

# Board of Directors' Report 2021

## Company background

Interwell Norway AS is a subsidiary of Interwell AS, and a part of the Interwell Group, and is based at Kvernevik Ring 177 in Stavanger. Interwell Norway AS has branches in Trondheim, Russia and Denmark. Interwell Norway AS's business idea and strategy are to contribute to enhanced efficiency of critical onshore and offshore operations, from the construction phase of a well right through plugging and abandonment. The Company develops and offers sealing and well integrity solutions to help operators achieve the highest possible rate of recovery of hydrocarbons through specialised equipment and services for sale and rental to the global exploration and production (E&P) industry. With a product range consisting of industry-leading niche products within the E&P value chain, the Company's products contribute to considerable and increased value creation for the customers. Interwell's technology continues to deliver alternatives that reduce operational complexity and risk, emissions to the atmosphere and general environmental footprint. Interwell is based on a circular business model where most of the equipment will be reused unless it is permanently installed.

## Financial overview

The total revenue in 2021 for Interwell Norway AS was NOK 1 027.1 million, compared to a similar NOK 833.8 last year. Operating profit was NOK 437.7 million, compared to NOK 301.3 last year.

The increase in revenue was mainly due to higher regional activity level in the Middle East, Europe, Norway and APAC. The financial results reflect a combination of higher activity in a demanding competitive landscape and improved operational efficiency compared to the previous year. Interwell Norway's main revenue comes from offshore activities in Norway and Denmark and revenue sourced through other companies in Interwell Group.

The equity ratio at the end of the year was 72,8 % compared to 70,6 % in 2020. The equity ratio includes the right to use liability on assets according to the accounting standard for lease agreements (IFRS 16). The lease liability was NOK 38.4 million in 2021 compared to NOK 50.8 million in 2020.

The net profit after tax for 2021 ended at NOK 342.6 million, compared to NOK 223.4 million in 2020.

The net cash generation from operations in 2021 was NOK 457.7 million, compared to NOK 407.1 million in the previous year. The positive cashflow was primarily reinvested in the upgrade and broadening of tools inventory available for rent, securing an appropriate financial platform for further growth initiatives and allocation group contribution. Investments decreased to NOK 170,8 million in 2021, down from NOK 175.8 million in 2020. Investments include investments in Research and Development.

Interwell Norway continues to spend considerable resources on internally funded research and development activities. It is a fundamental strategic decision for the company to remain focused on developing new value-adding technology and bring this to the market. The Company continuously monitors the market needs to be based upon input from the end-users and other relevant stakeholders.

The Board believes that the annual accounts give a fair representation of the Company's assets and liabilities, financial position, and results.

The Financial Statement has been prepared in accordance with the application of simplified international accounting standards per § 3-9 of the Norwegian Accounting Act.

## **Going concern**

The 2021 annual accounts have been prepared on a going concern bases, and the Board of Directors hereby confirm that the going concern assumption was present at the time of approval of the financial statement.

## **Operational overview**

2021 continued to be a year impacted by Covid-19. Despite a global situation still entrenched in a global pandemic, Interwell Norway AS delivered a solid operational performance with strong financial results. Revenue from group companies continued positive development in 2021. The Board is therefore pleased to see that Interwell Norway has maintained healthy financial results coupled with strong operational performance despite a challenging market situation. Interwell Norway AS's business model has yet again proved to be robust and resilient. The focus has been on the health and safety of employees while maintaining operational capability and capacity for ongoing and planned operations.

Although the Covid-19 continued to impact the business environment in 2021, the Board is pleased to see that optimism have gradually returned in several areas. Energy prices, in general, have soared in several markets during 2021 where the price for oil & gas ended the year at levels not experienced in several years. Sustainable energy supply and the associated energy transition remains a global mega-trend that will likely force the entire E&P industry to proactively focus on sustainability, efficiency improvements and new technology. Interwell Norway AS is well-positioned to meet these initiatives and will continue to introduce new products and solutions to help and support the energy transition.

Even if Interwell Norway AS is subject to market and price competition in line with other oil service providers, the Company's product- and service offerings continue to expand and provide value-added solutions to its customers. Furthermore, increased focus on efficiency and reduction of environmental footprint fits well with Interwell Norway AS's solutions and supports a strong outlook for our business.

Interwell Norway AS increased the business volume on the Norwegian Continental Shelf (NCS). The company remain dedicated to serving the NCS which is dominated by a few operators with whom Interwell Norway AS has a long-lasting relationship and broad product portfolio. Interwell Norway AS also benefit from the Group who is covered with a solid contract portfolio where the majority are direct contracts with the operators. This enables Interwell Norway AS to develop products and solutions in close cooperation with end-users, which helps protect the strong position in the NCS market going forward.

In the other markets, Interwell Norway benefits from the operation of sister companies in Interwell Group. The activity has demonstrated regional variances, where locations with locally established organisations seem to have been more robust to handle Covid-related travel restrictions.

The Board is very pleased to see that completions-based products continued to gain momentum across a wider geography. The refocused completions strategy from 2019 has gained momentum in 2021 and is expected to continue to have positive effect in the years to come. The Company is experiencing significant interest in glass-based technologies and is confident that the growth will continue to be strong for the years to come.

## **Market Outlook**

Following an unparalleled period of global Covid-19 related challenges since early 2020, we are more optimistic for 2022. Higher hydrocarbon commodity prices combined with the pandemic coming under control have led to a gradual reopening of economies, and a visible path to normality. The COVID-19 pandemic remains as a key risk factor in the short- and medium-term, at least when considering knock-on effects to the global economy. However, the past couple of years has proved the strength and resilience of Interwell Norway AS's business model. The Board is therefore confident that the Company has sound processes in place to manage future direct- or indirect effects of the pandemic and will remain able to serve its markets and customers. Continued focus on the health and safety of employees, operational effectiveness combined with actions to maintain capital discipline for the immediate future will likely be the top priority as we move towards a full market recovery.

With regards to the Russian invasion of Ukraine in February 2022, Interwell Norway AS did not have any ongoing operations in Russia at the time of the invasion. The economic exposure is limited and has no impact on the financial statements presented for 2021. Interwell Norway AS will continue to monitor the situation closely and will remain in compliance with the imposed international sanctions towards Russia and Russian business interests.

Except for activities in Russia and the Caspian area, we expect that the post-Covid recovery will continue towards normality, although we will likely see some regional variances according to local market conditions. Interwell Norway AS is predominantly exposed to the oil & gas operating companies' operational expenditure budgets which have proved to remain more stable through cyclical volatility than other segments in the E&P value chain. Interwell Norway AS has a strong product portfolio with an attractive business proposition for the E&P operators and the Board assesses that Interwell Norway AS will remain well-positioned to serve its customers through its operations across all regions through 2022.

The Company will continue to introduce new technology to the market, and the Board is pleased to see that the continued broadening of Interwell Norway AS's commercial platform is well suited to introduce innovative and value-added solutions to our customers.

### **Credit and liquidity risk**

While the fundamental credit risk for Interwell Norway AS is considered relatively low due to the mix of our customer base with a large influx of large international and government E&P companies in the production phase. It is the Board's view that future scenarios can all be accommodated with its current financing facilities. Interwell Norway AS is well-financed through leading Nordic banks, with significant covenant flexibility. Moreover, the Company enjoys a healthy rating in the credit market with relatively low gearing and an established cash management system in place.

Interwell Norway AS have exposure to foreign currency on both revenue and costs, where USD is the main currency exposure. The Company have established routines and have plans to keep the foreign exchange exposure as low as possible.

### **Research and development activities**

Interwell Norway AS's leading position as a premium provider of downhole technology is underpinned by a focused program for the development of new products and services to enable more cost-efficient well completions, interventions, workovers and standard P&A operations. The overall technology development in the Company is directed towards continuous improvement of core technologies and digital solutions. Interwell Norway AS's technology continues to deliver alternatives that reduce the operational footprint and improve environmental impact.

### **Organisation and Health, Safety and Work Environment**

Interwell Norway AS is committed to a working culture that promotes a zero-tolerance attitude towards unsafe acts and conditions. The Company has zero-tolerance for any unethical behaviour and actions. Interwell Norway AS had 232 employees at the end of 2021, which was an increase of 26 people compared to the start of the year.

It is the Board's view that the work environment and relations within the Company are sound with an overall sick leave of 2.8 % and a low level of attrition.

Interwell Norway AS continued its high focus on safety and is therefore disappointed to see one LTI during 2021 as zero continues to be the goal. The LTI was caused by an incident in the Stavanger workshop in May 2021, where a workshop employee was exposed to chemicals without wearing proper personal protective equipment (PPE). The employee was sent to medical check and stayed home for a few days before returning to work. The incident was duly investigated, where the root cause was identified, and mitigating actions implemented. No permanent injuries were caused by the LTI, and the individual was back to work shortly after the incident.

Interwell Norway AS recognises the importance of work and the significant role it plays in the lives of most people, as of 2021 the Company conducted a Work Environment survey and results show a high satisfaction score, which is supported by a low employee turnover. Findings and action plans from these surveys have been shared with the employees in town hall meetings.

Among Interwell Norway's 232 headcount at year-end, 43 were women. The proportion of women in Interwell Norway AS was 18,5 %. Interwell's policy is that work of equal value should provide equal pay. Equality between women and men is a company goal, and Interwell Norway AS has no gender discrimination. When recruiting, both internally and externally, personal qualifications have the highest priority irrespective of gender.

The Company works to promote equal opportunity and non-discrimination within its business. The Company employs - and has historically employed - personnel from different nationalities. The Company has a tradition of dealing with different nationalities and has built up a sound international understanding and knowledge base over the years. There have been no cases of discrimination reported by the Company in 2021. Interwell Norway AS also aims to provide a workplace where there is no discrimination on grounds of disability. Please visit [www.interwell.com](http://www.interwell.com) for more information on the equality report.

Interwell Norway AS is covered by the parent company insurance program for the board, senior management, and directors to protect individuals from lawsuits that origin from Interwell-related activity.

## **Sustainability**

Interwell Norway AS acknowledges our responsibilities and is committed to balancing environmental protection with sustainable development. Interwell Norway AS has a circular business model where most of our equipment - unless permanently installed, will be reused. Corporate social responsibility (CSR) programs cover all aspects of the organization. From creative solutions to the design of products and how and they are produced, supporting local communities, waste management, energy consumption, business development, procurement, anti-bribery and corruption and fair employment and practices, equality. CSR is present in Interwell Norway AS's considerations when making strategic decisions, business partner decisions, supplier selection and how it all connects to the Company's vision and values.

The Company has a dedicated sustainability program in place which is integrated into our operations and underpinning the UN Sustainable Development Goals. The Company has through a stakeholder assessment and input along with a benchmarking process identified the Strategic Primary and Secondary Sustainable Development Goals, where Interwell Norway AS can have a direct and indirect strong and positive impact. The Company is fully committed to acting sustainably while delivering excellent customer service and solid financial results. In our efforts, we will strive to go beyond the statutory obligations and the Company will continuously update its sustainability goals to reflect the development we see around us.

As of 2021, the parent company Interwell AS is a global signatory member of the UN Global Compact, where the Company is committed to reporting on sustainable practices and policies as a proactive level of commitment and accountability.

## **Environment**

The Company's operations are not regulated by licenses or decrees however the Company aims at handling environmental concerns per its best ability. The Company has a HSE management system in line with ISO 14001 Environmental Management System. Environmental impacts and aspects are evaluated throughout all processes including Product Life Cycle Management. All Interwell tools are reusable if and when retrieved.

Integrated Operations product offerings have been part of Interwell Norway AS Strategic Technology direction over the last 5 years. Interwell Norway AS delivers standard products supported or remotely

operated from Interwell onshore control centre. This reduces customers operational cost and carbon footprint. We are further exploring options to expand our Integrated Operation product range.

### **Anti-Corruption and Bribery**

Interwell Norway AS is a part of the Interwell Group corporate governance structure, which is compliant with recognised governance principles, and in compliance with the different regulatory requirements which the business is operating under. The Company has reviewed compliance with various rules and regulations, such as the Norwegian Code of Practice for Corporate Governance. Anti-corruption considerations are integrated into Interwell's business activities and decisions taking a risk-based approach with regular reporting to several stakeholders. During 2021 we continued our interaction with partners and supplies on ethics, anti-corruption and anti-bribery, focusing on high-risk countries.

### **Statement on the annual accounts and allocation of profit**

In the Board's opinion, the submitted profit and loss account and balance sheet including notes provide a correct representation of the Company's 2021 result and its financial position at year-end 2021. No events have occurred after the end of the financial year that impacts the assessment of the annual accounts. The company posted a net profit of NOK 342 639 760 in 2021 where the Board of Directors is proposing the following allocation:

Net Profit	NOK	342 639 760
Transferred to other equity:	NOK	241 713 911
Group Contribution:	NOK	100 925 849

Stavanger, 01. April 2022



Thormod Langballe  
Chairman of the Board



Trond Arve Stamnes  
Director



Tor Olav Melberg  
CEO

# Interwell Norway AS

## Income Statement

	Note	2021	2020
<b>Operating Revenue</b>			
Revenue	10, 14	1 027 080 978	833 859 789
<b>Total Operating Revenue</b>		<b>1 027 080 978</b>	<b>833 859 789</b>
<b>Operating Expenses</b>			
Cost of materials consumed		173 862 701	158 940 286
Payroll Expenses	3	205 383 769	177 781 050
Depreciation of Fixed Assets and Intangibles	1, 2	126 695 877	120 105 673
Write-down on Fixed Assets and Intangibles	2	22 976 835	22 094 446
Other Operating Expenses	3, 17	60 440 289	53 616 265
<b>Total Operating Expenses</b>		<b>589 359 471</b>	<b>532 537 720</b>
<b>Operating Result</b>		<b>437 721 507</b>	<b>301 322 069</b>
<b>Financial Income and Expenses</b>			
Other Interest Income		1 301 804	1 214 453
Other Financial Income		3 011 140	-216 392
Other Interest Expense	12	1 260 242	1 791 225
Other Financial Expense		0	22 969
<b>Net Financial Result</b>		<b>3 052 702</b>	<b>-816 134</b>
<b>Net Profit Before Tax</b>		<b>440 774 209</b>	<b>300 505 935</b>
Tax Expense	7	98 134 449	77 090 587
<b>Profit for the Year</b>		<b>342 639 760</b>	<b>223 415 348</b>
<b>Year End Dispositions</b>			
Transferred to/from Other Equity		241 713 911	39 530 682
Group Contribution net tax		100 925 849	183 884 668
<b>Total allocations</b>		<b>342 639 760</b>	<b>223 415 350</b>

## Statement of Comprehensive Income

	2021	2020
<b>Profit for the year</b>	<b>342 639 760</b>	<b>223 415 350</b>
<b>Items that may be subsequently reclassified to profit or loss</b>		
Currency translation differences	0	0
	0	0
<b>Other Comprehensive Income net of tax</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive income for the year</b>	<b>342 639 760</b>	<b>223 415 350</b>

# Interwell Norway AS

## Balance Sheet

31.12.2021

<b>ASSETS</b>	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b>Fixed Assets</b>			
<b>Intangible Fixed Assets</b>			
Research and Development	1	68 223 573	52 698 137
Concessions, Patents, Licenses, Trade Marks and Similar Rights	1	14 581 938	9 664 417
Deferred Tax Asset	7	27 258 398	22 537 099
<b>Total intangible fixed assets</b>		<b>110 063 909</b>	<b>84 899 653</b>
<b>Tangible Fixed Assets</b>			
Right of use asset	2, 12, 16	37 247 612	49 519 457
Rental Tools and Equipment	2, 16	222 274 336	233 469 423
Machinery and Equipment	2, 16	17 807 233	14 316 831
<b>Total tangible fixed assets</b>		<b>277 329 181</b>	<b>297 305 711</b>
<b>TOTAL FIXED ASSETS</b>		<b>387 393 090</b>	<b>382 205 364</b>
<b>Current Assets</b>			
<b>Inventories</b>			
Inventory	13, 16	136 234 544	103 217 963
<b>Total inventory</b>		<b>136 234 544</b>	<b>103 217 963</b>
<b>Receivables</b>			
Trade Receivables and Accrued Revenue	8, 11, 16	410 743 900	279 478 488
Other Receivables	8, 17	395 713 629	548 682 576
<b>Total short term receivables</b>		<b>806 457 529</b>	<b>828 161 064</b>
<b>Cash and Cash Equivalents</b>	9	<b>0</b>	<b>0</b>
<b>Total Current Assets</b>		<b>942 692 073</b>	<b>931 379 027</b>
<b>TOTAL ASSETS</b>		<b>1 330 085 163</b>	<b>1 313 584 391</b>

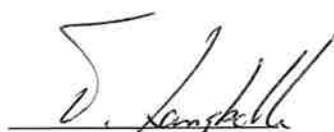
# Interwell Norway AS

## Balance Sheet

31.12.2021

<b>EQUITY AND LIABILITIES</b>	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b>Shareholder's Equity</b>			
Share Capital	4, 5	1 800 000	1 800 000
Share Premium	4	57 050 036	57 050 036
<b>Total contributed equity</b>		<b>58 850 036</b>	<b>58 850 036</b>
<b>Retained Earnings</b>			
Other Equity	4	908 824 079	868 163 556
<b>Total Retained Earnings</b>		<b>908 824 079</b>	<b>868 163 556</b>
<b>TOTAL EQUITY</b>	<b>4</b>	<b>967 674 115</b>	<b>927 013 592</b>
<b>Other non current liabilities</b>			
Non current lease liability	12	22 115 127	35 546 981
<b>Total non-current liabilities</b>		<b>22 115 127</b>	<b>35 546 981</b>
<b>Current Liabilities</b>			
Current lease liability	12	16 277 013	15 219 588
Current intercompany debt		129 392 113	235 749 576
Trade payables	8	104 210 600	52 654 616
Tax payable	7	35 273 905	9 268 847
Public duties payable		15 041 016	12 435 775
Other current liabilities	8	40 101 274	25 695 417
<b>Total current liabilities</b>		<b>340 295 921</b>	<b>351 023 819</b>
<b>TOTAL LIABILITIES</b>		<b>362 411 048</b>	<b>386 570 800</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>19</b>	<b>1 330 085 163</b>	<b>1 313 584 392</b>

Board of Directors Interwell Norway AS  
Stavanger, 01. April 2022



Thormod Langballe  
Chairman



Trond Arve Starnes  
Board Member



Tor Olav Melberg  
CEO

## CASHFLOW STATEMENT

	<b>2021</b>	<b>2020</b>
<b>Cash flow from operation</b>		
Net profits before tax	440 774 209	300 505 935
<i>Adjusted for</i>		
Paid tax in period	-48 715 411	-61 332 562
Depreciations and amortisations	126 695 877	104 276 105
Write down fixed assets	22 976 835	22 094 446
- Gain / loss disposal of fixed assets	24 408 289	13 687 635
<i>Change in working capital</i>		
Change in inventory	-33 016 581	8 311 740
Change in Accounts receivable	-131 265 412	33 041 958
Change in Accounts payable	51 555 984	-15 721 938
Change in other working capital items	4 238 781	2 281 493
<b>Net cash flow from operation</b>	<b>457 652 571</b>	<b>407 144 812</b>
<b>Cash flow from investment activities</b>		
Net proceeds from sale of fixed assets	0	0
Net payments from purchase of fixed assets	-170 757 614	-175 755 552
Share purchase	0	0
<b>Net Cash flow from investment activities</b>	<b>-170 757 614</b>	<b>-175 755 552</b>
<b>Cash flow from financing activities</b>		
Proceeds from increase in long term intercompany debt	0	0
Change current intercompany cashpool	-35 083 719	-154 431 280
Lease payments principal part	-16 061 662	-15 829 568
Paid Dividend	-200 000 000	0
Net group contribution	-35 749 576	-61 128 411
<b>Net cash flow from financing activities</b>	<b>-286 894 957</b>	<b>-231 389 259</b>
<b>Net change in cash and cash equivalents</b>	<b>0</b>	<b>0</b>
Balance of cash and cash equivalents at beginning of period	0	0
<b>Balance of cash and cash equivalents at end of period</b>	<b>0</b>	<b>0</b>

## Accounting principles

The annual accounts have been prepared in accordance with simplified application of International Financial Accounting Standards according to § 3-9 of the Norwegian Accounting Act.

Interwell Norway AS applied and got approval from Tax authorities to file the Financial Statements in English.

Functional and presentation currency is Norwegian kroner.

### Exemption in simplified IFRS

Company has elected to record proposed dividend and group contribution in the balance sheet at year end.

### Use of estimates

Preparation of the accounts in accordance with the Accounting Act requires the use of estimates. Further, application of the company's accounting principles requires that management exercise judgment. Areas that to a large extent include such discretionary judgments, a high degree of complexity, or areas where assumptions and estimates are significant to the annual accounts, are described in the notes.

### Revenue

The Company's operations are mainly concentrated around rental of assets and sale of goods. Revenues from rental operations are based on day rates and the company recognizes revenue over the contracted rental period, which coincides with the transfer of the performance obligation to the customer. Included in revenue is the net gain/loss from sale of rental assets that are considered a part of ordinary operations.

Revenue from sale of goods is recognised when the goods have been transferred to the buyer, and the performance obligation is completed. Allocations for expected guarantee work are recorded as cost and allocation for liabilities.

Revenue from retainers, availability fees or similar types of services are recorded at the completion of the delivery period.

### Classification of balance sheet items

Assets destined for permanent ownership or use are classified as fixed assets. Assets related to the goods circulation are classified as current assets. Receivables are classified at large as current assets if they are to be repaid within one year. For debts, analogue criteria are applied.

### Measurement of fair value

The Company measures certain assets and liabilities at fair value for the purposes of recognition or disclosure. Non-recurring fair value measurement is used for transactions, such as business combinations, contingent consideration and other non-routine transactions.

### Purchase cost

Purchase costs for assets includes the purchasing price, with deduction of bonuses, discounts and similar, and with the addition of purchase costs (freight, duties, public dues which are not refunded, and any other direct purchase costs). Purchases paid in foreign currencies are entered in the balance sheet at the exchange rate applying on the date of transaction.

### Intangible assets

Development expenses and patent costs are recognized in the balance sheet to the extent a future financial advantage can be identified relating to the development of an identifiable intangible asset, and the costs can be reliably measured. In the opposite case, such costs are charged to profits on a continuous basis. Development recognized in the balance sheet is depreciated linearly across the economic life.

### Tangible fixed assets

Fixed assets are recognized and depreciated linearly at residual value across the expected useful life of the asset. In the event of a change to the depreciation plan, the effects are distributed across the remaining depreciation period (breakpoint method). Maintenance of operating assets is charged to profit and loss on a continuous basis as operating costs. Upgrading and repair are added to the cost price of the operating asset, and depreciated concurrently with the operating asset. The separation between maintenance and repair is estimated with basis in the condition of the operating asset at the point of purchase.

### **Depreciation and impairment of fixed assets**

Fixed assets are recognized and depreciated linearly at residual value across the expected useful life of the asset.

If indicated that a fixed asset recognized in the balance sheet has a higher value than fair value, an impairment test is performed. The test is conducted for the lowest level of fixed assets which have independent cash flows. If the value recognized in the balance sheet is higher than both the sales value and recoverable values (present value at continued use/ownership), depreciation is made to the highest of sales value and recoverable amount.

Previous impairments, with the exception of impairment of goodwill, are reversed if the assumptions for impairment are no longer present.

### **Inventory**

Inventory are assessed at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials and direct labour. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### **Receivables**

Accounts receivable are recognized in the balance sheet after deduction of expected loss allocations. Allocations for losses are made on basis of an individual evaluation of the accounts receivable, and an additional allocation to cover other, anticipated losses.

Other receivables, including current receivables, are recognized at the lowest of nominal value and fair value. Fair value is the present value of expected, future payments. Allocation for losses is assessed in the same way as accounts receivable.

### **Foreign currency**

Transactions made in foreign currency are converted at the rate applicable on the date of transaction. Receivables and liabilities in foreign currency are valued with basis in the rate that applies at the end of the accounting year. Currency gains and losses related to sale and purchases of goods in foreign currency are recognized as other financial income and other financial expenses.

### **Pensions**

The group has a (secured) pension scheme for employees. The company's present scheme is contribution-based. All costs incurred are recorded through profit and loss statement. Any liabilities for incurred cost not paid are included in current accruals.

### **Taxes**

Tax in the income statement includes both payable tax for the period and changes to deferred tax. Deferred tax is calculated with basis of the temporary differences that exist between accounting values and tax values, plus any tax loss to be carried forward at the end of the accounting year. Tax-increasing or tax-reducing reducing temporary differences that reverse or that may reverse during the period are offset. The entry of deferred tax advantage on net tax-reducing differences that are not offset, and loss carried forward, are justified by assumed future earnings. Deferred tax and tax advantage that may be recognized in the balance sheet are entered net within the same tax regime.

## Cash flow statement

The cash flow statement is prepared with basis in the indirect method. Cash and cash equivalents include cash and bank deposits.

## Lease agreements

### The group's leasing activities and how these are accounted for under IFRS 16

Interwell Norway AS leases various offices, warehouses, retail stores, equipment and vehicles. Rental contracts are typically made for fixed periods of 6 months to 7 years.

Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

To determine the incremental borrowing rate, the company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with the long term group financing rate and adjust for credit risk for leases which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs if any.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the

## Note 1 Intangible Assets

	Research and Development	Patents	Total
Purchase cost pr. 01.01.	141 745 028	11 003 288	152 748 316
Additions	23 756 611	5 724 855	29 481 466
Disposals	0	0	0
<b>Purchase cost pr. 31.12.</b>	<b>165 501 639</b>	<b>16 728 143</b>	<b>182 229 782</b>
Accumulated depreciation 01.01	89 046 891	1 338 871	90 385 762
Impairment	0	0	0
Accumulated depreciation 31.12	97 278 065	2 146 205	99 424 270
<b>Net book value pr. 31.12.</b>	<b>68 223 573</b>	<b>14 581 938</b>	<b>82 805 511</b>
<b>Depreciation in the year</b>	<b>8 231 174</b>	<b>807 334</b>	<b>9 038 507</b>
Impairment	0	0	0
Estimated useful life	3- 10 years	3- 10 years	
Depreciation plan	Linear	Linear	

The Company has capitalized expenses for research and development where the criterias for recognition are met.

Research and development is related to research on technology within existing types of products where management believes there is a likely potential to succeed in developing a commercial product.

## Note 2 Fixed assets

	Right of use asset	Rental Tool and Equipment	Machinery and equipment	Total fixed assets
Purchase cost 01.01.	77 801 733	710 791 530	51 276 666	839 869 929
Additions	3 789 816	134 637 530	6 638 618	145 065 964
Disposals	0	-108 193 046	0	-108 193 046
Exchange Differences	0	0	0	0
<b>Purchase cost 31.12.</b>	<b>81 591 549</b>	<b>737 236 014</b>	<b>57 915 284</b>	<b>1 093 128 939</b>
Accumulated depreciation 01.01.	28 282 276	477 322 108	36 959 836	542 564 220
Accumulated write downs	0	0	0	0
Disposals/Impairment	0	-60 807 922	0	-60 807 922
Reclass	0	0	0	0
Exchange Differences	0	0	0	0
Accumulated depreciation and write downs 31.12.	44 343 938	514 961 678	40 108 051	599 413 667
<b>Net book value 31.12.</b>	<b>37 247 612</b>	<b>222 274 336</b>	<b>17 807 233</b>	<b>277 329 181</b>
<b>Depreciation in the year</b>	<b>16 061 662</b>	<b>98 447 493</b>	<b>3 148 215</b>	<b>117 657 370</b>
Write-offs in the year	0	0	0	0
Impairment in the year (reversal)	0	22 976 835	0	22 976 835
Expected useful life	1-3 years	3-5 years	3-8 years	2-10 years
Depreciation plan	Linear	Linear	Linear	Linear

The aquisition cost of "Right of Use Asset" has been calculated based on the value and Right To Use assets at implementenation date of transition.

**Note 3 Wage Expenses, Number of Employees, Remunerations, Loans to Employees etc.**

Wage Expenses	2021	2020
Wages	162 843 799	138 751 386
Payroll Tax	24 569 570	21 024 106
Pension Expenses	10 439 496	8 362 343
Other Benefits	7 530 904	9 643 215
<b>Total</b>	<b>205 383 769</b>	<b>177 781 050</b>
Full time employees at year end were	232	206

**Mandatory Occupational Pensions**

Interwell Norway AS is covered by the Mandatory Occupational Pensions Act and has established pension schemes which meet the statutory requirements

Management Remuneration	CEO	Board of Directors
Wages including bonus	683 657	0
Pension Expenses	26 856	0
Fees	0	0
Other Benefits	0	0
<b>Total</b>	<b>710 513</b>	<b>0</b>

From 01.04.2021 the company CEO has been employed in the parent company Interwell AS and has no direct compensation from Interwell Norway AS.

The CEO is entitled to a bonus scheme.

Interwell Norway AS did not make any payments to the Board of Directors.

**Main principles for the company's executive salary policy**

The principles and systems for remuneration of the company's executive management are determined by the CEO in Interwell AS. CEO in parent performs an annual evaluation of the CEO's salary and conditions, as well as the performance-based pay scheme for the executive management. Management salaries in Executive management's remuneration packages should be competitive, but not salary leading. The company should attract and retain talented management. Executive management remuneration packages should be motivating – the salary should be such that it motivates extra effort for the continuous improvement of the business and the company's results

The salary system should be understandable and acceptable, both internally and externally

The salary system should be flexible, where changes can be made when necessary

The salary system should promote cooperation

**Loans, Guarantees etc.**

There are no loans or guarantees for the benefit of shareholders, board members or related parties.

**Expensed Remuneration to Auditor**

(All amounts excluding VAT)

	2021	2020
Statutory Audit	624 384	735 000
Tax Consultancy from PwC Russia and PwC Denmark	420 785	0
Tax Consultancy (incl. tech. assistance with tax papers)	8 500	0
Other Assistance	0	187 503
<b>Total remuneration</b>	<b>1 053 669</b>	<b>922 503</b>

**Note 4 Equity****Changes in Equity for the Year**

	Share Capital	Share Premium	Other Equity	Total
Equity 1.1	1 800 000	57 050 036	868 163 556	927 013 592
Profit for the year	0	0	342 639 760	342 639 760
Dividend			-200 000 000	-200 000 000
Group contribution received				0
Group contribution provided			-100 925 849	-100 925 849
Other changes			-1 053 388	-1 053 388
<b>Equity 31.12.</b>	<b>1 800 000</b>	<b>57 050 036</b>	<b>908 824 079</b>	<b>967 674 115</b>

**Note 5 Share Capital and Shareholder's Information****Share Capital consists of**

	Number	Nominal Value	Book value
Ordinary Shares	150 000	12,00	1 800 000
<b>Total</b>	<b>150 000</b>		<b>1 800 000</b>

All shares are owned by Interwell AS. Interwell Norway AS is part of the Interwell AS group.

## Note 6 Group Accounts

Interwell Norway AS is a part of the Interwell AS group. Parent company Interwell AS prepares consolidated accounts.  
Interwell AS has the following business address:  
Kvernevik Ring 177  
4048 Hafrsfjord  
Norway

## Note 7 Tax

### Calculation of Deferred Tax Liability/Tax Asset

	Change	2021	2020
<b>Temporary Differences</b>			
Fixed Assets and intangible assets	-22 131 720	-117 013 012	-94 881 292
Inventory	568 684	-5 744 273	-6 312 957
Leasing	102 584	-1 144 528	-1 247 112
Accrued revenue	158 556	-391 127	-549 683
<b>Net Temporary Differences</b>	<b>-21 301 896</b>	<b>-124 292 940</b>	<b>-102 991 044</b>
Changes not included in deferred tax calculation	-158 556	391 127	549 683
<b>Basis of Deferred Tax Liability</b>	<b>-21 460 452</b>	<b>-123 901 813</b>	<b>-102 441 361</b>
Deferred Tax Liability ( - asset)	-4 721 298	-27 258 398	-22 537 099
Effect of change in tax rate		0	0
<b>Deferred tax / (Deferred tax asset in balance)</b>	<b>-4 721 298</b>	<b>-27 258 398</b>	<b>-22 537 099</b>
<b>Nominal Tax rate</b>		<b>22 %</b>	<b>22 %</b>

### Basis of Tax Payable

	2021	2020
Pre Tax Profits	440 774 209	300 505 936
Expenses not deductible for tax purposes	-409 039	-11 506 442
Net taxable profits	440 365 170	288 999 494
Change in Temporary Differences	21 301 896	20 943 917
<b>Basis of Tax Payable in Income Statement</b>	<b>461 667 066</b>	<b>309 943 411</b>

	2021	2020
<b>Tax expense</b>		
Calculated tax payable on profits in Norway	101 566 755	68 187 550
Tax payable abroad	20 535 371	18 932 700
Changes in deferred tax	-4 721 298	-4 642 544
Tax paid abroad	834 492	1 607 000
Tax paid not reclaimable	454 502	11 793 212
Tax credit reclaimed	-20 535 371	-20 539 700
Changes in prev. year tax expense	0	1 752 369
<b>Tax cost expensed</b>	<b>98 134 450</b>	<b>77 090 587</b>

	2021	2020
<b>Current tax balance</b>		
Calculated tax payable on profits	101 566 755	68 187 550
Group contribution	-28 466 265	-51 864 907
Reduction from government grants	0	-38 334
Tax paid abroad reclaimed in Norway	-37 200 045	-6 229 966
Prepaid tax paid including abroad	-626 540	-785 496
Conversion Difference Relating to Taxes	0	0
<b>Net tax payable / (receivable)</b>	<b>35 273 905</b>	<b>9 268 847</b>

Taxes in Percentage of pre-tax profits	22,3 %	25,7 %
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### Nominal tax rate

Tax at nominal rate	22,0 %	22,0 %
Effect from permanent and temporary differences	0,3 %	3,7 %
<b>Tax cost according to Profit and Loss Statement</b>	<b>22,3 %</b>	<b>25,7 %</b>

**Note 8 Balance with group companies and other receivables**

Amounts that are included in Accounts receivable 31.12	2021	2020
Interwell UK Ltd.	14 294 096	656 983
Interwell US LLC	15 288 472	1 833 908
Interwell Middle East	48 933 368	37 575 719
Interwell KSA	182 820 115	115 727 855
Interwell AS	386 319	0
Interwell Oman	6 878 487	9 089 987
Interwell Australia	819 452	8 469 115
Interwell Southeast Asia	14 982 071	15 533 776
Interwell Malaysia	4 955 116	0
Interwell P&A AS	1 093 739	1 263 005
FX adjustment	-14 037	-32 043
<b>Total receivable</b>	<b>290 437 198</b>	<b>190 118 305</b>

Amounts that are included in Accounts Payable 31.12	2021	2020
Interwell UK Ltd	2 819	127 290
Interwell Oman	10 699	0
Interwell Middle East	20 841 205	281 790
Interwell KSA	23 363	9 767
Interwell AS	21 516 189	13 156 835
Interwell Australia	13 336	25 298
Interwell Malaysia	95 140	8 222
Interwell P&A AS	0	0
Interwell US Ltd.	23 069	17 119
Cannseal AS	19 965 480	
FX adjustments	150 621	0
<b>Total Accounts Payable</b>	<b>62 641 921</b>	<b>13 626 321</b>

Amounts that are included in other current receivables	2021	2020
Group bank account net receivable	366 651 053	331 508 054
Other short term receivable	446 068	0
Group contribution	0	200 000 000
<b>Total other current receivables</b>	<b>367 097 121</b>	<b>531 508 054</b>

Amounts that are included in other current liabilities	2021	2020
Other short term debt	5 385 197	0
Group contribution	129 392 113	235 749 576
<b>Total other current liabilities</b>	<b>134 777 310</b>	<b>235 749 576</b>

**Note 9 Restricted cash and cash equivalents, multi currency cash pool agreement.**

The company holds bank guarantee for tax withholding account. The Tax Withholding at year end is covered by the guarantee.

**Note 10 Operating Revenue**

Geographical Distribution	2021	2020
Norway	437 368 397	387 508 964
Europe	145 371 418	103 239 341
Caspian	31 367 642	21 059 284
Russia	5 815 683	18 659 991
Middle East	313 204 354	225 195 882
Americas	34 463 593	36 452 691
Asia/Pacific	59 489 891	60 403 627
<b>Total</b>	<b>1 027 080 978</b>	<b>852 519 780</b>

\* Revenue in Africa is included in UK which sorts under Europe.

Interwell Norway's revenue in Norway, Europe and Russia is primarily offshore activities. The remaining revenue is rental and sale revenue to companies in the Interwell AS group.

## Note 11 Accrued revenue

Accrued revenue is presented in Accounts Receivable

At year end Interwell Norway has accrued NOK 36 959 388 as external revenue. Corresponding accrual for previous year was NOK 39 233 971 as accrued revenue. All accrued revenue are related to external customers and not intercompany.

## Note 12 Leases

	2021	2020
<b>Right of use (ending balance)</b>		
Industrial unit	35 481 929	48 452 218
Leasing car	505 961	120 825
Leasing Forklift / Truck	207 191	469 996
Leasing office equipment	884 748	100 758
Leasing workshop equipment	167 783	295 236
Staff House	0	80 424
<b>Total right of use assets at year end</b>	<b>37 247 612</b>	<b>49 519 457</b>
<b>Lease liabilities (ending balance)</b>		
Industrial unit	36 572 202	49 672 452
Leasing car	521 508	123 868
Leasing Forklift / Truck	213 557	481 833
Leasing office equipment	911 934	103 296
Leasing workshop equipment	172 939	302 671
Staff House	0	82 449
<b>Total right of use liability's calculated at year end <sup>1)</sup></b>	<b>38 392 140</b>	<b>50 766 569</b>

<sup>1)</sup> Of the total balance at year end NOK 16 277 013 is due within one year and classified as current liability. Applied weighted average discount rate at the date of initial application was 2,75%

In "Other Interest Expense" in P&L a total of NOK 1 195 807 has been expensed in 2021. Corresponding interest for previous year was NOK 1 716 092.

### Maturity analysis, undiscounted cash flow

	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years
Industrial unit	15 781 470	16 447 613	5 466 002	-	-
Forklift / Truck	210 911	-	-	-	-
Leasing workshop equipment	125 113	37 465	9 966	-	-
Leasing Car	112 018	119 732	123 065	84 036	64 658
Office equipment & IT Hardware	47 501	6 039	4 177	4 295	1 092
<b>Total</b>	<b>16 277 013</b>	<b>16 485 078</b>	<b>5 475 968</b>	<b>88 331</b>	<b>65 750</b>

### Expenses related to contracts with exception for short term leases that is not included in the above calculation.

	2021	2020
Industrial unit	700 409	1 198 259
Workshop equipment etc - short term lease	1 134 386	468 411
Rental cars / trucks / forklifts	360 918	68 894
Other rental expenses	191 511	100 694
<b>Total</b>	<b>2 387 224</b>	<b>1 836 258</b>

The applied internal interest is calculated with the application of the current external reference rate (NIBOR 3 month), current margin on the external long term loan and a margin to compensate for the non secured asset. Interwell Norway AS still apply the NIBOR reference as this is the current communicated reference from the current lender. The additional margin is calculated based on a comparison with similar transactions with similar risks.

At year end 2021 Interwell Norway AS still apply NIBOR as the reference to assess the financial risk under IFRS 16 as this is considered to be the fair value estimate in comparison to the existing external financing

**Note 13 Inventory**

	2021	2020
Raw materials & components	141 978 817	109 530 920
Impairment / obsolete goods	-5 744 273	-6 312 957
<b>Total</b>	<b>136 234 544</b>	<b>103 217 963</b>

**Note 14 Intercompany transactions**

Transaction between group companies:	2021	2020
<b>a) Revenue from sale and services rendered</b>		
- Interwell AS	386 319	1 156 558
- Interwell US LLC	27 102 548	36 452 691
- Interwell Limited (UK)	101 959 012	67 370 731
- Interwell Middle East FZE	36 274 487	16 717 086
- Interwell KSA	255 792 584	180 198 037
- Interwell Oman SPC	28 119 340	29 090 759
- Interwell Australia	36 745 877	38 804 912
- Interwell P&A AS	2 577 620	3 604 963
- Cannseal AS	470 867	0
- Interwell Southeast Asia	15 438 483	21 598 715
- Interwell Malaysia	8 742 498	0
<b>Total Revenue from sale and services rendered</b>	<b>513 609 635</b>	<b>394 994 452</b>
<b>b) Purchase of goods and services</b>		
- Interwell Limited (UK)	3 984 750	3 221 272
- Interwell US LLC	2 815 987	4 210 635
- Interwell Middle East FZE	5 806 332	4 257 455
- Interwell Oman	1 970 192	2 578 171
- Interwell KSA	16 725 852	17 546 771
- Interwell P&A	523 754	409 617
- Interwell AS	21 516 189	14 049 612
- Cannseal AS	23 031 380	0
- Interwell Southeast Asia	1 266 576	932 674
- Interwell Malaysia	200 838	0
- Interwell Australia	3 253 332	2 316 655
<b>Total Purchase of goods and services</b>	<b>81 095 182</b>	<b>49 522 862</b>

**Note 15 Related-Party Transactions**

Senior Management remuneration is described in note 13, and inter-group balances are described below. The group companies transact with each other, and all transactions are conducted on arm's length basis at market prices.

**Note 16 Guarantees and pledged security**

Interwell Norway AS is a member of the consolidated cash pool with Interwell AS. As of year end the following assets were pledged as security towards the cash pool:

	2021	2020
Fixed Assets	277 329 181	297 305 711
Accounts Receivable	373 784 512	240 244 517
Inventory	136 234 544	103 217 963
<b>Total value asset pledged as security</b>	<b>787 348 237</b>	<b>640 768 191</b>

In addition the following bank guarantees are provided as security on leaseholds and contract obligation. The Company has provided a guarantee of NOK 2 947 000 in favour of Hagen Rent Corporation for the leasehold in Stavanger. The Company has provided a guarantee of CAD 471 848 equivalent of NOK 3 271 275 to Encana Corporation for tool deliveries. The Company has provided a guarantee of NOK 1 737 492 to Grilstadfjæra 1 AS for the leaseholds in Trondheim. The company has provided a performance bond of EUR 6 152 equivalent of NOK 61 417 to NIS J.S.C Novi Sad

In addition Interwell Norway AS has provided a guarantee to Stavanger Municipality Tax Authorities for payroll tax withholding of NOK 10 000 000.

**Note 17 Government Grants**

The company has recorded NOK 38 267 as income from government grant from "Skattefunn" a Norwegian Research & Development scheme in 2021. Corresponding amount for 2020 was NOK 38 344.

In both years Interwell Norway has had projects that meet the requirements for funding. Amount received is recorded as a cost reduction on the different projects. If the project is a CAPEX project, the amount is recorded as a reduction of the CAPEX amount.

**Note 18 Risks****Market Outlook**

The Board expect the current market conditions to continue, where E&P investments and budgets are tight and impacted by volatile oil prices and the operators own cost-reduction programs. However we see indications that the restrictions related to Covid are deminishing, and expect a gradually return to normal operation as 2022 progresses. Energy prices have continued to increase trough 2021, and forecast for 2022 indicate a peak around USD 100 a barrel for oil. Based on this, the Company expect the current market situation to improve into 2022 coupled with interesting market opportunities for niche players like Interwell. Key priorities for the Company are to remain focused on continuously improving the operations and at the same time introduce new technology and product solutions to the market.

With the current improved development in the oil price, combined with the ease of corona pandemic, Interwell is closely monitoring the market situation and assess any impact for the operation.

**Market and credit risk**

As a supplier to the global oil and gas industry Interwell is affected by global macro-economic cycles governing energy supply and demand, and indirectly the Interwell Norway's products and services. Interwell is directly affected by the customers operating expenditures, and only to a limited extent affected by their capital expenditures. The customers are predominantly large E&P companies in the production phase, which historically have been secure payers. The Company therefore consider the credit risk to be limited, although the Company regularly review internal procedures to stay abreast with and increasing business complexity and international growth.

**Liquidity risk**

Interwell Norway's operational cash flow sustained activities in 2021 at 2020 levels despite the covid downturn, as well as paying dividends to shareholders. The liquidity risk is considered limited, as it is expected that the investments will generate positive cash flow in the years to come. Although the growth strategy and investment pace may create a pressure on liquidity in the short term, the Company's view is that it controls the liquidity risk itself. Interwell is well financed through a leading Nordic bank, with significant covenant flexibility. Moreover, the Company enjoys a healthy rating in the credit market with relatively low gearing and an established cash management system in place.