



# **Interim condensed consolidated financial information**

**March 31, 2023**

**HMH Holding B.V. including subsidiaries**

**Unaudited**

## Table of Contents

Business Review Q1 2023	3
Unaudited condensed consolidated interim income statement	4
Unaudited condensed consolidated interim statement of comprehensive income	5
Unaudited condensed consolidated interim statement of financial position	6
Unaudited condensed consolidated interim statement of cash flows	8
Unaudited condensed consolidated interim statement of changes in equity	9

## Notes to the Consolidated Financial Statements

<b>Section 1 - Background</b>	<b>10</b>
1.1 Corporate information	10
1.2 Basis of preparation	10
<b>Section 2 - Operating performance</b>	<b>11</b>
2.1 Revenue from contracts with customers	11
2.2 Segments	12



## Business Review Q1 2023

### Revenues and Orders

Revenues down 5% in a quarter-to-quarter basis and up 33% year-to-year. The first quarter revenues were positively impacted by strong activities related to our product and services business. We continue to experience strong growth in our orders for the fifth consecutive quarter, highlighting the rebound in the offshore industry from higher crude prices and higher day rates for our customers. As the market continues to improve and further reactivations are announced and implemented, HMH continues to hold 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.

### Adjusted EBITDA and Cash Flow

Adjusted EBITDA was up 49% on a year over year, but down 36% on a quarter over quarter basis, due to decrease in DLS volume. Free cash flow was negative \$14 million driven by a continue build-up of inventory to meet higher demand and payments related to ERP implementation. The aftermarket segment of HMH exhibits very steady working capital performance.

### 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. We have completed our ERP implementation in our PCS business and now have shifted our focus to unifying the ERP system by migrating the ESS business onto the new system. 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 \$206 million of interest-bearing debt, with an \$25 million RCF. With \$37 million of cash on the balance sheet, we have \$169 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 27 April 2023

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Thomas McGee  
(Chief Financial Officer)

## Unaudited condensed consolidated interim income statement

<i>Amounts in USD thousands</i>	<i>Notes</i>	<b>First quarter</b>		<b>Year</b>
		<b>2023</b>	<b>2022</b>	<b>2022</b>
<b>Revenue and other income</b>	2.1	185,575	142,068	677,267
<b>Operating expenses</b>		<b>171,012</b>	<b>134,892</b>	<b>599,560</b>
<b>Operating profit before depreciation, amortization and impairment</b>	2.2	<b>14,563</b>	<b>7,177</b>	<b>77,707</b>
Depreciation and amortization	2.2	10,829	11,691	47,590
<b>Operating profit / loss(-)</b>		<b>3,734</b>	<b>-4,514</b>	<b>30,118</b>
Finance income		3,351	1,581	13,355
Finance expenses		11,033	9,765	51,453
<b>Net finance expenses</b>		<b>-7,682</b>	<b>-8,184</b>	<b>-38,098</b>
Profit / loss(-) from joint ventures and associates		-	426	168
<b>Profit / loss(-) before tax</b>		<b>-3,948</b>	<b>-12,273</b>	<b>-7,812</b>
Income tax expense (Income)		2,982	1,004	8,045
<b>Profit / loss(-) for the period</b>		<b>-6,930</b>	<b>-13,276</b>	<b>-15,858</b>
<b>Profit / loss(-) attributable to:</b>				
Equity holders of the parent		-6,930	-13,276	-15,858

# Unaudited condensed consolidated interim statement of comprehensive income

Amounts in USD thousands	Notes	First quarter		Year
		2023	2022	2022
<b>Profit (loss) for the period</b>		<b>-6,930</b>	<b>-13,276</b>	<b>-15,858</b>
<b>Other comprehensive income</b>				
Cash flow hedges, gross amount		-832	-3,632	-3,541
Cash flow hedges, related tax		-277	726	708
Total change in hedging reserve, net of tax		<b>-1,109</b>	<b>-2,906</b>	<b>-2,833</b>
Currency translation differences - foreign operations		1,016	814	-1,766
<b>Total items that may be reclassified subsequently to profit or loss, net of tax</b>		<b>-93</b>	<b>-2,092</b>	<b>-4,599</b>
Remeasurement gain (loss) net defined benefit liability		41	-254	3,395
Deferred tax of remeasurement gain (loss) net defined benefit liability		14	70	-639
<b>Total items that will not be reclassified to profit or loss, net of tax</b>		<b>54</b>	<b>-184</b>	<b>2,756</b>
<b>Total other comprehensive income / loss(-) for the period, net of tax</b>		<b>-39</b>	<b>-2,276</b>	<b>-1,843</b>
<b>Total comprehensive income / loss(-)</b>		<b>-6,969</b>	<b>-15,552</b>	<b>-17,701</b>
<b>Total comprehensive income / loss(-) attributable to:</b>				
Equity holders of the parent		-6,969	-15,552	-17,701

## Unaudited condensed consolidated interim statement of financial position

<i>Amounts in USD thousands</i>	<i>Notes</i>	<b>31.03.2023</b>	<b>31.12.2022</b>	<b>31.03.2022</b>
<i>Non-current assets</i>				
Deferred tax assets		31,350	32,300	38,656
Property, plant and equipment		219,063	217,675	230,745
Other Intangible assets		150,993	156,427	162,808
Right-of-use assets		30,311	32,745	41,855
Goodwill		278,210	278,112	287,231
Investment in joint ventures and associates		-	-	215
Other non-current assets		7,217	8,041	1,151
<b>Total non-current assets</b>		<b>717,144</b>	<b>725,301</b>	<b>762,660</b>
<b>Current assets</b>				
Prepaid company tax		1,293	1,213	1,243
Inventories		176,546	158,097	151,985
Trade receivables and other current assets		187,883	170,096	123,523
Derivative financial instruments		4,362	3,703	7,732
Current financial assets		40,208	41,984	44,295
Contract assets		134,259	148,327	125,419
Cash and cash equivalents		37,256	47,336	70,566
<b>Total current assets</b>		<b>581,806</b>	<b>570,758</b>	<b>524,763</b>
<b>TOTAL ASSETS</b>		<b>1,298,951</b>	<b>1,296,059</b>	<b>1,287,424</b>

# Unaudited condensed consolidated interim statement of financial position

USD thousands	Notes	31.03.2023	31.12.2022	31.03.2022
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital		0	0	0
Share premium		601,539	601,539	601,539
Other equity		-2,840	-2,801	-3,234
Retained earnings		-24,650	-17,721	-15,139
<b>Total equity</b>		<b>574,048</b>	<b>581,017</b>	<b>583,165</b>
<b>Non-current liabilities</b>				
Non-current borrowings		258,548	262,640	319,391
Non-current lease liabilities		23,678	25,900	33,418
Employee benefit obligations		18,618	18,797	26,317
Deferred tax liabilities		21,136	22,687	25,478
Non-current provisions		698	734	1,442
Other non-current liabilities		6,005	5,620	2,962
<b>Total non-current liabilities</b>		<b>328,683</b>	<b>336,377</b>	<b>409,007</b>
<b>Current liabilities</b>				
Current borrowings		56,100	39,204	6,218
Current lease liabilities		8,734	8,927	10,224
Current tax liabilities		8,173	6,452	7,149
Current provisions		15,067	15,754	20,215
Trade payables and other current liabilities		225,075	244,722	176,536
Contract liabilities		75,004	57,639	70,734
Derivative financial instruments		8,066	5,967	4,174
<b>Total current liabilities</b>		<b>396,220</b>	<b>378,665</b>	<b>295,250</b>
<b>Total liabilities</b>		<b>724,903</b>	<b>715,042</b>	<b>704,257</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,298,951</b>	<b>1,296,059</b>	<b>1,287,424</b>

Amsterdam 27 April 2023

  
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 Thomas McGee  
 (Chief Financial Officer)

## Unaudited condensed consolidated interim statement of cash flows

Amounts in USD thousands	Notes	First quarter		Year
		2023	2022	2022
Cash flow from operating activities				
Profit (loss) before tax		-3,948	-12,273	-7,812
Adjustments for:				
Net finance income and expenses		7,682	8,184	38,098
Depreciation, amortization and impairment		10,829	11,691	47,590
(Gain) loss on disposal of assets		-	-19	-55
(Profit) loss from joint ventures and associates		-	-426	-168
		14,563	7,157	77,652
Changes in working capital:				
Decrease/(increase) in trade receivables and other current assets		-5,485	-17,694	-74,234
Increase/(decrease) in inventories		-18,448	12,815	-1,165
Increase/(decrease) in trade payables and other liabilities		-870	-5,096	47,966
Other changes		3,767	-109	-18,475
		-21,036	-10,083	-45,907
Interest paid		-5,649	-4,613	-18,604
Interest paid for leases		-447	-598	-2,130
Interest received		435	436	2,401
Income taxes paid		-1,941	-103	-3,721
Net cash from operating activities		-14,076	-7,803	9,691
Cash flow from investing activities				
Purchase of property, plant and equipment		-2,940	-609	-7,534
Payments for capitalized development expenses		-404	-206	-7,457
Proceeds from sale of property, plant and equipment		-	19	1,056
Acquisition of subsidiaries, net of cash acquired		-	-	-3,255
Sale of subsidiaries, net of cash		-	-	1,740
Net cash flow from investing activities		-3,344	-796	-15,451
Cash flow from financing activities				
Proceeds from borrowings		25,000	150,000	158,000
Payment of borrowings		-15,778	-157,778	-185,011
Payment of borrowing cost		-113	-3,282	-4,105
Payment of lease liabilities		-2,415	-1,799	-6,439
Net cash flow from financing activities		6,694	-12,859	-37,555
Effect of exchange rate changes on cash and cash equivalents		646	300	-1,073
Net increase (decrease) in cash and cash equivalents		-10,080	-21,159	-44,388
Cash and cash equivalents at the beginning of the period		47,336	91,725	91,725
Cash and cash equivalents at the end of the period		37,256	70,566	47,336

## Unaudited condensed consolidated interim statement of changes in equity

For the three months ended March 31, 2023

	Share capital <sup>1)</sup>	Share premium	Other equity			Retained earnings	Total equity
			Hedging reserve	Pension remeasurement reserve	Currency translation reserve		
<i>Amounts in USD thousands</i>							
Equity as of December 31, 2022	0	601,539	-1,769	2,019	-3,051	-17,721	581,017
Profit (loss) for the period	-	-	-	-	-	-6,930	-6,930
Other comprehensive income	-	-	-1,109	54	1,016	-	-39
<b>Total comprehensive income</b>	<b>0</b>	<b>601,539</b>	<b>-2,878</b>	<b>2,073</b>	<b>-2,035</b>	<b>-24,650</b>	<b>574,048</b>
<b>Equity as of March 31, 2023</b>	<b>0</b>	<b>601,539</b>	<b>-2,878</b>	<b>2,073</b>	<b>-2,035</b>	<b>-24,650</b>	<b>574,048</b>

<sup>1)</sup> Share capital is USD 0.002 thousand at March 31, 2023

For the three month ended March 31, 2022

	Share capital	Share premium <sup>2)</sup>	Other equity			Retained earnings	Total equity
			Hedging reserve	Pension remeasurement reserve	Currency translation reserve		
<i>Amounts in USD thousands</i>							
<b>2022</b>							
Equity as of December 31, 2021 <sup>1)</sup>	0	601,539	1,063	-737	-1,285	-1,863	598,718
Profit (loss) for the period	-	-	-	-	-	-13,276	-13,276
Other comprehensive income	-	-	-2,906	-184	814	-	-2,276
<b>Total comprehensive income</b>	<b>0</b>	<b>601,539</b>	<b>-1,842</b>	<b>-921</b>	<b>-471</b>	<b>-15,139</b>	<b>583,165</b>
<b>Equity as of March 31, 2022</b>	<b>0</b>	<b>601,539</b>	<b>-1,842</b>	<b>-921</b>	<b>-471</b>	<b>-15,139</b>	<b>583,165</b>

<sup>1)</sup> Share capital is USD 0.002 thousand at December 31, 2022

<sup>2)</sup> Share premium has been restated to include the debt conversion of USD 1,539 thousand which was presented as part of the retained earnings in the our earlier interim condensed consolidated financial information.

## Section 1 - Background

### Note 1 General information

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#### 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, HMH Holding B.V. acquired 100% of MHWirth and 100% of Subsea Drilling System. The shareholders are Baker Hughes Holdings LLC (50%), Akastor AS (25%), and Mercury HoldCo Inc (25%). Akastor ASA fully owns Akastor AS and Mercury HoldCo Inc.

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 2022. The accounting policies applied in this Interim report are the same as those applied in the group's consolidated financial statement for the year-ended December 31, 2022 which were prepared according to IFRS as approved by the EU.

HMH has reassessed presentation of the sale of Frontica and concluded that it is not a sale of a major line of business so it is disclosed as part of the continuing operations. The presentation classifications has been corrected in the Q4 2022 interim financial statement and also restated the comparatives in the 2023 interim financial statements.

The published Q1 2022 interim financial statements included figures for Step Oiltool. Afterwards, HMH has reassessed the presentation of Step Oiltool and concluded that Step Oiltool is not consolidated in HMH group and therefore restated the comparative figures in the Q1 2023 interim financial statements.

The first quarter interim report is unaudited.

## Section 2 - Operating performance

### Note 2.1 - Revenue from contracts with customers

<i>Amounts in USD thousands</i>	First quarter	
	2023	2022
<b>Revenue from contract with customers</b>	185,477	142,068
<b>Other revenue and income</b>		
Lease revenue	98	-
Other income	-	-
Gain / Loss (-) on disposal of fixed assets	-	-
<b>Total revenue and other income</b>	<b>185,575</b>	<b>142,068</b>

#### 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 revenue recognition and by operating segments. HMH has two operating segments: ESS and PCS.

ESS is a supplier of drilling solutions and complete top side drilling packages and services to both onshore and offshore oil and gas, which includes: overhaul, equipment installation and commissioning, services account management, 24/7 technical support, logistics, engineering upgrades, spare parts supply, training and condition based maintenance etc. ESS segment is derived from the acquisition of MHWirth AS.

PCS is a supplier of integrated drilling products and services, and the key product offering consists of Blowout Prevention (BOP) systems, controls and drilling riser equipment, spare parts supply for rig operations and maintenance programs, overhaul and recertification and reactivation of rigs, technical and operational rig support which includes a 24/7 support center and Contractual Service Agreements (CSA) / Long Term Service Agreements (LTSA). PCS is derived from the acquisition of Subsea Drilling Systems (SDS).

#### First quarter 2023

<i>Amounts in USD thousands</i>	ESS	PCS	Total
<b>Major contract/revenue types</b>			
Construction revenue	46,831	58,253	105,084
Service revenue	35,118	25,444	60,562
Sale of products	22,716	-	22,716
<b>Total revenue and other income</b>	<b>104,665</b>	<b>83,697</b>	<b>188,362</b>

#### Timing of revenue recognition

Transferred over time	69,547	58,253	127,800
Transferred at point in time	35,118	25,444	60,562
<b>Total revenue and other income</b>	<b>104,665</b>	<b>83,697</b>	<b>188,362</b>

#### First quarter 2022

<i>Amounts in USD thousands</i>	ESS	PCS	Total
<b>Major contract/revenue types</b>			
Construction revenue	18,867	35,005	53,872
Service revenue	31,297	23,407	54,705
Sale of products	33,491	-	33,491
<b>Total revenue and other income</b>	<b>83,656</b>	<b>58,413</b>	<b>142,068</b>

#### Timing of revenue recognition

Transferred over time	50,164	58,413	108,577
Transferred at point in time	33,491	-	33,491
<b>Total revenue and other income</b>	<b>83,656</b>	<b>58,413</b>	<b>142,068</b>

Other revenue and income

## 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 2022 and note 2.1 in this interim report for description of HMH's management model and operating segments as well as accounting principles used for segments reporting.

### First quarter 2023

<i>Amounts in USD thousands</i>	ESS	PCS	Total operating segments	Eliminations	Headquarter	Total HMH
<i>Income statement</i>						
External revenue and other income	101,927	83,648	185,575	-	-	185,575
Inter-segment revenue	1,197	903	2,100	-2,100	-	-
<b>Total revenue and other income</b>	<b>103,124</b>	<b>84,552</b>	<b>187,675</b>	<b>-2,100</b>	<b>-</b>	<b>185,575</b>
<b>Operating profit before interest, depreciation, amortization and impairment</b>	<b>8,429</b>	<b>11,470</b>	<b>19,899</b>	<b>-</b>	<b>-5,336</b>	<b>14,563</b>
Depreciation and amortization	-3,328	-6,425	-9,753	-	-1,076	-10,829
Impairment	-	-	-	-	-	-
<b>Operating profit / loss(-)</b>	<b>5,101</b>	<b>5,045</b>	<b>10,146</b>	<b>-</b>	<b>-6,412</b>	<b>3,734</b>
Net finance income/expense	223	-548	-325	-	-7,357	-7,682
Profit / loss(-) from joint ventures and associates	-	-	-	-	-	-
<b>Profit / loss(-) before tax</b>	<b>5,324</b>	<b>4,497</b>	<b>9,821</b>	<b>-</b>	<b>-13,769</b>	<b>-3,948</b>

### First 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	84,075	57,985	142,060	-	8	142,068
Inter-segment revenue	643	1,679	2,322	-2,322	-	-
<b>Total revenue and other income</b>	<b>84,718</b>	<b>59,664</b>	<b>144,382</b>	<b>-2,322</b>	<b>8</b>	<b>142,068</b>
<b>Operating profit before interest, depreciation, amortization and impairment</b>	<b>2,491</b>	<b>6,968</b>	<b>9,459</b>	<b>-</b>	<b>-2,283</b>	<b>7,177</b>
Depreciation and amortization	-3,643	-6,979	-10,622	-	-1,068	-11,691
Impairment	-	-	-	-	-	-
<b>Operating profit / loss(-)</b>	<b>-1,152</b>	<b>-11</b>	<b>-1,163</b>	<b>-</b>	<b>-3,351</b>	<b>-4,514</b>
Net finance income/expense	-2,278	3	-2,276	-	-5,908	-8,184
Profit / loss(-) from joint ventures and associates	426	-	426	-	-	426
<b>Profit / loss(-) before tax</b>	<b>-3,005</b>	<b>-8</b>	<b>-3,013</b>	<b>-</b>	<b>-9,260</b>	<b>-12,273</b>