interwell

Financial Statement
2022
Interwell Norway AS

Board of Directors' Report 2022

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 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 2022 for Interwell Norway AS was NOK 1 175.7 million, compared to a similar NOK 1 027.1 last year. Almost 40% of the revenue in 2022 was intercompany related in Interwell Group. Operating profit was NOK 451.5 million, compared to NOK 437.7 last year.

The increase in revenue was mainly due to higher regional activity level in the Middle East, Europe, Norway and APAC trough intercompany invoicing in Interwell Group. 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 trough other companies in Interwell Group.

The equity ratio at the end of the year was 66,7 % compared to 72,8 % in 2021. The equity ratio includes the right to use liability on assets according to the accounting standard for lease agreements (IFRS 16). The net lease liability was NOK 33.5 million in 2022 compared to NOK 38.4 million in 2021.

The net profit after tax for 2022 ended at NOK 379.7 million, compared to NOK 342.6 million in 2021.

The net cash generation from operations in 2022 was NOK 433,8 million, compared to NOK 457.7 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 increased to NOK 237.8 million in 2022, up from NOK 170.8 million in 2021. 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 2022 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

The global economy underwent another volatile year in 2022. A gradually more controlled Covid-19 pandemic was followed by the Russian invasion of Ukraine, causing fluctuating oil and gas prices and further destabilising the energy market. Interwell delivered solid operational performance despite a challenging geopolitical situation and global supply chain constraints. Interwell's business model has proved to be robust and resilient, with a focus on the health and safety of employees while maintaining operational capability and capacity for ongoing and planned operations. As a result, the Company maintained its market share in core markets (NCS and Denmark). Increased growth in revenue from other Interwell Group companies positively reflected back on Interwell Norway in 2022 and is the main reason for increase in revenue. However, Interwell Norway was not immune to global economic challenges like higher inflation rates and increased operational costs. Consequently, profit margins were under pressure and were overall lower in 2022 relative to the previous year. The board expect this trend to continue in 2023.

Despite a challenging economic environment, Interwell has performed well and achieved solid financial results. We are pleased to report that the business has delivered strong revenue growth in several markets where we operate over the past year. Our success results from our ongoing commitment to providing high-quality products and services to our customers and our ability to adapt to changing market conditions and customer needs.

A high focus on innovation and customer satisfaction has also been a critical factor in our success. By listening to the customers and developing new products and services to meet their needs, we have differentiated ourselves from competitors and maintained a market-leading position. As we look ahead, we remain confident in our ability to continue delivering strong financial performance and driving growth across our markets.

Sustainable energy supply and the associated energy transition remain a global mega-trend that will force the entire E&P industry to focus on sustainability, efficiency improvements and proactively develop new technology. Interwell is well-positioned to meet such initiatives and will continue introducing 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, but overall positive development in most regions.

Market Outlook

The global oil and gas market is expected to continue its recovery in the coming year, following the disruptions caused by the COVID-19 pandemic and global supply chain challenges. While there remains some uncertainty in the short term, due in part to the Russian invasion of Ukraine and global economic conditions, we expect the demand for oil and gas to remain strong. In addition, the market will likely benefit from increased global energy demand as economies recover and return to pre-pandemic activity levels.

Interwell Norway is predominantly exposed to the oil & gas operating companies' operational expenditure budgets, which have remained more stable through cyclical volatility than other segments in the E&P value chain. The company has a strong product portfolio with an attractive business proposition for the E&P operators. The Board assesses that Interwell Norway will remain well-positioned to serve its customers through its operations across all regions through 2023.

At the same time, the industry must adhere to changing regulatory requirements and environmental factors. Governments and other stakeholders are increasingly focused on reducing carbon emissions, driving demand for alternative energy sources and putting pressure on traditional oil and gas companies to adapt their business models. Interwell is well-positioned to navigate these challenges and capitalise on the global oil and gas market opportunities. We are committed to investing in new technologies and solutions that can help reduce carbon emissions and enhance our sustainability while continuing to provide high-quality products and services to our customers.

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

Organisation and Health, Safety and Work Environment

Interwell Norway is committed to a working culture that promotes a zero-tolerance attitude towards unsafe acts and conditions. In addition, the Company has zero tolerance for unethical behaviour and actions. Interwell Norway employed 259 people at the end of 2022, an increase of 27 people.

The Board believes that the work environment and relations within the Company are sound, with an overall sick leave of 4 % for the Group and an acceptable level of attrition.

Interwell continued its high focus on safety and is disappointed to report one LTIs during 2022. The LITs was caused by an incident in the Stavanger workshop in March 2022, where a workshop employee experienced back pain during a manual lifting operation. The weight was within the recommended limits, and the employee underwent a medical check and fully recovered after a few days. The LTIs caused no permanent injuries, and the LTIs were promptly reported to the Board.

Interwell recognises the importance of the workplace and its significant role in most people's lives. In 2022 Interwell conducted a Group Work Environment survey, and the results show a high satisfaction score, supported by a low employee turnover. Findings and action plans from this survey has been shared with the employees in town hall meeting.

Among Interwell Norway's 259 headcount as of year-end, 50 were women. The proportion of women in Interwell Norway was 19,3 %. Company policy is that work of equal value will give equal pay. Particular attention is paid to equality between women and men. When recruiting, both internally and externally, personal qualifications have the highest priority, irrespective of gender.

Interwell works to promote equal opportunity and non-discrimination within its business. The Company employs - and has historically employed - personnel from different nationalities and supports local content in the subsidiaries. The Group's long tradition of dealing with different nationalities has built up a sound international understanding and knowledge base. As a result, no discrimination cases were reported in 2022. Interwell also aims to provide a workplace without discrimination on the grounds of disability. Please visit www.interwell.com for more information on the equality report and the transparency report in relation to the Norwegian Transparency Act.

Interwell has an insurance program for the board, senior management, and directors to protect individuals from lawsuits that originate 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.

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 re-usable if and when retrieved.

Integrated Operations product offerings have been part of Interwell Norway AS Strategic Technology direction over the last five 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 2022 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 2022 result and its financial position at year-end 2022. 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 379 745 852 in 2022 where the Board of Directors is proposing the following allocation:

Net Profit	NOK	379 745 852
Transferred to other equity:	NOK	38 683 432
Paid dividend	NOK	55 516 306
Group Contribution:	NOK	285 546 114

Stavanger, 22. March 2023

Thormod Langballe
Chairman of the Board

Trond Arve Stamnes
Director

Tor Olav Meberg
CEO

Interwell Norway AS

Income Statement

	Note	2022	2021
Operating Revenue			
Revenue	1, 2	1 175 682 739	1 027 080 978
Total Operating Revenue		**1 175 682 739**	**1 027 080 978**
Operating Expenses			
Cost of materials consumed	2	228 365 609	173 862 701
Payroll Expenses	3	232 848 580	205 383 769
Depreciation of Fixed Assets and Intangibles	4, 5	141 222 189	126 695 877
Write-down on Fixed Assets and Intangibles	5	30 851 135	22 976 835
Other Operating Expenses	2, 3, 6	90 880 392	60 440 289
Total Operating Expenses		**724 167 905**	**589 359 471**
Operating Result		**451 514 834**	**437 721 507**
Financial Income and Expenses			
Other Interest Income		8 785 017	1 301 804
Net Agio		26 455 380	3 011 140
Other Interest Expense	6	1 205 663	1 260 241
Net Financial Result		**34 034 734**	**3 052 702**
Net Profit Before Tax		**485 549 568**	**440 774 209**
Tax Expense	7	105 803 716	98 134 449
Profit for the Year		**379 745 852**	**342 639 760**
Year End Dispositions			
Transferred to/from Other Equity		38 683 432	241 713 911
Paid dividend		55 516 306	0
Group Contribution net tax		285 546 114	100 925 849
Total allocations		**379 745 852**	**342 639 760**

Statement of Comprehensive Income

	2022	2021
Profit for the year	**379 745 852**	**342 639 760**
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	0	0
	0	**0**
Other Comprehensive Income net of tax	**0**	**0**
Total comprehensive income for the year	**379 745 852**	**342 639 760**

Interwell Norway AS

Balance Sheet

31.12.2022

ASSETS	Note	2022	2021
Fixed Assets			
Intangible Fixed Assets			
Research and Development	4	97 672 229	68 223 573
Concessions, Patents, Licenses, Trade Marks and Similar Rights	4	16 010 373	14 581 938
Deferred Tax Asset	7	39 388 202	27 258 398
Total intangible fixed assets		**153 070 805**	**110 063 909**
Tangible Fixed Assets			
Right of use asset	5, 6 ,8	32 693 637	37 247 612
Rental Tools and Equipment	5, 8	235 657 400	222 274 336
Machinery and Equipment	5, 8	36 263 406	17 807 233
Total tangible fixed assets		**304 614 444**	**277 329 181**
TOTAL FIXED ASSETS		**457 685 249**	**387 393 090**
Current Assets			
Inventories			
Inventory	8, 9	199 584 883	136 234 544
Total inventory		**199 584 883**	**136 234 544**
Receivables			
Trade Receivables and Accrued Revenue	8, 10, 11	523 382 206	410 743 900
Other Receivables	10, 12	475 219 919	395 713 629
Total short term receivables		**998 602 125**	**806 457 529**
Cash and Cash Equivalents	13	**47 285**	**0**
Total Current Assets		**1 198 234 293**	**942 692 073**
TOTAL ASSETS		**1 655 919 542**	**1 330 085 163**

Interwell Norway AS
Balance Sheet
31.12.2022

EQUITY AND LIABILITIES	Note	2022	2021
Shareholder's Equity			
Share Capital	14, 15	1 800 000	1 800 000
Share Premium	14	63 139 736	57 050 036
Total contributed equity		**64 939 736**	**58 850 036**
Retained Earnings			
Other Equity	14	1 039 118 839	908 824 079
Total Retained Earnings		**1 039 118 839**	**908 824 079**
TOTAL EQUITY		**1 104 058 575**	**967 674 115**
Other non current liabilities			
Non current lease liability	6	12 843 333	22 115 127
Total non-current liabilities		**12 843 333**	**22 115 127**
Current Liabilities			
Current lease liability	6	20 668 648	16 277 013
Current intercompany debt	10	366 084 762	129 392 113
Trade payables	10	102 901 238	104 210 600
Tax payable	7	-2 082 057	35 273 905
Public duties payable		16 699 173	15 041 016
Other current liabilities	10	34 745 870	40 101 274
Total current liabilities		**539 017 634**	**340 295 921**
TOTAL LIABILITIES		**551 860 967**	**362 411 048**
TOTAL EQUITY AND LIABILITIES		**1 655 919 542**	**1 330 085 163**

Board of Directors Interwell Norway AS
Stavanger, 22. March 2023

Thormod Langballe
Chairman

Trond Arve Stamnes
Board Member

Tor Olav Meberg
CEO

CASHFLOW STATEMENT

	2022	2021
Cash flow from operation		
Net profits before tax	485 549 568	440 774 209
Adjusted for		
Paid tax in period	-59 844 695	-48 715 411
Depreciations and amortisations	141 222 189	126 695 877
Write down fixed assets	30 851 135	22 976 835
- Gain / loss disposal of fixed assets	24 019 274	24 408 289
Change in working capital		
Change in inventory	-63 350 339	-33 016 581
Change in Accounts receivable	-112 638 306	-131 265 412
Change in Accounts payable	-1 309 362	51 555 984
Change in other working capital items	-25 281 383	4 238 781
Change due to merger with Cannseal	14 612 195	0
Net cash flow from operation	**433 830 276**	**457 652 571**
Cash flow from investment activities		
Net payments from purchase of fixed assets	-237 846 763	-170 757 614
Net Cash flow from investment activities	**-237 846 763**	**-170 757 614**
Cash flow from financing activities		
Proceeds from increase in long term intercompany debt	0	0
Change current intercompany cashpool	-58 646 860	-35 083 719
Lease payments principal part	-18 612 872	-16 061 662
Paid Dividend	-55 516 306	-200 000 000
Net group contribution	-73 875 807	-35 749 576
Net cash flow from financing activities	**-206 651 845**	**-286 894 957**
Net change in cash and cash equivalents	**-10 668 332**	**0**
Cash due to merger with Cannseal	10 715 616	**0**
Balance of cash and cash equivalents at beginning of period	0	0
Balance of cash and cash equivalents at end of period	**47 285**	**0**

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, avaliability fees or similar types of services are recorded at the completion of the delievery 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), it is written down 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 trough profit and loss statement. Any liabilities are 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.

Leases

At the inception of the contract the Group assesses whether a contract is or contains a lease. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease liabilities

The lease liability is initially measured at the net present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- 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 a risk-free interest rate adjusted for credit risk for leases held by the individual lessee, which does not have recent third-party financing, and
- makes adjustments specific to the lease, for example term, country, currency and security.

Lease liabilities include the net present value of the following lease payments:

- fixed lease payments, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement of the lease and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37 "Provisions, contingent liabilities and contingent assets". The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of the lease term or the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the date when the asset is ready for use.

As a lessor

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The Company leases tools, on a day rate basis, to its customers. Rental income is recognised on.

Note 1 Operating Revenue

Geographical Distribution	2022	2021
Norway	514 251 009	437 368 397
Europe *	179 082 140	145 371 418
Caspian	35 313 089	31 367 642
Russia	1 379 617	5 815 683
Middle East	239 128 310	313 204 354
Americas	76 121 241	34 463 593
Asia/Pacific	130 407 333	59 489 891
Total	**1 175 682 739**	**1 027 080 978**

* 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 2 Intercompany transactions

Transaction between group companies:	2022	2021
a) Revenue from sale and services rendered		
- Interwell AS	572 392	386 319
- Interwell US LLC	72 093 192	27 102 548
- Interwell Canada Inc	1 092 538	0
- Interwell Limited (UK)	143 239 140	101 959 012
- Interwell Mena Holding ltd	93 981	0
- Interwell Middle East FZE	28 528 055	36 274 487
- Interwell KSA	179 715 377	255 792 584
- Interwell Oman SPC	35 344 764	28 119 340
- Interwell Australia	102 307 652	36 745 877
- Interwell P&A AS	1 615 477	2 577 620
- Cannseal AS (merged with Interwell Norway AS in 2022)	0	470 867
- Flowpro Well Technology AS	16 793 163	0
- Interwell Southeast Asia	-5 478 339	15 438 483
- Interwell Malaysia	39 707 744	8 742 498
Total Revenue from sale and services rendered	615 625 136	513 609 635
b) Purchase of goods and services		
- Interwell Limited (UK)	5 960 538	3 984 750
- Interwell US LLC	3 428 474	2 815 987
- Interwell Canada Inc	260 908	0
- Interwell Middle East FZE	3 488 992	5 806 332
- Interwell Oman	2 657 862	1 970 192
- Interwell Mena Holding ltd	37 539	0
- Interwell KSA	35 908 373	16 725 852
- Interwell P&A	403 784	523 754
- Interwell AS	29 044 450	21 516 189
- Cannseal AS	0	23 031 380
- Interwell Southeast Asia	457 853	1 266 576
- Interwell Malaysia	885 718	200 838
- Interwell Australia	3 391 392	3 253 332
Total Purchase of goods and services	85 925 883	81 095 182

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

Wage Expenses	2022	2021
Wages	175 941 842	162 843 799
Payroll Tax	30 774 020	24 569 570
Pension Expenses	13 464 828	10 439 496
Other Benefits	12 667 890	7 530 904
Total	**232 848 580**	**205 383 769**

Full time employees at year end were	259	232

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	0	162 500
Pension Expenses	0	0
Fees	0	0
Other Benefits	0	0
Total	**0**	**162 500**

The company CEO is employed in the parent company Interwell AS and has no direct compensation from Interwell Norway AS.

The CEO is entiteled 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 Interwell Norway AS are determined by the following main principles:

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 continous 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)	2022	2021
Statutory Audit	1 004 872	624 384
Tax Consultancy from PwC Russia and PwC Denmark	273 476	420 785
Tax Consultancy (incl. tech. assistance with tax papers)	60 716	8 500
Other Assistance	50 073	0
Total remuneration	**1 389 137**	**1 053 669**

Note 4 Intangible Assets

	Research and Development	Patents	Total
Purchase cost pr. 01.01.	165 501 639	16 728 143	**182 229 782**
Additions purchase cost 01.01 Cannseal merger	1 287 993	0	**1 287 993**
Additions	41 941 366	2 610 525	**44 551 891**
Disposals	0	0	**0**
Purchase cost pr. 31.12.	**208 730 998**	**19 338 668**	**228 069 666**
Accumulated depreciation 01.01	97 278 065	2 146 205	**99 424 270**
Additions accumulated depreciation 01.01 Cannseal merger	115 362	0	**115 362**
Impairment	0	0	**0**
Accumulated depreciation 31.12	111 058 769	3 328 295	**114 387 064**
Net book value pr. 31.12.	**97 672 229**	**16 010 373**	**113 682 602**
Depreciation in the year	13 665 342	1 182 090	**14 847 432**
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 5 Fixed assets

	Right of use asset	Rental Tool and Equipment	Machinery and equipment	Total fixed assets
Purchase cost 01.01.	81 591 549	737 236 014	57 915 284	876 742 847
Additions purchase cost 01.01 Cannseal merger		111 420 784	1 249 702	112 670 486
Additions	14 140 029	171 632 952	21 661 920	207 434 901
Disposals	-122 428	-127 707 903		-127 707 903
Purchase cost 31.12.	**95 609 150**	**892 581 847**	**80 826 906**	**1 069 140 331**
Accumulated depreciation 01.01.	44 343 938	514 961 678	40 108 051	599 413 667
Additions accumulated depreciation 01.01 Cannseal merger	0	111 420 784	73 042	111 493 826
Disposals/Impairment	-41 296	-72 837 494	0	-72 878 790
Accumulated depreciation and write downs 31.12.	62 915 514	656 924 447	44 563 499	764 403 460
Net book value 31.12.	**32 693 637**	**235 657 400**	**36 263 406**	**304 614 444**
Depreciation in the year	18 612 872	103 379 479	4 382 406	126 374 757
Write-offs in the year	0	0		0
Write-offs in the year	0	30 851 135	0	30 851 135
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 6 Leases

Right of use (ending balance)	2022	2021
Industrial unit	31 238 564	35 481 929
Leasing car	616 719	505 961
Leasing Forklift / Truck	924	207 191
Leasing office equipment	800 001	884 748
Leasing workshop equipment	7 813	167 783
Staff House	29 616	0
Total right of use assets at year end	**32 693 637**	**37 247 612**

Lease liabilities (ending balance)	2022	2021
Industrial unit	32 021 434	36 572 202
Leasing car	632 156	521 508
Leasing Forklift / Truck	0	213 557
Leasing office equipment	820 026	911 934
Leasing workshop equipment	8 009	172 939
Staff House	30 357	0
Total right of use liability's calculated at year end [1)]	**33 511 981**	**38 392 140**

[1)] Of the total balance at year end NOK 20 668 648 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 938 351 has been expensed in 2022. Corresponding interest for previous year was NOK 1 195 807.

Maturity analysis, undiscounted cash flow

	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years
Industrial unit	20 404 761	9 932 319	2 645 424	-	-
Leasing workshop equipment	35 491	11 972	-	-	-
Leasing Car	189 135	156 990	82 455	-	-
Staff House	30 357	-	-	-	-
Office equipment & IT Hardware	8 904	8 364	5 809	-	-
Total	**20 668 648**	**10 109 645**	**2 733 688**	**-**	**-**

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

	2022	2021
Industrial unit	2 230 717	700 409
Workshop equipment etc - short term lease	276 680	1 134 386
Rental cars / trucks / forklifts	489 384	360 918
Other rental expenses	83 564	191 511
Total	**3 080 345**	**2 387 224**

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 2022 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 comparision to the existing external financing

Note 7 Tax

Calculation of Deferred Tax Liability/Tax Asset			
Temporary Differences	**Change**	**2022**	**2021**
Fixed Assets and intangible assets	-52 334 023	-169 347 035	-117 013 012
Inventory	-1 562 773	-7 307 046	-5 744 273
Receivables	-1 564 858	-1 564 858	0
Leasing	326 185	-818 343	-1 144 528
Accrued revenue	113 151	-277 976	-391 127
Changes due to merger	53 114 948		
Net Temporary Differences	-1 907 370	-179 315 258	-124 292 940
Changes not included in deferred tax calculation	-113 151	277 976	391 127
Basis of Deferred Tax Liability	**-55 135 469**	**-179 037 282**	**-123 901 813**
Deferred Tax Liability (- asset)	-12 129 804	-39 388 202	-27 258 398
Deferred tax / (Deferred tax asset in balance)	**-12 129 804**	**-39 388 202**	**-27 258 398**
Nominal Tax rate		**22 %**	**22 %**

Basis of Tax Payable	**2022**	**2021**
Pre Tax Profits	485 549 568	440 774 209
Expenses not deductible for tax purposes	-287 402	-409 039
Net taxable profits	485 262 166	440 365 170
Change in Temporary Differences	1 907 370	21 301 896
Interest deduction from previous year	-14 498 466	0
Basis of Tax Payable in Income Statement	**472 671 070**	**461 667 066**

Tax expense	**2022**	**2021**
Calculated tax payable on profits in Norway	103 987 635	101 566 755
Tax payable abroad	25 965 795	20 535 371
Changes in deferred tax	-12 129 804	-4 721 298
Changes in deferred tax due to merger	14 874 952	0
Tax paid abroad	775 498	834 492
Tax paid not reclaimable	666 118	454 502
Tax credit reclaimed	-25 965 795	-20 535 371
Changes in prev. year tax expense	-2 370 683	0
Tax cost expensed	**105 803 716**	**98 134 450**

Current tax balance	**2022**	**2021**
Calculated tax payable on profits	103 987 635	101 566 755
Group contribution	-80 538 648	-28 466 265
Tax paid abroad reclaimed in Norway	-25 014 996	-37 200 045
Prepaid tax paid including abroad	-516 049	-626 540
Net tax payable / (receivable)	**-2 082 057**	**35 273 905**
Taxes in Percentage of pre-tax profits	21,8 %	22,3 %

Nominal tax rate		
Tax at nominal rate	22,0 %	22,0 %
Effect from permanent and temporary differences	-0,2 %	0,3 %
Tax cost according to Profit and Loss Statement	**21,8 %**	**22,3 %**

Note 8 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:

	2022	2021
Fixed Assets	304 614 444	277 329 181
Accounts Receivable	458 482 770	373 784 512
Inventory	199 584 883	136 234 544
Total value asset pledged as security	**962 682 097**	**787 348 237**

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.

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

Note 9 Inventory

	2022	2021
Raw materials & components	206 891 930	141 978 817
Impairment / obsolete goods	-7 307 047	-5 744 273
Total	**199 584 883**	**136 234 544**

Note 10 Balance with group companies and other receivables

Amounts that are included in Accounts receivable 31.12	2022	2021
Interwell UK Ltd.	38 678 835	14 294 096
Interwell US LLC	51 774 079	15 288 472
Interwell Middle East	20 002 607	48 933 368
Interwell KSA	250 644 434	182 820 115
Interwell AS	376 310	386 319
Interwell Oman	-1 581 369	6 878 487
Interwell Australia	1 025 081	819 452
Interwell Southeast Asia	49 606	14 982 071
Interwell Malaysia	21 708 002	4 955 116
Interwell P&A AS	315 129	1 093 739
Interwell Canada	1 092 538	0
Flowpro Well Technology AS	16 793 163	0
FX adjustment	0	-14 037
Total receivable	400 878 415	290 437 198

Amounts that are included in Accounts Payable 31.12	2022	2021
Interwell UK Ltd	250 377	2 819
Interwell Oman		10 699
Interwell Middle East	2 096 250	20 841 205
Interwell KSA	29 902	23 363
Interwell AS	28 848 368	21 516 189
Interwell Australia	314 149	13 336
Interwell Malaysia	7 973	95 140
Interwell Southeast Asia	116 390	
Interwell P&A AS		0
Interwell US Ltd.	431 721	23 069
Cannseal AS		19 965 480
FX adjustments	3 655	150 621
Total Accounts Payable	32 098 785	62 641 921

Amounts that are included in other current receivables	2022	2021
Group bank account net receivable	425 441 742	366 651 053
Other short term receivable	85 000	446 068
Total other current receivables	425 526 742	367 097 121

Amounts that are included in other current liabilities	2022	2021
Other short term debt	0	5 385 197
Group contribution	366 084 762	129 392 113
Total other current liabilities	366 084 762	134 777 310

Note 11 Accrued revenue

Accrued revenue is presented in Accounts Receivable

At year end Interwell Norway has accrued NOK 64 899 436 as external revenue. Corresponding accrual for previous year was NOK 36 959 388 as accrued revenue. All accrued revenue are related to external customers and not intercompany.

Note 12 Government Grants

The company has recorded NOK 376.100 as income from government grant from "Skattefunn" a Norwegian Research & Development scheme in 2022. Corresponding amount for 2021 was NOK 38 267.

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 13 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 14 Equity

Changes in Equity for the Year	Share Capital	Share Premium	Other Equity	Total
Equity 1.1	1 800 000	57 050 036	908 824 079	967 674 115
Profit for the year	0	0	379 745 852	379 745 852
Merger with Cannseal 01.01		6 089 700	91 978 658	98 068 358
Extra ordinary dividend			-55 516 306	-55 516 306
Group contribution provided			-285 546 114	-285 546 114
Other changes			-367 330	-367 330
Equity 31.12.	**1 800 000**	**63 139 736**	**1 039 118 839**	**1 104 058 575**

Note 15 Share Capital and Shareholder's Information

Share Capital consists of	Number	Nominal Value	Book value
Ordinary Shares	150 000	12,00	1 800 000
Total	**150 000**		**1 800 000**

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

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 16 Related-Party Transactions

Senior Management remuneration is described in note 3, 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 17 Government Grants

The company has recorded NOK 376.100 as income from government grant from "Skattefunn" a Norwegian Research & Development scheme in 2022. Corresponding amount for 2021 was NOK 38 267.

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 that the restrictions related to Covid are deminishing down to zero. Energy prices have continued to increase trough 2022, especially after the Ukraine war. Based on this, the Company expect the current market situation to continue to be solid during 2023 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 2022 at 2021 levels despite the uncertanities. 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.

Note 19 Merger

Cannseal AS and Interwell Norway AS merged for accounting and tax purposes with effect from 01 January 2022. They are both wholly owned subsidiaries of Interwell AS. The purpose of the merger is to simplify the company structure in the group.

The merger is carried out in accordance with §13-24 and §13-1 of the Companies Act as a merger without remuneration between two limited companies that are wholly owned by the same owner. The merger is carried out with accounting and tax continuity. Interwell Norway AS took over Cannseal AS's accounting and tax positions in connection with the transferred assets, rights and obligations when the merger took effect on 17 December 2022. At the same time, Cannseal AS was dissolved. Total merger effect taken against equity is NOK 98 068 358 (note 14 equity). Comparable figures have not been prepared.