



Interim condensed consolidated financial information

September 30, 2022

HMH Holding B.V. including subsidiaries

Unaudited



Business Review Q3 2022

Revenues and Orders

Revenues rose 18% on a year over year basis and down 8% in a quarter-to-quarter basis. The year over year revenue were positively impacted by the termination of the Valaris 20k BOP project, and the same effect is driving the quarter-to-quarter reduction. After market order intact remained strong for the third consecutive quarter, highlighting the tailwinds in the offshore industry from higher crude prices and higher day rates for our customers. As further reactivations are announced and implemented in the second half, HMH holds an optimistic view for 2023. While we see limited interest in new projects, we are seeing strong interest for products, including offshore, land and non-oil and gas products.

EBITDA and Cash Flow

EBITDA was up substantially on a year over year, but down with 8% on a quarter over quarter basis, due to specific termination effects booked within projects in Q2 2022. Absent that termination, HMH would have still reported higher EBITDA than Q3 of 2021. Free cash flow was negative 8,7 million driven by working capital movements within our project segment. The aftermarket segment of HMH exhibits very steady working capital performance while the project segment demonstrates greater volatility due to the timing of payment to us and outflows to key vendors.

Integration Progress and Expense

HMH has continued to integrate the businesses and build out an independent team from our respective parents. The company has spent and will continue to spend significant amounts to implement an ERP system for the PCS business and bring the ESS business onto that platform. We completed the standup of the PCS business in Q3 and begun working on the ESS business. Once complete, this will greatly enhance our reporting capabilities as we prepare to be able to meet US public company reporting standards. Other key integration initiatives involve combining a few smaller product lines, integration of foreign service operations, and unification of compensation plans.

Capital Structure

HMH continued to amortize its term loan per the agreed schedule with the banks. We now have \$196 million of interest-bearing debt, with an undrawn \$80 million RCF. With \$54 million of cash on the balance sheet, we have \$142 million of net debt. This allows us to stay well within all covenant requirements for Minimum Liquidity, Gearing Ratio and Interest Coverage Ratio. While the company continuously evaluates the state of the capital markets, we expect to continue amortizing the term loan.

Growth

The Company continues to look to expand current product offerings in new areas, while also looking at a wide variety of M&A opportunities. As a top priority, we are looking to expand our land capabilities. Furthermore, we continue to explore other oil and gas capital equipment segments. Finally, we have both organic and inorganic initiatives aimed at increasing our non-oil and gas businesses.

Amsterdam November 27, 2022

A handwritten signature in blue ink, appearing to read 'ZL' or similar, positioned above a horizontal line.

Thomas McGee
(Chief Financial Officer)

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Unaudited condensed consolidated interim income statement

<i>Amounts in USD thousands</i>	<i>Notes</i>	Third quarter 2022	Third quarter YTD 2022	28.04. - 31.12.2021
Revenue and other income	2.1	156 958	478 997	169 736
Materials, goods and services		66 476	219 430	67 361
Salaries, wages and social security costs		34 946	114 303	46 303
Other operating expenses		31 330	90 125	22 883
Operating expenses		132 752	423 857	136 547
Operating profit before depreciation, amortization and impairment	2.2	24 206	55 140	33 189
Depreciation and amortization	2,2	12 105	35 699	12 662
Impairment		-	-	1 587
Operating profit / loss(-)		12 100	19 441	18 941
Finance income		4 722	10 266	4 111
Finance expenses		-15 808	-39 997	-18 602
Profit / loss(-) from equity-accounted investees		-	168	63
Net finance expenses		-11 086	-29 562	-14 428
Profit / loss(-) before tax		1 014	-10 121	4 512
Income tax expense		4 202	9 821	4 428
Profit / loss(-) from continuing operations		-3 187	-19 943	3 308
Net profit / loss(-) from discontinued operations ¹⁾		-	-1 622	-3 224
Profit / loss(-) for the period		-3 187	-21 564	84

¹⁾ Discontinued operations consist of Frontica Engineering AS

Profit / loss(-) attributable to:

Equity holders of the parent	-3 187	-21 564	84
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Unaudited condensed consolidated interim statement of comprehensive income

<i>Amounts in USD thousands</i>	<i>Notes</i>	Third quarter 2022	Third quarter YTD 2022	28.04. - 31.12.2021
Profit (loss) for the period		-3 187	-21 564	84
Other comprehensive income				
Cash flow hedges, gross amount		-3 932	-11 197	1 329
Cash flow hedges, tax effect		786	2 239	-266
Total change in hedging reserve, net of tax		-3 146	-8 957	1 063
Currency translation differences - foreign operations		241	322	9 351
Total items that may be reclassified subsequently to profit or loss, net of tax		-2 905	-8 636	10 415
Remeasurement gain (loss) net defined benefit liability		-572	-763	-1 018
Deferred tax of remeasurement gain (loss) net defined benefit liability		158	211	281
Total items that will not be reclassified to profit or loss, net of tax		-414	-553	-737
Total other comprehensive income / loss(-) for the period, net of tax		-3 319	-9 188	9 678
Total comprehensive income / loss(-)		-6 506	-30 753	9 762
Total comprehensive income / loss(-) attributable to:				
Equity holders of the parent		-6 506	-30 753	9 762

Unaudited condensed consolidated interim statement of financial position

USD thousands	Notes	30.09.2022	31.12.2021
ASSETS			
Non-current assets			
Deferred tax assets		32 353	38 750
Property, plant and equipment		215 193	228 233
Other Intangible assets		153 345	173 338
Right-of-use assets		32 462	41 588
Goodwill		280 841	281 035
Equity-accounted investees	-	0	186
Non-current receivables		6 939	-
Other non-current assets		245	385
Total non-current assets		721 377	763 514
Current assets			
Prepaid company tax		516	-
Inventories		139 586	156 932
Trade receivables and other current assets		254 120	240 789
Derivative financial instruments		11 538	7 104
Current financial assets		45 347	44 295
Cash and cash equivalents		54 414	91 725
Total current assets		505 520	540 845
TOTAL ASSETS		1 226 897	1 304 359

Unaudited condensed consolidated interim statement of financial position

USD thousands	Notes	30.09.2022	31.12.2021
EQUITY AND LIABILITIES			
Equity			
Share capital		0,23	0,23
Share premium		600 000	600 000
Other equity		-10 555	-1 367
Retained earnings		-21 480	84
Total equity		567 965	598 718
Non-current liabilities			
Non-current borrowings		271 890	169 742
Non-current lease liabilities		25 544	33 041
Employee benefit obligations		20 582	26 627
Deferred tax liabilities		22 798	25 863
Non-current provisions		1 041	5 288
Other non-current liabilities		1 461	2 896
Total non-current liabilities		343 316	263 457
Current liabilities			
Current borrowings		31 377	149 874
Current lease liabilities		8 850	10 207
Current tax liabilities		8 449	5 988
Current provisions		15 251	18 206
Trade payables and other current liabilities		230 030	251 914
Derivative financial instruments		21 657	5 996
Total current liabilities		315 615	442 184
Total liabilities		658 932	705 641
TOTAL EQUITY AND LIABILITIES		1 226 897	1 304 359

Amsterdam November 27, 2022



 Thomas McGee
 (Chief Financial Officer)

Unaudited condensed consolidated interim statement of cash flows

<i>Amounts in USD thousands</i>	Notes	Third quarter 2022	Third quarter YTD 2022	28.04. - 31.12.2021
<i>Cash flow from operating activities</i>				
Profit (loss) before tax from continuing operations		1 014	-10 121	8 542
Profit (loss) before tax from discontinued operations		-	-1 731	-4 030
Profit (loss) before tax		1 014	-11 852	4 512
<i>Adjustments for:</i>				
Net finance income and expenses		11 086	29 730	14 492
Depreciation, amortization and impairment		12 105	35 699	14 248
Gain (-) / loss on disposal of assets		105	-6	-21
Profit (-) / loss from equity-accounted investees		-	-168	-63
		24 311	53 404	33 168
<i>Changes in working capital:</i>				
Decrease/(increase) in trade receivables and other current assets		3 022	-17 764	-80 902
Increase/(decrease) in inventories		5 582	17 346	7 571
Increase/(decrease) in trade payables and other liabilities		-6 736	-9 177	46 920
Other changes		-10 806	-23 914	19 469
		-8 939	-33 509	-6 941
Interest paid		-4 764	-12 804	-185
Interest paid for leases		-502	-1 649	-601
Interest received		281	1 688	393
Income taxes paid		-2 568	-4 586	-
Net cash from operating activities		7 820	2 544	25 834
<i>Cash flow from investing activities</i>				
Purchase of property, plant and equipment		-497	-1 666	-1 550
Payments for capitalized development expenses		310	-298	-306
Proceeds from sale of property, plant and equipment		1 475	1 588	21
Acquisition of subsidiaries, net of cash acquired		-3 255	-3 255	-146 977
Sale of subsidiaries, net of cash		1 740	1 740	-
Net cash flow from investing activities		-228	-1 892	-148 811
<i>Cash flow from financing activities</i>				
Proceeds from borrowing		-	150 000	220 000
Payment of borrowing		-11 678	-173 333	-
Payment of borrowing cost		-312	-3 903	-2 385
Payment of lease liabilities		-1 831	-5 039	-1 743
Net cash flow from financing activities		-13 821	-32 275	215 872
Effect of exchange rate changes on cash and bank deposits		-2 475	-5 687	-1 169
Net increase (decrease) in cash and bank deposits		-8 704	-37 311	91 725
Cash and cash equivalents at the beginning of the period		63 118	91 725	-
Cash and cash equivalents at the end of the period		54 414	54 414	91 725

Unaudited condensed consolidated interim statement of changes in equity

For the nine months ended 30 September 2022

For the nine months ended 30 September 2022	Share capital 1)	Share premium		Other equity		Retained earnings	Equity attributable to equity holders of the parent company
			Hedging reserve	Pension remeasurement reserve	Currency translation reserve		
Amounts in USD thousands							
Equity as of 31 December, 2021	0	600 000	1 063	-737	-1 693	84	598 718
Profit (loss) for the period						-21 564	-21 564
Other comprehensive income			-8 957	-553	322		-9 188
Equity as of September 30, 2022	0	600 000	-7 894	-1 289	-1 372	-21 480	567 965

¹⁾ Share capital is 0.002 thousand USD at 31.12.2021 and at 30.09.2022

Section 1 - Background

Note 1 General information

1.1 Corporate information

HMH (the group) consist of HMH Holding B.V. and its subsidiaries. HMH Holding B.V. is a limited liability company that was incorporated and domiciled in the Netherlands on the April 28, 2021. The registered office is located at Amstelveenseweg 500, 1081KL Amsterdam, Netherlands.

The HMH group was established with effect from October 1, 2021, through the parent company's acquisition of all shares in MHWirth AS from Akastor ASA and the Subsea Drilling System business from Baker Hughes.

HMH is a leading global provider of full-service offshore and onshore drilling equipment offering that provides our customers with a broad portfolio of products and services that are designed to be safer and more efficient.

1.2 Basis of preparation

The Interim report does not include all of the information and disclosure required for a complete set of annual consolidated financial statements and should be read in conjunction with HMH's Annual Report 2021. The accounting policies applied in this Interim Report are the same as those applied in the group's special purpose consolidated financial statement for the year ended December 31, 2021 which were prepared according to IFRS as approved by the EU.

As the group was established as at October 1, 2021, the Interim report does not disclose comparatives for three and nine months ended period. There were no significant transactions in HMH Holding BV before establishment of the HMH group.

The third quarter interim report is unaudited.

Section 2 - Operating performance

Note 2.1 - Revenue from contracts with customers

Revenue types

<i>Amounts in USD thousands</i>	Third quarter 2022	Third quarter YTD 2022	28.04. - 31.12.2021
Revenue from contract with customers	156 954	477 303	169 571
Other revenue and income			
Lease revenue	93	333	144
Other income	16	1 356	-
Gain / Loss (-) on disposal of fixed assets	-105	6	21
Total revenue and other income	156 958	478 997	169 736

Disaggregation of revenue from contracts with customers

Revenue from contracts with customer is disaggregated in the following table by major contract and revenue types and timing of

Third quarter 2022

<i>Amounts in USD thousands</i>	ESS	PCS	Total
Major contract/revenue types			
Construction revenue	22 387	42 488	64 875
Service revenue	44 895	21 508	66 403
Sale of products	25 670	6	25 675
Total revenue from contracts with customer	92 952	64 002	156 954

Timing of revenue recognition

Transferred over time	67 282	63 996	131 278
Transferred at point in time	25 670	6	25 675
Total revenue from contracts with customer	92 952	64 002	156 954

First three quarters 2022

<i>Amounts in USD thousands</i>	ESS	PCS	Total
Major contract/revenue types			
Construction revenue	100 667	139 074	239 741
Service revenue	98 034	65 606	163 641
Sale of products	73 915	6	73 921
Total revenue from contracts with customer	272 617	204 686	477 303

Timing of revenue recognition

Transferred over time	198 702	204 681	403 382
Transferred at point in time	73 915	6	73 921
Total revenue from contracts with customer	272 617	204 686	477 303

Other revenue and income 1 694

Note 2.2 - Operating segments

HMH identifies its reportable segments and disclose segment information under IFRS 8 Operation Segments. See note 2.2 Operating Segments in HMH's Annual Report 2021 for description of HMH's management model and operating segments as well as accounting principles used for segments reporting.

Third quarter 2022

<i>Amounts in USD thousands</i>	ESS	PCS	Total operating segments	Eliminations	Headquarter	Total HMH
<i>Income statement</i>						
External revenue and other income	93 239	63 706	156 945	-	13	156 958
Inter-segment revenue	625	588	1 213	-1 213	-	0
Total revenue and other income	93 863	64 294	158 157	-1 213	13	156 958
Operating profit before interest, depreciation, amortization and impairment (EBITDA)	14 904	13 078	27 983	-	-3 777	24 206
Depreciation and amortization	-4 010	-7 030	-11 041	-	-1 065	-12 105
Impairment	-	-	-	-	-	-
Net finance income/expense	-1 575	-819	-2 394	-	-8 693	-11 087
Share of profit (loss) of equity-accounted investees	-	-	-	-	-	-
Operating profit / loss(-) (EBT)	9 319	5 229	14 548	-	-13 535	1 014

Third quarter YTD 2022

<i>Amounts in USD thousands</i>	ESS	PCS	Total operating segments	Eliminations	Headquarter	Total HMH
<i>Income statement</i>						
External revenue and other income	273 042	203 659	476 701	-	2 297	478 997
Inter-segment revenue	2 335	3 124	5 458	-5 458	-	-
Total revenue and other income	275 377	206 783	482 159	-5 458	2 297	478 997
Operating profit before interest, depreciation, amortization and impairment (EBITDA)	30 675	35 465	66 140	-	-11 000	55 140
Depreciation and amortization	-11 140	-21 348	-32 488	-	-3 211	-35 699
Impairment	-	-	-	-	-	-
Net finance income/expense	-9 744	-744	-10 488	-	-19 242	-29 730
Share of profit (loss) of equity-accounted investees	168	-	168	-	-	168
Operating profit / loss(-) (EBT)	9 959	13 374	23 332	-	-33 453	-10 121