Welltec Annual Report

Welltec International ApS
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Welltec International's Annual Report 2023
Approved at the Annual Shareholders' Meeting on 7 May 2024

Meeting **chairperson**: Ole Nørgaard

2023

Welltec®

Contents

Company profile

Welltec’s latest Global Maintenance Center in Dubai, UAE opened its doors officially in March 2023.

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

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

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

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

In a further stride towards innovation, Welltec has established a third business line called New Energy and Climate Technologies. Under New Energy, our focus is on the application of our products in areas such as geothermal and other renewable energy sources. Simultaneously, our Climate Technologies business line concentrates on activities related to CCUS (Carbon Capture, Utilization, and Storage). As part of our dedication to advancing Climate Technologies, Welltec has inaugurated a full-scale test loop facility in Esbjerg, Denmark.

This facility serves as a valuable resource for our clients, allowing them to test downhole well components under realistic conditions of pressure and temperature. Moreover, the state-of-the-art set-up facilitates the testing of components while flowing corrosive gases such as CO2, contributing to our efforts in addressing environmental concerns and supporting the development of sustainable energy solutions.

Consolidated key figures and ratios Welltec International Group

USD in millions	2023	2022	2021	2020	2019
Statement of comprehensive income					
Revenue	435	348	250	222	257
Earnings before interest, tax, depreciation and amortization (EBITDA)*	230	174	105	88	101
Operating profit (EBIT)	185	124	66	41	58
Net financial expenses	(34)	(24)	(45)	(41)	(43)
Profit before tax	151	99	21	0	15
Net profit / (loss) for the year	106	65	5	(16)	0
Cash flows					
Cash flows from operating activities	199	131	69	62	88
Cash flows from investing activities	(63)	(33)	(26)	(28)	(38)
Cash flows from financing activities	(109)	(71)	(29)	(34)	(40)
Total cash flows	27	27	14	0	10
Statement of financial position					
Equity**	295	187	126	70	88
Total assets**	673	603	558	529	543
Investments in intangible assets*	11	7	10	13	12
Investments in tangible assets*	47	26	18	16	28
Key ratios*					
EBITDA margin in percent	53	50	42	40	39
EBIT margin before special items in percent	43	39	27	19	23
ROIC excl. goodwill in percent**	83	65	32	24	32
Return on equity in percent**	44	42	5	(20)	0
Net debt/EBITDA gearing	0.7	1.5	3.0	4.2	3.6
Number of employees, average	950	860	830	835	877

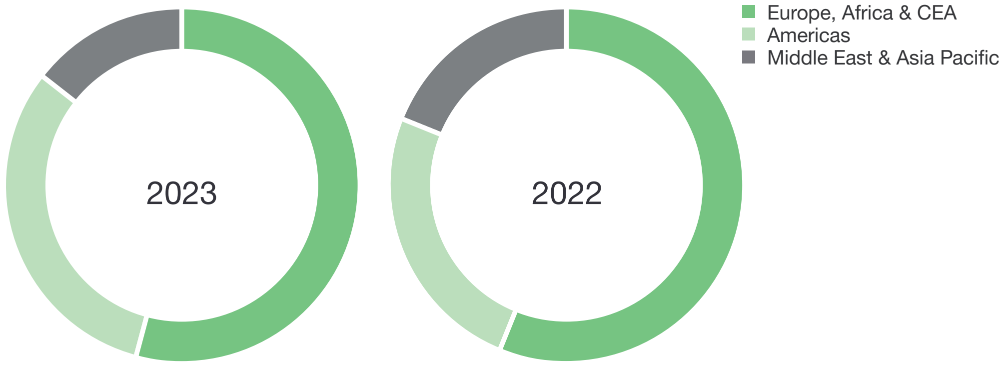
*For definitions of key ratios, investments and EBITDA see page 81.
**An accounting error related to 2013/14 has been identified and corrected retrospectively in the consolidated annual report for 2020, whereas comparison figures for 2019 have been adjusted.

Financial review

Income statement

USD in millions	2023	2022	Change in %
Revenue	435	348	25
Cost of services provided and goods sold	(163)	(142)	(15)
Total gross profit	272	206	32
Development and manufacturing costs	(13)	(8)	(55)
Administrative expenses and sales costs	(74)	(63)	(19)
Total operating profit (EBIT) before special items	185	135	37
Net special items	-	(12)	n/a
Total operating profit (EBIT)	185	123	50
Net financial expenses	(34)	(24)	(40)
Income taxes	(45)	(34)	(32)
Total profit for the year	106	65	63

Revenue geographical regions



General
Welltec entered into 2023 in a market with increasing spend in the oil and gas business, which led to high activity for Welltec.

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

Revenue
Revenue amounted to USD 435 million, an increase of 25% year on year and the highest revenue ever in the history of Welltec. The increase in revenue was driven by an increase in sale of Intervention Services of 19% and an increase in Completion sales of 53%.

The increase is related to all areas, but primarily driven by Africa, Latin America and North America.

The increase in revenue related to Completion Services was primarily due to some larger orders of products, specifically in Americas.

Cost of service provided and goods sold
The cost of services provided and goods sold was USD 163 million in 2023 - an increase of 15% due to increased activity including an increase of staff costs by 12% (number of employees grew in 2023). The depreciation and amortization increased with 21% compared to 2022, and is due to investments in development projects and plant, equipment and fleet.

Development and manufacturing costs
Development and manufacturing costs, not capitalized, increased to USD 13 million, an increase of 55% compared to 2022. The increase is driven by higher Completion sales, increase in spending on development, and an increase in salaries due to increased number of employees.

Administrative expenses and sales costs
Administrative expenses and sales costs were USD 74 million, an increase of 19% compared to last year. The increase relates mainly to higher travel cost and salaries due to increased number of employees.

Earnings before interest, tax, depreciation, amortization and special items (EBITDA)
EBITDA increased to USD 230 million, representing a margin of 53% against 50% in 2022. The rise in EBITDA-margin was mainly related to achieved cost awareness.

Operating profit before special items (EBIT)
EBIT before special items increased to USD 185 million from USD 135 million in 2022. The EBIT margin before special items was 43% against 39% in 2022. The higher EBIT is related to better margins on sales and the increased activity in general.

Net financial expenses
Net financial expenses were USD 34 million, an increase of USD 10 million compared to last year caused by an increment in net exchange rate losses.

Welltec repurchased and redeemed bonds at a nominal value of USD 75 million during 2023, which caused lower net interest expenses.

Income taxes
Income taxes expenses were USD 45 million compared to a tax expense of USD 34 million in 2022. The effective tax rate was negatively impacted by interest limitation legislation in Denmark and non-recoverable withholding taxes globally.

Result for the year
Welltec has had the best result since the establishment of the company. Net profit was USD 106 million, representing an increase of USD 41 million compared to 2022. The increased profit was driven by higher activity and improved margins.

Financial review continued

Alternative performance measures - EBITDA reconciliation

USD in millions	2023	2022
Profit for the year	106	65
Income taxes	45	34
Financial expenses (net)	34	24
Depreciation and amortization	45	37
Impairment loss	-	2
Special items	-	12
Total EBITDA	230	174

Net cash flows
Cash-flows from operating activities which amounted to USD 199 million (2022: USD 131 million) was a result of the improved EBIT level. The cash generated was used to service interest payments, repurchase and redemption of bonds, investments in development projects, patents, fleet of tools and equipment.

Investment in associate company
In 2023, Welltec invested further in the associated company Isealate AS. Welltec holds 47.17% of the share capital. The company develops technology, which can be used in the Welltec Group. Please refer to note 15: Investment in associated companies.

Acquisition of Autentik AS
In february 2023, Welltec acquired full ownership of Autentik AS. Autentik AS is a niche technology provider specializing in electric wireline fishing and interventions. Please refer to note 16: Acquisitions.

Outlook

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

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

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

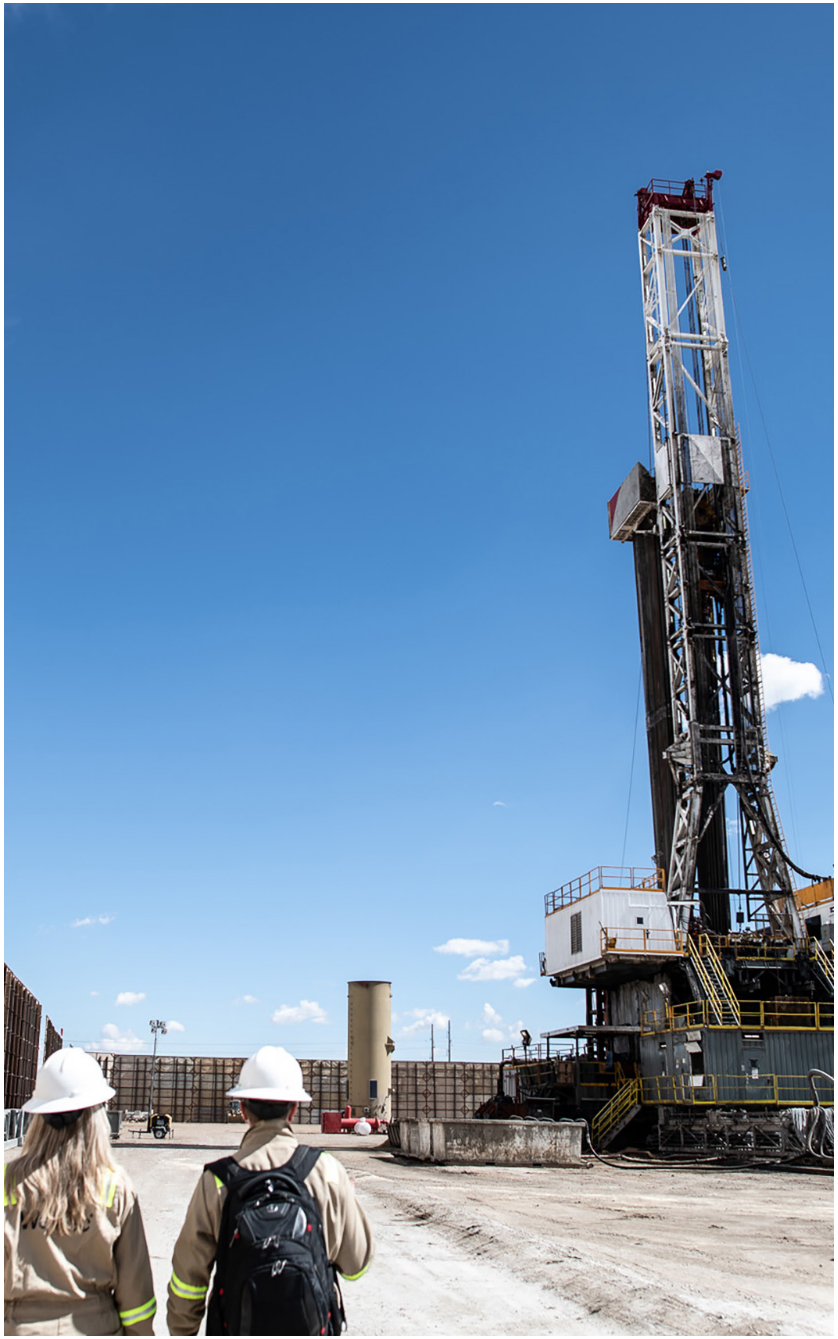
For 2024, we expect revenue and results to be at par with 2023.

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

During 2024, we will continue to reduce net debt to lower the interest burden and leverage of the company.

2024

Risks



PDC Energy whose operations are based in Denver, Coloardo continue to use WAB® technologies to eliminate methane leaks to surface.

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 exploration, development and production of oil and gas.

Cyclical Market

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

Customers

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

Competitors

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

Operational Risks

Service Quality

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

Supply Chain

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

Catastrophic Events

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

Financial Risks

Financial Exposure

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

Foreign exchange fluctuations

The reporting currency of the Group is US Dollars and the functional currency for most of the Group's subsidiaries is that of the country in which the sub-

Risks continued

sidiary 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 and Danish Kroner. Fluctuations in the value of other currencies as compared with the US Dollar could result in translation losses or gains.

Taxes

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

Liquidity Risk

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

Further, Welltec faces a risk towards cash held in banks in jurisdictions, where cash balances can not be moved freely around in the Group.

Geopolitical and Regulatory Risks

Geopolitical

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

Regulatory

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

Russia

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

Together with external law firms, Welltec follow the regulatory situation closely to ensure compliance with sanctions in force. In compliance with EU sanctions, all shipments from EU based and from non-EU based subsidiaries have been stopped, export compliance program has been expanded with particular attention towards countries considered high risk with regards to transshipments to Russia, such as China and Kazakhstan etc.

Given further EU sanctions and Russian countersanctions may be adopted, it cannot be ruled out that Welltec control/ownership of the Russian subsidiary will be lost. Please see note 2: Use of critical accounting estimates and judgements, for description of financial impairments taken in 2022 remaining in force.

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.

Business model

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

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

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

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

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

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

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

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

New Energy and Climate Technology is focused on the application of WIS services and WCS products in New Energy markets. In particular within well completions, the unique architecture and construction of the Welltec Annular Barrier and other WCS products means that they can be manufactured to extreme temperature ratings and be made highly resistant to corrosion. These attributes make WCS products ideally suited to both geothermal and CCS applications.

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

Environment, social, and governance

The following statement on Environment, social, and governance (ESG) pursuant to the Danish Financial Statement Act Section 99a, b and d is part of the Management Review in the Annual Report 2023. It also serves as the Group's Communication on Progress as required by the UN Global Compact. We continue to support and promote the principles of the UN Global Compact in our sphere of influence, in particular by integrating them in our business operations. For our description of the Welltec business model, please refer to page 10.

Tool check safety briefing onsite Welltec facility, Angola.

Environment, social, and governance continued

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

We operate in areas that can have an impact on both the environment and human rights. We consider emissions from transportation of equipment between jobs on different continents as primary risks when it comes to environmental impact. Furthermore, primary risks related to human rights could be identified within our value chain e.g. in case our policies are not followed as intended in terms of fair labor and working conditions. We have strong focus on our activities and focus on a good and stable working environment for our employees. We see our suppliers as important stakeholders in our common pursuit of a more sustainable supply chain. In addition to working towards the respect for human rights, we strive to make sure that Welltec's business, including the people contributing to it, is not involved in or related to any form of human rights abuses.

Our ESG Policies are incorporated in a Code of Conduct applicable globally that was updated in 2023 to further prevent conflicts of interest situations and clarify employees' obligation to declare situations where they become involved in dealings with customers, vendors or others which they have an association with. The areas currently covered by the Code of Conduct are: (i) Business Ethics, (ii) Anti-Corruption, (iii) Health and Safety environment, (iv) Employment, (v) Customers, and (vi) Community.

The responsibility of monitoring overall ESG compliance has been delegated to the heads of Legal, Human Resources, QHSE (Quality, Health, Safety, and Environment) and commercial departments. The policies continue to be communicated to all employees and are accessible on both our website and intranet and through awareness training. Moreover, a concerted effort is made to ensure that these are rooted in our thinking and our way of doing business.

We operate in a business where accidents or other complications could have consequences for the environment. Even though we are not directly exposed for this, we have a responsibility to ensure our operations are as gentle for the environment as possible.

Since 2021 we compensate for energy compensation by buying green power certificates, and in 2023 Welltec has bought electricity from Danish solar parks.

Geothermal environment, Iceland.

Environment, social, and governance continued

Installation of a heat pump at Allerød facilities resulted in significant reduction of natural gas consumption in 2023, as compared to 2022. In 2022 solar panels were installed on the roof of our Allerød facility. In 2023 solar panels reduced purchase of power and reduced CO2 emmisions.

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 2023 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 regular reminder and awareness training was conducted for all employees. Further, we have conducted several supplier audits, and have evaluated their level of compliance with our code of conduct. If the suppliers are not assessed to meet our code of conduct, we will reconsider doing business with them.

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 notifications received concerning operational procedures and alleged training gaps in the US, conducted a review with local management and agreed and implemented initiatives to ensure that onboarding and training modules are adequate and completed on time. We have also encouraged that concerns are raised directly with management.

Following previous cases of non-compliance internal communication in respect of the compliance programs has continued, and awareness training sessions have been and will continue to be conducted at virtual and face to face meetings across Welltec. The externally supported compliance audit program that was initiated following non-compliance incidents in Africa and expanded to other countries and Areas have been concluded with no significant findings.

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 2023 included the section on anti-corruption. The review was monitored by the Legal Department and the HR Department.

Key Results in 2023 and Future Plans

Multiple partner screenings were performed in 2023 among others to ensure compliance with human rights. No violation of human rights were identified in 2023. In our screenings we continue to use external screening partners and their databases. We use a global screening service, which supports our due diligence and mitigate risks relating to financial crime, bribery and corruption.

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

Finally as a new initiative a specific anti-corruption commitment has been requested and obtained from a wide selection of vendors across Welltec representing a substantial portion of Welltec’s external spend. 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.

Environment, social, and governance continued

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. Welltec is furthermore committed to developing and applying occupational health and safety standards and practices that are appropriate to the risks associated with our business activities eg. occupational injuries. This is leveraged through a culture of learning and continuous improvement of internal Health, Safety and Environmental standards, procedures, and practices.

Implementation
HSE is ingrained in every facet of our decision-making process, process design, and internal training programs.Our management meetings commence with a comprehensive review of health and safety events or focus areas. At each location, a dedicated HSE representative is appointed to lead our HSE efforts, ensuring strict adherence to Welltec policies and local legislation. To further bolster our commitment, we conduct monthly safety walks and regular inspections across all our locations. New hires attend a QHSE introduction program and participate in our Safety Card Observation Program (SCOP) to report on and proactively encourage safe working practices.

At every local operation, we are dedicated to promoting environmental responsibility by actively prioritizing sustainability and recycling practices. Simultaneously, we closely monitor consumption of chemicals, electricity, heat, and water. Additionally, we are committed to minimizing waste generation and implementing effective waste management strategies. All safety and environmental incidents are recorded and analysed to ensure adoption of best HSE practices and to safeguard the environment.

Key Results in 2023 and Future Plans
Throughout 2023 Welltec delivered strong HSE performance despite the continued increase in global activity levels. Frontline TRCF (Total Recordable Case Frequency) was improved year-over-year and finished lower than the reference IOGP (the International Association of Oil & Gas Producers) TRCF rate and at an all-time low for Welltec, underscoring the positive traction and strong safety awareness across the Welltec organization.

Several important initiatives were launched in 2023 to maintain HSE awareness and promote continuous improvement. The continued adoption of the IOGP 'Life Saving Rules' was supported by quarterly 'Life Saving Rules' campaigns - building on industry best practices and distributed to all Welltec sites. Furthermore, Welltec's internal

Welder in Welltec's Manufacturing Center in Esbjerg, Denmark.

Environment, social, and governance continued

safety application SCOP (safety card observation program) was redesigned and relaunched across the organization. The relaunched SCOP application was a key lever to maintain HSE awareness, but also reduced 'process time' of observations by 80%, which was another key achievement for 2023. Finally, Welltec continues to take an active role in reducing CO2 emissions from our manufacturing facilities, through the continued adoption of green energy sources.

Quality
Quality is, and has always been, deeply ingrained in all processes at Welltec. Welltec is ISO 9001 certified by "Det Norske Veritas" (DNV), with periodic recertification audits every 3 years. Additionally, Welltec's Management System and processes have been further developed to comply with API Specification Q1 and Q2 certifications. Welltec's Manufacturing Facility in Esbjerg and in Brazil have both achieved API Specification Q1.

The QHSE function performs internal Management System audits at headquarters and local bases, to assess the effectiveness of the internal Management System of Welltec. The audits are the prime instrument for reviewing the business interfaces internally between headquarters and bases, and externally with customers to create specific action points for the cycle of continuous improvement. Welltec's facilities are further externally audited by relevant government authorities and certification bodies. Furthermore, oil operators, service partners and authorities perform external audits to assess Welltec's ability to effectively manage the hazards associated with the services provided.

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

Key Results in 2023 and Future Plans
Throughout 2023 Welltec delivered strong Service Quality performance within both the Completions and Interventions segments. The strong Completions Service Quality was delivered despite a substantial uptake in product deployments across various new markets, and the strong Interventions Service Quality performance was delivered despite a significant uptake in global activity levels, and a substantial increase in job complexity. Several important initiatives were identified and launched in 2023 – based on the detailed, structured, and centralized incident handling process. One of the key initiatives implemented in 2023, was the reorganization of the global maintenance organization and the establishment of a Global Maintenance Center in the Middle East. This initiative strengthened the global maintenance process, boosted maintenance output and was a key enabler for the successful delivery of increasingly complex operations across most Welltec locations. Furthermore, several important product and tool enhancements were identified and implemented throughout the year, increasing service and product reliability.

Employment
Policy
In Welltec, our employees are the cornerstone of our business. Despite challenging field conditions, we prioritize their health and safety, conducting annual engagement surveys and additional location-specific assessments. HSE holds high priority globally. Welltec enforces a zero-tolerance policy against harassment and discrimination, with a whistle-blower system in place. In 2023, 3 cases were reported and appropriately addressed by the Management. Adhering to a Diversity and Equal Employment Opportunity Policy approved in 2014 by the BoD and updated in 2021, Welltec commits to selecting the best candidates irrespective of race, religion, disability, gender, sexual orientation, age, or nationality. We employ psychometric assessments for unbiased candidate evaluation.
Our Welltec Academy provides extensive in-house training covering operational aspects and legal compliance, tracked for each employee.

We actively promote internal mobility, posting all open positions on the company career page. In 2023, we enhanced our global Commercial team's core skills through a structured sales training program. For long-term leave, we collaborate on flexible solutions, including agreements with local authorities for accommodations such as flex jobs, reduced work time, and redefined work areas.

Diversity & Inclusion
As Welltec is growing, so is the diversity in the company and across multiple parameters. Currently, our employee population represents 59 different nationalities, marking a 5% increase from 2022. We actively promote age diversity, achieving an increase from 9% to 11% representation of employees aged 28 or below in 2023. Additionally, efforts are underway to enhance working conditions for senior employees.

Addressing gender diversity challenges in the oil and gas industry, Welltec is committed to fostering inclusivity and increasing female representation. Our policy involves actively attracting and identifying female candidates, integrating bias-aware evaluation methods, with a target of 18% female representation in all leadership roles by 2025. In 2023, we strengthened our recruitment process for leadership roles both internally and externally that we encourage all qualified candidates to apply regardless of gender in order to work actively towards achieving our goal.

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

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

	2023
Management (level 1 and 2)	
Total members	30
Underrepresentended gender	6
Underrepresentended gender	20%
Target	23%
Year for fulfilling target	2027

Environment, social, and governance continued

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

Inclusivity is a core focus, with regular anonymous surveys ensuring employees of diverse backgrounds feel included. In 2024, diversity and inclusion will be strategically elevated, with new initiatives formulated and implemented globally, building on our commitment to a diverse and inclusive workplace.

Key Results in 2023 and Future Plans
Employee Engagement
The company's commitment to an enhanced work environment is reflected in increased employee engagement, rising from 7.6 in 2022 to 7.7 in 2023, surpassing the Energy & Utilities sector benchmark. The survey participation rate also rose by 6%, reaching 92%. Continuous engagement surveys will be conducted to sustain a motivated and thriving workforce.

Performance and Development conversations
In addressing employees' development needs and performance goals, Welltec prioritizes Performance and Development conversations. Managers and employees collaboratively discuss goals, development wishes, and ways to improve collaboration, fostering individual well-being.

Job Title Framework
In 2023, Employee Engagement implemented initiatives to strengthen HR infrastructure, including the development of a job title framework for role transparency and clarity. This framework ensures pay equity and guides increment decisions, with full implementation planned for 2024.

Appointments and promotions policy
To enhance fairness and quality in appointments and promotions, a new policy was introduced and refined throughout 2023. Global HR colleagues have been onboarded, and the policy will be launched organization-wide in early 2024, accompanied by onboarding sessions for managers.

Leadership development
Recognizing the critical role of leaders in employee engagement and retention, Employee Engagement invested in leadership development. The Service Delivery Manager (SDM) program received increased time allocation in 2023, and the "Leading in Employee Engagement" program was launched, focusing on strategic priorities, team empowerment, and core leadership skills. The program emphasizes feedback, difficult conversations, and personal development.

Customers
Policy
At Welltec, we consider our customers as valued business partners, fostering open and transparent relationships characterized by ongoing dialogue and a commitment to serving their best interests. Our policy is rooted in delivering solutions that exemplify quality, adhere to industry best practices, and uphold responsible standards of performance. This includes prioritizing the protection of the environment and the health and safety of all involved.

We operate with an open-door policy, inviting scrutiny from customers or regulatory bodies interested in investigating any aspect of our operations. Any suboptimal or non-compliant findings from our internal investigations are openly disclosed to ensure maximum transparency and facilitate continuous improvement. Client communications and related data are treated with the utmost confidentiality, unless explicit instructions state otherwise.

Implementation
Implementation is a cornerstone of our commitment to excellence. We continually strive to provide the best products and services through structured and open collaboration with our customers. This involves a critical analysis before contract award to ensure compliance with internal, customer, and industry-specific requirements and standards. We conduct timely investigations as requested by clients, prepare failure reports, and actively communicate lessons learned throughout the organization to minimize the risk of reoccurrence. Efficiency in service delivery is anchored in Welltec's corporate QHSE department, ensuring the application of the highest standards, particularly as the scope and complexity of services increase. Our structured incident-handling approach, has driven significant improvements in frontline HSE performance and service quality ever since it's implementation.

Key Results in 2023 and Future Plans
Key results in 2023 showcased Welltec's contuned commitment to service-quality (SQ) where we equaled the near perfect results of 2022 for Completions at 99.7% efficiency despite the continued demand on product delivery. For Intervention Services, SQ also remained stable at 97% although given the increasing complexity of service provision and additional demand, the number alone does not give full credit to the performance.

Safety performance also saw a marked improvement with Total Recordable Case Frequesncy, TRCF, falling from 0.59 in 2022 to 0.35 in 2023.

Our achievements underscore our ability to plan, deploy, and execute highly complex operations globally, ensuring safety and reliability while creating tangible value for our customers. Simultaneously, we are actively contributing to the broader energy transition. Leveraging our extensive experience in product development, material selection, testing, and automated manufacturing, we are already making strides to reduce methane emissions from oil and gas producers, extend the life of geothermal wells, and design high-integrity solutions for carbon capture, utilization and storage, and hydrogen projects.

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 provide technologies, products, and services that will drive the industry into an innovative future,

Environment, social, and governance continued

ensuring a reduced impact on the environment, and with less risk to the health and safety of the people involved. We consider the continued focus on this competence as a vital part of our responsibility towards the community.

We operate from a significant number of premises in a variety of countries, and we have a responsibility to our employees, to the people living and working nearby, as well as the environment. Therefore, we engage with communities at a range of levels in our capacity as customer, neighbor, employee, business, competitor, and resident.

This engagement includes supporting local community groups and charities, and local initiatives for the development and education of young people in the areas where we operate, including support for employee efforts in fundraising and for small-scale projects.

We actively care and support measures to improve the environment in and around our operations. Welltec works closely with local law enforcement agencies to address antisocial behavior, crime, and vandalism, and to promote road safety.

Implementation and future plans
New green initiatives implemented during 2023 include:

- Final setup of a heat pump to provide heating and reduce natural gas consumption at Welltec's main production facility in Allerød, Denmark.
- Welltec Middle East has adopted an Environmental Improvement Plan until 2025, with the objectives of reducing energy and water use, reducing waste generation and spills, investing in renewable energy, and implementing a tree-planting program at the facility.

Some of the social projects we supported in 2023 include:

- Our Brazilian colleagues have donated bakery and laundry equipment to Mansão do Caminho, a social institution in a poor community in Salvador that provides free education and health services to up to 5,000 people daily.
- Welltec Brazil provided support for musical education by sponsoring the production of a CD, free master classes, and educational concerts.
- In Denmark, we have engaged with a school for children with autism, sponsoring an educational trip for the 9th grade students. Facilitating travel experiences for children with autism is of utmost importance, as it not only fosters their personal and social development but also enriches their education through engaging in diverse social and cultural activities.
- In Angola we are working on equipping the second IT classroom for kids at Lar Infantil Kuzola orphanage in Luanda.
- In Malaysia, we donated stationery, refurbished PCs, and school uniforms to two schools in remote locations.
- Our UK colleagues continued their tradition of donating money for charity.

Future plans
In 2024, our teams plan to continue their engagement and support with their communities across areas of health, sport, environment, and education.

We have a strong desire to support and help the areas where we operate. We have multiple projects in several countries, and to mention a few we have ongoing projects in Angola and Brazil. The projects are a way for us to support the local community and provide the people with a brighter future. We have committed us to these projects and they will continue in the future.

Preserving the environment remains an essential part of our business, culture, and growth strategy. From the factory floor to the seabed, we're developing next-generation solutions and practices to reduce negative impacts and improve sustainability. Together with our business partners, we're helping address the challenges of tomorrow - today.

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. Management has not deemed it necessary to have a data ethics policy, since tecnologies are not applied in the operations and activities in the Group, which entails a need for such a policy. Welltec has started to prepare the policy for data ethics and will implement it, when it is approved by the Board of Directors.

95% of all Interventions manufacturing is performed in-house. Cutting edge robotic automation enable operations to run 24/7 in Allerød, Denmark.

Company Details

Company
Welltec International ApS
Gydevang 25
3450 Allerød
Denmark

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

Central Business Registration No: 30 69 50 03
Registered in: Allerød
Financial year: 1 January – 31 December 2023

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

Board of Directors
Niels Harald de Coninck-Smith, Chairman
Alasdair Geddes Shiach
Benoît Pascal Marie 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 2023.

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

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

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 11 March 2024

Executive Board

Peter Hansen
Chief Executive Officer

Michael Christensen
Chief Financial Officer

Board of Directors

Niels Harald de Coninck-Smith
Chairman

Alasdair Geddes Shiach

Michel Pierre René Hourcard

Klaus Martin Bukenberger

Maite Labairu Trenchs

Benoît Pascal Marie Ribadeau-Dumas

Independent auditor's report

To the shareholders of Welltec International ApS

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2023 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 2023 in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Welltec International ApS for the financial year 1 January - 31 December 2023, which comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including material accounting policy information, for 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management Review

Management is responsible for Management's Review.

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

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

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

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

Management's Responsibilities for the Financial Statements

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

In preparing the financial statements, Management is responsible for assessing the 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 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.

Independent auditor's reports continued

- 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Hellerup 11 March 2024

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

Anders Stig Lauritsen
State Authorized
Public Accountant
mne32800

Henrik Kyhnauv
State Authorized
Public Accountant
mne40028

Consolidated income statement

USD in thousands	Note	2023	2022
Revenue	4	434,688	348,009
Cost of services provided and goods sold	5, 6	(162,429)	(141,594)
Total gross profit		272,259	206,415
Development and manufacturing costs	5, 6	(13,211)	(8,496)
Administrative expenses and sales costs	5, 6	(74,244)	(62,602)
Total operating profit (EBIT) before special items		184,804	135,317
Net special items	7	-	(11,732)
Total operating profit (EBIT)	3	184,804	123,585
Financial income	8	8,190	12,128
Financial expenses	9	(41,897)	(36,336)
Total profit before tax		151,097	99,377
Income taxes	10	(44,850)	(34,068)
Total profit for the period		106,247	65,309

Consolidated statement of comprehensive income

USD in thousands	2023	2022
Total profit for the period	106,247	65,309
Other comprehensive income for the year that will not be reclassified to the income statement, when specific conditions are met:		
Actuarial gains on defined benefit plans	(51)	137
Other comprehensive income for the year that will be reclassified subsequently to the income statement, when specific conditions are met:		
Unrealized exchange rate adjustments of foreign subsidiaries and branches	441	(5,018)
Total comprehensive income	106,637	60,428
Distribution of profit for the year:		
Welltec International ApS shareholders' share of profit	106,247	65,309
Total comprehensive income attributable to:		
Welltec International ApS shareholders' share of comprehensive income	106,637	60,428

Consolidated statement of financial position — assets

USD in thousands	Note	31 Dec. 2023	31 Dec. 2022
Non-current assets			
Intangible assets			
Goodwill		244,055	242,340
Technology		1,321	1,354
Brand		13,924	13,924
Completed development projects		23,258	19,999
Development projects in progress		15,760	9,977
Patents and licenses		20,102	19,329
Total intangible assets	13	318,420	306,923
Tangible assets			
Land and buildings		-	54
Leasehold improvements		4,446	3,727
Plant, equipment and fleet		52,034	44,440
Plant, equipment and fleet under construction		27,728	20,285
Other fixtures, fittings, tools and equipment		9,067	6,249
Right-of-use assets		38,180	36,612
Total tangible assets	14	131,455	111,367
Other non-current assets			
Deferred tax assets	20	4,411	2,884
Investments in associated companies	15	2,402	1,028
Other receivables		1,298	729
Total other non-current assets		8,111	4,641
Total non-current assets		457,986	422,931

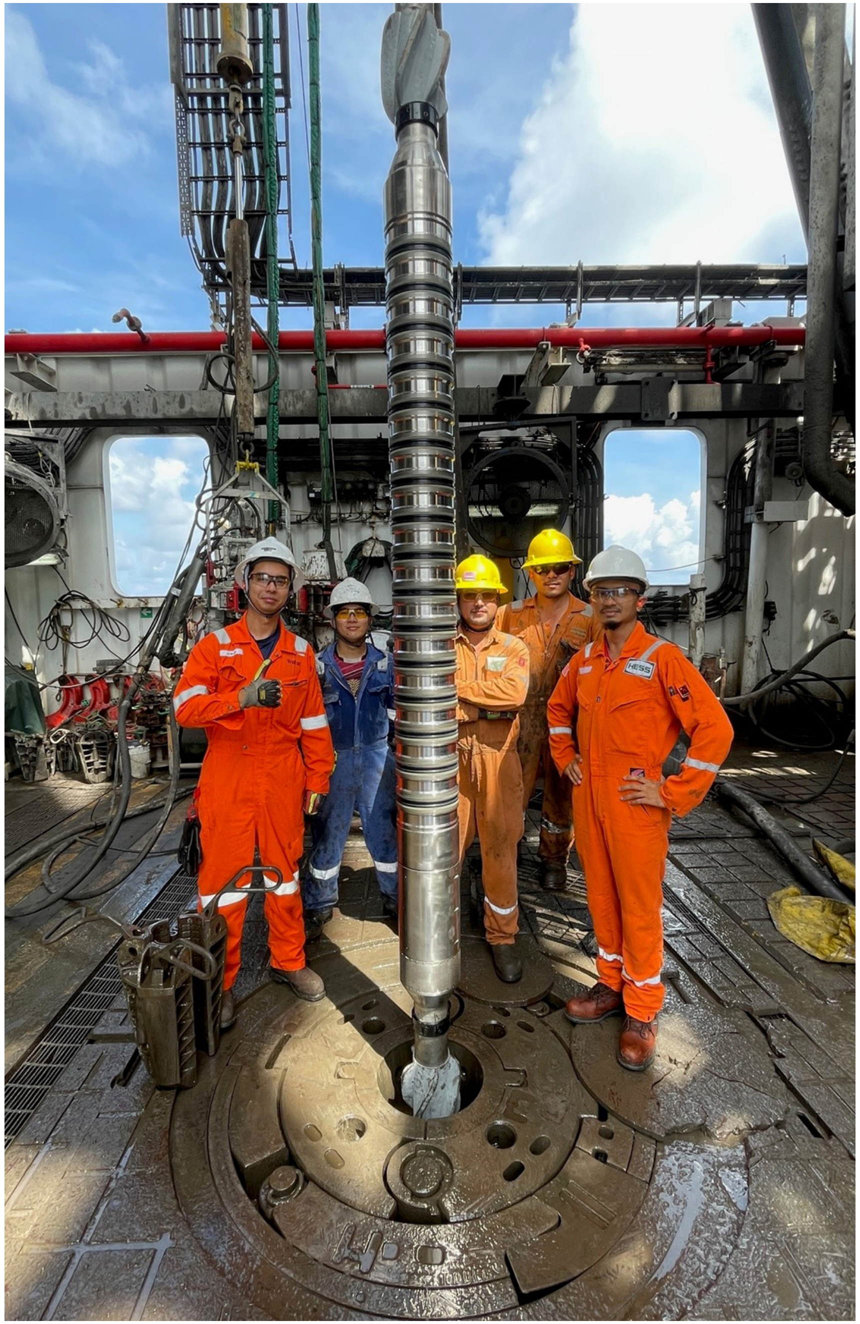
USD in thousands	Note	31 Dec. 2023	31 Dec. 2022
Current assets			
Inventories	17	29,845	28,130
Receivables			
Trade receivables	18	64,041	62,741
Tax receivables		6,136	4,575
Other receivables		10,026	3,285
Prepayments		8,953	10,792
Total receivables		89,156	81,393
Cash and cash equivalents		95,630	70,623
Total current assets		214,631	180,146
Total assets		672,617	603,077

Consolidated statement of financial position — liabilities

USD in thousands	Note	31 Dec. 2023	31 Dec. 2022
Equity			
Share capital	19	1,098	1,098
Currency translation reserve		(40,997)	(41,439)
Retained earnings		334,959	227,752
Total equity		295,060	187,411
Non-current liabilities			
Deferred tax liabilities	20	15,800	12,174
Finance lease liabilities	22	28,534	27,517
Bond debt	22	217,500	290,064
Bank debt	22	972	1,905
Defined benefit plans	21	1,373	1,106
Other provisions	16	4,915	-
Other liabilities		2,484	2,336
Total non-current liabilities		271,578	335,102
Current liabilities			
Current portion of finance lease commitments	22	10,125	8,817
Current portion of bank debt	22	967	923
Trade payables		27,856	25,079
Current tax liabilities		33,564	12,801
Other payables	23	33,467	32,944
Total current liabilities		105,979	80,564
Total liabilities		377,557	415,666
Total equity and liabilities		672,617	603,077

Consolidated statement of changes in equity

USD in thousands	Share capital	Currency translation reserve	Retained earnings	Total
Total equity at 1 January 2022	1,098	(36,421)	161,801	126,478
Profit for the year	-	-	65,309	65,309
Other comprehensive income/(loss)	-	(5,018)	137	(4,881)
Total comprehensive income for the year	-	(5,018)	65,446	60,428
Payments received for warrants	-	-	148	148
Warrants vested	-	-	357	357
Total other transactions	-	-	505	505
Total equity at 31 December 2022	1,098	(41,439)	227,752	187,411
Profit for the year	-	-	106,247	106,247
Other comprehensive income/(loss)	-	441	(51)	390
Total comprehensive income for the year	-	441	106,196	106,637
Payments received for warrants	-	-	178	178
Warrants vested	-	-	834	834
Total other transactions	-	-	1,012	1,012
Total equity at 31 December 2023	1,098	(40,998)	334,960	295,060


Welltec Completion operation with the 812 WAB® being deployed for Hess in Asia Pacific.

Consolidated statement of cash flows

USD in thousands	Note	2023	2022
Operating profit (EBIT)		184,804	123,585
Non-cash adjustments	11	48,779	54,185
Changes in working capital	12	(8,351)	(17,967)
Income taxes paid		(25,264)	(28,946)
Changes in other receivables, long-term		(569)	(13)
Total cash flows from operating activities		199,399	130,844
Investments in intangible assets		(10,689)	(7,206)
Investments in tangible assets		(47,063)	(25,567)
Investment in business combinations	16	(4,742)	-
Investment in associated companies	15	(739)	(1,028)
Sale of tangible assets		50	1,052
Total cash flows from investing activities		(63,183)	(32,749)
Financial income received		3,735	432
Financial expenses paid		(28,062)	(31,734)
Installments on finance lease commitments	22	(9,207)	(8,308)
Installments on bank debt	22	(1,244)	(1,156)
Payment received for warrants		178	148
Repurchase and redemption of bonds, nominal value	22	(74,625)	(30,000)
Total cash flows from financing activities		(109,225)	(70,618)
Total increase in cash and cash equivalents		26,991	27,477
Cash and cash equivalents at 1 January		70,623	44,687
Exchange rate adjustment at 1 January		(1,984)	(1,541)
Total cash and cash equivalents at 31 December*		95,630	70,623

* Hereof USD 18,223 thousands not available for use by the Group (2022: USD 11,627 thousands)

The final stages of WAB® assembly in the Saudi IMC, one of five key International Maintenance and Manufacturing Centers around the world.

Contents notes
Group

1. Accounting policies

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

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

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

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

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

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

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

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

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

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

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

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

The items in profit or loss are translated at average monthly exchange rates, with the exception of items deriving from non-monetary assets and liabilities, which are translated using the historical rates applicable to the relevant non-monetary assets and liabilities.

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

1. Accounting policies continued

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

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

The current tax payable or receivable is recognized in the statement of financial position, computed as tax calculated on the taxable income for the year, adjusted for prepaid tax.

The current tax charge for the year is calculated based on the tax rates and tax legislation in each country applicable on the balance sheet date.

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

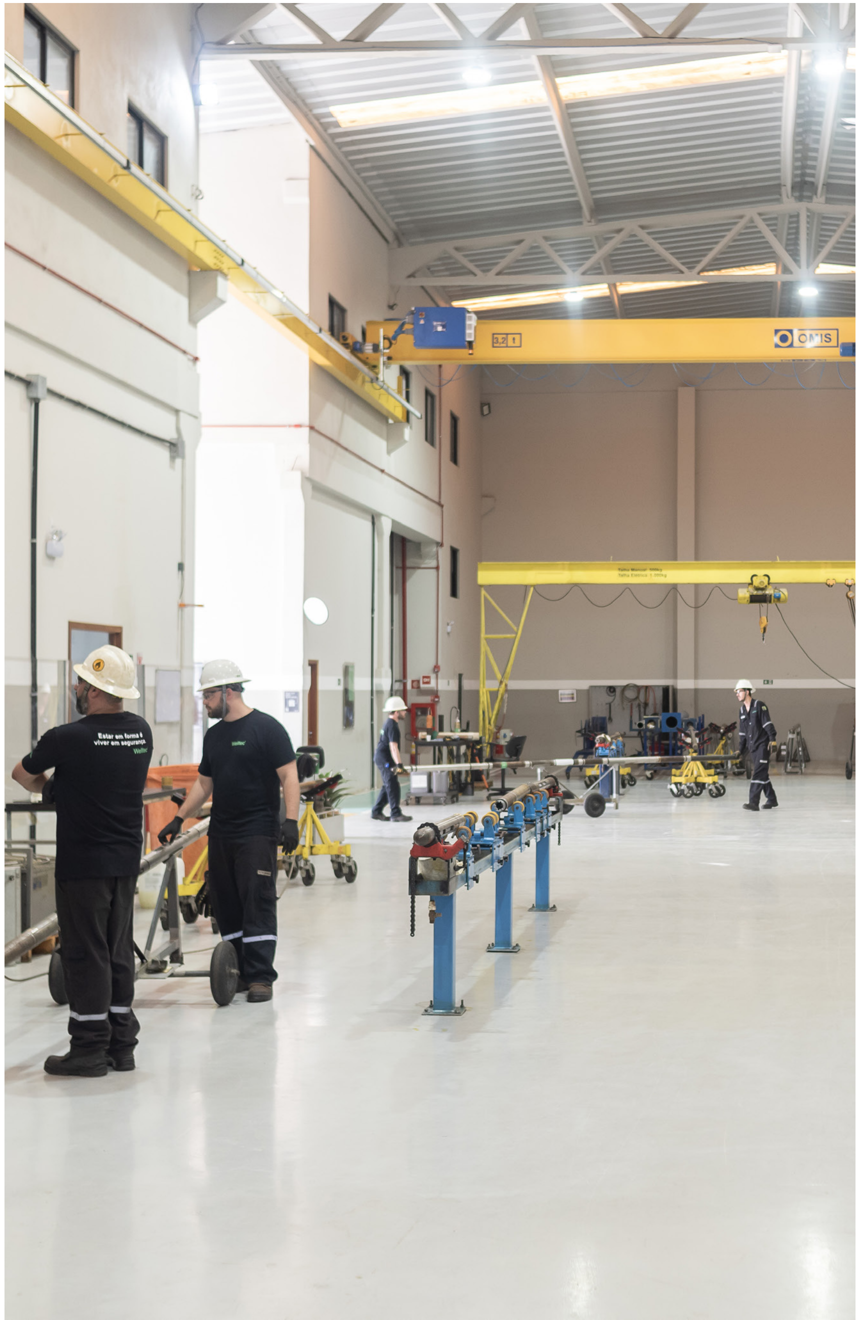
Deferred tax is calculated based on the expected recovery of each asset and the settlement of each liability, respectively.

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

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

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

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



Workshop area in Macaé, Brazil. One of 5 key international maintenance centers (IMC) around the world.

1. Accounting policies continued

Statement of comprehensive income

Revenue

The Group provides multiple solutions to oil and gas companies around the world at their onshore and offshore locations using proprietary remote control precision robotic equipment that Welltec designs and manufactures. Rendering of service revenue is recognized in the income statement when the performance obligation is satisfied, which is when the agreed service is provided.

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

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

Cost of services provided and goods sold

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

Development and manufacturing costs

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

Administrative and sales costs

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

Special items

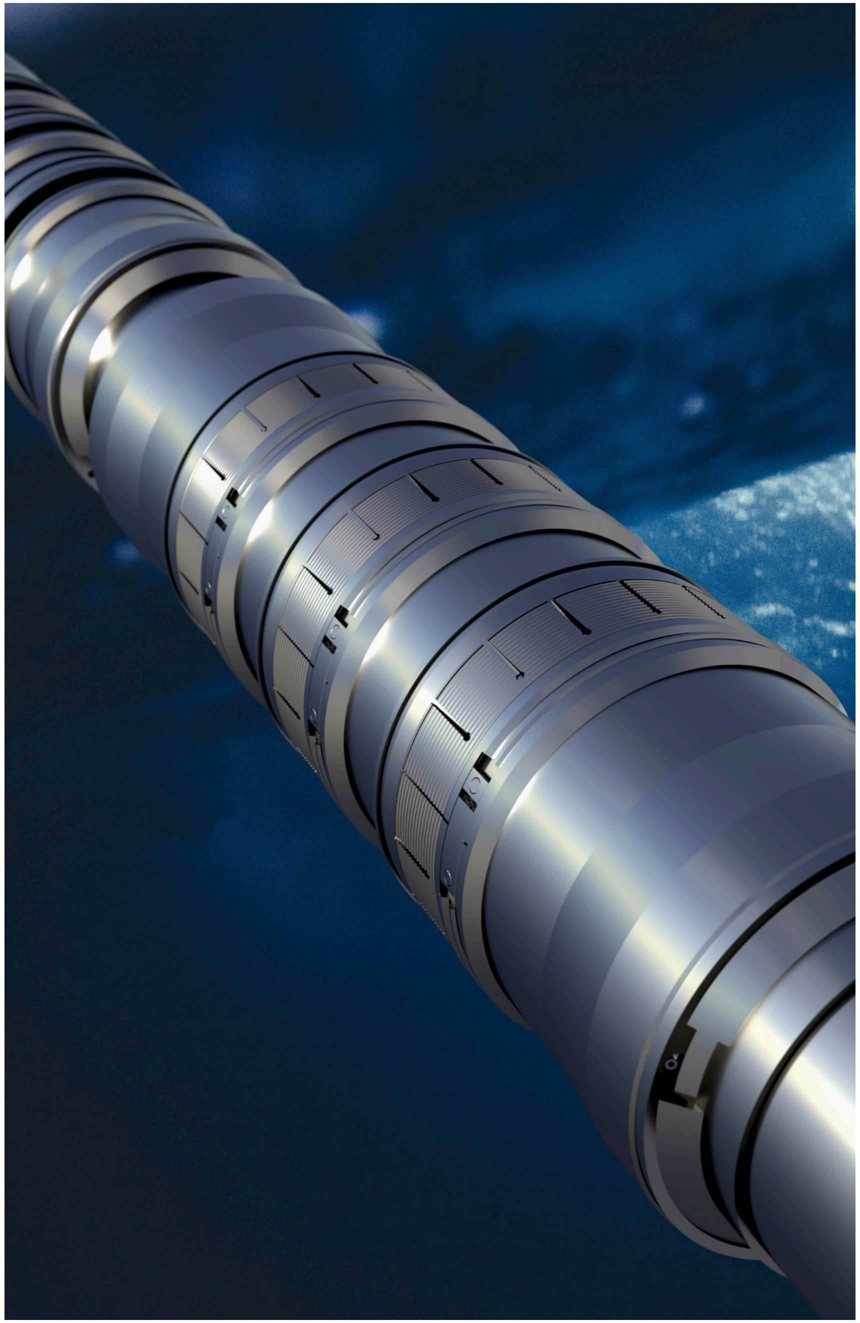
Special items consist of costs of a special nature in relation to the activities of the Group, including costs of structural changes and other significant amounts of a one-off nature. These items are shown separately to facilitate the comparability of the profit or loss and provide a better picture of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

Government grants

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

Financial income and expenses

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



Welltec® Expandable Anchor (WEA) 4-in-1 completions solution, officially launched at ADIPEC conference in Abu Dhabi, October 2023.

1. Accounting policies continued

Geographical disclosures

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

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

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

Statement of financial position

Intangible assets

Goodwill

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

Subsequently, goodwill is measured at cost less accumulated write downs. There is no amortization of goodwill but the carrying value of goodwill is tested for impairment at least once a year together with the other non-current assets in the cash-generating unit to which the goodwill is allocated. It is written down to recoverable amount in profit or loss if the accounting value exceeds the recoverable amount, this representing the higher of the fair value of the asset less expected disposal costs and the value in use. The recoverable amount is generally determined as the present value of the expected future net cash flows from the cash-generating unit to which the goodwill is allocated. Impairment losses of goodwill are included in profit or loss under amortization and impairment losses of intangible assets.

Development projects

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

On initial recognition, development costs are measured at cost. The cost of development projects comprises costs such as salaries and other costs that are directly attributable to the development projects and are needed to complete the project, calculated from the time at which the development project first meets the specific criteria for being recognized as an asset.

Completed development projects are amortized on a straight-line basis using the estimated useful lives of the assets. The amortization period is 5 years. For development projects protected by intellectual property rights, the maximum amortization period is the remaining duration of the relevant rights, however, no more than 20 years.

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

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

Other intangible assets

Acquired intellectual property rights in the form of patents and licenses are measured at cost less accumulated amortization and impairment losses. Patents are amortized over their remaining duration, usually 20 years, and licenses are amortized over the term of the agreement. If the actual useful life is shorter than the remaining duration and the term of the agreement, respectively, amortization is made over such shorter useful life. Separable intangible assets acquired through business combinations are brand and technology. Brand is not amortized as the useful life is considered indefinite. Technology is amortized on a straight-line basis over its estimated useful life of 10 to 20 years.

Tangible assets

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

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For assets manufactured and owned by the Group, cost comprises expenses directly attributable to the manufacturing of the asset, including materials, components, sub-suppliers rent, electricity and laboring costs. In the year when the tool is completed and ready to generate income, it is recognized under 'Plant, equipment and fleet'. During construction, the asset is recognized under 'Plant, equipment and fleet under construction'. The basis of depreciation is cost less estimated residual value after the end of useful life. The residual value is the estimated amount that would be earned if selling the asset today net of selling costs if the asset is of an age and a condition that is expected after the end of useful life straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

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

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.

1. Accounting policies continued

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

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

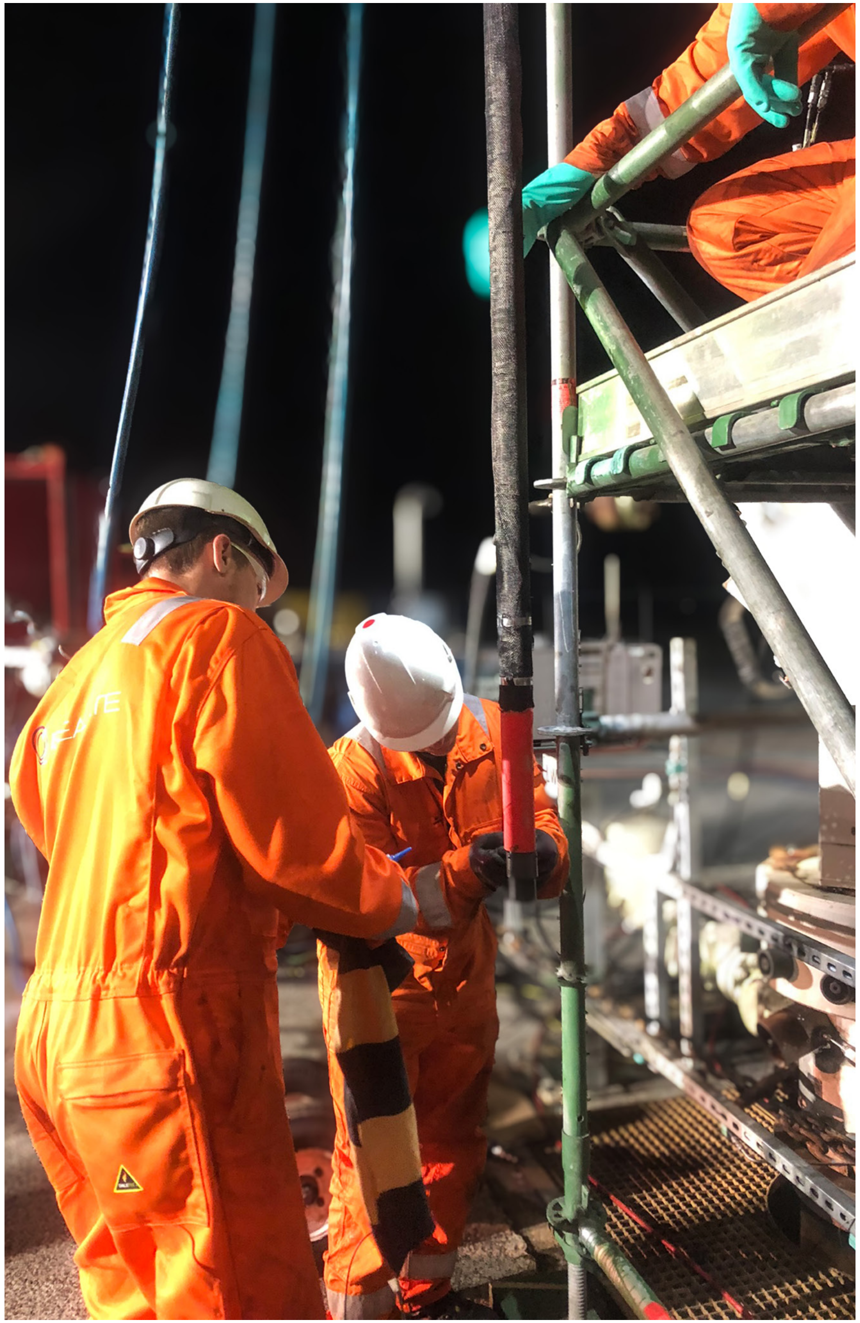
If the asset does not generate cash flows separately from other assets, an estimate is made of the recoverable amount of the smallest cash-generating unit of which the asset forms part.

The recoverable amount is calculated as the higher of the asset's and the cash-generating unit's fair value less selling costs and net present value. When the net present value is determined, estimated future cash flows are discounted at present value using a discount rate that reflects current market estimates of the value of money in terms of time, as well as the particular risks related to the asset and the cash-generating unit, respectively, and for which no adjustment is made in the estimated future cash flows. If the recoverable amount of the asset or the cash-generating unit is estimated to be lower than the carrying amount, the asset is written down to this lower recoverable amount. For cash-generating units, write-down is allocated in such a way that goodwill amounts are written down first and then any remaining need for write-down is allocated to other assets of the unit, however, the individual asset is not written down to an amount that is lower than its fair value net of estimated selling costs.

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

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

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,



Isealate spring-blade patch first successful deployment for Shell NAM in the Netherlands.

1. Accounting policies continued

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

Investments in associated companies

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

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

Other receivables

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

Inventories

Inventories are measured at cost according to the FIFO method. The cost of finished goods and work in progress includes direct and in-direct 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.

Product assembly at Welltec's Manufacturing Center in Esbjerg, Denmark.

1. Accounting policies continued

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

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

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

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

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

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

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

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

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

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

Cash and cash equivalents comprise cash.

Acquisitions and investments in subsidiaries
Companies acquired during the year are recognized in the consolidated financial statements from the date of acquisition. Investments where control is obtained by the Group are recognized using the acquisition method. The identifiable assets and liabilities are assessed at their fair value on the acquisition date. The acquisition date is the date which the Group obtains actual controls over the acquired company. Positive differences between the purchase price and the fair value of identifiable assets and liabilities are recognized as goodwill.

For an overview of the Group's subsidiaries, please see note 29: Overview of subsidiaries.

2. Use of critical accounting estimates and judgements

The Group prepares its consolidated financial statements in accordance with IFRS Accounting Standards as adopted by the EU, the application of which often requires judgments to be made by Management when preparing the 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 2023 Welltec has capitalized USD 79,762 thousand as plant, equipment and fleet – completed and under construction compared to USD 64,725 thousand at 31 December 2022. 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 2023, Welltec has capitalized USD 39,018 thousand as development projects – completed and in progress – compared to USD 29,976 thousand at 31 December 2022. 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 244,055 thousand equalizing 36% of total assets and 83% of total equity at 31 December 2023, which is significant to the consolidated financial statements.

For purposes of assessing the carrying amount of goodwill and other intangible assets of USD 318,420 thousand at 31 December 2023, compared to USD 306,923 thousand at 31 December 2022, Management prepared its annual impairment test.

In performing the impairment test Management makes an assessment of whether the Welltec International ApS Group, as one group of CGU's, 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 2029. 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 for further details.

2. Use of critical accounting estimates and judgements continued

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

In 2022, Management decided to assess the re-coverability of the carrying amount of these assets. This led to a write down of these assets of USD 11.8 million. Significant accounting judgments have been applied to determine the write-down due to the nature of the matter disclosed.

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

In addition, the cash and cash equivalents balance in Russia, held by Welltec Oilfield Services Russia is not available for the Group, due EU and mainly Russian restrictions on transfer of funds.

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

3. Geographical disclosures

2022

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

2023

USD in thousands	Europe, Africa & CEA	Americas	Middle East & Asia Pacific	Denmark	Total
Revenue	236,273	136,395	62,020	-	434,688

2022

USD in thousands	Europe, Africa & CEA	Americas	Middle East & Asia Pacific	Denmark*	Total
Total assets	82,465	27,698	30,833	462,081	603,077
Total liabilities	28,469	18,108	5,969	363,120	415,666

2023

USD in thousands	Europe, Africa & CEA	Americas	Middle East & Asia Pacific	Denmark*	Total
Total assets	104,340	34,178	45,414	488,685	672,617
Total liabilities	16,374	18,844	12,204	330,135	377,557

*Non-current assets in Denmark equal USD 161,958 thousands (2022: 138,706 thousands).

Denmark is not inluded in the area Europe, Africa and CEA (Central Europe Area). In Denmark major assets are goodwill, brand, development projects and plant, equipment and fleet. The majority of the liabilties is related to bond debt.

As with Interventions, 95% of all Completions manufacturing is performed in-house and is automated (including welding). This set-up allows for unmatched delivery lead times.

4. Revenue from contracts with customers

4.1 Disaggregation of revenue from contracts with customers

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

	Europe, Africa & CEA		Americas		Middle East & Asia Pacific		Total	
USD in thousands	2023	2022	2023	2022	2023	2022	2023	2022
Rendering services	222,252	182,118	66,634	54,870	57,929	53,594	346,815	290,582
Sale of goods	14,021	14,104	69,761	31,433	4,091	11,890	87,873	57,427
Total	236,273	196,222	136,395	86,303	62,020	65,484	434,688	348,009

4.2 Assets related to contracts with customers

USD in thousands	2023	2022
Current contract assets relating to contracts with customers:		
Trade receivables	73,071	70,878
Loss allowance	(9,030)	(8,137)
Total contract assets	64,041	62,741

There are no contract liabilities in 2023 and 2022.

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

4. Revenue from contracts with customers continued

4.3 Unsatisfied long-term contracts

USD in thousands	2023	2022
Total aggregate amount of the transaction price allocated to long-term contracts that are partially or fully unsatisfied at 31 December	3,879	349

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 2023 will be recognized as revenue during the full year of 2024.

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

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

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

4.4 Performance obligations

Rendering of services

The Group's major part of the revenue derives from rendering of services (80% of total revenue). Sales are recognized over time, when the services have been performed. Services are performed over a short period of time. Revenue recognition takes place when there is no 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 (20% of total revenue).

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

5. Staff costs

USD in thousands	2023	2022
Breakdown of staff costs:		
Wages and salaries	96,270	85,769
Share-based payment to executives	834	357
Payment to defined contribution pension plans	2,863	2,940
Other social security costs	5,801	5,066
Total staff costs	105,768	94,132
Recognition of staff costs in the income statement:		
Cost of services provided and goods sold	58,839	52,699
Administrative expenses and sales costs	34,740	30,566
Total	93,579	83,265
Staff costs capitalized:		
Development costs capitalized	4,780	4,148
Production staff costs capitalized	7,409	6,719
Total	12,189	10,867
Average number of employees	950	860

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. The Group arranges for the regular payment (e.g. a fixed amount or a fixed percentage of the salary) of contributions to independent insurers who are responsible for the pension commitments. Once the Group has made payments of the contribution under the defined contribution pension plans, the Group has no further pension commitments related to employees or former employees.

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

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

USD in thousands	2023	2022
Board fees	257	257
Total remuneration to Board of Directors	257	257

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

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

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

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

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

5. Staff costs continued

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

Remuneration to other key management, which consists of 11 employees (2022: 12 employees) includes salaries, bonuses, pensions, other social security costs and any severance payments etc..

The total remuneration to other key management personnel of the Group, including bonus, pension, other security costs and share based payments can be specified as follows:

USD in thousands	2023	2022
Salaries	3,897	4,248
Pension benefits	137	89
Share-based payments	308	-
Total remuneration to other key management personnel	4,342	4,337

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

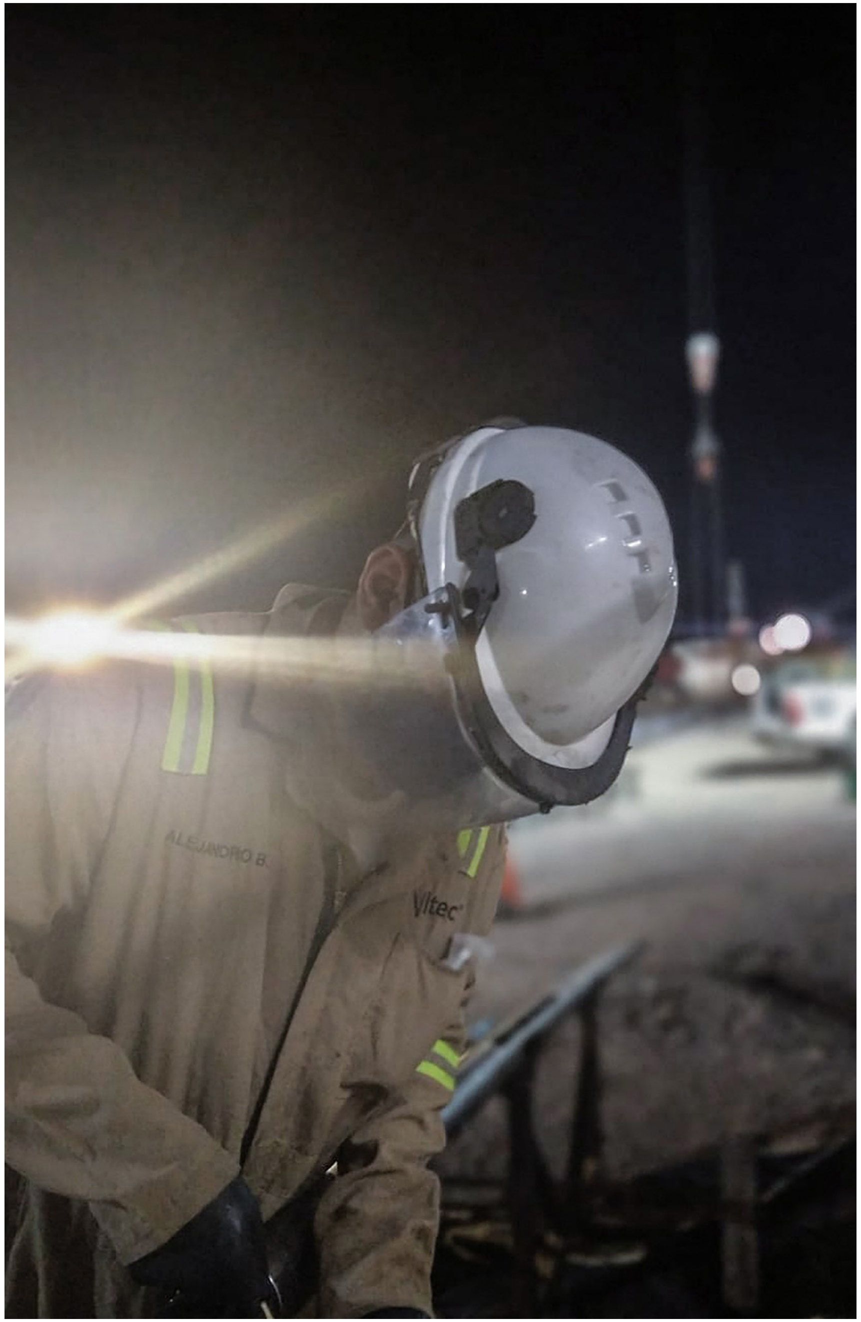
In 2022, warrants scheme to the Executive Board was granted. The warrant scheme consists of up to 150,000 warrants and vest over a 5 year period from 2022 to 2026. Furthermore, 12,000 warrants have been granted and paid for and can be exercised in the end of 2026. The total fair value of these warrants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

In 2023, warrants schemes to the Executive Board and Key Management personnel was granted. The warrant schemes consist of up to 56,250 warrants and vest over a 4 year period from 2023 to 2026. Furthermore, 4,500 warrants have been granted and paid for and can be exercised in the end of 2026. The total fair value of these warrants was at grant date USD 1.9 million of which USD 834 thousand was recognized in the income statement in 2023. The fair value of the warrants scheme at grant date was calculated on the basis of the Black-Scholes model. The calculation for the 2023 scheme is based on an expected volatility of 25%, a risk-free interest rate at 1.75%, a share price of USD 39.5, the exercise price, an average option life of 48 month and no annual payment of dividends. The expected volatility has been determined using a historical volatility for a five-year period for comparable listed companies adjusted for a small-cap factor.

5. Staff costs continued

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

	Board of Directors of Welltec International ApS	Executive Board of Welltec A/S	Senior executives and key management personnel	Total	Weighted average exercise price USD
Total balance at 1 January 2022	-	-	-	-	-
Granted	-	162,000	-	162,000	72
Total balance at 31 December 2022	-	162,000	-	162,000	72
Granted	-	20,250	40,500	60,750	40
Total balance at 31 December 2023	-	182,250	40,500	222,750	63



Welltec field engineer onsite and on night-shift operating for YPF in Argentina.

6. Amortization, depreciation and impairment losses

USD in thousands	2023	2022
Completed development projects	9,331	6,067
Patents and licenses	2,103	1,976
Technology	750	805
Total amortization of intangible assets	12,184	8,848
Other fixtures and fittings, tools and equipment	1,017	1,210
Land and buildings	-	197
Plant, equipment and fleet	20,385	17,631
Leasehold improvements	1,226	621
Right-of-use assets	10,085	8,665
Gain from disposal of plant, equipment and fleet	(50)	(483)
Total depreciation of tangible assets	32,663	27,841
Total depreciation and amortization	44,847	36,689
Write-down of completed development projects	-	1,192
Write-down of patents and licenses	-	55
Write-down of plant equipment and fleet	-	774
Write-down Russia	-	1,600
Total impairment losses	-	3,621
Recognition of amortization, depreciation and impairment by function:		
Cost of service provided and goods sold	31,332	27,134
Development and manufacturing costs capitalized	600	558
Administrative and sales costs	12,915	11,018
Special items, write-down Russia	-	1,600
Total depreciation, amortization and impairment losses	44,847	40,310

Field supervisor overseeing successful operations on land in Saudi Arabia.

7. Special items

USD in thousands	2023	2022
Rent concessions (IFRS 16 Leases)	-	68
Write-down on assets in Russia	-	(11,800)
Total net special items expenses	-	(11,732)

8. Financial income

USD in thousands	2023	2022
Interest income	2,859	395
Total interest income from financial assets that are not measured at fair value through profit or loss	2,859	395
Exchange rate gains	5,331	11,733
Total financial income	8,190	12,128

9. Financial expenses

USD in thousands	2023	2022
Interest expenses	27,237	29,681
Other financial expenses	1,721	2,801
Total interest expenses from financial liabilities that are not measured at fair value or through profit loss	28,958	32,482
Exchange rate loss	12,939	3,854
Total financial expenses	41,897	36,336

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

In 2023, other financial expenses includes capital losses related to the repurchase and redemption of bonds (2022: losses related to repurchase of own bonds).

The net exchange rate loss at 31 December 2023 was USD 7,608 thousand (2022: Gain of USD 7,879 thousand).

10. Income taxes

USD in thousands	2023	2022
Current tax	42,103	27,550
Adjustment in corporation tax previous years	(2,620)	2,334
Total current tax incl. adj. in corporation tax previous years	39,483	29,884
Adjustment in deferred tax previous years	(664)	1,058
Change in deferred tax	1,352	(240)
Tax effect from tax provision	(133)	599
Non-creditable withholding taxes	4,768	2,431
Other	44	336
Total	44,850	34,068
Breakdown of tax:		
Total profit/(loss) before tax	151,097	99,377
Reconciliation of tax expense USD:		
Danish corporation tax	33,206	21,863
Effect of difference between tax rate for subsidiaries outside Denmark and Danish tax rate	(2,643)	(900)
Tax effect from tax provision	(133)	599
Non-taxable income and non-deductible expenses	2,519	2.309
Interest limitation, thin capitalization etc	4,550	4,318
Withholding taxes non-deductible	4,768	2,431
Other taxes, including adjustment to previous years	2,583	3,448
Total	44,850	34,068

The statutory corporate income tax rate in Denmark in the year ended 31 December 2023 was 22%. The total tax expense in the year 2023 was USD 44.9 million, which consists of current tax for the year and changes in deferred tax for the year.

With a profit before tax of USD 151 million and a tax expense of USD 44.9 million this led to an effective tax rate for the consolidated Group at 29.7%. This represents a cumulative tax cost of 7.7% above the Danish statutory rate and compared to the year ended 31 December 2022 a cumulative improvement of 4.6%.

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

The main drivers for the effective tax rate were:

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

In the year to 31 December 2023 the Danish tax group of Welltec had a net finance cost of USD 20.7 million, but due to the domestic interest restrictions the tax-deductible interest was limited to USD 3.0 million. This leads to a disallowance of USD 17.7 million under Danish corporate tax law.

The excess interest disallowed cannot be carried forward and thus the Group considers the excess interest to be a permanent difference. The Group calculates the Danish CIT deduction lost as a result of this anti-avoidance legislation to be USD 4.5 million in the year to 31 December 2023.

Tax effect from tax provision
In certain jurisdictions, the tax authorities have opened tax audits. On this basis, the Group has recognized an overall uncertain tax provision in the amount of USD 3.9 million for IAS12 purposes by the end of 2023 versus USD 4.1 million by the end of 2022, which translates into a decrease of the uncertain tax provisions in the amount of USD 0.1 million compared to 2022.

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

Non-recoverable withholding taxes
On payments from certain countries, the Group's Danish entities suffer withholding tax ("WHT") via deductions at source.

Under Danish CIT law the Group 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 Group recipient entity in line with its overall correlation of qualifying expenditure to revenue.

11. Non-cash adjustments

USD in thousands	2023	2022
Depreciation/amortization of intangible and tangible assets	44,897	37,172
Disposal and impairment losses	3,315	1,105
Exchange rate adjustments for non-current assets	(3,163)	(402)
Currency adjustments, other	(2,088)	5,002
Impairment of trade receivables	893	(563)
Write down inventories	3,308	245
Write down assets related to Russia	-	11,800
Other	1,617	(174)
Total non-cash adjustments	48,779	54,185

12. Changes in working capital

USD in thousands	2023	2022
Change in trade receivables and prepayments	(354)	(17,909)
Change in inventories	(5,023)	(8,468)
Change in trade payables	2,777	7,754
Change in other payables	990	442
Change in other receivables	(6,741)	214
Total changes in working capital	(8,351)	(17,967)

Well Tractor® 212 CVT (Continuous Variable Tractoring)

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 2022	242,340	107,800	88,933	12,097	35,470	486,640
Additions	-	462	-	5,844	1,466	7,772
Transfer	-	-	7,376	(7,376)	-	-
Disposal	-	-	(3,745)	-	(69)	(3,814)
Exchange rate adjustment	-	-	(108)	2	(88)	(194)
Total costs at 31 December 2022	242,340	108,262	92,456	10,567	36,779	490,404
Total amortization and impairment losses at 1 January 2022	-	92,170	68,857	590	15,553	177,170
Amortization for the year	-	805	6,067	-	1,976	8,848
Impairment losses for the year	-	-	1,192	-	55	1,247
Disposal	-	-	(3,745)	-	(69)	(3,814)
Exchange rate adjustment	-	9	86	-	(65)	30
Total amortization and impairment losses at 31 December 2022	-	92,984	72,457	590	17,450	183,481
Total carrying value at 31 December 2022	242,340	15,278	19,999	9,977	19,329	306,923
Total costs at 1 January 2023	242,340	108,262	92,456	10,567	36,779	490,404
Additions	1,715	684	755	8,747	2,045	13,946
Addition on acquisition of companies	-	13	7,797	-	-	7,810
Transfer	-	-	2,964	(2,964)	-	-
Disposal	-	(645)	-	-	-	(645)
Exchange rate adjustment	-	-	901	-	1,123	2,024
Total costs at 31 December 2023	244,055	108,314	104,873	16,350	39,947	513,539
Total amortization and impairment losses at 1 January 2023	-	92,984	72,457	590	17,450	183,481
Amortization for the year	-	750	9,331	-	2,103	12,184
Disposal	-	(645)	-	-	-	(645)
Exchange rate adjustment	-	(20)	(173)	-	292	99
Total amortization and impairment losses at 31 December 2023	-	93,069	81,615	590	19,845	195,119
Total carrying value at 31 December 2023	244,055	15,245	23,258	15,760	20,102	318,420

*Please see next page for specification. Development costs recognized in the income statement in 2023 amounts to 8,773 USD thousand (2022: USD 5,216 thousand).

13. Intangible assets continued

Specification of other intangible assets

USD in thousands	Technology	Brand	Total
Total costs at 1 January 2022	93,876	13,924	107,800
Additions	462	-	462
Total costs at 31 December 2022	94,338	13,924	108,262
Total amortization and impairment losses at 1 January 2022	92,170	-	92,170
Amortization for the year	805	-	805
Exchange rate adjustment	9	-	9
Total amortization and impairment losses at 31 December 2022	92,984	-	92,984
Total carrying value at 31 December 2022	1,354	13,924	15,278
Total costs at 1 January 2023	94,338	13,924	108,262
Additions	684	-	684
Additions on acquisitions of companies	13	-	13
Disposal	(645)	-	(645)
Total costs at 31 December 2023	94,390	13,924	108,314
Total amortization and impairment losses at 1 January 2023	92,984	-	92,984
Amortization for the year	750	-	750
Disposal	(645)	-	(645)
Exchange rate adjustment	(20)	-	(20)
Total amortization and impairment losses at 31 December 2023	93,069	-	93,069
Total carrying value at 31 December 2023	1,321	13,924	15,245

Welltec field engineers offshore for Shell in Brunei.

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. The addition of USD 1,715 thousand in 2023 relates to the aquisition of Autentik AS. The goodwill is subject to an annual impairment test. The impairment test performed in 2023 revealed no need for impairment of goodwill.

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

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

Expectations are based on financial budget for 2024 and long-term forecasts until the end of 2029, a growth rate of 2% has been applied in the terminal period from 2030 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 Group prior to the Group entering into a more steady growth situation.

The discount rate is subject to a yearly review and is based on the management's best estimate. The discount rate for value-in-use calucalation is based on the Group's pre-tax WACC of 13%.

The impairment test is based on the following assumptions and market views.
The overall demand for oil and gas is expected to continue to increase and spare capacity will be needed due to an agenda from most governments to secure independence and energy security.

Based on the expections at 31 December 2023, 2024 market consensus suggest a continued stabilization of the oil price in 2024. OPEC production coordination seems to be fixed on limiting oil suppliers which stabilise the current oilprice. For the Group, the market potential remains unchanged, as the global demand continues to increase and the prices are stabile. In addition the current oil price environment requires the industry to adopt new technology that reduces cost of production and ultimately help operators create sustainable businesses.

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

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

- Revenue from 2024 and onwards are expected to grow by a single digit number until 2029.
- Investments in CAPEX will be on a steady level and is not expected to fluctuate significantly compared to previous years.

Sensitivity
The impairment analysis shows that with the current EBIT level and investments (CAPEX) in line with depreciations, there will be no need to recognize a write-down.

Mount Taranaki, as seen aboard an offshore platform operating for client OMV in New Zealand.

13. Intangible assets continued

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 and patents amounted to zero in 2023. In 2022 impairment of development projects was USD 1,192 thousand and impairment of patents was USD 55 thousand, which has been recognized in the statement of comprehensive income under "cost of services provided" as the projects are closed. The recoverable amount was calculated on the basis of Management's re-assessed estimate of the value in use of the assets.

Autentik (now Welltec) technical advisor briefing Qatar field and maintenance staff on the Wellgrab fishing tool.

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

*Impairment losses in 2022 are related to scrapped tools and tools lost in the wells.
**Write-down on assets located in Russia in 2022 equals USD 1,600 thousand.

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 2023	598	8,614	189,341	19,965	20,285	238,803
Additions	-	1,936	17,863	5,216	21,065	46,080
Additions on acquisitions of companies	-	-	245	7	452	704
Transfer	(598)	598	14,074	-	(14,074)	-
Disposals	-	(603)	(14,192)	(1,234)	-	(16,029)
Exchange rate adjustment	-	(161)	(221)	(310)	-	(692)
Total costs at 31 December 2023	-	10,384	207,110	23,644	27,728	268,866
Total depreciation and impairment losses at 1 January 2023	544	4,887	144,901	13,716	-	164,048
Depreciation for the year	-	1,226	20,385	1,017		22,628
Transfer	(544)	544	-	-	-	-
Disposals	-	(518)	(12,012)	(1,039)	-	(13,569)
Exchange rate adjustment	-	(201)	1,802	883	-	2,484
Total depreciation and impairment losses at 31 December 2023	-	5,938	155,076	14,577	-	175,591
Total carrying value at 31 December 2023	-	4,446	52,034	9,067	27,728	93,275

14. Tangible assets continued

15.1 Right-of-use assets in the balance sheet

USD thousands	Land and buildings	Plant, equipment and fleet	Other fixtures, fittings, tools & equipment	2022
Total balance 1 January	30,533	1,247	1,184	32,964
Additions and remeasurements during the year	10,042	2,118	1,616	13,776
Disposals during the year	(497)	(94)	(94)	(685)
Depreciation for the year	(6,946)	(778)	(941)	(8,665)
Exchange rate adjustment	(685)	(96)	3	(778)
Total balance 31 December	32,447	2,397	1,768	36,612

USD thousands	Land and buildings	Plant, equipment and fleet	Other fixtures, fittings, tools & equipment	2023
Total balance 1 January	32,447	2,397	1,768	36,612
Additions and remeasurements during the year	9,977	1,583	1,245	12,805
Additions on acquisitions of companies	12	443	-	455
Disposals during the year	(618)	(93)	(144)	(855)
Depreciation for the year	(7,719)	(1,282)	(1,084)	(10,085)
Exchange rate adjustment	(492)	42	(302)	(752)
Total balance 31 December	33,607	3,090	1,483	38,180

15.2 Leasing amounts recognized in the income statement

USD thousands	2023	2022
Depreciation	(10,085)	(8,665)
Disposals	(855)	(110)
Interest on lease liabilities	(2,168)	(1,691)
Short-term leases	(4,944)	(4,281)
Lease of low value assets	-	(93)
Rent concessions COVID-19	-	68
Total amounts recognized in the income statement	(18,052)	(14,772)

15.3 Amounts recognized in cash flow statement (excluding EBIT)

USD thousands	2023	2022
Interest on lease liabilities	(2,168)	(1,691)
Installments on lease liabilities	(9,207)	(8,308)
Total outflow	(11,375)	(9,999)

15. Investment in associated companies

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

USD in thousands

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

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

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

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

16. Acquisitions

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

The purchase price consists of a cash payment of NOK 49 million and an earn-out payment based on various parameters, whereas the Group expect that all the criterias for full earn-out payment will be fullfilled, hence the full earn-out amont is recognized in the balance sheet. The earn-out consideration will be fully paid in 2026.

USD in thousands	28 Feb. 2023
Total purchase price	
Cash consideration	4,742
Earn-out contingent consideration	4,915
Total fair value of the purchase price	9,657
Fair value of net assets at acquisition	9,657
Goodwill at acquisition	1,715
Deferred tax liability at acquisition	1,715
Provision for earn-out contingent consideration at acquisition	4,915
Cash consideration	4,742
Acquired cash and cash equivalents	(312)
Total net outflow of cash from acquisition	4,430

USD in thousands	28 Feb. 2023
Intangible assets	
Completed development projects	7,797
Technology	13
Total intangible assets	7,810
Tangible assets	
Other fixtures	7
Plant, equipment and fleet	245
Plant, equipment and fleet under construction	452
Right-of use assets	455
Total tangible assets	1,159
Current assets	
Trade receivables	1,400
Other receivables	65
Prepayments	54
Cash and cash equivalents	312
Total current assets	1,831
Total assets	10,800
Non-current liabilities	
Finance lease commitments	455
Total non-current liabilities	455
Current liabilities	
Trade payables	166
Bank debt	134
Other payables	388
Total current liabilities	688
Total liabilities	1,143
Fair value of acquired net assets	9,657

17. Inventories

USD in thousands	2023	2022
Raw materials	12,583	8,022
Goods under manufacturing and finished goods	17,262	20,108
Total inventories	29,845	28,130

18. Trade receivables

USD in thousands	2023	2022
Trade receivables before allowance for doubtful accounts	73,071	70,878
Write-downs	(9,030)	(8,137)
Total trade receivables	64,041	62,741
Trade receivables - average fixed time of credit (days)	61	74
Development in write-downs of trade receivables:		
Total write-downs at 1 January	(8,137)	(3,000)
Realized losses during the year	79	900
Unrealized write-downs during the year deemed un-collectible	(972)	(6,037)
Total write-downs at 31 December	(9,030)	(8,137)
Age of past due trade receivables, not impaired:		
Not due	55,735	54,350
Up to 30 days	10,185	8,329
30 - 60 days	2,228	4,313
61 - 90 days	3,756	1,235
91 + days	1,167	2,651
Total trade receivables	73,071	70,878

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

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

The Group had three customers, which accounted for 10% or more of the total revenue in 2023 (2022: 2 customers). The three customers represent 12%, 14% and 15% respectively.

18. Trade receivables continued

18.2 Impairment of trade receivables
The Group's trade receivables relating to revenue are subject to the expected credit loss model. The IFRS 9 simplified approach is applied to measure the expected credit losses.

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

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

The provision for write-downs on trade receivables increased since 31 December 2022. The increase is primarily caused by individual assessments of customer receivables.

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

31 December 2022

USD in thousands	Not past due	Less than 30 days past due	30 to 60 days past due	More than 60 days past due	Total
Expected credit loss rate	0.60	0.60	2.37	50.47	
Trade receivable	54,350	8,329	4,313	3,886	70,878
Loss allowance ECL matrix	324	50	102	1,961	2,437
Loss allowance Russia	-	-	-	-	5,700
Total loss allowance	-	-	-	-	8,137

31 December 2023

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	0.14	17.69	100	100	
Trade receivable	55,735	10,185	2,228	4,923	73,071
Loss allowance	77	1,802	2,228	4,923	9,030

Quality control and inspection of tool components during maintenance in Houston Product Center, USA.

19. Share capital

USD in thousands	2023	2022
Total share units 1 January	1,098	1,098
Total share units 31 December	1,098	1,098

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

No dividend was paid out in 2023 or 2022, and no dividend is proposed related to the financial year 2023.

USD in thousands	Number of shares	Nominal value in DKK	Share of capital in %
Own shares 1 January 2022	1,339	1,339	0.02
Own shares 31 December 2022	1,339	1,339	0.02
Own shares 31 December 2023	1,339	1,339	0.02

20. Deferred tax assets and liabilities

USD in thousands	2023	2022
Total deferred tax 1 January	(9,290)	(8,173)
Exchange rate adjustments	121	-
Adjustment in deferred tax previous years	394	(1,058)
Change in deferred tax for the year	(2,590)	(359)
Effect of change in income tax rate, current year	(24)	-
Total deferred tax assets/liabilities (-) 31 December	(11,389)	(9,590)
Deferred tax breakdown:		
Intangible assets	(11,332)	(10,750)
Tangible assets	1,407	(1,794)
Right of use assets	(2,568)	-
Current and non-current liabilities	(5,069)	(586)
Other items (exchange rates etc.)	2,809	2,677
Tax loss carried forward	3,364	863
Total deferred tax assets/liabilities (-) 31 December	(11,389)	(9,590)
Deferred tax is recognized in the statement of financial position with:		
Deferred tax assets	4,411	2,884
Deferred tax liabilities	(15,800)	(12,174)
Total deferred tax assets/liabilities (-) 31 December	(11,389)	(9,290)

21. Defined benefit plans

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

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

Weighted average rates	2023	2022
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount rate range 2% - 7%	5.77	5.36
Expected future rate of salary increase in range of 2% - 6%	5.17	4.39
Withdrawal/employee turnover rate 5% - 20%	15.93	16.72

USD in thousands	2023	2022
Amounts recognized as staff expenses in the income statement:		
Current service costs	243	250
Net interest expense	59	34
Total	302	284

USD in thousands	2023	2022
Amounts recognized in comprehensive income in respect of defined benefit schemes :		
Actuarial (gains)/losses	51	(137)
Total	51	(137)

USD in thousands	2023	2022
Movements in present value of unfunded defined benefit plans in the current year:		
Opening present value	1,106	1,217
Currency adjustment opening balance	(6)	-
Adjustment due to change in benefits attribution method	-	(28)
Current service costs	243	250
Interest costs	59	34
Actuarial gains/losses from changes in financial assumptions	13	(11)
Actuarial gains/losses arising from experience adjustments	13	(126)
Actuarial gains/losses from demographic adjustments	24	-
Benefits paid	(79)	(230)
Closing present value of unfunded defined benefit plans	1,373	1,106

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

The total benfits to be paid in 2024 are USD 198 thousands.

22. Current and non-current financial liabilities

USD in thousands	2023	2022
Bond debt*	217,500	290,064
Finance lease commitments	38,659	36,334
Bank debt	1,939	2,828
Total	258,098	329,226
Recognition of short-term and long-term financial liabilities in the statement of financial position:		
Non-current financial liabilities — lease commitments	28,534	27,517
Non-current financial liabilities — bond debt*	217,500	290,064
Non-current financial liabilities - bank debt	972	1,905
Current financial liabilities - bank debt and lease commitments	11,092	9,740
Total	258,098	329,226

***Bond debt**
In October 2021, Welltec International ApS issued bonds of a value of USD 325 million with fixed coupons of 8.25%. The bonds are repayable in full in October 2026. 1 January 2023 the nominal net bond debt was USD 295 million.

The Group repurchased bonds of a nominal value of USD 49.7 million in the first half of 2023. In September 2023, the Group exercised a 10% redemption option under the bond framework, reducing the nominal value of the net bond debt by additional USD 24.9 million.

The fair value of the net bond debt (nominal value of USD 220.4 million) is USD 225.9 million at 31 December 2023 based on the last observed ask price in Refinitiv Eikon (level 1 in the fair value hierarchy).

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

Welltec International ApS may redeem the notes, in whole or in part, at any time during the 12-month period beginning on October 15 of the year indicacted, at the redemption prices set forth below (expressed as percentages of principal amount):

2024: 102.0625%
2025 and thereafter: 100.0000%

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

2022

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

2023

Currency	Expiry	Fixed or floating interest	Effective interest rate %	Carrying amount local (thousands)	Carrying amount USD (thousands)
DKK	2024-2031	fixed	2.55-7.92*	121,441	18,005
NOK	2024-2029	fixed	3.29-5.85*	48,648	4,782
USD bond debt	2026	fixed	8.25	217,500	217,500
USD other	2024-2028	fixed	1.65-10.30*	6,735	6,735
Other	2024-2030	fixed	2.19-65.75*	-	11,076
Total					258,098

*Interest rate spread contains weighted interest rates of: DKK 4.05% (2022: 3.91%), NOK 4.55% (2022: 4.45%), USD 4.25% (2022: 4.31%) and other currencies 8.36% (2022: 8.54%).

22. Current and non-current financial liabilities continued

Maturity dates for financial liabilities

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

USD in thousands	2023 Less than 1 year	Between 1 and 5 years	Later than 5 years	Total
Finance lease liabilities	10,125	22,241	6,293	38,659
Bond debt	-	217,500	-	217,500
Bank debt	967	972	-	1,939
Defined benefit plans	-	-	1,373	1,373
Other liabilities	-	-	2,484	2,484
Trade payables	27,856	-	-	27,856
Provisions	-	4,915	-	4,915
Other payables	33,467	-	-	33,467
Total financial liabilities	72,415	245,628	10,150	328,193

All debt is measured at amortized cost. The amounts in the table above are exclusive of interest. The future net interest payments for the interest bearing debt amounts to USD 51,573 thousands (2022: USD 93,294 thousand).

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

Undiscounted financial liabilities

USD in thousands	2022 Less than 1 year	Between 1 and 5 years	Later than 5 years	Total
Finance lease liabilities	8,876	23,356	9,155	41,387
Bond debt	24,338	364,970	-	389,308
Bank debt	1,198	2,411	-	3,609
Total undiscounted financial liabilities*	34,412	390,737	9,155	434,304

USD in thousands	2023 Less than 1 year	Between 1 and 5 years	Later than 5 years	Total
Finance lease liabilities	10,721	26,522	6,518	43,761
Bond debt	18,181	253,708	-	271,889
Bank debt	1,242	1,290	-	2,532
Total undiscounted financial liabilities*	30,144	281,520	6,518	318,182

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

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

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

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

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

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

			Non-cash		
		Included in cash flow from financing activities	New leases and remeasure-ments	Amortizations	
USD in thousands	1 Jan. 2023				31 Dec. 2023
Bond debt	290,064	(74,625)	-	2,061	217,500
Finance lease commitments	36,334	(9,207)	11,532	-	38,659
Bank debt	2,828	(1,244)	-	355	1,939
Total interest bearing debt	329,226				258,098
Cash and cash equivalents	(70,623)				(95,630)
Total net interest bearing debt	258,603				162,468

Newly established automated welding area for completions products in Houston IMC, USA.

22. Current and non-current financial liabilities continued

Bond debt

USD in thousands	2023	2022
Bond debt 1 January	290,064	318,424
Amortization	2,061	1,640
Repurchase/redemption of bonds, nominal value	(74,625)	(30,000)
Total bond debt 31 December	217,500	290,064

23. Other payables

USD in thousands	2023	2022
Wages and salaries, personal income taxes, social security costs, etc.	7,770	6,534
Holiday pay obligation	5,457	4,707
Accrued interests	1,695	2,161
VAT and duties	935	609
Resigned employees	-	549
Third party cost	1,850	1,441
Other costs payable	15,760	16,943
Total other payables	33,467	32,944

24. Fees to auditors appointed at the annual general meeting

USD in thousands	2023	2022
Statutory audit services	796	950
Audit related services	-	7
Total audit services	796	957
Non-audit services:		
Tax advisory services	531	33
Other	343	411
Total non-audit services	874	444
Total fees to auditors	1,670	1,401

25. Assets charged and contingent liabilities

In 2023 the Group has issued bank guarantees to third parties in the amount of USD 10.5 million (2022: USD 11.6 million).

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.

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

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

26. Financial instruments

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

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

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period, for entities with functional currencies other than USD, are as follows stated in the material currencies affecting the Group:

	Assets		Liabilities	
USD in thousands	2023	2022	2023	2022
DKK	89,160	63,765	89,945	61,018
NOK	11,344	8,814	12,472	11,594
INR	7,840	4,407	954	1,037
RUB	24,226	27,768	1,765	2,141
CHF	7,316	8,710	732	1,087
NGN	6,061	4,709	771	1,361
XAF	2,827	2,008	601	830

2023 Abu-Dhabi International Petroleum Exhibition and Conference (ADIPEC), UAE.

26. Financial instruments
continued

26.2.2 Foreign currency sensitivity analysis

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

	Profit/(loss)		Equity	
USD in thousands Currency impact	2023	2022	2023	2022
DKK	7,039	6,182	-	-
NOK	4,577	5,379	660	455
INR	550	908	2,507	2,124
RUB	636	807	1,006	1,037
CHF	3,945	1,741	5,307	1,436
NGN	745	578	304	266
XAF	1,065	(149)	817	(257)

26.2.3 Interest rate risk management
The Group´s interest rate risk mainly relates to the Group´s interest bearing debt to bondholders. The interest is fixed at an effective rate of 8.25%. As the interest rate is fixed the Group does not hedge interest rate risk.

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

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

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year and equity as of 31 December 2023 would be affected with USD 2,557 thousand (2022: USD 3,165 thousand).

Welltec® Light Packer (WLP) being deployed for PDC Energy in Colorado, USA.

26. Financial instruments
continued

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

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

In the event of a change in control of the Group, the bondholders have a right to require the Group to repurchase the notes issued in October 2021.

For general corporate and working capital purpose the Group holds Revolving Credit Facility (RCF), which can be used for cash draw-downs, letter of credits and guarantees of an aggregate amount up to USD 40 million.
The RCF contains requirements for mandatory prepayments upon certain events and a financial covenant (see below). At 31 December 2023 the utilisation of the facility was limited to guarantees of USD 10.5 million (see note 25: Assets charged and contingent liabilities).

The cash position at 31 December 2023 is USD 95.6 million (2022: USD 70.6 million) of which USD 18,2 million is not available for the Group.

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

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

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

26.4 Categories of financial instruments

USD in thousands	2023	2022
Other receivables - non-current	1,298	729
Trade receivables	64,041	62,741
Other receivables - current	10,026	3,285
Cash and cash equivalents	95,630	70,623
Total financial assets measured at amortized cost	170,995	137,378
Finance lease liabilities	38,659	36,334
Bond debt	217,500	290,064
Bank debt	1,939	2,828
Other liabilities	2,484	2,336
Trade payables	27,856	25,079
Other payables	33,467	32,944
Total financial liabilities measured at amortized cost	321,905	389,585

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

27. Related parties

Welltec International ApS' related parties:

1. 7 Industries Holding B.V., Van Heuven Goedhartlaan 13D, 1181 LE, Amstelveen, The Netherlands (owns 33.33% - 49.99%)
2. Exor N.V., Gustav Mahlerplein 25, 1082 Amsterdam, The Netherlands (owns 33.33% - 49.99%)
3. Members of the Parent Company's Executive Management and Board of Directors as well as close relatives of these members
4. Subsidiaries of Welltec International ApS (see note 29: Investments in subsidiaries)
5. Executive Management holders of share based programmes (see note 5 Staff Cost)

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

28. Events after the balance sheet date

No material subsequent events occured after the balance sheet date.

Operations in Angola for TotalEnergies

29. Overview of 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	99%
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%
Welltec Oilfield Services(Guyana) Inc***	Guyana	GYD	500,000	100%
PT. Welltec Oilfield Services Indonesia**	Indonesia	USD	1,440,750	100%
Welltec Oilfield Solutions (India) Private Limited*******	India	INR	300,000	100%
Welltec Oilfield Services (Kazakhstan) LLP **	Kazakhstan	KZT	151,200	99%
Welltec Kazakhstan Joint Venture LLP **	Kazakhstan	KZT	252,00	95%

29. Overview of subsidiaries continued

Name	Registered office	Currency	Capital	Share
Welltec Oilfield Services (Malaysia) Sdn. Bhd **	Malaysia	MYR	350,000	49%
Welltec Oilfield Services Mexico S.A. ***	Mexico	MXN	50,000	100%
Welltec Oilfield Services (Nigeria) Ltd. ****	Nigeria	NGN	25,000,000	30%
Welltec Oilfield Services (Norway) **	Norway	NOK	3,000,000	100%
Autentik AS **	Norway	NOK	51,695	100%
Welltec Oilfield Services (Muscat) LLC **	Oman	OMR	150,000	70%
Welltec Energy Solutions Poland sp. z o.o.	Poland	PLN	5,000	100%
Welltec Oilfield Services (Doha) LLC **	Qatar	QAR	1,000	49%
Welltec (RUS) Holding LLC **	Russia	RUB	100,000	99.9%
Welltec Oilfield Services (RUS) LLC. **	Russia	RUB	100,000	100%
Welltec Oilfield Services (Saudi Arabia) Ltd **	Saudi Arabia	SAR	500,000	100%
Welltec Oilfield Solutions (Industrial) LLC (Saudi Arabia)*******	Saudi Arabia	SAR	1,000,000	100%
Welltec (UK) Ltd. **	Scotland - UK	GBP	1	100%
Welltec Oilfield Solutions AG ******	Switzerland	CHF	100,000	100%
Welltec Oilfield Interventions AG*****	Switzerland	CHF	100,000	100%
Welltec Worldwide GmbH******	Switzerland	CHF	20,000	100%
Welltec Oilfield Services (Trinidad & Tobago) Limited *	Trinidad & Tobago	TTD	1	100%
Welltec Global Services FZE**	UAE	AED	300,000	100%
Welltec Inc. **	USA	USD	100,000	100%
Welltec Venezuela, C.A.***	Venezuela	VEF	195.31	100%

Even though Welltec A/S only holds a 49% and 30% ownership interest in some subsidiaries, Welltec A/S controls the subsidiaries through holdings of more than half of the voting power. As stated above, Welltec owns a number of subsidiaries in the Group more than 50% but less than 100%.

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

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

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

Parent Company statement of comprehensive income

USD in thousands	Note	2023	2022
Administrative costs	3	(439)	(636)
Total operating (loss) (EBIT)		(439)	(636)
Financial income	4	18,390	9,348
Financial expenses	5	(25,988)	(27,528)
Total (loss) before tax		(8,037)	(18,816)
Income taxes	6	579	590
Total (loss) for the year		(7,458)	(18,226)
Total comprehensive (loss)		(7,458)	(18,226)
Allocation of total comprehensive (loss):			
Transferred to retained earnings		(7,458)	(18,226)

Interventions tool demonstration and customer talks during the official opening of the new Aberdeen office and workshop facilities in August, 2023.

Parent Company statement of financial position

USD in thousands	Note	31 Dec. 2023	31 Dec. 2022
Non-current assets			
Financial assets			
Investments in subsidiaries	9	283,174	282,340
Loan to subsidiaries and affiliates	15	-	81,950
Total financial assets		283,174	364,290
Total non-current assets		283,174	364,290
Current assets			
Other receivables		497	-
Receivables from subsidiaries and affiliates	15	1,934	1,886
Current tax receivable		11,028	12,424
Total receivables		13,459	14,310
Total current assets		13,459	14,310
Total assets		296,633	378,600

USD in thousands	Note	31 Dec. 2023	31 Dec. 2022
Equity			
Share capital	10	1,098	1,098
Retained earnings		64,660	71,106
Total equity		65,758	72,204
Non-current liabilities			
Deffered tax		550	1,129
Bond debt	11	217,500	290,064
Loan from subsidiaries and affiliates	11	10,000	-
Total non-current liabilities		228,050	291,193
Current liabilities			
Payables to subsidiaries	15	63	12,600
Other payables		2,762	2,603
Total current liabilities		2,825	15,203
Total liabilities		230,875	306,396
Total equity and liabilities		296,633	378,600

Parent Company statement of changes in equity

USD in thousands	Share capital	Retained earnings	Total
Total equity at 1 January 2022	1,098	88,827	89,925
(Loss) for the year	-	(18,226)	(18,226)
Total comprehensive income for the year	-	(18,226)	(18,226)
Payments received for warrants	-	148	148
Warrants vested	-	357	357
Total other transactions	-	505	505
Total equity at 31 December 2022	1,098	71,106	72,204
(Loss) for the year	-	(7,458)	(7,458)
Total comprehensive income for the year	-	(7,458)	(7,458)
Payments received for warrants	-	178	178
Warrants vested	-	834	834
Total other transactions	-	1,012	1,012
Total equity at 31 December 2023	1,098	64,660	65,758

High skilled manual welding techniques are still required at times and compliment automated technogies when necessary.

Parent Company statement of cash flows

USD in thousands	Note	2023	2022
Operating loss (EBIT)		(439)	(636)
Non-cash adjustments	7	1,503	17
Changes in working capital	8	(12,920)	11,393
Income taxes received/(paid)		1,395	(12,415)
Total cash flows from operating activities		(10,461)	(1,641)
Financial expenses paid		(25,432)	(25,888)
Financial income received		3,390	9,331
Dividend received from subsidiaries	4	15,000	-
Repurchase and redemption of bonds, nominal value	11	(74,625)	(30,000)
Loan from subsidaries	11	10,000	-
Repayment of loan to subsidiaries		81,950	48,050
Payment received for warrants		178	148
Total cash flows from financing activities		10,461	1,641
Total increase/(decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at 1 January		-	-
Total cash and cash equivalents at 31 December		-	-

Contents notes
Parent Company

1. Accounting policies

Basis of accounting
The annual report for 2023 of the Parent Company Welltec International ApS is presented in accordance with IFRS Accounting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of reporting class C (large) enterprises. Please see the Danish Executive Order on IFRS adoption issued in accordance with the Danish Financial Statements Act.

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

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

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

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

2. Use of critical accounting estimates and judgments

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

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

Impairment of investments in subsidiaries
Investment in subsidiaries represents USD 283 million equaling 95% of total assets in the Parent Company. The impairment test revealed no need for impairment. When considering impairment indicators, Management makes an assessment of whether the subsidaries of Welltec International ApS Group will be able to generate positive net cash flows sufficient to support the value of the investments. Regarding this estimate and the assumptions made by Management see note 2.3: Use of critical accounting estimates and judgements in the Consolidated financial statements.

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

3. Staff costs

There have been no employees in the Parent Company for the financial years 2023 and 2022.

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

4. Financial income

USD in thousands	2023	2022
Interest income from subsidiaries	2,583	9,331
Interest	193	-
Dividend received from subsidiaries	15,000	-
Other financial income	614	-
Total interest income from financial assets that are not measured at fair value through profit or loss	18,390	9,331
Exchange rate gains	-	17
Total financial income	18,390	9,348

5. Financial expenses

USD in thousands	2023	2022
Interest expenses	21,333	26,183
Interest expenses to subsidiaries and affiliates	63	-
Other financial expenses	4,359	1,345
Total interest expenses from financial liabilities that are not measured at fair value through profit or loss	25,755	27,528
Exchange rate loss	233	
Total financial expenses	25,988	27,528

6. Income taxes

USD in thousands	2023	2022
Current tax	-	708
Adjustment in corporation tax, previous years	-	(372)
Total current tax incl. adj. in corporation tax previous years	-	336
Change in deferred tax	519	254
Adjustments in deferred tax, previous years	60	-
Total income taxes	579	590
A breakdown of tax:		
Total (loss) before tax	(8,037)	(18,816)
Calculation of effective tax rate:		
Danish corporation tax rate	22.0%	22.0%
Interest limitation, thin capitalization	(56.6)%	(16.9)%
Other, including adjustment to previous years	41.8%	(2.0)%
Total effective tax rate	7.2%	3.1%

No income tax has been recognized in other comprehensive income/(loss) or directly in equity in 2023 and 2022.

7. Non-cash adjustments

USD in thousands	2023	2022
Currency adjustments	(233)	17
Accrued interest	(325)	-
Fair value adjustment, repurchase/redemption of bonds	2,061	-
Total non-cash adjustments	1,503	17

8. Changes in working capital

USD in thousands	2023	2022
Change in receivables from subsidiaries and affiliates (net)	(12,585)	11,314
Change in receivables	(496)	-
Change in other payables	161	79
Total changes in working capital	(12,920)	11,393

9. Investments in subsidiaries

USD in thousands	2023	2022
Total cost 1 January	282,340	281,983
Addition, issued warrants (subsidy to Welltec A/S)	834	357
Total acquisition cost 31 December	283,174	282,340

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

The Parent Company has investments in the following subsidiaries:

Name	Registered country	2023	2022
Welltec A/S	Denmark	100%	100%
Welltec Manufacturing Center Completions ApS	Denmark	100%	100%
Welltec Oilfield Interventions AG	Switzerland	100%	100%

10. Share capital

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

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

11. Current and non-current financial liabilities

Maturity dates for financial liabilities

USD in thousands	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total
2022				
Bond debt	-	290,064	-	290,064
Payables to subsidiaries	12,600	-	-	12,600
Other payables	2,603	-	-	2,603
Total financial liabilities	15,203	290,064	-	305,267

USD in thousands	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total
2023				
Bond debt	-	217,500	-	217,500
Loan to subsidiaries and affiliates	-	-	10,000	10,000
Payables to subsidiaries	63	-	-	63
Other payables	2,762	-	-	2,762
Total financial liabilities	2,825	217,500	10,000	230,325

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

The amounts are exclusive of interest.

Undiscounted financial liabilities

USD in thousands	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total
2022				
Bond debt	24,338	364,970	-	389,308
Total undiscounted financial liabilities	24,338	364,970	-	389,308

USD in thousands				
2023				
Bond debt	18,181	253,708	-	271,889
Loan to subsidiaries and affiliates	950	4,750	10,950	16,650
Total undiscounted financial liabilities*	19,131	258,458	10,950	288,539

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

12. Fees to auditors appointed at the annual general meeting

USD in thousands	2023	2022
Statutory audit services	39	20
Total fees to auditors	39	20

13. Assets charged and contingent liabilities

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

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

14. Financial instruments

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

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

15. Related parties

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

15.1 Related party transactions

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

	2023	2022
USD in thousands	Subsidiaries	Subsidiaries
Dividend received from subsidiaries	15,000	-
Interest expenses	(63)	-
Interest income	2,583	9,331
Share based payments	178	148
Total transactions	17,698	9,479

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	2023	2022	2023	2022
Subsidiaries	1,934	83,836	10,063	12,600
Total balances	1,934	83,836	10,063	12,600

16. Events after the balance sheet date

No material subsequent events occured after the balance sheet date.

Branches

The Group holds the following branches:

Name	Registered office	Principal activity	Year/ currency
Welltec Oilfield Intervention AG****	Algeria	Tax registration	2019 / DZD
Welltec A/S*	Azerbaijan	Sales branch	2008 / AZN
Welltec A/S*	Brazil	Tax registration	2011 / BRL
Welltec Latinamerica ApS**	Brazil	Tax registration	2006 / BRL
Welltec Latin America ApS*	Columbia	Sales branch	2011 / COP
Welltec Latinamerica ApS**	Ecuador	Sales branch	2014 / USD
Welltec A/S*	Gabon	Sales branch	2012 / XAF
Welltec A/S India Project Office*	India	Sales branch	2008 / INR
Welltec A/S*	Kuwait	Tax registration	2017 / USD
Welltec Oilfield Services Pty Ltd*****	Papua New Guinea	Tax registration	2019 / AUD
Welltec A/S*	UAE	Sales branch	2011 / AED
Welltec Latin America ApS**	Venezuela	Tax registration	2012 / VEF

*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

Welltec Prudhoe Bay, Alaska.

Definitions

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

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

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

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

EBITDA margin

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

EBIT margin before special items

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

ROIC excl. goodwill

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

Return on equity

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

Net debt/EBITDA gearing

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


2023