422,931	423,294

USD in thousands	Note	31 Dec. 2022	31 Dec. 2021
Current assets			
Inventories	17	28,130	24,407
Receivables			
Trade receivables	18	62,741	55,425
Tax receivables		4,575	1,846
Other receivables		3,285	3,499
Prepayments		10,792	5,336
Total receivables		81,393	66,106
Cash and cash equivalents		70,623	44,687
Total current assets		180,146	135,200
Total assets		603,077	558,494

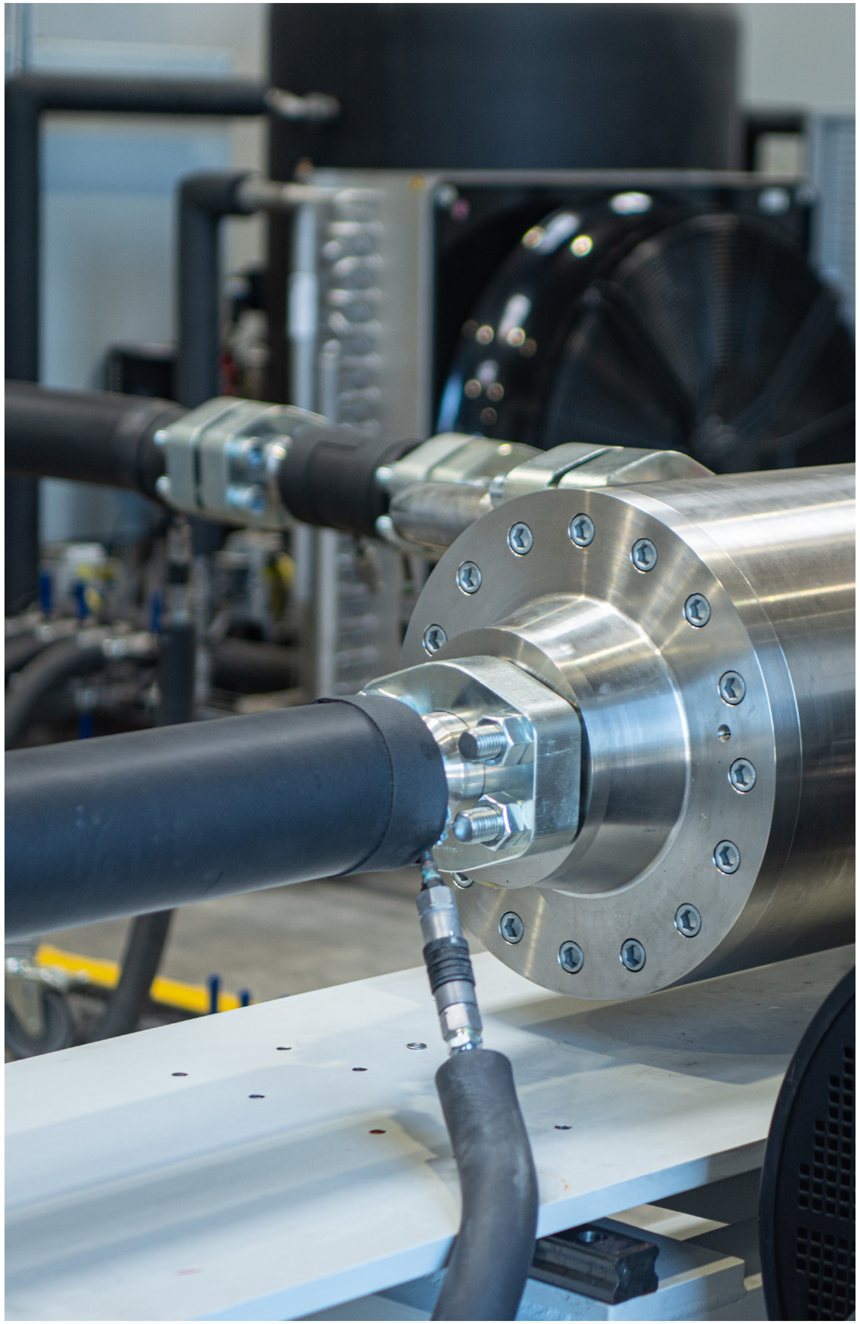
Consolidated statement of financial position — liabilities

USD in thousands	Note	31 Dec. 2022	31 Dec. 2021
Equity			
Share capital	19	1,098	1,098
Currency translation reserve		(41,439)	(36,421)
Retained earnings		227,752	161,801
Total equity		187,411	126,478
Non-current liabilities			
Deferred tax liabilities	20	12,174	15,529
Finance lease liabilities	22	27,517	26,992
Bond debt	22	290,064	318,424
Bank debt	22	1,905	2,875
Defined benefit plans	21	1,106	1,217
Other liabilities		2,336	3,126
Total non-current liabilities		335,102	368,163
Current liabilities			
Current portion of finance lease commitments	22	8,817	7,389
Current portion of bank debt	22	923	909
Trade payables		25,079	17,325
Current tax liabilities		12,801	6,067
Other payables	23	32,944	32,163
Total current liabilities		80,564	63,853
Total liabilities		415,666	432,016
Total equity and liabilities		603,077	558,494

Consolidated statement of changes in equity

USD in thousands	Share capital	Currency translation reserve	Retained earnings	Total
Total equity at 1 January 2021	877	(35,057)	103,917	69,737
Profit for the year	-	-	5,297	5,297
Other comprehensive income/(loss)	-	(1,364)	-	(1,364)
Total comprehensive income for the year	-	(1,364)	5,297	3,933
Capital increase	220	-	52,274	52,494
Warrants exercised	1	-	313	314
Total other transactions	221	-	52,587	52,808
Total equity at 31 December 2021	1,098	(36,421)	161,801	126,478
Profit for the year	-	-	65,309	65,309
Other comprehensive income/(loss)	-	(5,018)	137	(4,881)
Total comprehensive income for the year	-	(5,018)	65,446	60,428
Payments received for warrants	-	-	148	148
Warrants vested	-	-	357	357
Total other transactions	-	-	505	505
Total equity at 31 December 2022	1,098	(41,439)	227,752	187,411

CCS Test Loop in Esbjerg, Denmark allows for testing of full scale well components with exposure to CO_2 and H_2

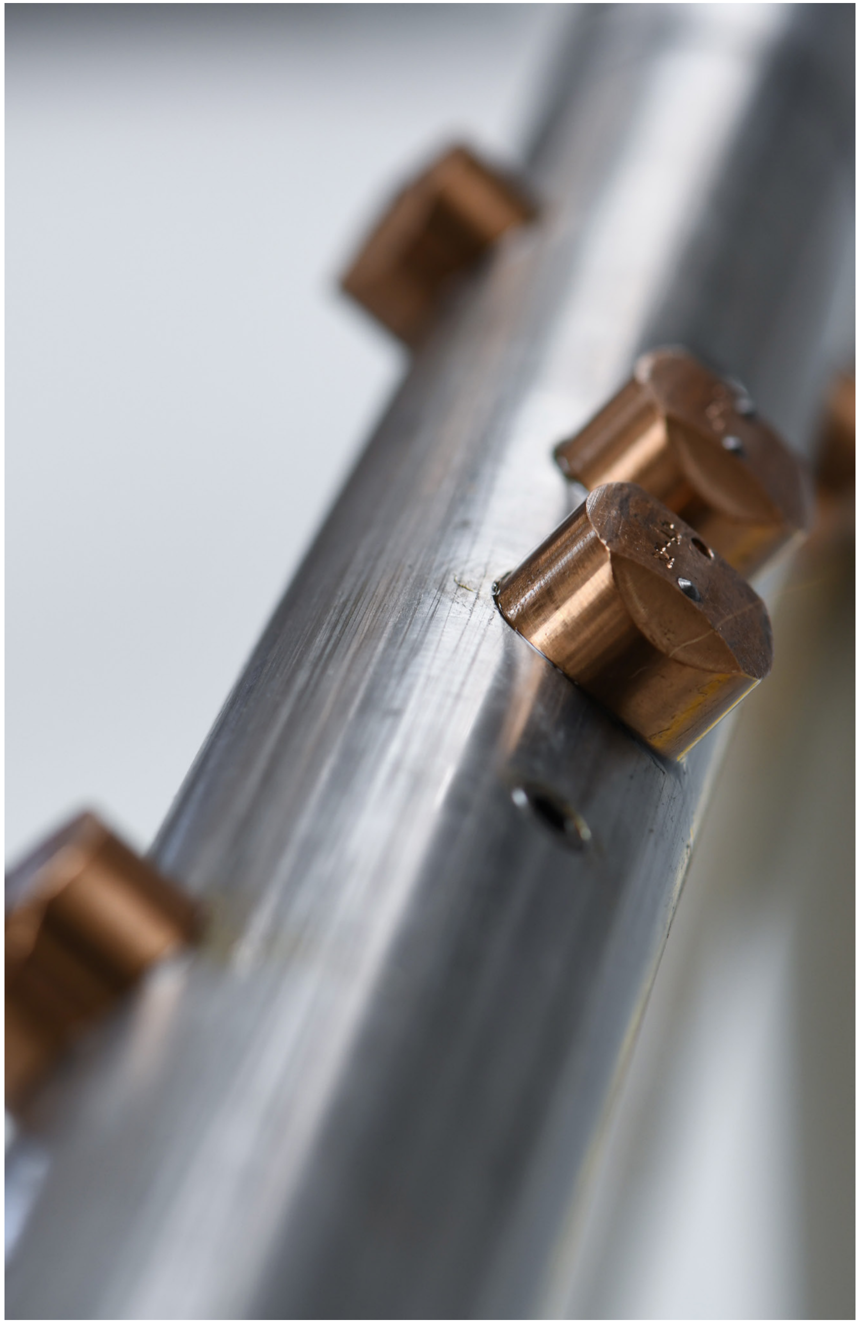


Consolidated statement of cash flows

USD in thousands	Note	2022	2021
Operating profit (EBIT)		123,585	65,862
Non-cash adjustments	12	54,185	34,703
Changes in working capital	13	(17,967)	(14,519)
Income taxes paid		(28,946)	(16,434)
Changes in other receivables, long-term		(13)	60
Total cash flows from operating activities		130,844	69,672
Investments in intangible assets		(7,206)	(9,724)
Investments in tangible assets		(25,567)	(17,879)
Investment in associated company	16	(1,028)	-
Sale of tangible assets		1,052	1,807
Total cash flows from investing activities		(32,749)	(25,796)
Financial income received		432	118
Financial expenses paid		(29,575)	(35,085)
Other financial expenses		(2,159)	(9,871)
Installments on finance lease commitments	22	(8,308)	(9,634)
Proceeds from bank debt		-	7,628
Installments on bank debt	22	(1,156)	(20,365)
Capital increase		-	52,808
Payment received for warrants		148	-
Proceeds from bond issue	22	-	325,000
Repayment of bonds	22	-	(340,000)
Repurchase of bonds	22	(30,000)	-
Total cash flows from financing activities	22	(70,618)	(29,401)
Total increase in cash and cash equivalents		27,477	14,475
Cash and cash equivalents at 1 January		44,687	30,600
Exchange rate adjustment at 1 January		(1,541)	(388)
Total cash and cash equivalents at 31 December*		70,623	44,687

* Hereof USD 11,627 thousands in Russia not available for use by the Group (2021: zero). See note 2: Use of critical accounting estimates and judgements.

The Well Stroker® 100K lbs is the strongest mechanical stroker tool on the market and part of Welltec's industry leading fleet of mechanical services



Contents notes
Group

1. Accounting policies

Basis of accounting
The consolidated financial statements for 2022 are presented in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU and additional Danish disclosure requirements for annual reports of reporting class C (large) enterprises.

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

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

The accounting policies are unchanged from last year.

Consolidated financial statements
The consolidated financial statements comprise the Parent Company and the Group (subsidiaries) that are controlled by the Parent Company. Control is achieved where the Parent Company, either directly or indirectly, holds more than 50% of the voting rights or in any other way possibly or actually exercises controlling influence over a subsidiary.

If the Parent Company holds less than 50% of the share capital, control exists when the Parent Company under agreement has more than 50% of the voting rights, has the power to govern financial and operating policies of the subsidiary, to appoint members of the Board of Directors or to cast the majority of votes at meetings of the Board of Directors of the subsidiary.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of the Parent Company and its subsidiaries, which are all prepared in accordance with the Group's accounting policies. Upon consolidation, intra group income and expenses, balances, investments and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated.

Subsidiaries' financial statements items are recognized in full in the consolidated financial statements. Non-controlling interests' pro rata share of profit/loss and equity is shown as separate line items in the statement of comprehensive income and in the Group's equity, respectively.

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

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

When foreign subsidiaries that use a functional currency different from USD are recognized in the consolidated financial statements, the statement of comprehensive income is translated at a monthly average exchange rate unless such exchange rates vary significantly from the actual exchange rate at the transaction dates. In the latter case, the actual exchange rate are used. Statement of financial position items is translated using the exchange rates at the end of the reporting period. Goodwill is considered to belong to the relevant entity acquired and is translated using the exchange rate at the end of the reporting period.

Exchange differences resulting from the translation of foreign entities' equity at the beginning of the year using the end of the reporting period exchange rates and by translating statements of comprehensive income from average exchange rates to the exchange rates at the end of the reporting period are recognized in other comprehensive income. Similarly, exchange differences resulting from changes made in a foreign entity's other comprehensive income are also recognized in other comprehensive income.

When foreign subsidiaries that use USD as their functional currency but present their financial statements in another currency, are recognized in the consolidated financial statements, monetary assets and liabilities are translated using the end of the reporting period exchange rate. Non-monetary assets and liabilities measured on the basis of historical cost are translated using the transaction date exchange rate. Non-monetary items measured at fair value are translated at the exchange rate at the time of the last fair value adjustment.

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 settled 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.

1. Accounting policies continued

Income taxes and deferred tax
The current Danish income tax is allocated among the jointly taxed companies in the Group 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.

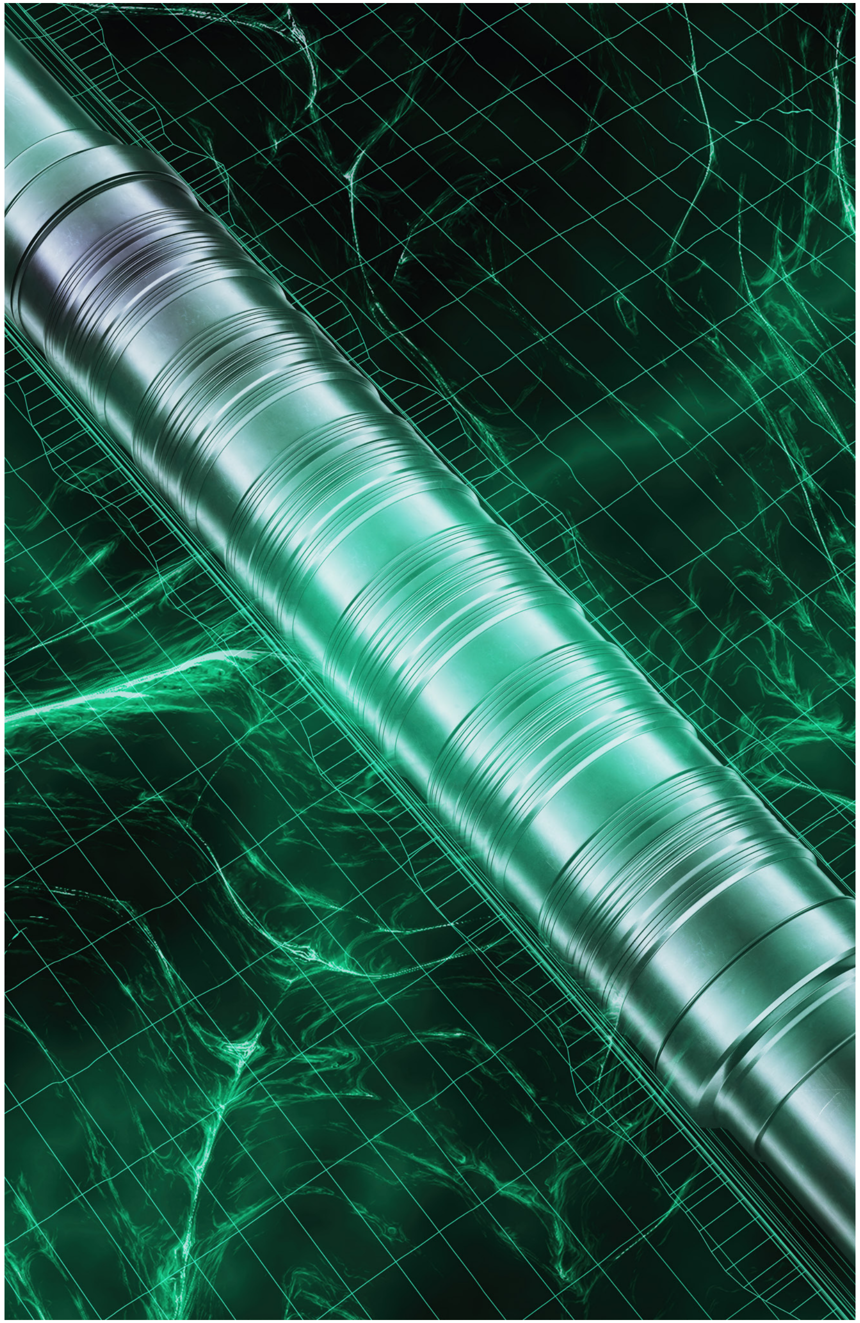
Deferred tax is calculated based on the expected recovery of each asset and the settlement of each liability, respectively.

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.

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.



Welltec® Magma Packer (WMP) for geothermal environments

1. Accounting policies continued

Statement of comprehensive income

Revenue

The Group 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.

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 the transaction price 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 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

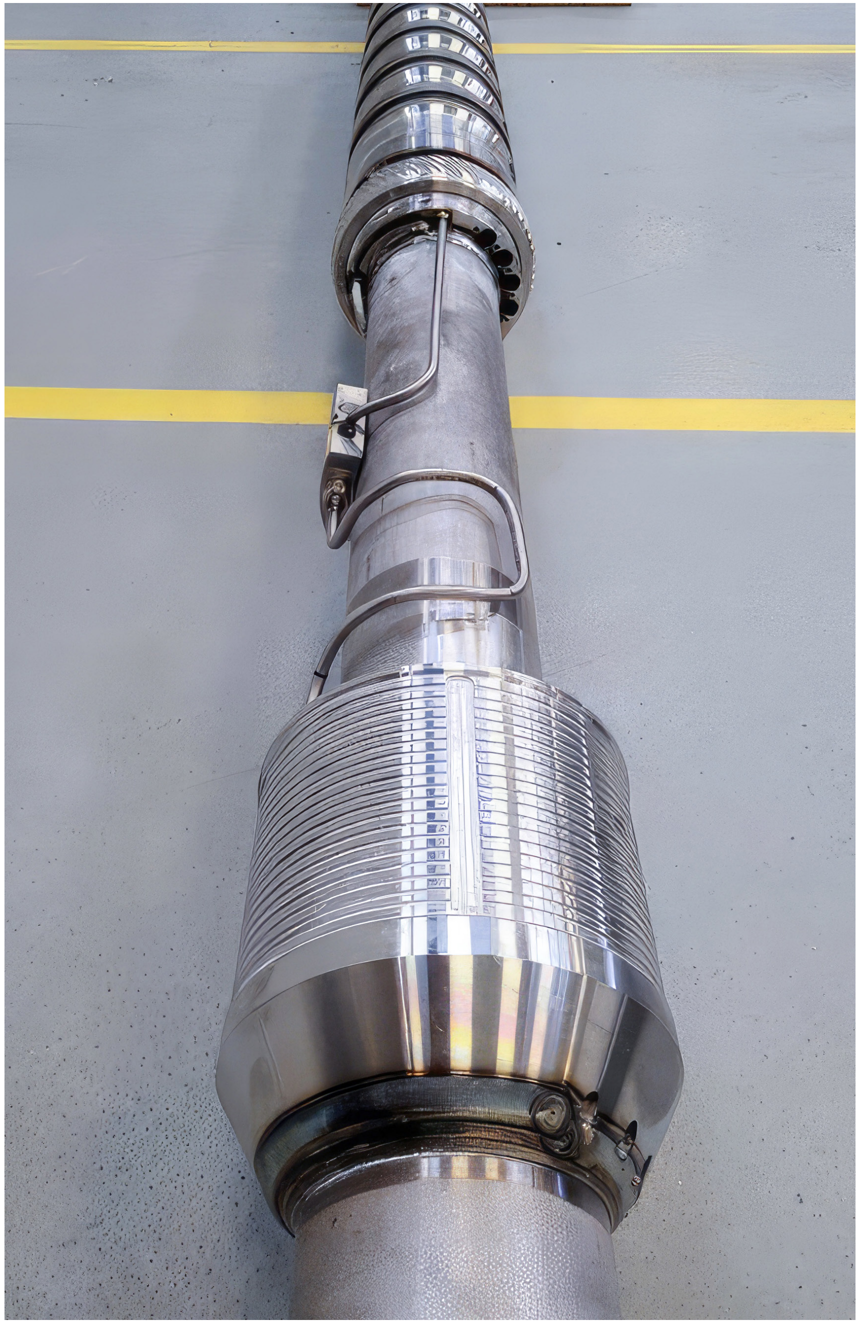
Special items consist of costs of a special nature in relation to the activities of the Group, including costs of structural changes and other significant amounts of a one-off nature. These items are shown separately to facilitate the comparability of the profit or loss and provide a better picture of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

Government grants

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

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.



Welltec® Annular Barrier with multiple control line feed through (WAB® FT). This unique feature can allow hydraulic or electrical communication either side of a pressure barrier

1. Accounting policies continued

Geographical disclosures

The Group's activities are divided into three geographical regions where sales take place. The regions and major two product lines (Interventions and Completions) make up the Group's reportable areas.

The three geographical areas reflects the Group's strategic management and reporting structure. Areas are managed based on business performance measured by revenue.

Denmark relates to revenue, asset and liabilities within group functions, which can not be allocated to the 3 geografical areas.

Statement of financial position

Intangible assets

Goodwill

Upon initial recognition, goodwill is recognized in the statement of financial position and measured as the difference between cost of the enterprise acquired and the fair value of the assets, liabilities and contingent liabilities acquired. When goodwill is recognized, the goodwill amount is distributed on those of the Group's activities generating separate payments (cash-generating units). Determination of cash-generating units follows the management structure and internal finance management and reporting of the Group.

Subsequently, goodwill is measured at cost less accumulated write downs. There is no amortization of goodwill but the carrying value of goodwill is tested for impairment at least once a year together with the other non-current assets in the cash-generating unit to which the goodwill is allocated. It is written down to recoverable amount in profit or loss if the accounting value exceeds the recoverable amount, this representing the higher of the fair value of the asset less expected disposal costs and the value in use. The recoverable amount is generally determined as the present value of the expected future net cash flows from the cash-generating unit to which the goodwill is allocated. Impairment losses of goodwill are included in profit or loss under amortization and impairment losses of 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 Group, 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 Group, cost comprises expenses directly attributable to the manufacturing of the asset, including materials, components, sub-suppliers rent, electricity and laboring costs. In the year when the tool is completed and ready to generate income, it is recognized under 'Plant, equipment and fleet'. During construction, the asset is recognized under 'Plant, equipment and fleet under construction'.

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

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

1. Accounting policies continued

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, development projects in progress, brand and goodwill 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. For cash-generating units, write-down is allocated in such a way that goodwill amounts are written down first and then any remaining need for write-down is allocated to other assets of the unit, however, 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. Impairment losses of goodwill are not reversed.

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.

Offshore platform

1. Accounting policies continued

Right-of-use assets and lease liabilities
For contracts which are, or contain, a lease, the Group 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 effective interest 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.

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

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

Quality control at Welltec's Manufacturing Center in Esbjerg, Denmark

1. Accounting policies continued

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 debtor's realized losses adjusted for general economic conditions in the market. The Group recognizes a provision for expected credit losses. Trade receivables are written of, when the Group gets information about a debtor's severe financial status.

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

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

Defined benefit plans
The Group 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 Group'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 Group's cash and cash equivalents at the beginning and end of the financial year.

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

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

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

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

Cash and cash equivalents comprise cash.

Investments in subsidiaries
For an overview of the Group's subsidiaries:

Please see note 29: Investments in subsidiaries.

2. Use of critical accounting estimates and judgements

The Group prepares its consolidated financial statements in accordance with IFRS as adopted by the EU, the application of which often requires judgments to be made by Management when preparing the Group's financial position and results. Under IFRS, Management are required to adopt those accounting policies most appropriate to the Group's circumstances for the purpose of presenting fairly the Group'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 Group; 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 Group's significant IFRS accounting policies provided in note 1: Accounting policies to the consolidated financial statements.

2.1 Capitalization of tool fleet
Welltec's major activity is to provide services related to interventions 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 these costs is an accounting judgment.

At 31 December 2022 Welltec has capitalized USD 64,725 thousand as plant, equipment and fleet – completed and under construction compared to USD 65,003 thousand at 31 December 2021. Plant, equipment and fleet is depreciated over their useful lives: Plant and equipment over 3-10 years and fleet over 5 years.

Please refer to note 15: 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 market-oriented development process, development costs would normally be capitalized.

At 31 December 2022, Welltec has capitalized USD 29,976 thousand as development projects – completed and in progress – compared to USD 31,583 thousand at 31 December 2021. Completed development projects are amortized over their useful lives of usually 5 years.

2.3 Impairment test of goodwill and other intangible assets
Goodwill represents USD 242,340 thousand equalizing 39% of total assets and 129% of total equity at 31 December 2022, which is significant to the consolidated financial statements.

For purposes of assessing the carrying amount of goodwill and other intangible assets of USD 306,923 thousand at 31 December 2022, compared to USD 309,470 thousand at 31 December 2021, Management prepared its annual impairment test.

In performing the impairment test Management makes an assessment of whether the Welltec International ApS Group, on a CGU level, will be able to generate positive net cash flows sufficient to support the value of the goodwill, intangible assets and other net assets of the entity. This assessment is based on estimates of expected future cash flows (value-in-use) made on the basis of financial budgets and long-term forecasts until the end of 2028. In addition to these the key assumptions used to estimate expected future cash flows are discount rates and growth rates.

The measurement of goodwill may be significantly impacted by changes in the estimates made when calculating the value in use of the entity in connection with impairment test.

For a further description of goodwill, 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 14: Intangible assets.

2. Use of critical accounting estimates and judgements continued

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

Due to significant pressure on the Russian economy, as part of the sanctions imposed, Management assessed that certain trade receivables would not likely be paid based on an aging analysis. Furthermore, Management made an analysis of inventories and assessed that a significant part of inventories could not be sold based on their current condition. Finally, the tangible assets (tools fleet) showed significant signs of wear and tear as the tools can no longer be maintained, and therefore the book value did no longer reflect the value in use of the tools.

Consequently, Management has recognised a total write-down of USD 12 million in the Financial Statements for 2022. Significant accounting judgments have been applied to determine the write-down due to the nature of the matter disclosed. The write-down is seen as a special event and in accordance with Group accounting policy recognised as special items.

2.5 Russian Ruble and bank balances
In accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, the spot rate of Rubles can be applied, since the Russia Central Bank is still publishing its official rate on a regular basis. The Group has applied the exchange rate of 78.81 at the end of the reporting period.

As of 31 December 2022, cash and cash equivalents recognised in the Group's Russian subsidiaries equals USD 11,627 thousand. The cash and cash equivalents are not available for the Group due to restrictions on transfer of the funds from Russian banks to foreign bank accounts within the Group.

Isealate Patch-thru-Patch technology acquisition May 2022

3. Geographical disclosures

2021

USD in thousands	Europe, Africa & CEA	Americas	Middle East & Asia Pacific	Denmark	Total
Revenue	150,867	61,179	38,139	-	250,185

2022

USD in thousands	Europe, Africa & CEA	Americas	Middle East & Asia Pacific	Denmark	Total
Revenue	193,594	88,063	66,352	-	348,009

2021

USD in thousands	Europe, Africa & CEA	Americas	Middle East & Asia Pacific	Denmark	Total
Total assets	62,493	23,734	27,323	444,944	558,494
Total liabilities	27,640	15,750	4,576	384,050	432,016

2022

USD in thousands	Europe, Africa & CEA	Americas	Middle East & Asia Pacific	Denmark	Total
Total assets	82,465	27,698	30,833	474,505	615,501
Total liabilities	28,469	18,108	5,969	375,544	428,090

Denmark is not inluded in the area Europe, Africa and CEA (Central Europe Area). In Denmark major assets are goodwill, brand and development projects and the major liability is bond debt.

Well completions team in Macae, Brazil. Localized final assembly of products such as the Welltec Light Packer (WLP) mean dramatically reduced lead times

4. Revenue from contracts with customers

4.1 Disaggregation of revenue from contracts with customers

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

	Europe, Africa & CEA*		Americas		Middle East & Asia Pacific		Total	
USD in thousands	2022	2021	2022	2021	2022	2021	2022	2021
Rendering services	182,118	136,661	54,870	39,757	53,594	35,244	290,582	211,662
Sale of goods	14,104	14,206	31,433	21,422	11,890	2,895	57,427	38,523
Total	196,222	150,867	86,303	61,179	65,484	38,139	348,009	250,185

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

4.2 Assets related to contracts with customers

USD in thousands	2022	2021
Current contract assets relating to contracts with customers:		
Trade receivables	70,878	58,425
Loss allowance	(8,137)	(3,000)
Total contract assets	62,741	55,425

There is no contract liabilities in 2022 and 2021.

For more information about trade receivables and loss allowance see note 18: Trade receivables.

4. Revenue from contracts with customers continued

4.3 Unsatisfied long-term contracts

USD in thousands	2022	2021
Total aggregate amount of the transaction price allocated to long-term contracts that are partially or fully unsatisfied at 31 December	349	1,346

In the amounts for unsatisfied long-term contracts only considerations for the notice periods in the customer contracts are included according to IFRS 15.

Management expects that the major part of the transaction price allocated to the unsatisfied contracts as of 31 December 2022 will be recognized as revenue during the full year of 2023.

The amount disclosed above does not include variable considerations, which is constrained. The Group has applied the practical expedient in IFRS 15:121, whereas contracts with a duration below 12 months are not included.

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.

4.4 Performance obligations

Rendering of services

The Group's major part of the revenue derives from rendering of services (83% of total revenue). Sales are recognized over time, when the services have been performed. Services are performed over a short period of time. Revenue recognition takes place when there is no unfullfilled obligation that could affect the customer's acceptance of the service. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

A trade receivable will be recognized when the performance obligation has been fulfilled.

Payments are typically due within 30 days from receipt of invoice and volume discounts is found in a few contracts. There is no financing component included in payment terms.

Sale of goods

The Group's minor part of the revenue derives from sale of goods (17% 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 the Group 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.

5. Staff costs

USD in thousands	2022	2021
Breakdown of staff costs:		
Wages and salaries	85,769	79,887
Share-based payment to executives	357	-
Payment to defined contribution pension plans	2,940	2,704
Other social security costs	5,066	4,040
Total staff costs	94,132	86,631
Recognition of staff costs in the income statement:		
Cost of services provided	52,699	47,709
Administrative expenses and sales costs	30,566	27,663
Total	83,265	75,372
Staff costs capitalized:		
Development costs capitalized	4,148	4,409
Production staff costs capitalized	6,719	6,850
Total	10,867	11,259
Average number of employees	860	830

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

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

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

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

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

The total remuneration of the Board of Directors of the Welltec Group can be specified as follows:

USD in thousands	2022	2021
Board fees	257	643
Total remuneration to Board of Directors	257	643

In 2021 additional fees were paid out to the Board of Directors for certain projects.

5. Staff costs continued

The total remuneration to the Executive Board of the Welltec Group, includes salaries, bonus, pensions, other security costs, severance payment and share based payments can be specified as follows:

USD in thousands	2022	2021
Salaries	1,634	3,507
Pension benefits	80	51
Share-based payment	357	-
Total remuneration to Executive Board	2,071	3,558

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 12 employees (2021: 15 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 the Welltec International ApS Group, including bonus, pension, other security costs and share based payments can be specified as follows:

USD in thousands	2022	2021
Salaries	4,248	3,560
Pension benefits	89	168
Total remuneration to other key management personnel	4,337	3,728

The increase in remuneration to other key management personnel is due to payment of one-off bonuses.

Incentive programs

The Group operates incentive schemes in the form of warrants (Equity-settled) to the Chief Executive Officer of Welltec A/S. The purpose is to retain and motivate the said person. The scheme are based on the shares of Welltec International ApS, and the warrants have no voting rights attached.

In May 2017, warrants schemes to The Executive Board of Welltec A/S and certain key management personnel was granted. The warrant schemes consist of 231,438 warrants and vest over an employment period between 1 and 4 years until the end of 2021. The total fair value of these warrants was at grant date USD 9.4 million of which USD 0 million was recognized in the statement of comprehensive income in 2021. The fair value of the warrants schemes at grant date was calculated on the basis of the Black-Scholes model. The calculation for the 2017 schemes is based on an expected volatility of 49%, a risk-free interest rate at (0.33)%, a share price of USD 94, the exercise price, an average option life of 46 month and no annual payment of dividends. The expected volatility has been determined using a historical volatility for a five-year period for comparable listed companies adjusted for a small-cap factor.

In April 2022, warrants scheme to the Chief Executive Officer was granted. The warrant scheme concist 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.

5. Staff costs continued

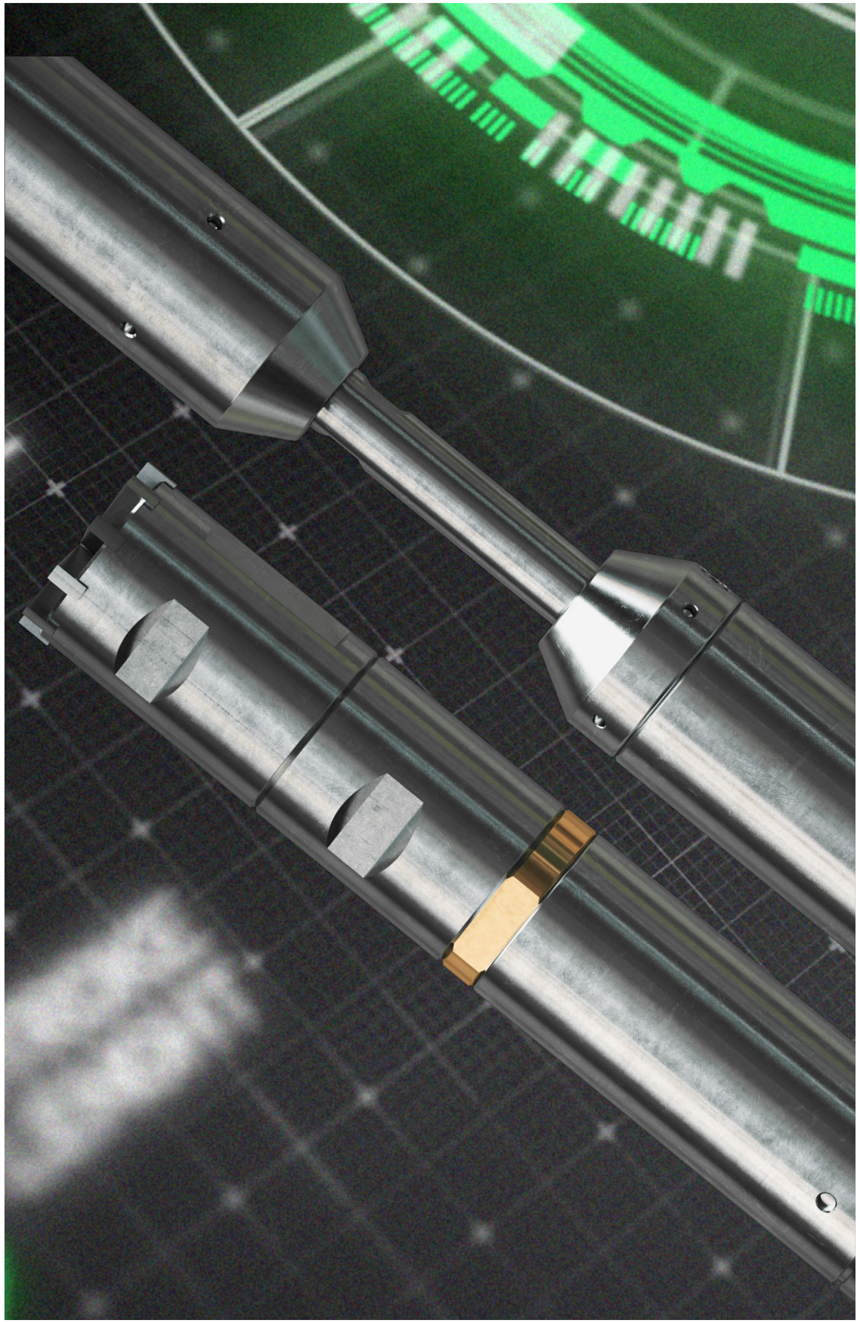
The following reconciles the number of warrants outstanding at the beginning and at the end of the year:

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

#wearewelltec campaign communicated both internally and externally to showcase our company strength and diversity across multiple disciplines

6. Amortization, depreciation and impairment losses

USD in thousands	2022	2021
Completed development projects	6,067	5,739
Patents and licenses	1,976	1,976
Technology	805	759
Total amortization of intangible assets	8,848	8,474
Other fixtures and fittings, tools and equipment	1,210	1,261
Land and buildings	197	375
Plant, equipment and fleet	17,631	16,310
Leasehold improvements	621	629
Right-of-use assets	8,665	9,689
Gain from disposal of plant, equipment and fleet	(483)	(1,449)
Total depreciation of tangible assets	27,841	26,815
Total depreciation and amortization	36,689	35,289
Write-down of completed development projects	1,192	1,576
Write-down of technology	-	36
Write-down of patents and licenses	55	158
Write-down of plant equipment and fleet	774	619
Write-down Russia	1,600	-
Total impairment losses recognized by function*	3,621	2,389
Recognition of amortization, depreciation and impairment by function:		
Cost of service provided and goods sold	27,134	27,272
Development and manufacturing costs capitalized	558	677
Administrative and sales costs	11,018	9,729
Special items, write-down Russia	1,600	-
Total depreciation, amortization and impairment losses	40,310	37,678



Welltec Miller® with Continual Variable Force (WM CVF) brings CNC machining like capabilities to downhole well environments

7. Special items

USD in thousands	2022	2021
Salary costs related to resigned employees	-	(3,149)
Other special items	-	(90)
Rent concessions (IFRS 16 Leases)	68	153
COVID-19 government grants	-	2,037
Write-down on tangible assets located in Russia	(1,600)	-
Write-down on inventories located in Russia	(4,500)	-
Impairment on trade receivables in Russia	(5,700)	-
Total net special items expenses	(11,732)	(1,049)

Salary costs related to resigned employees in 2021 were a part of a restructuring process and therefore recognized as special items.

8. Government grants

USD in thousands	2022	2021
COVID-19 compensation for fixed costs	-	301
COVID-19 support bank loan - interest benefit	-	1,228
COVID-19 compensation for salaries	-	508
Total government grants	-	2,037

9. Financial income

USD in thousands	2022	2021
Interest income	395	118
Total interest income from financial assets that are not measured at fair value through profit or loss	395	118
Exchange rate gains	11,733	2,636
Total financial income	12,128	2,754

10. Financial expenses

USD in thousands	2022	2021
Interest expenses	29,681	35,645
Other financial expenses	2,801	8,259
Total interest expenses from financial liabilities that are not measured at fair value or through profit loss	32,482	43,904
Exchange rate loss	3,854	3,315
Total financial expenses	36,336	47,219

Borrowing costs capitalized on development projects are calculated based on the incurred costs and a weighted average capitalization rate of 8.40% (2021: 9.24%). The amount capitalized in 2022 is USD 565 thousand (2021: USD 626 thousand).

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

In 2022, other financial expenses includes capital losses related to the repurchase of own bonds.

The net exchange rate gain at 31 December 2022 was USD 7,879 thousand (2021: Net loss of USD 679 thousand). Exchange rates were in 2022 affected by the development in USD.

11. Income taxes

USD in thousands	2022	2021
Current tax	27,550	10,951
Adjustment in corporation tax previous years	2,334	4,881
Total current tax incl. adj. in corporation tax previous years	29,884	15,832
Adjustment in deferred tax previous years	1,058	1,179
Change in deferred tax	(240)	1,227
Tax effect from tax provision	599	(2,824)
Non-creditable withholding taxes	2,431	28
Other	336	658
Total	34,068	16,100
Breakdown of tax:		
Total profit/(loss) before tax	99,377	21,397
Reconciliation of tax expense USD:		
Danish corporation tax	21,863	4,707
Effect of difference between tax rate for subsidiaries outside Denmark and Danish tax rate	(900)	948
Tax effect from tax provision	599	(374)
Non-taxable income and non-deductible expenses	2.309	441
Interest limitation, thin capitalization etc	4,318	6,456
Withholding taxes non-deductible	2,431	1,412
Other taxes, including adjustment to previous years	3,448	2,510
Total	34,068	16,100

The statutory corporate income tax rate in Denmark in the year ended 31 December 2022 was 22%. The total tax expense in the year 2022 was $34.1 million which consists of current tax for the year and changes in deferred tax for the year.

With a profit before tax of $99.4 million and a tax expense of $34.1 million this led to an effective tax rate for the consolidated group at 34.3%. This represents a cumulative tax cost of 12.3% above the Danish statutory rate and compared to the year ended 31 December 2021 a cumulative improvement of 40.9%.

Overall Welltec`s tax position has improved significantly over the past year due to the fact that the overall profitability of Welltec increased leading to higher withholding tax credits, a higher profit allocation to Denmark taxable at the Danish statutory CIT rate and the fact that revenue shares in OECD countries proportionally increased leading to lower double taxation.

The main drivers for this effective tax rate were:

Interest limitation
The Danish interest limitation rules were introduced with the purpose to prevent excessive interest deductibility for tax purposes, as a result of extraordinary financial gearing. All Danish resident companies and Danish branches of foreign companies are subject to the restrictions under domestic Corporate Income Tax ("CIT") Law which can significantly limit Danish tax deductibility of net financial expenses for tax purposes.

In the year to 31 December 2022 the Danish tax group of Welltec had a net finance cost of USD 22.6 million but due to the domestic interest restrictions the tax-deductible interest was limited to USD 3.0 million. This leads to a disallowance of USD 19.6 million under Danish corporate tax law.

The excess interest disallowed cannot be carried forward and thus Welltec consider the excess interest to be a permanent difference. Welltec calculate that the Danish CIT deduction lost as a result of this anti-avoidance legislation to be USD 4.3 million in the year to 31 December 2022.

Tax effect from tax provision
In certain jurisdictions, the tax authorities have opened tax audits. On this basis, Welltec has recognized and booked an overall uncertain tax provision in the amount of USD 4.1 million for IAS12 purposes by the end of 2022 versus USD 3.5 million by the end of 2021 which translates into an increase of the uncertain tax provisions in the amount of USD 0.6 million compared to 2021.

Double taxation
Welltec operates in various high tax jurisdictions that have no double taxation treaties in force with Denmark. As a result, some of Welltec`s income is partially double taxed. A number of countries also have introduced foreign exchange control legislation disallowing cross border inter company charges disallowing transfer pricing adjustments and thus allocating too high profits to these jurisdictions resulting in double taxation.

Irrecoverable withholding taxes
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. In 2022, Welltec's Danish entities were able to credit USD 2.3 million against the Danish corporate incometaxes.

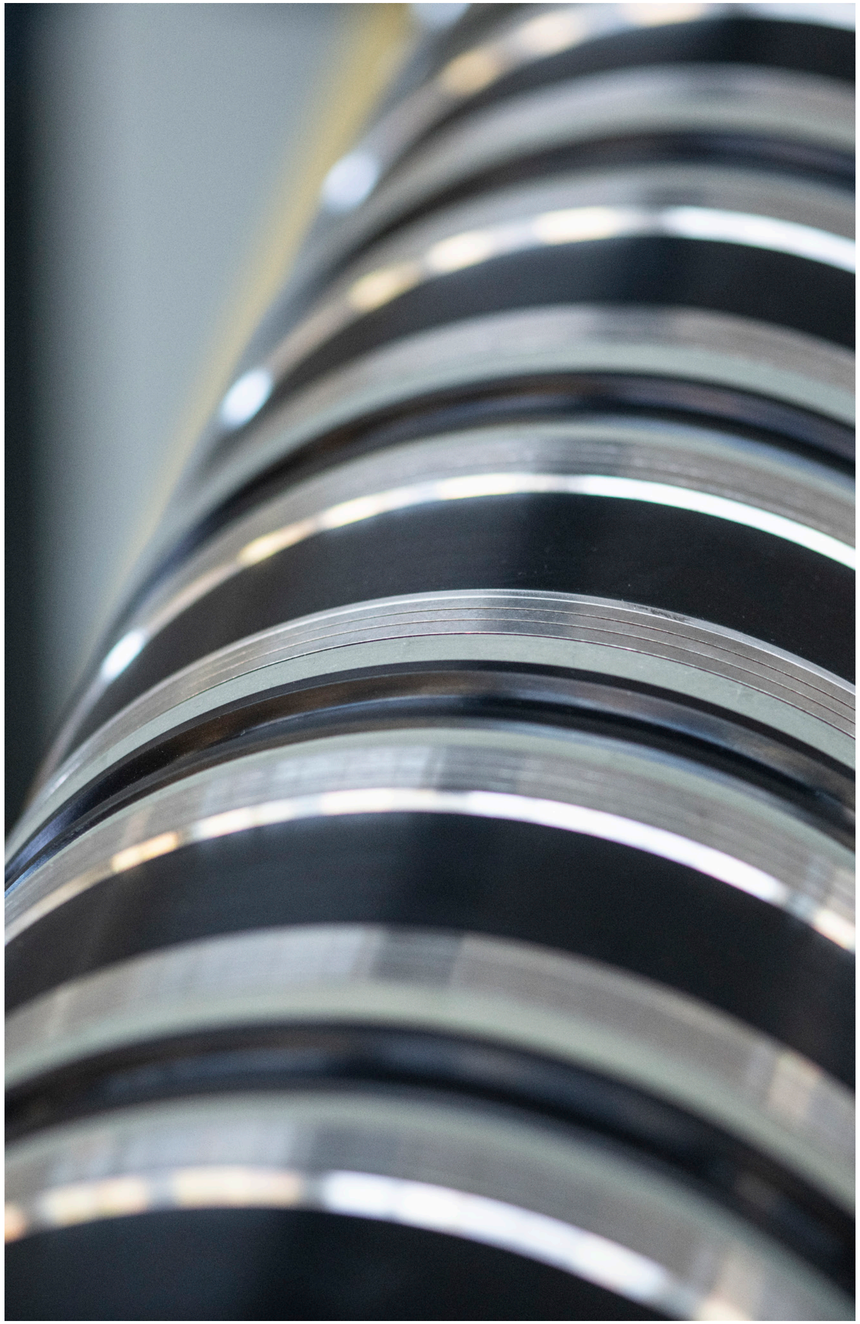
Well Completion business restructure
The WCS business will be resold back to Denmark from Switzerland. As part of this, an agreement between the Swiss and Danish tax authorities on one hand and Welltec on the other hand has been reached with regards to the purchase price and remuneration of all involved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

12. Non-cash adjustments

USD in thousands	2022	2021
Depreciation/amortization of intangible and tangible assets	37,172	35,289
Disposal and impairment losses	1,105	4,175
Exchange rate adjustments for fixed assets	(402)	1,027
Currency adjustments, other	5,002	(6,775)
Impairment of trade receivables	(563)	-
COVID -19 special items	(299)	-
Warrants granted	357	-
Write down on inventories located in Russia	4,500	-
Write down on tangible assets located in Russia	1,600	-
Impairment on trade receivables in Russia	5,700	-
Changes in other liabilities, long-term	(120)	987
Changes in defined benefit plans, long-term	(112)	-
Write down inventories	245	-
Total non-cash adjustments	54,185	34,703

13. Changes in working capital

USD in thousands	2022	2021
Change in trade receivables and prepayments	(17,909)	(18,794)
Change in inventories	(8,468)	(6,711)
Change in trade payables	7,754	1,328
Change in other payables	442	6,791
Change in other receivables	214	2,867
Total changes in working capital	(17,967)	(14,519)



Continual development of WAB® metal expandable technology, the latest iteration being the 6” WAB with high-expansion ratio

14. Intangible assets

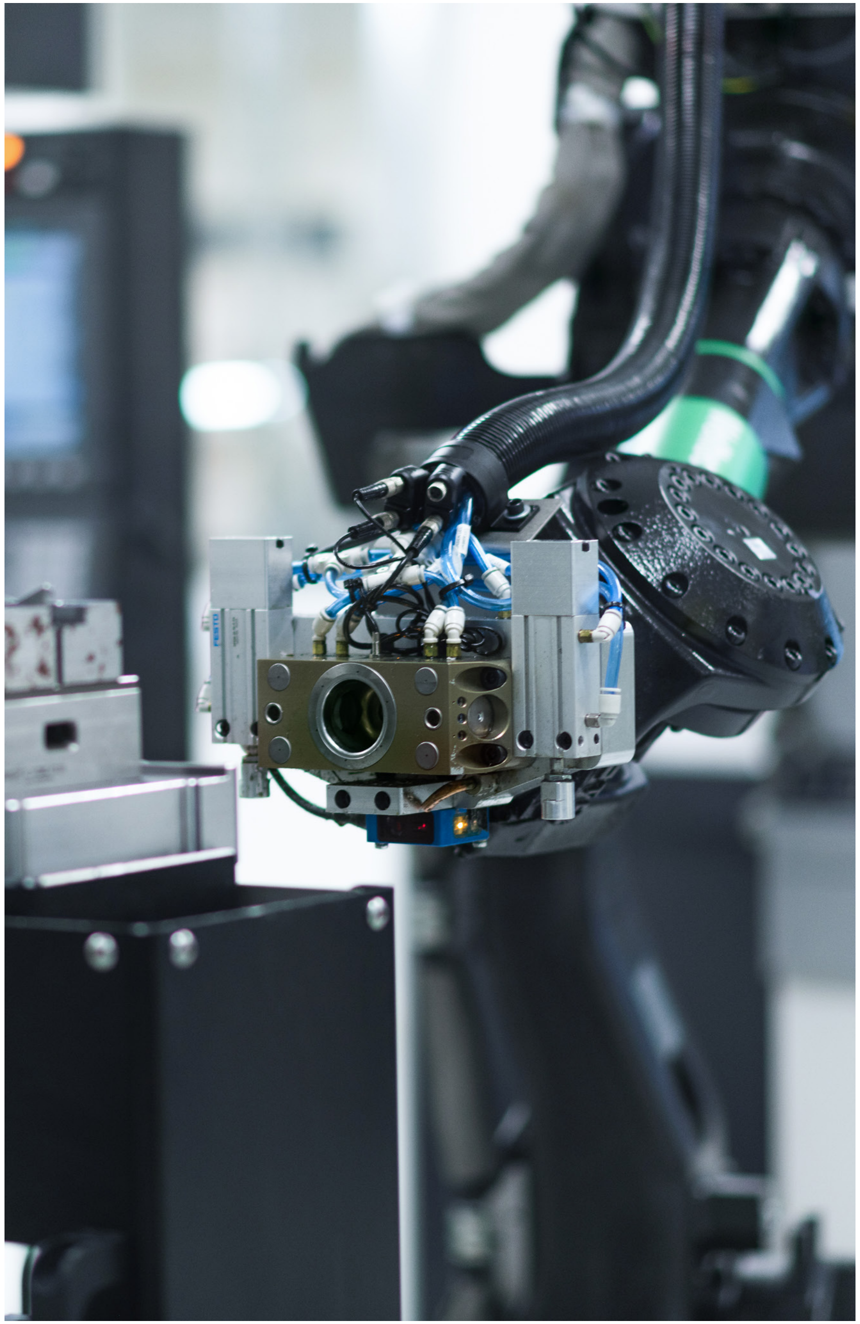
USD in thousands	Goodwill	Other intangible assets*	Completed development projects	Development projects in progress	Patents and licenses	Total
Total costs at 1 January 2021	242,340	107,482	132,756	16,367	34,220	533,165
Additions	-	858	137	7,681	1,674	10,350
Transfer	-	-	11,686	(11,686)	-	-
Disposal	-	(540)	(55,409)	-	(68)	(56,017)
Exchange rate adjustment	-	-	(237)	(265)	(356)	(858)
Total costs at 31 December 2021	242,340	107,800	88,933	12,097	35,470	486,640
Total amortization and impairment losses at 1 January 2021	-	91,880	116,715	590	13,565	222,750
Amortization for the year	-	759	5,739	-	1,976	8,474
Impairment losses for the year	-	36	1,536	-	158	1,770
Disposal	-	(540)	(55,297)	-	(68)	(55,905)
Exchange rate adjustment	-	35	124	-	(78)	81
Total amortization and impairment losses at 31 December 2021	-	92,170	68,857	590	15,553	177,170
Total carrying value at 31 December 2021	242,340	15,630	20,076	11,507	19,917	309,470
Total costs at 1 January 2022	242,340	107,800	88,933	12,097	35,470	486,640
Additions	-	462	-	5,844	1,466	7,772
Transfer	-	-	7,376	(7,376)	-	-
Disposal	-	-	(3,745)	-	(69)	(3,814)
Exchange rate adjustment	-	-	(108)	2	(88)	(194)
Total costs at 31 December 2022	242,340	108,262	92,456	10,567	36,779	490,404
Total amortization and impairment losses at 1 January 2022	-	92,170	68,857	590	15,553	177,170
Amortization for the year	-	805	6,067	-	1,976	8,848
Impairment losses for the year	-	-	1,192	-	55	1,247
Disposal	-	-	(3,745)	-	(69)	(3,814)
Exchange rate adjustment	-	9	86	-	(65)	30
Total amortization and impairment losses at 31 December 2022	-	92,984	72,457	590	17,450	183,481
Total carrying value at 31 December 2022	242,340	15,278	19,999	9,977	19,329	306,923

*Please see next page for specification. Development costs recognized in the income statement in 2022 amounts to 5,216 USD thousand (2021: USD 5,203 thousand).

14. Intangible assets continued

Specification of other intangible assets

USD in thousands	Technology	Brand	Total
Total costs at 1 January 2021	93,558	13,924	107,482
Additions	858	-	858
Disposal	(540)	-	(540)
Total costs at 31 December 2021	93,876	13,924	107,800
Total amortization and impairment losses at 1 January 2021	91,880	-	91,880
Amortization for the year	759	-	759
Impairment losses for the year	36	-	36
Disposal	(540)	-	(540)
Exchange rate adjustment	35	-	35
Total amortization and impairment losses at 31 December 2021	92,170	-	92,170
Total carrying value at 31 December 2021	1,706	13,924	15,630
Total costs at 1 January 2022	93,876	13,924	107,800
Additions	462	-	462
Total costs at 31 December 2022	94,338	13,924	108,262
Total amortization and impairment losses at 1 January 2022	92,170	-	92,170
Amortization for the year	805	-	805
Exchange rate adjustment	9	-	9
Total amortization and impairment losses at 31 December 2022	92,984	-	92,984
Total carrying value at 31 December 2022	1,354	13,924	15,278



Welltec manufacturing employs state-of-the-art automated CNC robots. 5-axis CNC with inbuilt QC and tolerance check functions merge extreme efficiency with quality

14. Intangible assets continued

Goodwill and intangible assets with indefinite useful life
Goodwill of USD 242,340 thousand is related to the acquisition of Welltec Holding ApS in 2007, and has been subject to an annual impairment test. The impairment test performed in 2022 revealed no need for impairment of goodwill.

Goodwill relates to the intervention business and is testet for impairment on the group's one cash-generating unit in line with internal management reporting. It is the opinion of Management that the carrying amount for goodwill does not exceed its recoverable value based on an estimate of present value of expected future net cash flows from the Welltec International ApS Group (value-in-use).

The calculation of the value-in-use is based on the following key assumptions; expectations about growth rates, EBITDA ratio and discount rates.

Expectations are based on financial budget for 2023 and long-term forecasts until the end of 2028, a growth rate of 2% has been applied in the terminal period from 2029 and onwards. A budget period exceeding 5 years has been applied as Management deems a longer budget period needed in order to reflect the growth rates of the Welltec International ApS Group prior to the Group entering into a more steady growth situation.

The discount rate applied is based on a risk-adjusted after-tax discount rate (weighted average cost of capital) of 11.2%. The weighted average cost of capital before tax is 11.8%. In 2021 the weighted average cost of capital used was 11.1% which equals a before tax discount rate of 12.05%.

Impairment test is based on the following assumptions and market views.

The overall demand for oil and gas is expected to continue to increase and spare capacity will be needed due to an agenda from most governments to secure independence and energy security.

Based on the expections at 31 December 2022, 2023 market consensus suggest a continued stabilization of the oil price in 2023. OPEC production coordination seems to be fixed on limiting oil suppliers which stabilise the current oilprice. For Welltec, the market potential remains unchanged, as the global demand continues to increase and the prices are stabil. In addition the current oil price environment requires the industry to adopt new technology that reduces cost of production and ultimately help operators create sustainable businesses.

The investments into upstream oilfield services remain strong and supports that the long-term market potential for Welltec is unchanged.

Assumptions are based on an unchanged EBITDA ratio based on the following projections:

- Full year revenue in 2023 increases by 6.9% compaired to 2022. Revenue increases further from 2024 due to a market pickup as described above and a continuously introduction of new and improved services where Welltec can expand and gain market shares especially in the completion segment. This is expected to result in single digited revenue growth in 2024 to 2029.

New Technology and Climate Technologies Commercial Director, Lia Khasanova explains the purpose and mission of the CCS Testloop Center at the opening ceremony in Esbjerg, Denmark

14. Intangible assets continued

- Investments in CAPEX will increase due to expected higher production of own tools and higher investments in production equipment in the completion area.

Sensitivity
The impairment analysis shows that with the current EBIT level of USD 124 million, investments (CAPEX) in line with depreciations and a WACC of 11.1% before tax and a growth rate of 0%, there will be no need to recognize a write-down.

Brand
Brand of USD 13,924 thousand is related to the "Welltec" brand acquired from Welltec Holding ApS in 2007. Management has determined the Welltec brand to have an indefinite useful life, as it is a strong wellknown brand, which has existed for many years. It is tested for impairment annually or whenever there is an indication that it may be impaired.

Impairment of other intangible assets
Impairment of development projects amounted to USD 1,192 thousand (2021: USD 1,536 thousand), and impairment of patents amounted to USD 55 thousand (2021: USD 158 thousand) 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.

Welding robot in Esbjerg, Denmark. Similar robots will soon also be operating in North America in the Houston Product Center

15. Tangible assets

USD in thousands	Land and buildings	Leasehold improvement	Plant, equipment and fleet	Other fixtures, fittings, tools & equipment	Plant equipment & fleet under construction	Total
Total costs at 1 January 2021	2,276	6,386	194,800	18,245	19,093	240,800
Transfer from right-of-use assets	-	147	3,578	1,990	-	5,715
Additions	39	854	346	2,311	14,182	17,732
Transfer	-	-	16,020	-	(16,020)	-
Disposals	(283)	(616)	(8,520)	(4,255)	-	(13,674)
Exchange rate adjustment	11	(61)	80	(27)	-	3
Total costs at 31 December 2021	2,043	6,710	206,304	18,264	17,255	250,576
Total depreciation and impairment losses at 1 January 2021	718	4,137	147,023	14,538	-	166,416
Depreciation for the year	375	629	16,310	1,261	-	18,575
Impairment losses for the year	-	-	606	13	-	619
Transfer from right-of-use assets	-	54	3,499	1,654	-	5,207
Disposals	(131)	(384)	(8,510)	(3,963)	-	(12,988)
Exchange rate adjustment	5	(38)	(372)	364	-	(41)
Total depreciation and impairment losses at 31 December 2021	967	4,398	158,556	13,867	-	177,788
Total carrying value at 31 December 2021	1,076	2,312	47,748	4,397	17,255	72,788

15. Tangible assets continued

USD in thousands	Land and buildings	Leasehold improvement	Plant, equipment and fleet	Other fixtures, fittings, tools & equipment	Plant equipment & fleet under construction	Total
Total costs at 1 January 2022	2,043	6,710	206,304	18,264	17,255	250,576
Additions	61	2,054	3,236	3,971	15,772	25,094
Transfer	-	-	12,694	-	(12,694)	-
Disposals	(1,527)	(44)	(32,825)	(1,698)	-	(36,094)
Exchange rate adjustment	21	(106)	(68)	(572)	(48)	(773)
Total costs at 31 December 2022	598	8,614	189,341	19,965	20,285	238,803
Total depreciation and impairment losses at 1 January 2022	967	4,398	158,556	13,867	-	177,788
Depreciation for the year	197	621	17,631	1,210	-	19,659
Impairment losses for the year*	-	-	774	-	-	774
Impairment losses on assets located in Russia**	-	-	1,600	-	-	1,600
Disposals	(644)	(44)	(32,825)	(1,665)	-	(35,178)
Exchange rate adjustment	24	(88)	(835)	304	-	(595)
Total depreciation and impairment losses at 31 December 2022	544	4,887	144,901	13,716	-	164,048
Total carrying value at 31 December 2022	54	3,727	44,440	6,249	20,285	74,555

*Impairment losses in 2022 and in 2021 are related to scrapped tools and tools lost in the wells.
**Write-down on assets located in Russia in 2022 equals USD 1,600 thousand (2021: zero). See note 2: Use of critical accounting estimates and judgements.

15. Tangible assets continued

15.1 Right-of-use assets in the balance sheet

USD thousands	Land and buildings	Plant, equipment and fleet	Other fixtures, fittings, tools & equipment	2021
Total balance 1 January	34,209	3,691	1,612	39,512
Transfer to tangible assets	(114)	(381)	(13)	(508)
Additions and remeasurements during the year	3,503	224	1,042	4,769
Disposals during the year	(593)	(24)	(371)	(988)
Depreciation for the year	(6,339)	(2,244)	(1,106)	(9,689)
Exchange rate adjustment	(133)	(19)	20	(132)
Total balance 31 December	30,533	1,247	1,184	32,964

USD thousands	Land and buildings	Plant, equipment and fleet	Other fixtures, fittings, tools & equipment	2022
Total balance 1 January	30,533	1,247	1,184	32,964
Additions and remeasurements during the year	10,042	2,118	1,616	13,736
Disposals during the year	(497)	(94)	(94)	(685)
Depreciation for the year	(6,946)	(778)	(941)	(8,665)
Exchange rate adjustment	(575)	(96)	3	(738)
Total balance 31 December	32,557	2,397	1,768	36,612

15.2 Leasing amounts recognized in the income statement

USD thousands	2022	2021
Depreciation	(8,665)	(9,689)
Disposals	(110)	(35)
Interest on lease liabilities	(1,691)	(2,070)
Short-term leases	(4,281)	(3,372)
Lease of low value assets	(93)	(164)
Rent concessions COVID-19	68	153
Total amounts recognized in the income statement	(14,772)	(15,177)

15.3 Amounts recognized in cash flow statement (excluding EBIT)

USD thousands	2022	2021
Interest on lease liabilities	(1,691)	(2,070)
Installments on lease liabilities	(8,308)	(9,634)
Total outflow	(9,999)	(11,704)

16. Investment in associated company

The Group's non-controlling immaterial interest is summarized below:

USD in thousands

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

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

17. Inventories

USD in thousands	2022	2021
Raw materials	8,022	9,261
Goods under manufacturing	14,775	11,184
Finished goods	5,333	3,962
Total inventories	28,130	24,407
Net amount of movement (increase) in write-down of inventories*	4,745	361
Cost of inventories included in cost of services provided and goods sold	30,551	13,982

*Includes in 2022 a write-down of Russian inventories of USD 4,500 thousands. See note 2: Use of critical accounting estimates and judgements.

18. Trade receivables

USD in thousands	2022	2021
Trade receivables before allowance for doubtful accounts	70,878	58,425
Write-downs	(8,137)	(3,000)
Total trade receivables	62,741	55,425
Trade receivables - average fixed time of credit (days)	74	85
Development in write-downs of trade receivables:		
Total write-downs at 1 January	(3,000)	(3,000)
Realized losses during the year	900	54
Unrealized write-downs during the year deemed un-collectible*	(6,037)	(54)
Total write-downs at 31 December	(8,137)	(3,000)
Age of past due trade receivables, not impaired:		
Not due	54,350	48,642
Up to 30 days	8,329	3,676
30 - 60 days	4,313	1,948
61 - 90 days	1,235	1,366
91 + days	2,651	2,793
Total trade receivables	70,878	58,425

*Hereof an impairment of USD 5,700 thousands on trade receivables in Russia.
See note 2: Use of critical accounting estimates and judgements.

18.1 Credit risk management
The Group'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 Group'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 Group's loss on trade receivables are historically immaterial. There is an ongoing centralized follow-up on outstanding trade receivables in accordance with the Group's dunning procedures. The maximum credit risk related to financial assets corresponds to the carrying amount.

The Group had 2 customers, which accounted for 10 % or more of the total revenue in 2022 (2020: 2 customers).

18. Trade receivables continued

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

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

The provision for write-downs on trade receivables increased since 31 December 2022. The increase is caused by higher activity in the Group and an individual assessment of the trade receivables in Russia.

On that basis, the loss allowance was determined as follows for trade receivables:

	31 December 2021				
USD in thousands	Not past due	Less than 30 days past due	30 to 60 days past due	More than 60 days past due	Total
Expected credit loss rate	0.06%	0.11%	0.37%	71.16%	
Trade receivable	48,642	3,676	1,948	4,159	58,425
Total loss allowance	30	4	7	2,959	3,000

	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	0.60	0.60	2.37	50.47	
Trade receivable	54,350	8,329	4,313	3,886	70,878
Loss allowance ECL matrix	324	50	102	1,961	2,437
Loss allowance Russia	-	-	-	5,700	5,700
Total loss allowance	-	-	-	-	8,137

Quality control and inspection of parts in Allerød, Denmark

19. Share capital

USD in thousands	2022	2021
Total share units 1 January	1,098	877
Capital increase during the year	-	221
Total share units 31 December	1,098	1,098

The share capital consists of 6,485,519 units of DKK 1. All shares are fully paid.

No dividend was paid out in 2022 or 2021, and no dividend is proposed related to the financial year 2022.

USD in thousands	Number of shares	Nominal value in DKK	Share of capital in %
Own shares 1 January 2021	1,339	1,339	0.02
Own shares 31 December 2021	1,339	1,339	0.02
Own shares 31 December 2022	1,339	1,339	0.02

20. Deferred tax assets and liabilities

USD in thousands	2022	2021
Total deferred tax 1 January	8,173	8,591
Exchange rate adjustments		-
Adjustment in deferred tax previous years	1,058	1,179
Change in deferred tax for the year	359	(1,597)
Total deferred tax assets (-) / liabilities 31 December	9,590	8,173
Deferred tax breakdown:		
Intangible assets	10,750	13,058
Tangible assets	1,794	2,871
Current and non-current liabilities	586	(2,964)
Current assets	0	(1,709)
Other items	(2,677)	(1,517)
Tax loss carried forward	(863)	(1,566)
Total deferred tax assets (-)/liabilities 31 December	9,590	8,173
Deferred tax is recognized in the statement of financial position with:		
Deferred tax assets	(2,884)	(7,356)
Deferred tax liabilities	12,174	15,529
Total deferred tax assets (-)/liabilities 31 December	9,590	8,173

The Group does not recognize deferred tax assets that are unlikely to be realized or otherwise exposed to major risk or uncertainty.

The tax value of the tax asset not capitalized at 31 December 2022 amounts to zero (2021: zero).

21. Defined benefit plans

Welltec has entered into defined benefit schemes in some countries, whereas employees with more than 1 year seniority achives the right to obtain a gratitude payment at the time of retirement or when leaving Welltec. The 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	2022	2021
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount rate range 2% - 7%	5.36	3.18
Expected future rate of salary increase in range of 2% - 5%	4.39	2.56
Withdrawal/employee turnover rate 5% - 20%	16.72	17.72

USD in thousands	2022	2021
Amounts recognized as staff expenses in the income statement:		
Current service costs	250	297
Past service income	-	(56)
Net interest expense	34	30
Total	284	271

USD in thousands	2022	2021
Amounts recognized in comprehensive income in respect of defined benefit schemes :		
Actuarial (gains)/losses	(137)	52
Total	(137)	52

USD in thousands	2022	2021
Movements in present value of unfunded defined benefit plans in the current year:		
Opening present value	1,217	993
Adjustment due to change in benefits attribution method	(28)	-
Current service costs	250	297
Past service costs	-	(56)
Interest costs	34	30
Actuarial gains/losses from changes in financial assumptions	(11)	(37)
Actuarial gains/losses arising from experience adjustments	(126)	89
Benefits paid	(230)	(99)
Closing present value of unfunded defined benefit plans	1,106	1,217

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 as of 31 December 2022.

22. Current and non-current financial liabilities

USD in thousands	2022	2021
Bond debt*	290,064	318,424
Finance lease commitments	36,334	34,381
Bank debt	2,828	3,784
Total	329,226	356,589
Recognition of short-term and long-term financial liabilities in the statement of financial position:		
Non-current financial liabilities — lease commitments	27,517	26,992
Non-current financial liabilities — bond debt*	290,064	318,424
Non-current financial liabilities - bank debt	1,905	2,875
Current financial liabilities - bank debt and lease commitments	9,740	8,298
Total	329,226	356,589

***Bond debt**
In October 2021, Welltec International ApS issued bonds of a value of USD 325 million. The bonds have a fixed interest of 8.25% and was issued with an effective rate of 8.25%. The bonds are repayable in full in October 2026.

Welltec repurchased bonds during 2022 of a nominal value of USD 30 million.

The fair value of the net bond debt (USD 295 million) is USD 289.8 million at 31 December 2022.

The fair value is based on the last observed trading price in Refinitiv Eikon (level 1 in the fair value hierarchy).

Payment of interest is semi-annual and is scheduled for 1 June and 1 December until maturity in October 2026.

Welltec International ApS may redeem the notes, in whole or in part, at any time on or after 15 October 2023, at the redemption prices set forth below (expressed as percentages of principal amount):

2023: 104.1250%
2024: 102.0625%
2025 and thereafter: 100.0000%

Prior to 15 October 2023, Welltec International ApS may also redeem during each 12-month period beginning on the issue date up to 10% of the original principal amount of the Notes at a redemption price equal to 103% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any.

If a change of control occurs, the holders of the notes will have the right to require Welltec International ApS to offer to repurchase the notes at a purchase price equal to 101% of the principal amount of the notes plus accrued and unpaid interest and additional amounts, if any, to but excluding the date of purchase.

2021

Currency	Expiry	Fixed or floating interest	Effective interest rate %	Carrying amount local (thousands)	Carrying amount USD (thousands)
DKK	2022-2031	fixed	2.55 - 7.92**	135,092	20,590
NOK	2022-2028	fixed	3.29 - 5.45**	38,941	4,427
USD bonds	2026	fixed	8.25*	318,424	318,424
USD other	2022-2025	fixed	1.65 - 23.35**	6,302	6,302
Other	2022-2026	fixed	2.19 - 65.75**	-	6,846
Total					356,589

2022

Currency	Expiry	Fixed or floating interest	Effective interest rate %	Carrying amount local (thousands)	Carrying amount USD (thousands)
DKK	2023-2031	fixed	2.55-7.92**	131,754	18,897
NOK	2023-2029	fixed	3.29-5.85**	49,479	5,019
USD bond debt	2026	fixed	8.25*	290,064	290,064
USD other	2023-2027	fixed	1.65-23.00**	5,334	5,334
Other	2023-2029	fixed	2.19-65.75**	-	9,912
Total					329,226

**Interest rate spread contains weighted interest rates of: DKK 3.91% (2021: 2.08%), NOK 4.45% (2021: 4.39%), USD 4.31% (2021: 7.34%) and other currencies 8.54% (2021: 8.28%).

22. Current and non-current financial liabilities continued

Maturity dates for financial liabilities

	2021			
USD in thousands	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total
Finance lease liabilities	7,389	19,386	7,606	34,381
Bond debt	-	318,424	-	318,424
Bank debt	909	2,776	99	3,784
Other liabilities	-	531	2,595	3,126
Trade payables	17,325	-	-	17,325
Other payables	32,163	-	-	32,163
Total financial liabilities	57,786	341,117	10,300	409,203

	2022			
USD in thousands	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total
Finance lease liabilities	8,817	18,830	8,687	36,334
Bond debt	-	290,064	-	290,064
Bank debt	923	1,905	-	2,828
Defined benefit plans	-	-	1,106	1,106
Other liabilities	-	-	2,336	2,336
Trade payables	25,079	-	-	25,079
Other payables	32,944	-	-	32,944
Total financial liabilities	67,763	310,799	12,129	390,691

All debt is measured at amortized cost. The amounts in the table above are exclusive of interest. The future interest payments for the interest bearing debt amounts to USD 93,294 thousands (2021: USD 129,721 thousand).

Payment of interest on issued bonds is semi-annual and is scheduled for 1 June and 1 December until maturity in October 2026.

Undiscounted financial liabilities

	2021			
USD in thousands	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total
Finance lease liabilities	9,236	24,078	6,549	39,863
Bond debt	26,813	428,898	-	455,711
Bank debt	1,230	3,627	134	4,991
Total undiscounted financial liabilities*	37,279	456,603	6,683	500,565

	2022			
USD in thousands	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total
Finance lease liabilities	8,876	23,356	9,155	41,387
Bond debt	24,338	364,970	-	389,308
Bank debt	1,198	2,411	-	3,609
Total undiscounted financial liabilities*	36,434	390,737	9,155	436,326

*Trade payables, other liabilities 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 Group has options to purchase a part of the buildings and equipment for a nominal amount at the end of the lease agreements.

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

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

22. Current and non-current financial liabilities continued

Net interest-bearing debt

USD in thousands	1 Jan. 2021	Included in cash flow from financing activities	Non-cash: New leases and remeasurements	Non-cash: Amortizations	31 Dec. 2021
Bond debt maturity 2022	334,911	(340,000)	-	5,089	-
Bond debt maturity 2026	-	318,148	-	276	318,424
Finance lease commitments	42,557	(9,069)	893	-	34,381
Bank debt	17,425	(13,365)	-	(276)	3,784
Total interest bearing debt	394,893				356,589
Cash and cash equivalents	(30,600)				(44,687)
Total net interest bearing debt	364,293				311,902

USD in thousands	1 Jan. 2022	Included in cash flow from financing activities	Non-cash: New leases and remeasurements	Non-cash: Amortizations	31 Dec. 2022
Bond debt	318,424	(29,498)	-	1,138	290,064
Finance lease commitments	34,381	(8,308)	10,261	-	36,334
Bank debt	3,784	(1,156)	-	200	2,828
Total interest bearing debt	356,589				329,226
Cash and cash equivalents	(44,687)				(70,623)
Total net interest bearing debt	311,902				258,603

Welltec completions will be a key part of Project Greensand, one of the largest carbon capture projects in Europe which aims to convert the Nini West Field into an underground storage site offshore

22. Current and non-current financial liabilities continued

Bond debt

USD in thousands	2022	2021
Bond debt 1 January	318,424	334,911
Repayment bond maturity 2022	-	(340,000)
Issue bond matutity 2026	-	325,000
Issue bond matutity 2026, capital gain	-	(6,852)
Amortization	1,138	5,365
Repurchase of bonds, nominal value	(30,000)	-
Repurchase of bonds, capital loss	502	-
Total bond debt 31 December	290,064	318,424

23. Other payables

USD in thousands	2022	2021
Wages and salaries, personal income taxes, social security costs, etc.	6,534	5,176
Holiday pay obligation	4,707	4,236
Accrued interests	2,161	2,354
VAT and duties	609	517
Resigned employees	549	2,164
Third party cost	1,441	1,806
Other costs payable	16,943	15,910
Total other payables	32,944	32,163

24. Fees to auditors appointed at the annual general meeting

USD in thousands	2022	2021
Statutory audit services	648	549
Audit related services	7	-
Total audit services	655	549
Non-audit services:		
Tax advisory services	50	123
Other	411	191
Total non-audit services	461	314
Total fees to auditors	1,116	863

25. Assets charged and contingent liabilities

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

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

The bond debt is guaranteed by Welltec A/S, Welltec Manufacturing Center Completions ApS, Welltec Oilfield Services (Norway) AS, Welltec (UK) Ltd., Welltec Inc., Welltec Oilfield Interventions AG and Welltec Oilfield Solutions AG and is secured, subject to certain exceptions and permitted liens, by all of the issued shares of Welltec A/S and each of the guarantors.

Welltec International ApS Group 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 Group's financial position, results of operations or cash flows.

26. Financial instruments

26.1 General capital structure
The Group is financed partly through equity and partly through long-term debt. Management assesses on a regular basis whether the Group's capital structure is in accordance with the Group'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 Group by optimizing the debt to equity ratio. The Group's overall objective remains the same.

26.2 Market risk
Due to the Group'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.

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

26.2.1 Foreign currency risk management
The reporting currency of the Group is US dollars. The functional currency of the Danish companies are considered to be US dollars, and the rest of the Group's subsidiaries have the functional currency of the country in which the subsidiary is domiciled. A proportion of the Group's revenues, expenses and other liabilities are denominated in currencies other than US dollars, in particular Danish kroner, Norwegian kroner, Indian Rupees, Swiss Francs, Nigerian Naira, Russian Rouble and Central African Franc. Exchange rate exposures are managed within approved policy parameters.

The carrying amounts of the Group'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 Group:

	Assets		Liabilities	
USD in thousands	2022	2021	2022	2021
DKK	177,702	157,300	(142,848)	(123,207)
NOK	21,283	22,854	(22,654)	(25,493)
INR	62,656	55,034	(41,680)	(40,918)
RUB	28,793	16,890	(19,744)	(9,792)
CHF	26,521	30,086	(30,131)	(44,241)
NGN	7,605	5,597	(5,031)	(3,336)
XAF	24,275	5,616	(27,181)	(4,073)

2022 Annual Technical Conference and Exhibition (ATCE) in Houston, USA

26. Financial instruments
continued

26.2.2 Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% increase or decrease in DKK, CHF, NOK, INR, RUB, NGN and XAF 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 Group 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.

	Profit/(loss)		Equity	
USD in thousands Currency impact	2022	2021	2022	2021
DKK	6,220	4,609	-	-
NOK	5,379	3,670	350	350
INR	908	142	1,432	1,432
RUB	807	670	862	862
CHF	1,741	483	543	543
NGN	578	342	228	228
XAF	(149)	1	(257)	155

26.2.3 Interest rate risk management
The Group´s interest rate risk mainly relates to the Group´s interest bearing debt to bondholders. The interest is fixed at an effective rate of 8.25%. As the interest rate is fixed the Group 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.

26.2.4 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 Group's profit for the year and equity as of 31 December 2022 would be affected with USD 3,165 thousand (2021: USD 3,250 thousand).

Welltec Manufacturing Center in Esbjerg, Denmark

26. Financial instruments continued

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

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

In the event of a change in control of the Group, the bondholders have a right to require Welltec to repurchase the notes.

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

The cash position at year-end 2022 is USD 71 million (2021: USD 45 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.

26.3.2. 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 counter-party risk. The core principle is for financial risk to be managed with a view to reducing significant risk.

Please see note 22: Current and non-current financial liabilities.

26.4 Categories of financial instruments

USD in thousands	2022	2021
Other receivables - non current	729	716
Trade receivables	62,741	55,425
Other receivables - current	3,285	3,499
Cash and cash equivalents	70,623	44,687
Total financial assets measured at amortized cost	137,378	104,327
Finance lease liabilities	36,334	34,381
Bond debt	290,064	318,424
Bank debt	2,828	3,784
Other liabilities	2,336	3,126
Trade payables	25,079	17,325
Other payables	32,944	32,163
Total financial liabilities measured at amortized cost	389,585	409,203

All financial assets and liabilities are measured at cost or amortized cost. The carrying amounts for these approximate fair value except from issued bonds.

27. Related parties

Welltec International ApS' related parties:

1 7 Industries Holding B.V., Van Heuven Goedhartlaan 13D, 1181 LE, Amstelveen, The Netherlands (owns 33.33% - 49.99%)
2 Exor N.V., Gustav Mahlerplein 25, 1082 Amsterdam, The Netherlands (owns 33.33% - 49.99%)
3 Members of the Parent Company's Executive Management and Board of Directors as well as close relatives of these members
4 Subsidiaries of Welltec International ApS
5 Executive Management holders of share based programmes (see note 5 Staff Cost)

See note 28: Investments in subsidiaries in the consolidated financial statements for further information.

Balances and transactions between the Parent Company and its subsidiaries, which are related parties of the Parent Company, have been eliminated in consolidation in accordance with the accounting policies and are not disclosed in this note, but in note 15: Related parties in the financial statements of the Parent Company.

28. Events after the balance sheet date

Purchase of own bonds
After the balance sheet date, Welltec International ApS has re-purchased own bonds with a nominal value of USD 19.5 million at a total consideration of USD 20 million. This brings the total amount of re-purchased bonds up to a nominal value of USD 49.5 million equalling 15% of the USD 325 million bond issued in 2021.

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

The purchase price consists of a cash payment of NOK 49 million and an earn-out based on various parameters. As the acquisition has been made briefly before the approval of the annual report, no preliminary purchase price allocation has been made yet.

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

Wellgrab™ ERFT downhole fishing tool at client wellsite undergoing pre-job checks prior to running in hole

29. Investments in subsidiaries

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%
Welltec Oilfield Services (New-foundland & Labrador) Limited**	Canada	CAD	10	100%
Welltec 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 A/S*****	Denmark	DKK	292,005,743	100%
Welltec Tools Nigeria A/S**	Denmark	DKK	500,000	100%
Welltec Manufacturing Center Completions ApS*****	Denmark	DKK	750,000	100%
Welltec Oilfield Services France SAS******	France	EUR	100	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 Solutions (India) Private Limited*******	India	INR	300,000	99%

29. Investments in subsidiaries continued

Name	Registered office	Currency	Capital	Share
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%
Welltec Oilfield Services (Muscat) LLC **	Oman	OMR	150,000	70%
Welltec Oilfield Services (Doha) LLC **	Qatar	QAR	1,000	49%
Welltec (RUS) Holding LLC **	Russia	RUB	100,000	100%
Welltec Oilfield Services (RUS) LLC. **	Russia	RUB	100,000	100%
Welltec Oilfield Services (Saudi Arabia) Ltd **	Saudi Arabia	SAR	500,000	100%
Welltec Oilfield Solutions (Industrial) LLC (Saudi Arabia)*******	Saudi Arabia	SAR	1,000,000	100%
Welltec (UK) Ltd. **	Scotland - UK	GBP	1	100%
Welltec Oilfield Solutions AG ******	Switzerland	CHF	100,000	100%
Welltec Oilfield Interventions AG*****	Switzerland	CHF	100,000	100%
Welltec Worldwide GmbH******	Switzerland	CHF	20,000	100%
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%

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. As stated above, Welltec owns a number of subsidiaries in the Group more than 50% but less than 100%.

Welltec consolidates these entities 100% with no minority interest. Welltec de facto has 100% ownership according to the respective shareholder agreements as Welltec is entitled to receive 100 % of the dividends of these entities.

Production of tools takes place in Welltec A/S. Production and assembly of completions products takes place in Welltec Manufacturing Center Completions ApS, Welltec Oilfield Solutions (Industrial) LLC (Saudi Arabia) and Welltec Oilfield Services (RUS) LLC. Welltec Oilfield Solutions AG is the principal in the completion business. All other companies are sales units.

* Held by Welltec Inc.
** Held by Welltec A/S
*** Held by Welltec Latinamerica ApS
**** Held by Welltec Africa ApS
***** Held by Welltec International ApS
****** Held by Welltec Oilfield Interventions AG
******* Held by Welltec Oilfield Solutions AG

Parent Company statement of comprehensive income

USD in thousands	Note	2022	2021
Administrative costs	3	(636)	(1,077)
Total operating (loss) (EBIT)		(636)	(1,077)
Financial income	4	9,348	2,050
Financial expenses	5	(27,528)	(24,186)
Total (loss) before tax		(18,816)	(23,213)
Income taxes	6	590	(1,713)
Total profit/(loss) for the year		(18,226)	(24,926)
Total comprehensive (loss)		(18,226)	(24,926)
Allocation of total comprehensive (loss):			
Transferred to retained earnings		(18,226)	(24,926)

Geothermal environment, Iceland.

Parent Company statement of financial position

USD in thousands	Note	31 Dec. 2022	31 Dec. 2021
Non-current assets			
Financial assets			
Investments in subsidiaries	9	282,340	281,983
Loan due from subsidiaries and affiliates	15	81,950	130,000
Total financial assets		364,290	411,983
Total non-current assets		364,290	411,983
Current assets			
Receivables		-	1,366
Receivables from subsidiaries and affiliates	15	1,886	4,992
Current tax receivable		12,424	-
Total receivables		14,310	6,358
Total current assets		14,310	6,358
Total assets		378,600	418,341

USD in thousands	Note	31 Dec. 2022	31 Dec. 2021
Equity			
Share capital	10	1,098	1,098
Retained earnings		71,106	88,827
Total equity		72,204	89,925
Non-current liabilities			
Deffered tax		1,129	1,383
Bond debt	11	290,064	318,424
Total non-current liabilities		291,193	319,807
Current liabilities			
Current tax liabilities		-	1,695
Payables to subsidiaries	15	12,600	4,391
Other payables		2,603	2,523
Total current liabilities		15,203	8,609
Total liabilities		306,396	328,416
Total equity and liabilities		378,600	418,341

Parent Company statement of changes in equity

USD in thousands	Share capital	Retained earnings	Total
Total equity at 31 December 2020	877	61,166	62,043
(Loss) for the year	-	(24,926)	(24,926)
Total comprehensive income for the year	-	(24,926)	(24,926)
Capital increase	221	52,587	52,808
Total other transactions	221	52,587	52,808
Total equity at 31 December 2021	1,098	88,827	89,925
(Loss) for the year	-	(18,226)	(18,226)
Total comprehensive income for the year	-	(18,226)	(18,226)
Payments received for warrants	-	148	148
Warrants vested	-	357	357
Total other transactions	-	505	505
Total equity at 31 December 2022	1,098	71,106	72,204

Offshore production platform operating for core client, NOC in Qatar.

Parent Company statement of cash flows

USD in thousands	Note	2022	2021
Operating loss (EBIT)		(636)	(1,077)
Non-cash adjustments	7	17	20
Changes in working capital	8	11,393	1,341
Income taxes received/(paid)		(12,415)	-
Total cash flows from operating activities		(1,641)	284
Financial expenses paid		(25,888)	(30,763)
Financial income received		9,331	2,030
Issued bonds		-	325,000
Repurchase of bonds, nominal value		(30,000)	-
Loan to subsidaries		-	(130,000)
Repayment of loan from subsidiaries		-	(219,374)
Repayment of loan to subsidiaries		48,050	-
Payment received for warrants		148	-
Capital increase		-	52,808
Total cash flows from financing activities		1,641	(299)
Total increase/(decrease) in cash and cash equivalents		-	(15)
Cash and cash equivalents at 1 January		-	15
Total cash and cash equivalents at 31 December		-	-

Contents notes
Parent Company

1. Accounting policies

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

The annual report is presented in thousands of US Dollar (USD), which is also the functional currency of the Parent Company.

Differences compared to the Group's accounting policies
The Parent Company's accounting policies for recognition and measurement are in accordance with the Group's policies with the exceptions stated below:

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

Dividend from investments in subsidiaries is recognized in the statement of comprehensive income in the year it is declared.

2. Use of critical accounting estimates and judgments

The determination of carrying values and preparation of the annual report build upon estimates made by Management of the likely effect of future events on the value of investments and receivables in/from subsidiaries. Actual results may differ from these estimates.

Management considers that the following accounting estimates and assumptions are critical in the parent financial statements.

Impairment of investments in subsidiaries
Investment in subsidiaries represents USD 282 million equaling 75% of total assets in the Parent Company. The impairment test revealed no need for impairment. When considering impairment indicators, Management makes an assessment of whether the subsidaries of Welltec International ApS Group will be able to generate positive net cash flows sufficient to support the value of the investments. Regarding this estimate and the assumptions made by Management see note 2.3: Use of critical accounting estimates and judgements in the consolidated financial statements.

The estimates used build upon assumptions which, in the opinion of Management, are valid albeit inherently uncertain and unpredictable.

3. Staff costs

There have been no employees in the Parent Company for the financial years 2022 and 2021.

See note 5: Staff cost in the consolidated financial statements for information on remuneration to Management.

4. Financial income

USD in thousands	2022	2021
Interest income from subsidiaries	9,331	2,030
Total interest income from financial assets that are not measured at fair value through profit or loss	9,331	2,030
Exchange rate gains	17	20
Total financial income	9,348	2,050

5. Financial expenses

USD in thousands	2022	2021
Interest expenses	26,183	5,821
Interest expenses to subsidiaries and affiliates	-	17,056
Other financial expenses	1,345	1,309
Total interest expenses from financial liabilities that are not measured at fair value through profit or loss	27,528	24,186
Total financial expenses	27,528	24,186

6. Income taxes

USD in thousands	2022	2021
Current tax	708	2,257
Adjustment in corporation tax previous years	(372)	(3,952)
Total current tax incl. adj. in corporation tax previous years	336	(1,695)
Change in deferred tax	254	(1,383)
Other tax	-	1,365
Total income taxes	590	(1,713)
A breakdown of tax:		
Total (loss) before tax	(18,816)	(23,214)
Calculation of effective tax rate:		
Danish corporation tax rate	22.0%	22.0%
Interest limitation, thin capitalization	(16,9)%	(19.0)%
Other, including adjustment to previous years	(2,0)%	(10.0)%
Total effective tax rate	3.1%	(7.0)%

No income tax has been recognized in other comprehensive income/(loss) or directly in equity in 2022 and 2021.

7. Non-cash adjustments

USD in thousands	2022	2021
Currency adjustments, other	17	20
Total non-cash adjustments	17	20

8. Changes in working capital

USD in thousands	2022	2021
Change in receivables from subsidiaries and affiliates (net)	11,314	(601)
Change in other payables	79	1,942
Total changes in working capital	11,393	1,341

9. Investments in subsidiaries

USD in thousands	2022	2021
Total acquisition cost 1 January	281,983	281,983
Addition, issued warrants (subsidy to Welltec A/S)	357	-
Total acquisition cost 31 December	282,340	281,983

The carrying amount of the investment in the subsidiary is pledged as security for bond debt.

The Parent Company has investments in the following subsidiaries:

Name	Registered country	2022	2021
Welltec A/S	Denmark	100%	100%
Welltec Manufacturing Center Completions ApS	Denmark	100%	100%
Welltec Oilfield Interventions AG	Switzerland	100%	100%

10. Share capital

The Parent Company Welltec International ApS holds 1,339 own shares.

See note 19: Share capital in the consolidated financial statements.

11. Current and non-current financial liabilities

Maturity dates for financial liabilities

USD in thousands	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total
2021				
Bond debt	-	318,424	-	318,424
Payables to subsidiaries	4,391	-	-	4,391
Other payables	2,523	-	-	2,523
Total financial liabilities	6,914	318,424	-	325,338
2022				
Bond debt	-	290,064	-	290,064
Payables to subsidiaries	12,600	-	-	12,600
Other payables	2,603	-	-	2,603
Total financial liabilities	15,203	290,064	-	305,267

All liabilities shown in the table above are measured at amortized cost.
The amounts are exclusive of interest.

Undiscounted financial liabilities

USD in thousands	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total
2021				
Bond debt	26,813	428,898	-	455,711
Total undiscounted financial liabilities	26,813	428,898	-	455,711
2022				
Bond debt	24,338	364,970	-	389,308
Total undiscounted financial liabilities*	24,388	364,970	-	389,308

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

12. Fees to auditors appointed at the annual general meeting

USD in thousands	2022	2021
Statutory audit services	20	10
Non-audit services:		
Tax advisory services	-	61
Other	-	71
Total non-audit services	-	132
Total fees to auditors	20	142

13. Assets charged and contingent liabilities

The bond debt is guaranteed by Welltec A/S, Welltec Manufacturing Center Completions Aps, Welltec Oilfield Services (Norway) AS, Welltec (UK) Ltd., Welltec Inc., Welltec Oilfield Interventions AG and Welltec Oilfield Solutions AG. The bond is secured and subject to certain exceptions and permitted liens, by all of the issued shares of Welltec A/S and each of the guarantors

See note 25: Assets charged and contingent liabilities in the consolidated financial statements.

14. Financial instruments

The Parent Company is not affected by currency risks on its intercompany balances with other Group companies, since all balances are denominated in USD.

For Group overview please see note 26: Financial instruments in the consolidated financial statements.

15. Related parties

Please see note 27: Related parties in the consolidated financial statements.

15.1 Related party transactions

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

	2022	2021
USD in thousands	Subsidiaries	Subsidiaries
Interest expenses	-	(17,056)
Interest income	9,331	2,030
Share based payments	148	-
Total transactions	9,479	(15,026)

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

	Amounts owed by related parties		Amounts owed to related parties	
USD in thousands	2022	2021	2022	2021
Subsidiaries	83,836	134,992	12,600	4,391
Total balances	83,836	134,992	12,600	4,391

16. Events after the balance sheet date

Purchase of own bonds
After the balance sheet date, Welltec International ApS has re-purchased own bonds with a nominal value of USD 19.5 million at a total consideration of USD 20 million. This brings the total amount of re-purchased bonds up to a nominal value of USD 49.5 million equalling 15% of the USD 325 million bond issued in 2021.

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

Branches

The Group holds the following branches:

Name	Registered office	Principal activity	Year/ currency
Welltec Oilfield Intervention AG (Algeria)****	Algeria	Sales Branch	2008 / DZD
Welltec A/S (Azerbaijan Branch)*	Azerbaijan	Sales Branch	2008 / AZN
Welltec A/S (Brazilian Branch)*	Brazil	Sales Branch	2011 / BRL
Welltec Latinamerica ApS (Brazilian Branch)**	Brazil	Sales Branch	2006 / BRL
Welltec Latin America ApS Sucursal Columbiana*	Columbia	Sales Branch	2011 / COP
Welltec Africa ApS Congo***	Congo	Sales Branch	2013 / XAF
Welltec Latinamerica ApS (Ecuador Branch)**	Ecuador	Sales Branch	2014 / USD
Welltec A/S (Gabon Branch)*	Gabon	Sales Branch	2012 / XAF
Welltec A/S India Project Office*	India	Sales Branch	2008 / INR
PT Welltec Oilfield Services Indonesia (Indonesian Branch)*	Indonesia	Sales Branch	2018 / IDR
Welltec Africa ApS (Ivory Coast Branch)***	Ivory Coast	Sales Branch	2015 / XAF
Welltec A/S (Kuwait Branch)*	Kuwait	Sales Branch	2017 / USD
Welltec Oilfield Services Pty Ltd (Papua New Guinea Branch)*****	Papua New Guinea	Sales Branch	2019 / AUD
Welltec A/S - Abu Dhabi*	UAE	Sales Branch	2011 / AED

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

Visitors reception, Welltec HQ in Allerød, Denmark

Definitions

EBITDA is defined by Welltec 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. Welltec's definition of EBITDA may differ from the definition of EBITDA used by other companies. EBITDA as defined by Welltec is reported to allow for a more accurate assessment of the business operations. Welltec's definition of EBITDA should not be considered in isolation from, as substitutes for, or superior to the reported results prepared in accordance with International Financial Reporting Standards (IFRS).

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

EBITA is defined as earnings before interest, taxes, depreciations and impairments on tangible fixed assets.

EBIT margin before special items

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

Return on equity

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

EBITDA margin

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

ROIC excl. goodwill

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

Net debt/EBITDA gearing

$$\frac{\text{Net bond debt, accrued interest, current and non-current bank debt, current and non-current finance lease liabilities ÷ cash and cash equivalents x 100}}{\text{EBITDA}}$$

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Welltec International's Annual Report 2022
Approved at the Annual Shareholders' Meeting on 11 May 2023