Welltec Annual Report 2021

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

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 sector. Our pioneering technology enables our clients to optimize the management and development of their assets across the entire life cycle. We address factors that maximize value creation, continuously innovating to reduce well construction time, speed up access to hydrocarbons, increase reservoir contact and enhance production whilst minimizing operating downtime and footprint.

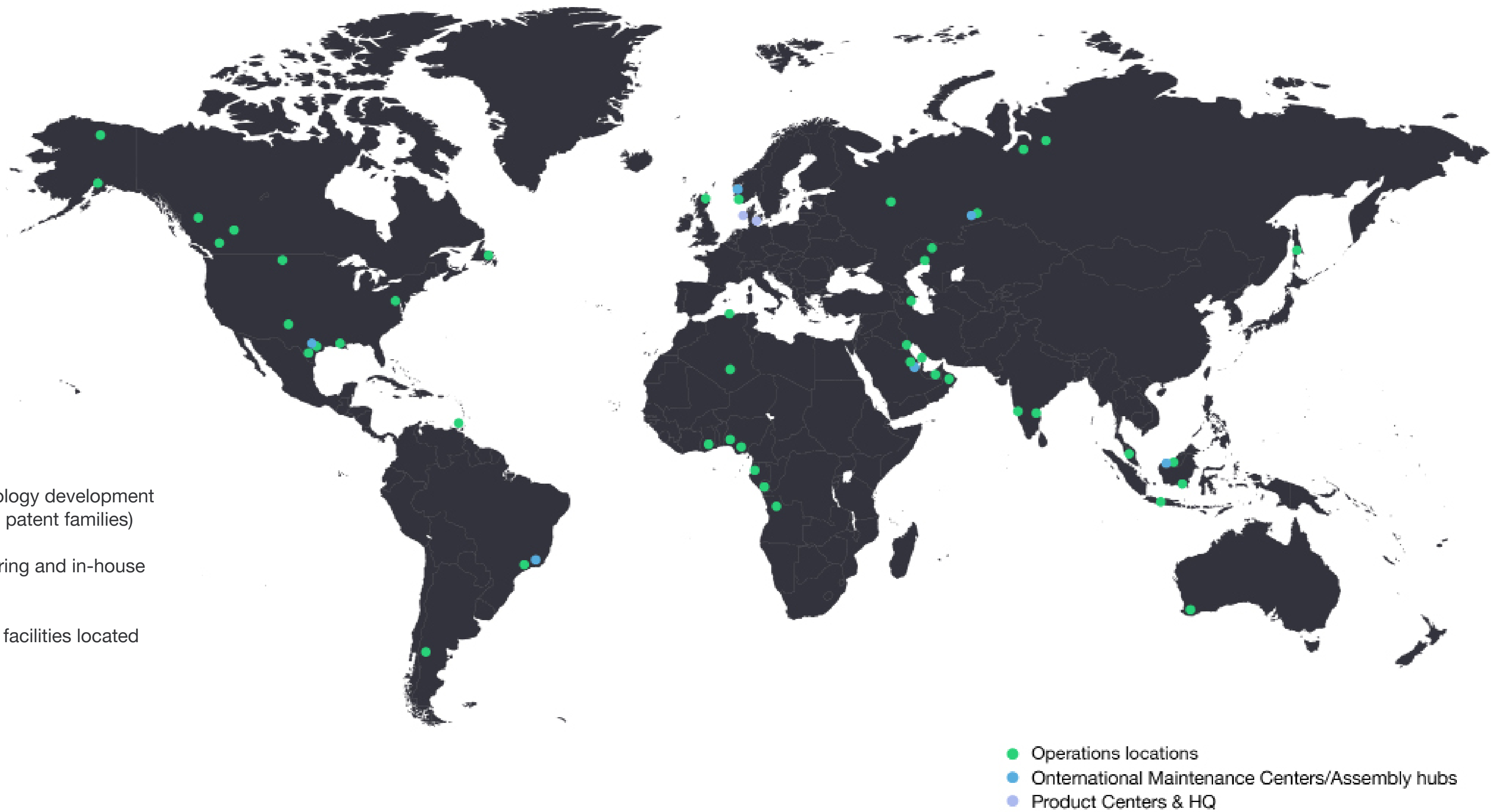
It is our philosophy to challenge existing conventional thinking in order to develop novel products and services which increase oil and gas recovery while improving sustainability, efficiency, environmental and safety aspects of our industry. Through our in-house state-of-the-art manufacturing facilities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

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

Our unique Completions 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 P&A. The impact of our approach is immediate and has been proven to provide substantial savings and boost cash flow.

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

Company profile continued



- 25 years of innovative technology development within the energy sector (164 patent families)
- HQ, Development & Engineering and in-house manufacturing co-located
- 43 global offices and service facilities located in 25 countries
- 830 employees worldwide

Consolidated key figures and ratios Welltec International Group

USD in millions	2021	2020	2019**	2018	2017
Statement of comprehensive income					
Revenue	250	222	257	224	170
Earnings before interest, tax, depreciation and amortization (EBITDA)*	105	88	101	67	51
Operating profit (EBIT) before special items	67	42	58	21	(15)
Operating profit/ (loss) (EBIT)	66	41	58	11	(58)
Net financial expenses	(45)	(41)	(43)	(34)	(43)
Profit / (loss) before tax	21	0	15	(23)	(101)
Net profit / (loss) for the year	5	(16)	0	(31)	(96)
Cash flows					
Cash flows from operating activities	69	62	88	64	37
Cash flows from investing activities	(26)	(28)	(38)	(35)	(26)
Cash flows from financing activities	(29)	(34)	(40)	(36)	(36)
Total cash flows	14	0	10	(7)	(25)
Statement of financial position					
Trade receivables	55	39	46	48	49
Equity***	126	70	88	85	127
Total assets***	558	529	543	500	520
Investments in intangible assets*	10	13	12	14	13
Investments in tangible assets*	18	16	28	25	16
Key ratios*					
EBITDA margin in percent*	42	40	39	30	30
EBIT margin before special items in percent	27	19	23	10	(9)
ROIC excl. goodwill in percent***	32	24	32	20	9
Return on equity in percent***	5	(20)	0	(28)	(63)
Number of employees, average	830	835	877	804	731

*For definitions of key ratios, investments and EBITDA see page 72.
**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	2021	2020	Change in %
Revenue	250	222	13
Cost of service provided	(122)	(122)	-
Total gross profit	128	100	28
Development and manufacturing costs	(10)	(9)	(17)
Administrative expenses and sales costs	(51)	(50)	(4)
Total operating profit/(loss) (EBIT) before special items	67	41	60
Net special items	(1)	(1)	-
Total operating profit/(loss) (EBIT)	66	40	61
Net financial expenses	(45)	(41)	(8)
Income taxes	(16)	(15)	(4)
Total profit/(loss) for the year	5	(16)	n/a

Revenue geographical regions

General
Welltec entered into 2021 in a very difficult market with declining spend in the oil and gas business, combined with regional lock downs, that made it very difficult to move staff and equipment around.

During the year the oil prices increased significantly and also the stabilisation of the pandemic made it possible to move material and manpower around. From March 2021, Welltec saw an uptake in the market and combined with the possibility to move manpower to and from jobs, Welltec achieved an increase in revenue and a positive net-profit, which management find to be a satisfactory result for the year.

Revenue
Revenue amounted to USD 250 million, an increase of 13 % year on year. The increase in revenue is driven by an increase in sale in Intervention Services of 17% and a decline of Completion Services products of 6%.

The increase in Intervention Services revenue is driven by Europe, Africa and Russia combined with Americas partly offset by a declining revenue in Middle East and Asia Pacific.

The decline in revenue in Completion Services products is related to Middle East where 2020 was positively affected by some large orders, but also due to a delayed Covid-19 impact due to the longer lead-times in the Completions Services products segment.

Cost of service provided
The cost of services provided was USD 122 million, on par with last year. Due to the increaed activity, caused by higher revenue, staff costs increased with 12%, mainly due to an increased number of employees. The depreciations and other costs were lower than in 2020.

Development and manufacturing costs
Development and manufacturing costs, not capitalized, increased to USD 10 million, an increase of 17% compared to 2020. The increase is driven by higher degree of development projects, which do not meet the criteria for capitalization.

Administrative expenses and sales costs
Administrative expenses and sales costs were USD 51 million, an increase of 4% compared to last year. The increase relates mainly to higher travel cost and salary to an increased number of employees.

Earnings before interest, tax, depreciation, amortization and special items (EBITDA)
EBITDA increased to USD 105 million, representing a margin of 42 % against 40% in 2020. 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 67 million from USD 42 million in 2020. The EBIT margin before special items was 27% against 19% in 2020. The higher EBIT is related to the increased revenue.

Net financial expenses
Net financial expenses were USD 44.5 million, an increase of USD 3.5 million compared to last year. The increase mainly relates to the amortisation of the remaining cost for the redeemed 2022 bond and to transaction costs for the issue of the 2026 bond in H2 2021. Further, there was a lower loss on currency of USD 3 million compared to 2020.

Income taxes
Income taxes expenses were USD 16 million compared to a tax expense of USD 15 million in 2020. The tax position is impacted by interest limitation regulation in Denmark and non-refundable withholding taxes globally.

Result for the year
For the first time since 2014, 2021 resulted in a profit. The profit is USD 5 million, representing an increase of USD 21 million compared to 2020. The increased profit is driven by improved margins.

Financial review continued

Alternative performance measures - EBITDA reconciliation

USD in millions	2021	2020
Profit/(loss) for the year	5	(16)
Income taxes	16	15
Financial expenses (net)	45	41
Depreciation and amortization	37	39
Impairment loss	2	7
Issued warrants	-	1
Gain on sale of assets	(1)	-
Special items	1	1
Total EBITDA	105	88

Net cash flows
Cash-flows from operating activities continued to generate strong cash flows underpinned by margin resilience and improved processes. The cash generated was used to service interest payments, investments in D&E projects, patents, fleet of tools, tractors and equipment.

Significant events in 2021

Change in ownership and new CEO
In April 2021, founder and CEO of Welltec, Jørgen Hallundbæk, retired from the Management team. He also sold a portion of his shares to the other large shareholders, Exor and 7-Industries. Welltec's COO for the last 10 years, Peter Hansen, was appointed as new CEO.

In June 2021, Exor and 7-Industries announced the purchase of the remaining shares of Welltec from its founder Jørgen Hallundbæk, raising their participation to approx. 95%.

Bond obligations/high yield bond offering
On 30 September 2021, Welltec announced the completion of an USD 325 million Senior Secured Notes 8.25% due 2026 offering. The net proceeds from the offering of the notes have been used to refinance existing credit facilities.

Capital Increase
In October 2021, the existing shareholders of Welltec increased the equity with a total capital contribution of USD 52 million showing the commitment and support to the Group.

Outlook

For 2021, we expected a year still impacted by COVID-19 with a revenue in range with 2020 including a slightly uptick in activity in the latter part of 2021. The result for 2021 exceeded our expectations caused by a more rapid rebound of the world economy in the wake of the COVID-19 pandemic.

Going into 2022, we continue to experience very strong demand for our industry-leading intervention and completion technologies. The Russia-Ukraine military conflict has, however, impacted activity in Russia. On a full year basis compared to 2021, we expect a decline in revenue in Russia in the range of 40%. Please also refer to note 25: Events after the balance sheet date.

With the recent events and the current supply/demand balance in mind, we expect to see an overall OPEX spend increase amongst O&G operators, hence also an increase in demand for OFS services and solutions. This combined with our leading and highly differentiated offerings points towards a satisfactory result for full-year 2022. We expect a global revenue growth for full year 2022 in the low to mid-teens percentage, and an EBITDA margin in line with 2021.

CAPEX levels are expected to be slightly higher compared to 2021, ensuring adequate resources to develop new innovative technology, business areas and to support the production of spare parts and tools to the fleet of well intervention equipment.

2022

Risks

Risks Related to Our Business

Business and Industry Related Risks

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

Cyclical Market

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

Customers

Welltec's clients are typically not required to make minimum purchases under sales contracts and customers can typically terminate contracts without cause and on short notice. Notwithstanding our broad customer base, Welltec has two 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.

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 71.

Corporate social responsi- bility

The following statement on Corporate Social Responsibility (CSR) pursuant to the Danish Financial Statement Act Sec- tion 99a and b is part of the Management Review in the Annual Report 2021. 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.

Corporate social responsibility continued

Corporate Social Responsibility Policy
Welltec focuses it's CSR efforts on areas and issues directly affecting our business. We have outlined our responsibility in polices developed to comply with the objectives of CSR. 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 CSR 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 CSR 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.

Key Results in 2021 and Future Plans

With the development of the Code of Conduct came also a training program for all existing employees. The training program was continued as mandatory for all new employees during their onboarding process and annual reminder and awareness training was conducted for all employees.

To the extent deemed relevant, Welltec performs appropriate internal investigations into possible non-ethical behaviour by employees following internal controls or whistle-blowing. We have in continuation of the investigative findings applied consequences towards the employees when relevant and continued to strengthen internal communication in respect of compliance programs.

To improve our efforts to facilitate sound business ethics, we have conducted two investigations into two matters and emphasize the use of our whistle-blower program. No case was submitted in 2021.

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.

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 2021 included the section on anti-corruption. The review was monitored by the Legal Department and the HR Department.

Key Results in 2021 and Future Plans

Multiple partner screenings were performed in 2021.

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 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.

Corporate social responsibility continued

In 2021 an official award was received from a client, recognizing the thorough and timely provision of information, as well as the quick response and swift closing of identified action points during an anti-bribery and corruption audit of a local Welltec subsidiary in a higher risk country. The audit resulted in minor local adjustments to Welltec's anti-bribery and corruption policy.

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 in a culture of learning and continual 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 concerns. All locations have a QHSE Officer employed to lead the QHSE 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.

All safety and environmental incidents are recorded and analysed to ensure adoption of best HSE practices and to safeguard the environment. Comprehensive incident reporting systems are in place to review and address:

- Any injury or near miss in relation to our activities.
- Any unintentional discharge into the environment of damaging substances or near misses in relation to one of our operations.
- Unsafe acts and conditions at the worksite.

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.

Key Results in 2021 and Future Plans

In 2021, we had a solid HSE performance driven by an increased activity and a strong frontline TRCF (Total Recordable Case Frequency) performance. Welltec's TRCF 2021 rate outperformed the International Association of Oil & Gas Producers TRCF rate for 2020, which already reflected a period of low activity due to the COVID-19 pandemic and therefore also an abnormal low TRCF rate. Another key result for 2021 was the internal Welltec COVID-19 pandemic response, which promoted global vaccination programs and enabled business continuity throughout a challenging period.

Our 2022 HSE focus areas will be centred around global collaboration towards safe, reliable and sustainable working environments. Internal campaigns will support the continued development of a positive QHSE culture and further strengthen incident prevention, in alignment with industry best practices and local requirements. Furthermore, Welltec is taking 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. The latest recertification took place during the third quarter of 2021. Additionally, Welltec Management System has been further developed to comply with API Specification Q1 and Q2 certifications. Welltec Brazil facility achieved API Spec Q2 certification in May 2021 and Welltec Esbjerg manufacturing facility has formally applied for API Specification Q1 certification. The Group QHSE function performs internal Management System audits at the 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 the relevant government authority 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. In 2021, our sites were audited by Superior, Total Energies, Repsol and Saudi Aramco.

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 2021.

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, reli-

Corporate social responsibility continued

gion, 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.

Our Workforce
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.

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. At present, women make up 16% of the total employee population which is the same level as 2020. On a managerial level, women make up 12% of managers, which is consistent with the level in 2020. The Senior Management team consists of two members, the CEO and the CFO. The Board of Directors has set the objective to have at least one female member before or at the latest in 2024. There was appointed one new member of the Board of Directors in 2021, as one member left the Board of Directors earlier in 2021. As at 31 December 2021, the Board of Directors consisted of 5 male members and the Board was looking to hire at least one new female candidate in early 2022. In March 2022 one new female and one new male member were appointed to the Board of Directors, as one member left the Board of Directors. The Board of Directors is still looking to hire at least one more female candidate in 2022.

Key Results in 2021 and Future Plans
2021 was a challenging year that saw great differences in activity between the start of the year and the end of the year. Yet Welltec managed to come out with good results thanks to our great employees.

The global survey of Employee Motivation and Satisfaction was carried out in November 2021 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 87% of employees responding, which is very satisfying, and the survey clearly showed that, in spite of the challenging market and tough economic situation caused by the pandemic, motivation and satisfaction have generally remained high in all geographic areas and in all topics. The average job satisfaction is at 4.0 on a scale from 1 to 5 which is a slight decrease of 0.1 since 2020 but is still very high seen in the light of a difficult year. To ensure the 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 continual improvement. It must be 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 2021 and Future Plans
In 2021 we recorded our 2nd best service quality performance in Welltec history on the backdrop of increased activity and the global COVID-19 pandemic. Furthermore, service quality strengthened despite a continued increase in job complexity, underscoring the strength of the structured follow-up on all incidents, and the implementation of applicable corrective actions. The key achievements from 2021 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 experi-

Corporate social responsibility continued

ence 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.

Community

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 solicit technologies, products and services that will drive the industry into a new and innovative future, ensuring 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. Therefore, we engage with the community at a range of levels in our capacity as customer, neighbour, employee, business, competitor and resident, and this engagement includes the support of local community groups and charities, and local initiatives for the development and education of young people in the areas where we operate.

Implementation and Future Plans

We actively care and support measures improving the environment in and around our operations and we are working closely with local law enforcement agencies to address antisocial behaviour, crime and vandalism as well as promoting road safety.

In addition, our local companies provide support to community-based charities and projects in their respective areas including support for employees' efforts in fund raising and for small-scale projects.

Some of the projects we supported in 2021 include:

- Sponsorship of local sports clubs and organizations (UK, USA)
- Food bank donations and distribution of food to Covid19 affected families (UK, USA, Malaysia)
- Healthcare projects – donation of equipment and funds to hospitals, medical research funding and non-profit organizations which support the patient community (USA, Ghana, Malaysia, UK)
- Financial support to orphanages (Norway, USA)
- Protecting the environment by way of a waste collection campaign and collaboration with the city/municipality to protect coastal areas (Norway, Brazil)
- Engagement with student groups and universities by providing training and education (Denmark, USA, Nigeria, UAE)

In 2022, our local companies plan to continue their engagement and support with their local communities within health, sports, environment, and education. Moreover, we plan to undertake new educational projects, such as supporting local schools by providing learning materials and additional training to talented children (Russia, Brazil).

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 2021 Welltec started to prepare this policy for data ethics, however as Welltec in 2021 had several major business critical issues to solve related to the general market situation, issuing of new bonds etc. it has been 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 2022.

Corporate social responsibility continued

Business model
Welltec is a global technology company that develops and provides efficient 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 renewable energy market.

The technology portfolio maintained by Welltec is aimed at assisting clients in the construction, development and repair of oil, gas and geothermal wells.

The company can be divided into 3 main products lines: Welltec Interventions Services (WIS), Welltec Completions Services (WCS) and Welltec Renewables Services (WRS).

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 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 various 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 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 well. There can also be associated service revenue 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.

In addition to these products and services outlined above, Welltec will soon expand to incorporate niche testing services. An all-new full-scale CO_2 testing facility is currently being constructed on Welltec premisses in Esbjerg, Denmark and once complete, will serve as a test centre for companies operating in new energy markets including carbon capture and storage (CCS) and new hydrogen projects.

Company Details

Company
Welltec International ApS
Gydevang 25
3450 Allerød
Denmark

Phone: +45 48 14 35 14
Fax: +45 48 14 35 18
Website: www.welltec.com
E-mail: welltecinfo@welltec.com

Central Business Registration No: 30 69 50 03
Registered in: Allerød
Financial year: 1 January – 31 December 2021

Executive Board
Peter Hansen, Chief Executive Officer
Søren Søgaard Suhr, Chief Financial Officer

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

Company auditors
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Statement by management on the annual report

We have today considered and approved the annual report of Welltec International ApS for the financial year 1 January to 31 December 2021.

The consolidated financial statements and parent 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 financial statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2021 as well as of their financial performance and their cash flows for the financial year 1 January to 31 December 2021.

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 29 March 2022

Executive Board

Peter Hansen
Chief Executive Officer

Søren Søgaard Suhr
Chief Financial Officer

Board of Directors

Niels Harald de Coninck-Smith
Chairman

Alasdair Geddes Shiach

Benoît Ribadeau-Dumas

Klaus Martin Bukenberger

Maite Labairu Trenchs

Michel Pierre René Hourcard

Independent auditor's reports

To the 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 2021 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 2021 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Welltec International ApS for the financial year 1 January - 31 December 2021, which comprise statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, for 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 inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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 29 March 2022

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

Tue Stensgård Sørensen
State Authorized
Public Accountant
mne32200

Henrik Kyhnauv
State Authorized
Public Accountant
mne40028

Income statement

USD in thousands	Note	2021	2020
Revenue	3	250,185	221,537
Cost of services provided	4, 5	(122,112)	(121,660)
Total gross profit		128,073	99,877
Development and manufacturing costs	4, 5	(10,026)	(8,591)
Administrative expenses and sales costs	4, 5	(51,136)	(49,340)
Total operating profit (EBIT) before special items		66,911	41,946
Special items income	6, 7	2,190	4,585
Special items expenses	6	(3,239)	(5,632)
Total operating profit (EBIT)		65,862	40,899
Financial income	8	2,754	7,133
Financial expenses	9	(47,219)	(48,420)
Total profit/(loss) before tax		21,397	(388)
Income taxes	10	(16,100)	(15,494)
Profit/(loss) for the period		5,297	(15,882)

Statement of comprehensive income

USD in thousands	2021	2020
Profit/(loss) for the period	5,297	(15,882)
Other comprehensive income/(loss) for the year that will be reclassified subsequently to the income statement, when specific conditions are met:		
Total unrealized exchange rate adjustments of foreign subsidiaries and branches	(1,364)	(3,347)
Total comprehensive income/(loss)	3,933	(19,229)
Distribution of profit/(loss) for the year:		
Welltec International ApS shareholders' share of profit/(loss)	5,297	(15,882)
Non-controlling interests share of profit/(loss) for the period	-	-
Total	5,297	(15,882)
Total comprehensive income/(loss) attributable to:		
Welltec International ApS shareholders' share of comprehensive income/(loss)	3,933	(19,229)
Non-controlling interests share of comprehensive income/(loss)	-	-
Total	3,933	(19,229)

Consolidated statement of financial position — assets

USD in thousands	Note	31 Dec. 2021	31 Dec. 2020
Non-current assets			
Intangible assets			
Goodwill		242,340	242,340
Technology		1,706	1,678
Brand		13,924	13,924
Completed development projects		20,076	16,041
Development projects in progress		11,507	15,777
Patents and licenses		19,917	20,655
Total intangible assets	13	309,470	310,415
Tangible assets			
Land and buildings		1,076	1,558
Leasehold improvements		2,312	2,249
Plant, equipment and fleet		47,748	47,777
Plant, equipment and fleet under construction		17,255	19,093
Other fixtures, fittings, tools and equipment		4,397	3,707
Right-of-use assets		32,964	39,512
Total tangible assets	14	105,752	113,896
Other non-current assets			
Deferred tax assets	18	7,356	4,755
Other receivables		716	776
Total other non-current assets		8,072	5,531
Total non-current assets		423,294	429,842

USD in thousands	Note	31 Dec. 2021	31 Dec. 2020
Current assets			
Inventories	15	24,407	17,696
Receivables			
Trade receivables	16	55,425	38,624
Tax receivables		1,846	2,976
Other receivables		3,499	6,366
Prepayments		5,336	3,343
Total receivables		66,106	51,309
Cash and cash equivalents		44,687	30,600
Total current assets		135,200	99,605
Total assets		558,494	529,447

Consolidated statement of financial position — liabilities

USD in thousands	Note	31 Dec. 2021	31 Dec. 2020
Equity			
Share capital	17	1,098	877
Currency translation reserve		(36,421)	(35,057)
Retained earnings		161,801	103,917
Total equity		126,478	69,737
Non-current liabilities			
Deferred tax liabilities	18	15,529	13,346
Finance lease commitments	19	26,992	33,767
Issued bonds	19	318,424	334,911
Bank debt	19	2,875	17,066
Other liabilities	19	4,343	2,631
Total non-current liabilities		368,163	401,721
Current liabilities			
Current portion of finance lease commitments	19	7,389	8,790
Current portion of bank debt	19	909	359
Trade payables		17,325	15,997
Current tax liabilities		6,067	7,113
Other payables	20	32,163	25,730
Total current liabilities		63,853	57,989
Total liabilities		432,016	459,710
Total equity and liabilities		558,494	529,447

Consolidated statement of changes in equity

USD in thousands	Share capital	Currency translation reserve	Retained earnings	Total
Total equity at 31 December 2019	877	(31,710)	118,521	87,688
Profit for the year	-	-	(15,882)	(15,882)
Unrealized exchange rate adj. of foreign subsidiaries and branches	-	(3,347)	-	(3,347)
Total comprehensive income for the year	-	(3,347)	(15,882)	(19,229)
Share-based payment to executives	-	-	1,278	1,278
Total other transactions	-	-	1,278	1,278
Total equity at 31 December 2020	877	(35,057)	103,917	69,737
Profit for the year	-	-	5,297	5,297
Unrealized exchange rate adj. of foreign subsidiaries and branches	-	(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

Consolidated statement of cash flows

USD in thousands	Note	2021	2020
Operating profit (EBIT)		65,862	40,899
Non-cash adjustments	11	34,703	41,061
Changes in working capital	12	(14,519)	(5,470)
Income taxes paid		(16,434)	(14,408)
Changes in other receivables, long-term		60	(58)
Total cash flows from operating activities		69,672	62,024
Investments in intangible assets		(9,724)	(13,050)
Investments in tangible assets		(17,879)	(16,077)
Sale of tangible assets		1,807	886
Financial income received		-	147
Total cash flows from investing activities		(25,796)	(28,094)
Financial income received		118	-
Interest expenses		(35,085)	(36,968)
Other financial expenses		(9,871)	(813)
Installments on finance lease commitments		(9,634)	(9,430)
Proceeds from bank debt		7,628	28,309
Installments on bank debt		(20,365)	(15,000)
Capital increase		52,808	-
Proceeds from bond issue		325,000	-
Repayment of bond		(340,000)	-
Total cash flows from financing activities	19	(29,401)	(33,902)
Total increase in cash and cash equivalents		14,475	28
Cash and cash equivalents at 1 January		30,600	31,407
Exchange rate adjustment at 1 January		(388)	(835)
Total cash and cash equivalents at 31 December		44,687	30,600

Contents notes
Group

1. Accounting policies

Basis of accounting
The consolidated financial statements for 2021 are presented in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU and additional Danish disclosure requirements for annual reports of reporting class C (large) enterprises. Please see the Danish Executive Order on IFRS adoption issued in accordance with the Danish Financial Statements Act.

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 consolidated financial statements are presented in accordance with the new and revised standards (IFRS/IAS) and Interpretations (IFRIC).

The accounting policies are unchanged from last year.

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.

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

Statement of financial position
Intangible assets
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

1. Accounting policies
Continued

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

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.

1. Accounting policies
Continued

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.

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.

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

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

Trade receivables
On initial recognition, trade receivables are measured at their transaction price and subsequently at amortized cost, which usually equals nominal amount less lifetime expected credit losses. The expected credit losses on trade receivables are estimated using a provision matrix based on historically information about the 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.

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

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

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

1. Accounting policies
Continued

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

Statement of cash flows
The 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 26: 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 2021 Welltec has capitalized USD 65,003 thousand as plant, equipment and fleet – completed and under construction compared to USD 66,870 thousand at 31 December 2020. 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 14: 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 2021, Welltec has capitalized USD 31,583 thousand as development projects – completed and in progress – compared to USD 31,818 thousand at 31 December 2020. 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 43% of total assets and 192% of total equity at 31 December 2021, which is significant to the consolidated financial statements.

For purposes of assessing the carrying amount of goodwill and other intangible assets of USD 309,470 thousand at 31 December 2021, compared to USD 310,415 thousand at 31 December 2020, Management prepared its annual impairment test.

In performing the impairment test Management makes an assessment of whether the Welltec International ApS Group 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 2027. 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 13: Intangible assets.

3. Revenue from contracts with customers

3.1 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 & Russia		Americas		Middle East & Asia Pacific		Total	
USD in thousands	2021	2020	2021	2020	2021	2020	2021	2020
Rendering services	136,661	111,477	39,757	32,240	35,244	36,734	211,662	180,451
Sale of goods	14,206	13,845	21,422	19,373	2,895	7,868	38,523	41,086
Total	150,867	125,322	61,179	51,613	38,139	44,602	250,185	221,537

3.2 Assets related to contracts with customers

USD in thousands	2021	2020
Current contract assets relating to contracts with customers:		
Trade receivables	58,425	41,624
Loss allowance	(3,000)	(3,000)
Total contract assets	55,425	38,624

There is no contract liabilities in 2021 and 2020.

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

3. Revenue from contracts with customers continued

3.3 Unsatisfied long-term contracts

USD in thousands	2021	2020
Total aggregate amount of the transaction price allocated to long-term contracts that are partially or fully unsatisfied at 31 December	1,346	469

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 2021 will be recognized as revenue during the full year of 2022.

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.

3.4 Performance obligations

Rendering of services

The Group's major part of the revenue derives from rendering of services (85% of total revenue). Sales are recognized over time, when the services have been performed. Revenue recognition takes place when there is no un-fullfilled obligation that could affect the customer's acceptance of the service. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

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

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

Sale of goods

The Group's minor part of the revenue derives from sale of goods (15% 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.

3.5 Significant judgments

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

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

4. Staff costs

USD in thousands	2021	2020
Breakdown of staff costs:		
Wages and salaries	79,887	69,461
Share-based payment to executives	-	1,278
Payment to defined contribution pension plans	2,704	2,419
Other social security costs	4,040	3,845
Total staff costs	86,631	77,003
Recognition of staff costs in the income statement:		
Cost of services provided	47,709	42,420
Administrative expenses and sales costs	27,663	24,505
Total	75,372	66,925
Staff costs capitalized:		
Development costs capitalized	4,409	3,747
Production Staff costs capitalized	6,850	6,331
Total	11,259	10,078
Average number of employees	830	835

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 comparative figures have not been restated. Consequently, in 2020, the remuneration paid to the Executive Board is included in the total remuneration paid to the Board of Directors.

Starting 2021, the Executive Board includes all persons appointed as Management according to the Danish Central Business Register. The amount includes all salaries, pensions including any severance payments etc.

Total remuneration paid to Board of Directors and Executive Board amounts to USD 4,201 thousands (2020: USD 2,693 thousand).

The total remuneration of the Board of Directors of the Welltec Group, which also includes remuneration paid to the Executive Board in 2020 as described above, includes bonus, pensions, other security costs and share-based payments can be specified as follows:

USD in thousands	2021	2020
Board fees	643	2,025
Pension benefits	-	128
Share-based payments	-	540
Total remuneration to Board of Directors	643	2,693

4. Staff costs continued

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

USD in thousands	2021	2020
Salaries	3,507	-
Pension benefits	51	-
Total remuneration to Executive Board	3,558	-

In 2020 the Executive Board contained one person and is therefore included in the remuneration of the Board of Directors.

Key Manangement includes employees with direct reporting to the CEO, excluding the CFO, who is classified as part of the Executive Board due to the above definition. Remuneration to other key management, which consists of 15 employees including former employees (2020: 4 employees) contains salaries, 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	2021	2020
Salaries	3,560	1,234
Pension benefits	168	59
Share-based payments	-	229
Total remuneration to other key management personnel	3,728	1,522

Incentive programs

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

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

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

The following reconciles the 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 2019	10,000	121,601	60,100	191,701	58
Forfeited	-	-	(1,800)	(1,800)	244
Total balance at 31 December 2019	10,000	121,601	58,300	189,901	55
Expired	-	-	(4,800)	(4,800)	251
Total balance at 31 December 2020	10,000	121,601	53,500	185,101	55
Exercised	-	-	(8,250)	(8,250)	37
Expired	(10,000)	(121,601)	(45,250)	(176,851)	55
Total balance at 31 December 2021	-	-	-	-	-

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

5. Amortization, depreciation and impairment losses

USD in thousands	2021	2020
Completed development projects	5,739	6,440
Patents and licenses	1,976	1,917
Technology	759	1,032
Total amortization of intangible assets	8,474	9,389
Other fixtures and fittings, tools and equipment	1,261	1,567
Land and buildings	375	178
Plant, equipment and fleet	16,310	16,163
Leasehold improvements	629	550
Right-of-use assets	9,689	10,595
Gain from disposal of plant, equipment and fleet	(1,449)	(35)
Total depreciation of tangible assets	26,815	29,018
Total depreciation and amortization	35,289	38,407
Write-down of completed development projects	1,576	1,734
Write-down of technology	36	12
Write-down of patents and licenses	158	2,361
Write-down of plant equipment and fleet	619	2,279
Total impairment losses recognized by function	2,389	6,386
Recognition of amortization, depreciation and impairment by function:		
Cost of service provided	27,272	33,427
Development and manufacturing costs capitalized	677	246
Administrative and sales costs	9,729	11,120
Total depreciation, amortization and impairment losses	37,678	44,793

6. Special items

USD in thousands	2021	2020
Salary costs related to resigned employees	(3,149)	(6,674)
Other special items	(90)	(332)
Rent concessions (IFRS 16 Leases)	153	308
COVID-19 government grants	2,037	5,651
Total net special items expenses	(1,049)	(1,047)

7. Government grants

USD in thousands	2021	2020
COVID-19 compensation for fixed costs	301	3,533
COVID-19 support bank loan - interest benefit	1,228	1,052
COVID-19 compensation for salaries	508	1,066
Total government grants	2,037	5,651

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

8. Financial income

USD in thousands	2021	2020
Interest income	118	439
Total interest income from financial assets that are not measured at fair value through profit or loss	118	439
Exchange rate gains	2,636	6,694
Total financial income	2,754	7,133

9. Financial expenses

USD in thousands	2021	2020
Interest expenses	35,645	37,077
Other financial expenses	8,259	1,564
Total interest expenses from financial liabilities that are not measured at fair value or through profit loss	43,904	38,641
Exchange rate loss	3,315	9,779
Total financial expenses	47,219	48,420

Borrowing costs capitalized on development projects are calculated based on the incurred costs and a weighted average capitalization rate of 9.24 % (2020: 10.29%). The amount capitalized in 2021 is USD 626 thousand (2020: USD 730 thousand).

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

The net exchange rate loss at 31 December 2021 was USD 679 thousand (2020: Net loss of USD 3,085 thousand).

10. Income taxes

USD in thousands	2021	2020
Current tax	10,951	9,370
Adjustment in corporation tax previous years	4,881	(1,609)
Total current tax incl. adj. in corporation tax previous years	15,832	7,761
Adjustment in deferred tax previous years	1,179	2,869
Change in deferred tax	1,227	(1,194)
Tax effect from tax provision	(2,824)	338
Other taxes	686	5,720
Total	16,100	15,494
Breakdown of tax:		
Total profit/(loss) before tax	21,397	(388)
Reconciliation of tax expense USD:		
Danish corporation tax	4,707	(85)
Effect of difference between tax rate for subsidiaries outside Denmark and Danish tax rate	948	221
Tax effect from tax provision	(374)	393
Non-taxable income and non-deductible expenses	441	527
Interest limitation, thin capitalization etc	6,456	7,458
Withholding taxes non-deductible	1,412	3,799
Other taxes, including adjustment to previous years	2,510	3,181
Total	16,100	15,494

The statutory corporate income tax rate in Denmark in the year ended 31 December 2021 was 22%. The effective tax rate for the consolidated group is 75.2%, representing a cumulative tax cost of 43.9% above the statutory rate. The total tax expense for 2021 was USD 16.1 million and the main drivers for this effective tax rate were:

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

In the year to 31 December 2021 the Danish tax group of Welltec had a net finance cost of USD 34 million but due to the domestic interest restrictions the tax-deductible interest was limited to USD 3.6 million. This leads to a disallowance of USD 30.4 million under Danish corporate tax law.

The excess interest disallowed cannot be carried forward and thus Welltec consider the excess interest to be a permanent difference. Welltec calculate that the Danish CIT deduction lost as a result of this anti-avoidance legislation to be USD 6.5 million in the year to 31 December 2021.

Tax effect from tax provision
The Danish Tax Authorities managed to finalize the TP audit concerning the historic TP margins abroad which led to an overall reduction in the uncertain tax provisions in the amount of USD 2.8 million.

Double taxation
Welltec operates in various high tax jurisdictions that have no double taxation treaties in force with Denmark. As a result, 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 WHT
On payments from certain countries Welltec’s Danish entities suffer withholding tax (“WHT”) via deductions at source.

Under Danish CIT law Welltec is able to claim foreign tax credit for this WHT, however, the Danish foreign tax credit is limited to the Danish tax payable on the same foreign net income. The foreign net income is determined after allocating expenses of the Welltec recipient entity in line with its overall correlation of qualifying expenditure to revenue. In 2021 Welltec Danish entities were able to credit USD 1.5 million against the Danish corporate income taxes.

In addition, Welltec has issued an appeal with regards to overpaid WHT between 2012 and 2016. The Danish authorities approved the appeal in 2021 and Welltec received an additional tax credit in the amount of USD 1.4 million in relation to prior years.

A one-off WHT receivables amounted to USD 600 thousand in Nigeria and a one-off payable at USD 400 thousand in Canada was also booked in the year ended 31 December 2021. In respect of this the excess WHT is USD 0.03 million.

11. Non-cash adjustments

USD in thousands	2021	2020
Depreciation/amortization of intangible and tangible assets	35,289	38,407
Disposal and impairment losses	4,175	10,689
Exchange rate adjustments for fixed assets	1,027	(1,587)
Currency adjustments, other	(6,775)	(10,665)
Impairment of trade receivables	-	1,081
Change in other payables, long-term	987	1,858
Share-based payments	-	1,278
Total non-cash adjustments	34,703	41,061

12. Changes in working capital

USD in thousands	2021	2020
Change in trade receivables and prepayments	(18,794)	6,514
Change in inventories	(6,711)	(1,319)
Change in trade payables	1,328	(584)
Change in other payables	6,791	(7,098)
Change in other receivables	2,867	(2,983)
Total changes in working capital	(14,519)	(5,470)

13. 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 2020	242,340	107,206	145,588	16,583	29,638	541,355
Additions	-	522	-	9,954	3,714	14,190
Transfer	-	-	10,924	(10,924)	-	-
Disposal	-	(231)	(23,994)	-	-	(24,225)
Exchange rate adjustment	-	(15)	238	754	868	1,845
Total costs at 31 December 2020	242,340	107,482	132,756	16,367	34,220	533,165
Total amortization and impairment losses at 1 January 2020	-	90,869	132,151	590	9,036	232,646
Amortization for the year	-	1,032	6,440	-	1,917	9,389
Impairment losses for the year	-	12	1,734	-	2,361	4,107
Disposal	-	(29)	(23,871)	-	-	(23,900)
Exchange rate adjustment	-	(4)	261	-	251	508
Total amortization and impairment losses at 31 December 2020	-	91,880	116,715	590	13,565	222,750
Total carrying value at 31 December 2020	242,340	15,602	16,041	15,777	20,655	310,415
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	1,576	-	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

*Please see next page for specification. Development costs recognized in the income statement in 2021 amounts to 5,203 USD thousand (2020: USD 1,457 thousand).

13. Intangible assets continued

Specification of other intangible assets

USD in thousands	Technology	Brand	Total
Total costs at 1 January 2020	93,282	13,924	107,206
Additions	522	-	522
Disposal	(231)	-	(231)
Exchange rate adjustments	(15)	-	(15)
Total costs at 31 December 2020	93,558	13,924	107,482
Total amortization and impairment losses at 1 January 2020	90,869	-	90,869
Amortization for the year	1,032	-	1,032
Impairment losses for the year	12	-	12
Disposal	(29)	-	(29)
Exchange rate adjustment	(4)	-	(4)
Total amortization and impairment losses at 31 December 2020	91,880	-	91,880
Total carrying value at 31 December 2020	1,678	13,924	15,602
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

13. 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 2021 revealed no need for impairment of goodwill.

Goodwill has been tested at the aggregated level. The Welltec International ApS Group is considered as 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 2022 and long-term forecasts until the end of 2028, a growth rate of 2.0% has been applied in the terminal period from 2027 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 11.1%. The weighted average cost of capital before tax is 12.05%. In 2020 the weighted average cost of capital used was 10.05% which equals a before tax discount rate of 12.4%.

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

Consensus suggests that the overall demand for oil and gas is expected to continue to increase as a result of a growing world economy. The global oversupply of oil gradually diminished during the course of 2018 amid production declines and reduced investments. The weakening supply fundamentals coupled with a resilient demand paved the way for higher oil prices and more importantly a more stable oil price environment by the end of 2021. Based on the expectations at 31 December 2021, 2022 market consensus suggest a continued stabilization albeit with risk of increased volatility should geopolitical unrest or the OPEC production coordination yet again fail. For Welltec, the market potential remains unchanged, as the global demand continues to increase. 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.

Although the prevailing climate is challenging for the industry and Welltec with global E&P spend dramatically reduced, above supports that the long-term market potential for Welltec is unchanged.

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

- Full year revenue in 2022 in range with 2021. Revenue increases from 2023 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 notable revenue growth in 2023 to 2026 and falling to single digit growth rate.
- Investments in CAPEX will increase due to expected higher production of own tools and higher production of equipment to the completion area.

The impairment analysis shows that with the current EBIT level of USD 66 million, investments (CAPEX) in line with depreciations and a WACC of 12.05 % before tax and an expected growth rate of 2.0 %, 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 1.6 million (2020: USD 1.7 million), and impairment of patents amounted to USD 0.2 million (2020: USD 2.4 million) which has been recognized in the statement of comprehensive income under "cost of services provided" as the projects are closed. The recoverable amount was calculated on the basis of Management's re-assessed estimate of the value in use of the assets.

14. Tangible assets

USD in thousands	Land and buildings	Leasehold improvement	Plant, equipment and fleet	Other fixtures, fittings, tools & equipment	Plant equipment & fleet under construction	Total
Total costs at 1 January 2020	1,904	7,714	290,705	24,979	22,821	348,123
Transfer from right-of-use assets	-	1,199	4,565	-	-	5,764
Additions	349	441	981	951	13,322	16,044
Transfer	-	-	17,046	-	(17,046)	-
Disposals	(6)	(2,890)	(118,598)	(7,476)	-	(128,970)
Exchange rate adjustment	29	(78)	101	(209)	(4)	(161)
Total costs at 31 December 2020	2,276	6,386	194,800	18,245	19,093	240,800
Total depreciation and impairment losses at 1 January 2020	540	6,177	244,649	20,379	-	271,745
Depreciation for the year	178	550	16,163	1,567	-	18,458
Impairment losses for the year	-	-	2,279	-	-	2,279
Transfer from right-of-use assets	-	370	2,860	-	-	3,230
Disposals	(6)	(2,889)	(118,590)	(7,298)	-	(128,783)
Exchange rate adjustment	6	(71)	(338)	(110)	-	(513)
Total depreciation and impairment losses at 31 December 2020	718	4,137	147,023	14,538	-	166,416
Total carrying value at 31 December 2020	1,558	2,249	47,777	3,707	19,093	74,384

14. 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 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

Impairment losses in 2021 and in 2020 are related to scrapped tools and tools lost in the wells.

14. Tangible assets continued

14.1 Right-of-use assets in the balance sheet

USD thousands	Land and buildings	Plant, equipment and fleet	Other fixtures, fittings, tools & equipment	2020
Total balance 1 January	40,602	8,897	2,005	51,504
Transfer to tangible assets	(829)	(1,705)	-	(2,534)
Additions and remeasurements during the year	3,689	77	1,264	5,030
Disposals during the year	(2,721)	(470)	(600)	(3,791)
Depreciation for the year	(6,524)	(3,032)	(1,039)	(10,595)
Exchange rate adjustment	(8)	(76)	(18)	(102)
Total balance 31 December	34,209	3,691	1,612	39,512

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

14.2 Leasing amounts recognized in the income statement

USD thousands	2021	2020
Depreciation	(9,689)	(10,595)
Disposals	(35)	(51)
Interest on lease liabilities	(2,070)	(2,493)
Short-term leases	(3,372)	(3,980)
Lease of low value assets	(164)	(1,678)
Rent concessions COVID-19	153	308
Total amounts recognized in the income statement	(15,177)	(18,489)

14.3 Amounts recognized in cash flow statement (excluding EBIT)

USD thousands	2021	2020
Interest on lease liabilities	(2,070)	(2,493)
Installments on lease liabilities	(9,634)	(9,430)
Total outflow	(11,704)	(11,923)

15. Inventories

USD in thousands	2021	2020
Raw materials	9,261	12,798
Goods under manufacturing	11,184	3,622
Finished goods	3,962	1,276
Total inventories	24,407	17,696
Amount of write-down of inventories during the year	361	1,361
Cost of inventories included in cost of services provided	13,982	24,174

16. Trade receivables

USD in thousands	2021	2020
Trade receivables before allowance for doubtful accounts	58,425	41,624
Write-downs	(3,000)	(3,000)
Total trade receivables	55,425	38,624
Trade receivables - average fixed time of credit (days)	85	69
Development in write-downs of trade receivables:		
Total write-downs at 1 January	(3,000)	(1,919)
Realized losses during the year	54	73
Unrealized write-downs during the year deemed un-collectible	(54)	(1,154)
Total write-downs at 31 December	(3,000)	(3,000)
Age of past due trade receivables, not impaired:		
Not due	48,642	32,039
Up to 30 days	3,676	4,476
30 - 60 days	1,948	1,971
61 - 90 days	1,366	961
91 + days	2,793	2,177
Total trade receivables	58,425	41,624

16.1 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 out-standing 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 2021 (2020: 2 customers).

16. Trade receivables continued

16.2 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 2021 are based on the payment profiles over a period of 3 years before 31 December 2019, 31 December 2020 and 31 December 2021 and the corresponding historical credit losses experienced within this period.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The 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.

Revenue has increased by 13% since 2020, though provision for bad debt was at the same level in 2021 compared to 2020, due to a change in risk assessment.

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

	31 December 2020				
USD in thousands	Not past due	Less than 30 days past due	30 to 60 days past due	More than 60 days past due	Total
Expected credit loss rate	0.06%	0.08%	0.1%	94.3%	
Trade receivable	32,039	4,476	1,971	3,138	41,624
Total loss allowance	21	5	7	2,967	3,000

	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

17. Share capital

USD in thousands	2021	2020
Total share units 1 January	877	877
Capital increase during the year	221	-
Total share units 31 December	1,098	877

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

No dividend was paid out in 2021 or 2020, and no dividend is proposed related to the financial year 2021.

USD in thousands	Number of shares	Nominal value in DKK	Share of capital in %
Own shares 1 January 2020	1,339	1,339	0.03
Own shares 31 December 2020	1,339	1,339	0.03
Own shares 31 December 2021	1,339	1,339	0.02

Welltec invests in own shares using excess liquidity to reduce the number of shareholders.

18. Deferred tax assets and liabilities

USD in thousands	2021	2020
Total deferred tax 1 January	8,591	6,710
Exchange rate adjustments	-	(61)
Adjustment in deferred tax previous years	1,179	2,359
Change in deferred tax for the year	(1,597)	(417)
Total deferred tax assets (-) / liabilities 31 December	8,173	8,591
Deferred tax breakdown:		
Intangible assets	13,058	14,558
Tangible assets	2,871	(868)
Current and non-current liabilities	(2,964)	(3,259)
Current assets	(1,709)	(387)
Other Items	(1,517)	(372)
Tax loss carried forward	(1,566)	(1,081)
Total deferred tax assets (-)/liabilities 31 December	8,173	8,591
Deferred tax is recognized in the statement of financial position with:		
Deferred tax assets	(7,356)	(4,755)
Deferred tax liabilities	15,529	13,346
Total deferred tax assets (-)/liabilities 31 December	8,173	8,591

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 2021 amounts to zero (2020: zero).

19. Current and non-current financial liabilities

USD in thousands	2021	2020
Issued bonds	318,424	334,911
Finance lease commitments	34,381	42,557
Bank debt	3,784	17,425
Total	356,589	394,893
Recognition of short-term and long-term financial liabilities in the statement of financial position:		
Non-current financial liabilities — lease commitments	26,992	33,767
Non-current financial liabilities — issued bonds	318,424	334,911
Non-current financial liabilities - bank debt	2,875	17,066
Current financial liabilities - bank debt and lease commitments	8,298	9,149
Total	356,589	394,893

2020

Currency	Expiry	Fixed or floating interest	Effective interest rate %*	Carrying amount local (thousands)	Carrying amount USD (thousands)
DKK	2021-2031	fixed	1.68 - 6.86*	145,548	24,028
NOK	2021-2026	fixed	3.80 - 5.45*	41,051	4,780
USD bonds	2022	fixed	9.75	334,911	334,911
USD other	2021-2025	floating/fixed	1.65 - 23.00*	20,900	20,900
Other	2021-2023	fixed	2.04 - 65.75*	-	10,274
Total					394,893

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

*Interest rate spread contains weighted interest rates of: DKK 2.08% (2020: 2.85%), NOK 4.39% (2020: 4.56%), USD 7.34% (2020: 9.46%) and other currencies 8.28% (2020: 7.97%).

Issued bonds
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.

The fair value of issued bonds is USD 337.5 million at 31 December 2021.

The fair value is based on the last observed trading price in Refinitiv Eikon (level 1 in the fair value hierarchy) of 103.848 USD per note.

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

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

19. Current and non-current financial liabilities continued

Finance lease obligations

	2021		2020	
USD in thousands	Minimum lease payments	Present value of minimum lease payment	Minimum lease payments	Present value of minimum lease payment
Maturity of finance lease obligations:				
Within 1 year	9,236	7,389	11,585	8,790
Between 1 and 5 years	24,078	19,386	24,982	20,863
Over 5 years	6,549	7,606	14,015	12,904
Total finance lease obligations	39,863	34,381	50,582	42,557

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 2021 and 31 December 2020.

Maturity dates for financial liabilities

	2020			
USD in thousands	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total
Finance lease commitments	8,790	20,863	12,904	42,557
Issued bonds	-	334,911	-	334,911
Bank debt	359	16,078	988	17,425
Trade payables	15,997	-	-	15,997
Other payables	25,730	-	-	25,730
Total financial liabilities	50,876	371,852	13,892	436,620

	2021			
USD in thousands	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total
Finance lease commitments	7,389	19,386	7,606	34,381
Issued bonds	-	318,424	-	318,424
Bank debt	909	2,741	134	3,784
Other liabilities	-	531	3,812	4,343
Trade payables	17,325	-	-	17,325
Other payables	32,163	-	-	32,163
Total financial liabilities	57,786	341,082	11,552	410,420

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 129,721 thousands (2020: USD 63,890 thousand).

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

19. Current and non-current financial liabilities continued

Net interest-bearing debt

			Non-cash		
		Included in cash flow from financing activities	New leases and remeasure-ments	Fair value adjustments	
USD in thousands	1 Jan. 2020				31 Dec. 2020
Issued bonds	333,311	-	-	1,600	334,911
Finance lease commitments	50,219	(9,430)	1,767	-	42,557
Bank debt	5,000	12,426	-	-	17,425
Total interest bearing debt	388,530	2,996	1,767	1,600	394,893
Cash and cash equivalents	(31,407)				(30,600)
Total net interest bearing debt	357,123				364,293

			Non-cash		
		Included in cash flow from financing activities	New leases and remeasure-ments	Fair value adjustments	
USD in thousands	1 Jan. 2021				31 Dec. 2021
Issued bonds maturity 2022	334,911	(340,000)	-	5,089	-
Issued bonds 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

20. Other payables

USD in thousands	2021	2020
Wages and salaries, personal income taxes, social security costs, etc.	5,176	4,353
Holiday pay obligation	4,236	3,767
Accrued interests	2,354	2,712
VAT and duties	517	-
Resigned employees	2,164	-
Other costs payable	17,716	14,898
Total other payables	32,163	25,730

21. Fees to auditors appointed at the annual general meeting

USD in thousands	2021	2020
Statutory audit services	549	489
Non-audit services:		
Tax advisory services	123	5
Other	191	197
Total non-audit services	314	202
Total fees to auditor	863	691

22. Assets charged and contingent liabilities

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

23. Financial instruments

23.1 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.

23.2 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.

23.2.1 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 and Russian Rouble. 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 are as follows stated in the material currencies affecting the Group:

	Assets		Liabilities	
USD in thousands	2021	2020	2021	2020
DKK	157,300	145,307	(123,207)	(183,102)
NOK	22,854	10,089	(25,493)	(12,910)
INR	55,034	53,906	(40,918)	(39,896)
RUB	16,890	15,463	(9,792)	(5,974)
CHF	30,086	23,963	(44,241)	(44,815)
NGN	5,597	7,984	(3,336)	(6,692)

23. Financial instruments
continued

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

	Currency DKK impact		Currency CHF impact		Currency NOK impact		Currency INR impact		Currency RUB impact		Currency NGN impact	
USD in thousands	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Profit/(Loss)	4,609	(2,088)	483	548	3,670	2,741	142	350	670	596	342	562
Equity	-	-	543	527	350	260	1,432	1,424	862	1,113	228	156

23.2.3 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.

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

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year and equity as of 31 December 2021 would be affected with USD 3,250 thousand (2020: USD 3,450 thousand).

23. Financial instruments
continued

23.3.1 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 2021.

The cash position at year-end 2021 is USD 45 million. (2020: USD 30.6 million including a USD 15 million RCF draw-down).

The availability of the revolving credit-facility is based on an interest cover maintenance covenant – L12M EBITDA over interest cost, tested on a quarterly basis. According to the current outlook for 2022 Welltec will be able to meet the covenant threshold for all quarters in 2022.

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

Please see note 19: Current and non-current financial liabilities.

23.4 Categories of financial instruments

USD in thousands	2021	2020
Other receivables - non current	716	776
Trade receivables	55,425	38,624
Other receivables - current	3,499	6,366
Cash and cash equivalents	44,687	30,600
Total financial assets measured at amortized cost	104,327	76,366
Finance lease liabilities	34,381	42,556
Issued bonds	318,424	334,911
Bank debt	3,784	17,426
Other liabilities	4,343	2,631
Trade payables	17,325	15,997
Other payables	32,163	25,730
Total financial liabilities measured at amortized cost	410,420	439,251

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

24. Related parties

Welltec International ApS' related parties:

1 JH Holding, Allerød, 2018 ApS, Amaliegade 35.1, 1256 Copenhagen K, Denmark. Jørgen Hallundbæk was the ultimate controlling party until 3 June 2021
2 7 Industries Holding B.V., Van Heuven Goedhartlaan 13D, 1181 LE, Amstelveen, The Netherlands (owns 33.33% - 49.99%)
3 Exor N.V., Gustav Mahlerplein 25, 1082 Amsterdam, The Netherlands (owns 33.33% - 49.99%)
5 Members of the Parent Company's Executive Management and Board of Directors as well as close relatives of these members
5 Subsidiaries of Welltec International ApS

See note 26: 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.

24.1 Related parties transactions

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

	Amounts owed by related parties	
USD in thousands	2021	2020
Executive Board and Board of Directors	-	869
Affiliates	-	-
Total balances	-	869

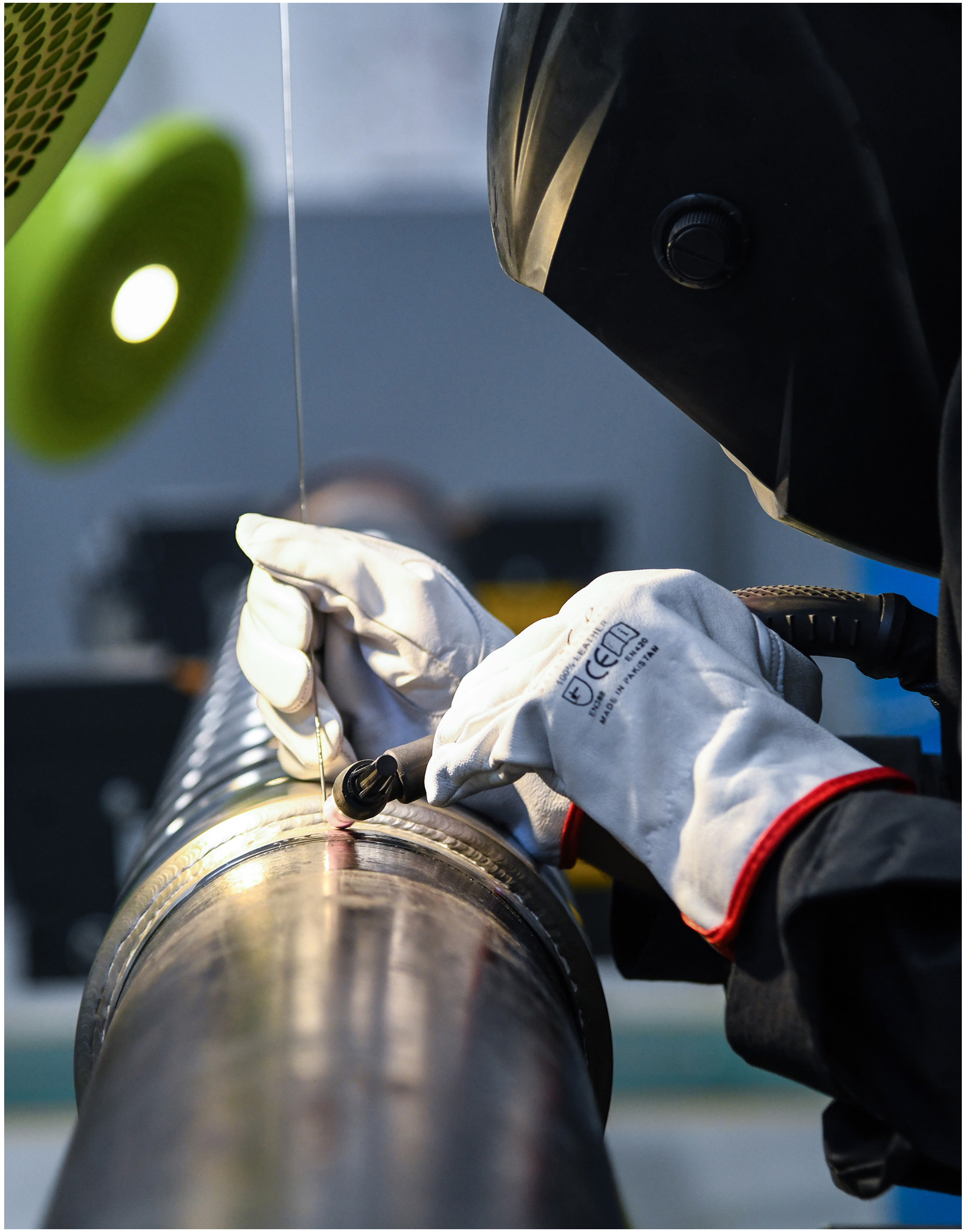
For the settlement of the above amount, please refter to note 6: Special items.

25. Events after the balance sheet date

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

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

In 2021, Russia accounted for some 9% of the Group revenue. Activities in Russia are handled by our Russian subsidiary Welltec Oilfield Services (RUS). As of 31 December 2021, Welltec Oilfield Services (RUS) had assets of USD 16.6 million, which primarily relate to inventory, trade receivables and cash balances with local banks. Additionally, Welltec A/S has leased tools to Welltec Oilfield Services (RUS) of USD 1.8 million, which are physically located in Russia. Welltec Oilfield Services (RUS) employs 72 employees. During 2022, Welltec will continuously monitor the need for impairments on the assets located in Russia.



26. 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	95%
Welltec Oilfield Services (India) Private Limited**	India	INR	100,000	100%
Welltec Oilfield Solutions (India) Private Limited*******	India	INR	300,000	99%

26. 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 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 Russia. 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	2021	2020
Administrative costs	3	(1,077)	(294)
Total operating (loss) (EBIT)		(1,077)	(294)
Financial income	4	2,050	178
Financial expenses	5	(24,186)	(17,751)
Total (loss) before tax		(23,213)	(17,867)
Income taxes	6	(1,713)	165
Total profit/(loss) for the year		(24,926)	(17,702)
Total comprehensive (loss)		(24,926)	(17,702)
Allocation of total comprehensive (loss):			
Transferred to retained earnings		(24,926)	(17,702)

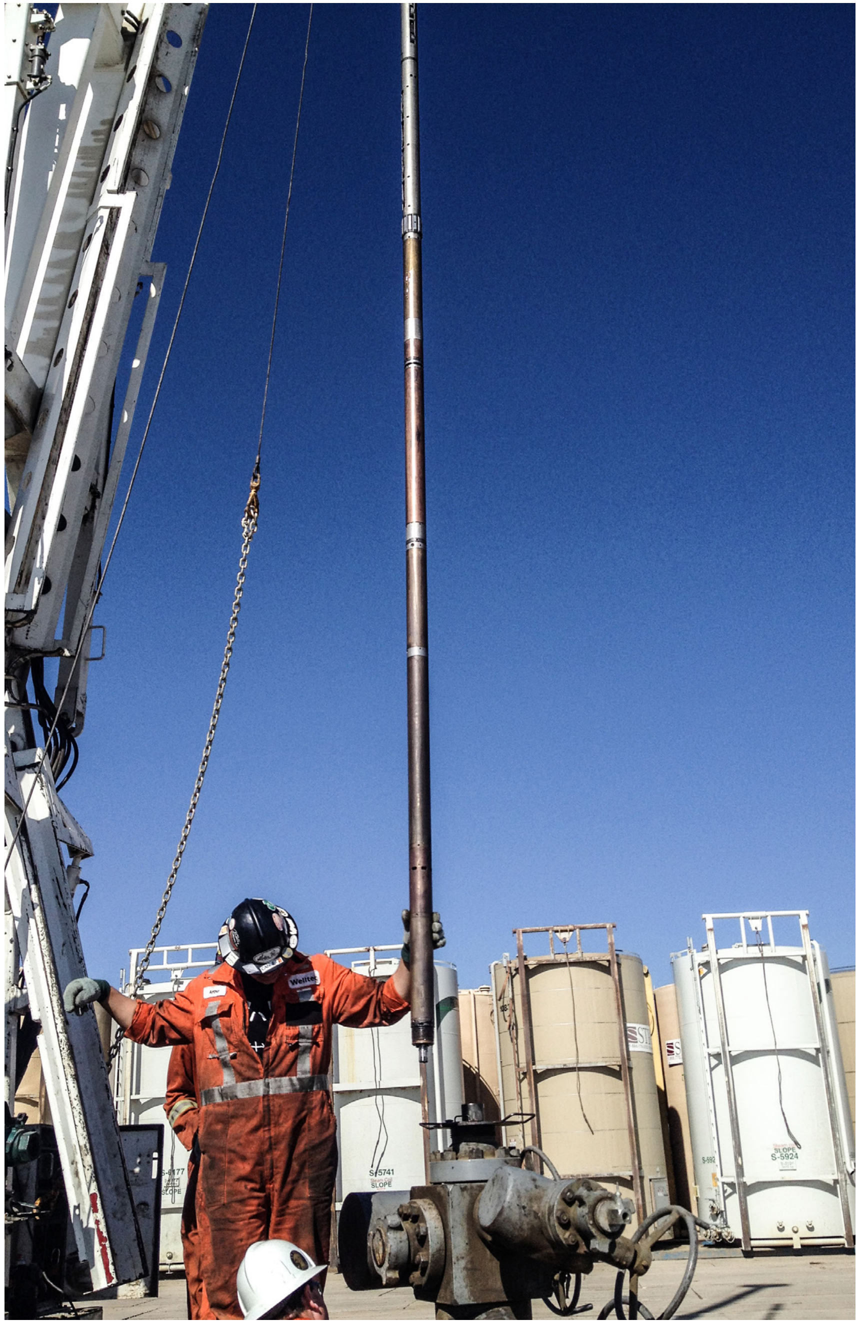
Parent Company statement of financial position

USD in thousands	Note	31 Dec. 2021	31 Dec. 2020
Non-current assets			
Financial assets			
Investments in subsidiaries	9	281,983	281,983
Loan due from subsidiaries and affiliates	15	130,000	-
Total financial assets		411,983	281,983
Total non-current assets		411,983	281,983
Current assets			
Receivables		1,366	-
Receivables from subsidiaries and affiliates		4,992	-
Total receivables		6,358	-
Cash and cash equivalents		-	15
Total current assets		6,358	15
Total assets		418,341	281,998

USD in thousands	Note	31 Dec. 2021	31 Dec. 2020
Equity			
Share capital	10	1,098	877
Retained earnings		88,827	61,166
Total equity		89,925	62,043
Non-current liabilities			
Deffered tax		1,383	-
Issued bonds		318,424	-
Loan from subsidiaries	11	-	219,374
Total non-current liabilities		319,807	219,374
Current liabilities			
Current tax liabilities		1,695	-
Payables to subsidiaries	11	4,391	-
Other payables		2,523	581
Total current liabilities		8,609	581
Total liabilities		328,416	219,955
Total equity and liabilities		418,341	281,998

Parent Company statement of changes in equity

USD in thousands	Share capital	Retained earnings	Total
Total equity at 31 December 2019	877	77,590	78,467
(Loss) for the year	-	(17,702)	(17,702)
Total comprehensive income for the year	-	(17,702)	(17,702)
Share-based payment	-	1,278	1,278
Total other transactions	-	1,278	1,278
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



Parent Company statement of cash flows

USD in thousands	Note	2021	2020
Operating loss (EBIT)		(1,077)	(294)
Non-cash adjustments	7	20	1,456
Changes in working capital	8	1,341	(1,326)
Income taxes received/(paid)		-	165
Total cash flows from operating activities		284	1
Financial expenses paid		(30,763)	-
Financial income received		2,030	-
Issued bonds		325,000	-
Loan to subsidaries		(130,000)	-
Repayment of loan from subsidaries		(219,374)	-
Capital increase		52,808	-
Total cash flows from financing activities		(299)	-
Total increase/(decrease) in cash and cash equivalents		(15)	1
Cash and cash equivalents at 1 January		15	14
Total cash and cash equivalents at 31 December		-	15

Contents notes
Parent Company

1. Accounting policies

Basis of accounting
The annual report for 2021 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 investment in subsidiaries
Investment in subsidiaries represents USD 281,983 thousand equalizing 67% 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 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 2020 and 2021.

See note 4: Staff cost in the consolidated financial statements for information on remuneration to Management.

4. Financial income

USD in thousands	2021	2020
Interest income from subsidiaries	2,030	-
Total interest income from financial assets that are not measured at fair value through profit or loss	2,030	-
Exchange rate gains	20	178
Total financial income	2,050	178

5. Financial expenses

USD in thousands	2021	2020
Interest expenses	5,821	-
Interest expenses to subsidiaries and affiliates	17,056	17,751
Other financial expenses	1,309	-
Total interest expenses from financial liabilities that are not measured at fair value through profit or loss	24,186	17,751
Total financial expenses	24,186	17,751

6. Income taxes

USD in thousands	2021	2020
Current tax	2,257	-
Adjustment in corporation tax previous years	(3,952)	165
Total current tax incl. adj. in corporation tax previous years	(1,695)	165
Change in deferred tax	(1,383)	-
Other tax	1,365	-
Total income taxes	(1,713)	165
A breakdown of tax:		
Total profit/(loss) before tax	(23,214)	(17,867)
Calculation of effective tax rate:		
Danish corporation tax rate	22.0%	22.0%
Non-taxable income and non-deductible expenses	(19.0)%	(22.0)%
Other, including adjustment to previous years	(10.0)%	(0.9)%
Total effective tax rate	(7.0)%	(0.9)%

No income tax has been recognized in other comprehensive income/(loss) or directly in equity in 2021 and 2020.

7. Non-cash adjustments

USD in thousands	2021	2020
Share-based payments	-	1,278
Currency adjustments, other	20	178
Total non-cash adjustments	20	1,456

8. Changes in working capital

USD in thousands	2021	2020
Change in receivables from subsidiaries and affiliates (net)	(601)	(1,539)
Change in other payables	1,942	213
Total changes in working capital	1,341	(1,326)

9. Investments in subsidiaries

USD in thousands	2021	2020
Total acquisition cost 1 January	281,983	281,983
Total acquisition cost 31 December	281,983	281,983

In 2020 Welltec A/S was demerged into Welltec A/S and Welltec Manufacturing Center Completions ApS with no changes in total aquisition costs for subsidiaries.

The carrying amount of the investment in the subsidiary is pledged as security for issued bonds.

The Parent Company has investments in the following subsidiaries:

Name	Registered country	2021	2020
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 17: Share capital in the consolidated financial statements.

11. Current and non-current financial liabilities

11.1 Maturity dates for financial liabilities

	2020			
USD in thousands	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total
Loan from subsidiary	-	219,374	-	219,374
Other payables	581	-	-	581
Total financial liabilities	581	219,374	-	219,955

	2021			
USD in thousands				
Issued bonds	-	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

All liabilities shown in the table above are measured at amortized cost.

The amounts are exclusive of interest.

12. Fees to auditors appointed at the annual general meeting

USD in thousands	2021	2020
Statutory audit services	10	10
Non-audit services:		
Tax advisory services	61	-
Other	71	-
Total non-audit services	132	-
Total fees to auditors	142	10

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 22: 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 23: Financial instruments in the consolidated financial statements.

15. Related Parties

Please see note 24: 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:

	2021	2020
USD in thousands	Subsidiaries	Subsidiaries
Interest expenses	(17,056)	(17,751)
Interest income	2,030	
Total transactions	(15,026)	(17,751)

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	2021	2020	2021	2020
Subsidiaries	134,992	-	-	219,374
Total balances	134,992	-	-	219,374

16. Events after the balance sheet date

See note 25: Events after the balance sheet date in the consolidated financial statements.

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 Africa ApS E.G.***	Equatorial Guinea	Sales Branch	2010 / XAF
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

Definitions

EBITDA is defined by Welltec as reported operating profit (EBIT) before special items, amortization, depreciation, impairment losses and issued warrants (non-cash). Depreciation for these purposes includes depreciation attributable to development and manufacturing which is capitalized because it is considered a part of the costs that are directly attributable to the manufacturing of products. Welltec's definition of EBITDA may differ from the definition of EBITDA used by other companies. EBITDA as defined by Welltec is reported to allow for a more accurate assessment of the business operations.

Welltec's definition of EBITDA should not be considered in isolation from, as substitutes for, or superior to the reported results prepared in accordance with International Financial Reporting Standards (IFRS).

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

EBIT margin before special items

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

EBITDA margin

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

Return on equity

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

ROIC excl. goodwill

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