



Interim condensed consolidated financial information

June 30, 2023

HMH Holding B.V. including subsidiaries

Unaudited

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HMH Half year Report

Today, HMH Group B.V., a worldwide premium drilling solution provider, publishes its interim results for the first half of 2023.

The Group delivers a global full-service offshore and onshore drilling equipment offering which provides customers with a broad portfolio of products and services that are designed to be safer and more efficient. The Group also actively embraces opportunities in other industries including offshore wind, subsea mining, civil construction, and innovative digital solutions. The Group combines ESS' s topside drilling equipment packages (top drives, draw works, derricks, etc.) mud systems, and drilling risers, and PCS' pressure control equipment (blowout preventers (BOP), control systems, diverters, etc.) and drilling riser equipment. The Group has therefore become a wing-to-wing drilling solutions provider serving all drilling segments, including floaters (Semisubmersibles + Drill ships), jack-ups, fixed platforms, and onshore rigs.

Business Summary

HMH reports revenues of USD 374 million in the first half of the year, with an adjusted EBITDA of USD 53 million, corresponding to an EBITDA margin of approximately 14%. Unadjusted EBITDA was USD 42 million in the first half of the year, including then USD 11 million of non-recurring expenses or costs defined as outside of normal company operations. Revenues from Aftermarket Services were USD 261 million in the first half of the year, up 35% compared to second quarter last year and 12% quarter-on-quarter, both driven by increased service order trend and increasing spares recertifications and overhaul volumes. Order intake within this segment in period was up 16% year-on-year driven by spares and SPS orders and down 3% quarter-on-quarter driven by a non-repeat of large digital technology orders signed in 1Q23, partially offset by increased spares orders.

Revenues from Projects, Products & Other were USD 113 million in the first half of the year, down 36% year-on-year driven by non-repeat of prior year Valaris 20K cancellation and down 18% quarter-on-quarter driven by timing of project progress. We continue to see significant opportunities within single equipment going forward, both for non-oil related products as well as within offshore and onshore drilling.

Integration process

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 completed our ERP implementation in our PCS business in 2022 and now are in the process of migrating the ESS business onto the new ERP 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.

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.



Financial Highlights

Revenues and Orders

Revenues up 2% in a quarter-to-quarter basis and up 4% year-to-year. The first half year 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.

Adjusted EBITDA and Cash Flow

Adjusted EBITDA¹ was up 8% on a year over year, and up 78% on a quarter over quarter basis, driven by services increased order trend. Free cash flow was negative USD 1 million driven by an increase in project related working capital partially offset by improved collections. The aftermarket segment of HMH exhibits very steady working capital performance.

Capital Management

The majority of the Group's capital consists of its net equity, long-term bonds, current and non-current loans, committed credit facilities and borrowings. Management monitors and assesses the capital requirements for the Group and ensures that enough funding is available to meet the working capital requirements and also for the future business development. To raise funding, the Group considers a wide range of financing options including committed credit facilities, bond issuances and equity contributions.

The majority of the Group's debt consist of a USD 150 million Bond loan, a USD 23 million term loan, a USD 107 million shareholder loan and USD 45 million draw of a revolving credit facility. The term loan is expected to be fully paid in 2024. The revolving credit facility is a facility of total USD 80 million.

Outlook

As the market continues to improve and further reactivations are announced and implemented, HMH continues to hold an optimistic view for second half of 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 and our services.

For the next half year of 2023 HMH estimates increased ESS activities in the re-activation and re-certification of offshore floater business and hence growth in revenue related to such activities in 2023. From 2024 onwards, increase in DLS activities due to increased rig count, and increased activities in the mining business is ramping up and combined will increase ESS revenue compared to 2023 levels.

HMH also estimates that PCS activities in the BOP control systems will be on an increasing trend through 2024 and that the offshore rig count will increase future service activities compared to 2023 levels.

¹ Please refer to APM section for further explanations and details on APM measures.



Declaration Board of Directors

The Board of Directors of HMH declares, to the best of its knowledge:

- the condensed consolidated semi-annual financial statements as of and for the six months ended June 30, 2023, as presented under IAS 34, give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuing Company and the entities included jointly in the consolidation; and
- the semi-annual Management Report gives a true and fair view of:
 - the significant events that have occurred during the first six months of the relevant financial year and their effect on the half-year financial statements; and
 - a description of the principal risks and uncertainties for the remaining six months of the relevant fiscal year.

Amsterdam, August 25, 2023

Karl Erik Kjelstad
(Board member)

Jud Bailey
(Board member)

Kristian Monsen Rokke
(Board member)

Larry Brian Worrell
(Board member)

Unaudited condensed consolidated interim income statement

Amounts in USD thousands	Notes	Second quarter		First half year	
		2023	2022	2023	2022
Revenue and other income	2.1	188,597	182,204	374,172	324,273
Operating expenses		-161,425	-160,181	-332,438	-295,073
Operating profit before depreciation, amortization and impairment		27,172	22,024	41,735	29,200
Depreciation and amortization		-11,012	-11,703	-21,841	-23,394
Operating profit / loss(-)		16,160	10,321	19,894	5,806
Finance income		5,295	3,967	8,646	5,548
Finance expenses		-14,830	-14,255	-25,863	-24,021
Net finance expenses	4.2	-9,535	-10,289	-17,217	-18,473
Profit / loss(-) from joint ventures and associates		-	-257	-	168
Profit / loss(-) before tax		6,625	-225	2,677	-12,498
Income tax expense	5.3	-1,987	-4,507	-4,969	-5,511
Profit / loss(-) for the period		4,638	-4,732	-2,292	-18,009
Profit / loss(-) attributable to:					
Equity holders of the parent		4,638	-4,732	-2,292	-18,009

Unaudited condensed consolidated interim statement of comprehensive income

Amounts in USD thousands	Notes	Second quarter		First half year	
		2023	2022	2023	2022
Profit / loss(-) for the period		4,638	-4,732	-2,292	-18,009
Other comprehensive income					
Cash flow hedges, gross amount		-2,446	-3,632	-3,278	-7,264
Cash flow hedges, related tax		-815	726	-1,093	1,453
Total change in hedging reserve, net of tax		-3,261	-2,906	-4,370	-5,811
Currency translation differences - foreign operations		6,295	814	7,310	1,627
Total items that may be reclassified subsequently to profit or loss, net of tax		3,033	-2,092	2,940	-4,184
Remeasurement gain (loss) net defined benefit liability		75	-254	115	-509
Deferred tax of remeasurement gain (loss) net defined benefit liability		25	70	38	140
Total items that will not be reclassified to profit or loss, net of tax		100	-184	154	-368
Total other comprehensive income / loss(-) for the period, net of tax		3,133	-2,276	3,094	-4,552
Total comprehensive income / loss(-)		7,771	-7,009	802	-22,561
Total comprehensive income / loss(-) attributable to:					
Equity holders of the parent		7,771	-7,009	802	-22,561

Unaudited condensed consolidated interim statement of financial position

<i>Amounts in USD thousands</i>	<i>Notes</i>	30.06.2023	30.06.2022	31.12.2022
ASSETS				
Non-current assets				
Deferred tax assets		30,152	35,246	32,300
Property, plant and equipment	3.1	222,235	220,110	217,675
Other Intangible assets		147,797	155,662	156,427
Right-of-use assets		28,493	36,035	32,745
Goodwill	3.2	287,863	277,248	278,112
Investment in joint ventures and associates		-	483	-
Other non-current assets	5.2	29,044	7,037	8,041
Total non-current assets		745,584	731,821	725,301
Current assets				
Prepaid company tax		1,523	950	1,213
Inventories		197,597	145,168	158,097
Trade receivables and other current assets	4.1	177,796	129,808	170,096
Derivative financial instruments	4.1	7,727	5,208	3,703
Current financial assets	4.1	18,928	44,997	41,984
Contract assets		131,162	134,965	148,328
Cash and cash equivalents	4.1	43,074	64,179	47,336
Total current assets		577,806	525,275	570,758
TOTAL ASSETS		1,323,389	1,257,096	1,296,059
EQUITY AND LIABILITIES				
Equity				
Share capital		0	0	0
Share premium		601,539	601,539	601,539
Other equity		332	-5,511	-2,801
Retained earnings		-20,013	-19,872	-17,721
Total equity		581,858	576,157	581,017
Non-current liabilities				
Non-current borrowings	4.3	260,648	271,687	262,640
Non-current lease liabilities		21,971	28,456	25,900
Employee benefit obligations		18,259	23,882	18,797
Deferred tax liabilities		19,910	23,180	22,687
Non-current provisions	5.1	1,358	1,255	734
Contingent liabilities	5.4	9,413	-	-
Other non-current liabilities	4.1	6,815	4,493	5,620
Total non-current liabilities		338,374	352,953	336,377
Current liabilities				
Current borrowings	4.3	69,673	35,611	39,204
Current lease liabilities		8,636	9,422	8,927
Current tax liabilities		4,737	7,729	6,452
Current provisions	5.1	16,489	17,418	15,754
Trade payables and other current liabilities	4.1	227,233	177,544	244,722
Contract liabilities		62,208	68,960	57,639
Derivative financial instruments	4.1	14,182	11,302	5,967
Total current liabilities		403,157	327,986	378,665
Total liabilities		741,531	680,939	715,042
TOTAL EQUITY AND LIABILITIES		1,323,389	1,257,096	1,296,059

Unaudited condensed consolidated interim statement of cash flows

Amounts in USD thousands	Notes	Second quarter		First half year	
		2023	2022	2023	2022
Cash flow from operating activities					
Profit / loss(-) before tax		6,625	-225	2,677	-12,498
Adjustments for:					
Net finance income and expenses		9,535	10,291	17,217	18,476
Share-based payment expense		2,961	-	3,921	
Foreign exchange gain and loss		1,045	-1,262	629	-2,525
Other net finance cost / income (-)		-1,430	586	-1,134	1,172
Depreciation, amortization and impairment		11,012	11,703	21,840	23,393
Gain (-) / loss on disposal of assets		-	-92	-	-111
Profit (-) / loss from joint ventures and associates		-	257	-	-168
Sum Adjustments		29,748	21,257	45,150	27,738
Changes in working capital:					
Decrease/increase(-) in trade receivables and other current assets		4,569	-12,639	-14,985	-3,173
Decrease/increase(-) in inventories		-21,051	-1,051	-39,500	11,764
Increase/decrease(-) in trade payables and other liabilities		9,695	4,429	-8,539	23,707
Decrease/increase(-) in contract assets		3,098	9,546	17,166	-17,614
Increase/decrease(-) in contract liabilities		-12,795	-1,774	4,569	-26,147
Other changes		1,416	-5,891	4,344	-5,324
Sum Changes in working capital		-15,068	-7,379	-36,944	-16,786
Interest paid		-5,945	-4,463	-11,593	-9,076
Interest paid for leases		-413	-549	-860	-1,147
Interest received		1,149	537	1,583	973
Income taxes paid		-5,683	-1,915	-7,624	-2,018
Net cash from / used in (-) operating activities		3,788	7,488	-10,288	-316
Cash flow from investing activities					
Purchase of property, plant and equipment		-7,157	-560	-10,098	-1,169
Payments for capitalized development expenses		-1,934	-402	-2,338	-608
Proceeds from sale of property, plant and equipment		-	94	-	113
Net cash flow from / used in (-) investing activities		-9,091	-868	-12,435	-1,664
Cash flow from financing activities					
Proceeds from borrowings		20,000	-	45,000	150,000
Payment of borrowings		-7,778	-7,778	-23,556	-165,556
Payment of borrowing cost		-	-308	-113	-3,590
Payment of lease liabilities		-1,805	-1,409	-4,220	-3,208
Net cash flow from / used in (-) financing activities		10,417	-9,495	17,111	-22,354
Effect of exchange rate changes on cash and cash equivalents		703	-3,512	1,349	-3,212
Net increase / decrease (-) in cash and cash equivalents		5,818	-6,387	-4,263	-27,546
Cash and cash equivalents at the beginning of the period		37,256	70,566	47,336	91,725
Cash and cash equivalents at the end of the period		43,074	64,179	43,074	64,179

Unaudited condensed consolidated interim statement of changes in equity

For the six months ended June 30, 2023

Amounts in USD thousands	Share capital ¹⁾	Share premium	Hedging reserve	Reserves		Retained earnings	Total equity
				Pension remeasurement reserve	Currency translation reserve		
Equity as of December 31, 2022	0	601,539	-1,769	2,019	-3,051	-17,721	581,017
Profit / loss(-) for the period	-	-	-	-	-	-2,292	-2,292
Other comprehensive income	-	-	-3,261	100	6,295	-	3,133
Total comprehensive income / loss(-)	0	601,539	-5,031	2,119	3,244	-20,013	581,858
Equity as of June 30, 2023	0	601,539	-5,031	2,119	3,244	-20,013	581,858

¹⁾ Share capital is USD 0.002 thousand at June 30, 2023

For the six months ended June 30, 2022

Amounts in USD thousands	Share capital ¹⁾	Share premium	Hedging reserve	Reserves		Retained earnings	Total equity
				Pension remeasurement reserve	Currency translation reserve		
Equity as of 31 December, 2022	0	601,539	1,063	-737	-1,285	-1,863	598,718
Profit / loss(-) for the period	-	-	-	-	-	-18,009	-18,009
Other comprehensive income	-	-	-5,811	-368	1,627	-	-4,552
Total comprehensive income / loss(-)	0	601,539	-4,748	-1,105	343	-19,872	576,157
Equity as of June 30, 2022	0	601,539	-4,748	-1,105	343	-19,872	576,157

¹⁾ Share capital is USD 0.002 thousand at June 30, 2022

Amsterdam, August 25, 2023

Karl Erik Kjelstad
(Board member)

Jud Bailey
(Board member)

Kristian Monsen Rokke
(Board member)

Larry Brian Worrell
(Board member)

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, 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%).

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 condensed consolidated financial statements for the six months ended June 30, 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting. The Group has prepared the financial statements on the basis that it will continue to operate as a going concern. The Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The interim condensed consolidated financial statements do 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 financial statements 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.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).

HMH reassessed in Q4 2022 the 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 has been corrected in the Q4 2022 interim condensed consolidated financial statement and also restated the comparatives in the 2023 interim condensed consolidated financial statements resulting decrease of USD 1,731 thousand in the profit / loss before tax for the first half year 2022, reclassification of USD 878 thousand from current assets to non-current assets as of June 30, 2022 and reclassification of USD 1,894 from current liabilities to non-current liabilities as of June 30, 2022.

The interim condensed consolidated financial statements for the six months ended June 30, 2023 are unaudited.

Section 2 - Operating performance

Note 2.1 - Revenue from contracts with customers

Revenue types

Amounts in USD thousands	Second quarter		First half year	
	2023	2022	2023	2022
Revenue from contract with customers	175,424	180,514	363,688	322,582
Other revenue and income				
Lease revenue	95	239	193	239
Other income	13,078	1,340	10,291	1,340
Gain / Loss (-) on disposal of fixed assets	-	111	-	111
Total revenue and other income	188,597	182,204	374,172	324,273

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: Equipment and System Solutions (ESS) and Pressure Control Systems (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).

Second quarter 2023

Amounts in USD thousands	ESS	PCS	Total
Major contract/revenue types			
Construction revenue	4,081	59,857	63,938
Service revenue	49,683	26,800	76,483
Sale of products	48,176	-	48,176
Total revenue and other income	101,941	86,657	188,597

Timing of revenue recognition

Goods and services transferred over time	53,764	86,657	140,421
Goods and services transferred at point in time	48,176	-	48,176
Total revenue and other income	101,941	86,657	188,597

First half year 2023

Amounts in USD thousands	ESS	PCS	Total
Major contract/revenue types			
Construction revenue	50,912	118,110	169,022
Service revenue	69,710	52,195	121,906
Sale of products	83,245	-	83,245
Total revenue and other income	203,867	170,305	374,172

Timing of revenue recognition

Goods and services transferred over time	120,622	170,305	290,927
Goods and services transferred at point in time	83,245	-	83,245
Total revenue and other income	203,867	170,305	374,172

Note 2.1 - Revenue from contracts with customers (Continued)**Second quarter 2022**

<i>Amounts in USD thousands</i>	ESS	PCS	Total
Major contract/revenue types			
Construction revenue	60,353	62,874	123,227
Service revenue	23,421	20,691	44,112
Sale of products	14,865	-	14,865
Total revenue and other income	98,639	83,566	182,204

Timing of revenue recognition

Goods and services transferred over time	83,774	83,566	167,339
Goods and services transferred at point in time	14,865	-	14,865
Total revenue and other income	98,639	83,566	182,204

First half year 2022

<i>Amounts in USD thousands</i>	ESS	PCS	Total
Major contract/revenue types			
Construction revenue	79,220	97,880	177,100
Service revenue	54,719	44,098	98,817
Sale of products	48,356	-	48,356
Total revenue and other income	180,604	141,978	324,273

Timing of revenue recognition

Goods and services transferred over time	133,938	141,978	275,916
Goods and services transferred at point in time	48,356	-	48,356
Total revenue and other income	182,295	141,978	324,273

Note 2.2 - Operating segments

HMH identifies its reportable segments and disclose segment information under IFRS 8 Operating Segments. See 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.

Second 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	101,941	86,657	188,597	-	-	188,597
Inter-segment revenue	1,542	2,477	4,019	-4,019	-	-
Total revenue and other income	103,482	89,134	192,617	-4,019	-	188,597
Operating profit before interest, depreciation, amortization and impairment (EBITDA)	11,798	20,430	32,227	-	-5,055	27,172
Depreciation and amortization	-3,272	-6,634	-9,906	-	-1,106	-11,012
Net finance income/expense	-1,762	184	-1,577	-	-7,958	-9,535
Profit / loss(-) before tax	6,764	13,980	20,744	-	-14,119	6,625

First half year 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	203,867	170,305	374,172	-	-	374,172
Inter-segment revenue	2,739	3,381	6,120	-6,120	-	-
Total revenue and other income	206,606	173,686	380,292	-6,120	-	374,172
Operating profit before interest, depreciation, amortization and impairment (EBITDA)	20,227	31,900	52,126	-	-10,392	41,735
Depreciation and amortization	-6,600	-13,059	-19,659	-	-2,182	-21,841
Net finance income/expense	-1,539	-364	-1,903	-	-15,314	-17,217
Profit / loss(-) before tax	12,089	18,477	30,565	-	-27,888	2,677

Note 2.2 - Operating segments (Continued)

Second quarter 2022

<i>Amounts in USD thousands</i>	ESS	PCS	Total operating segments	Eliminations	Headquarter	Total HMM
<i>Income statement</i>						
External revenue and other income	97,894	84,311	182,204	-		182,204
Inter-segment revenue	1,067	857	1,924	-1,924	-	-
Total revenue and other income	98,961	85,168	184,128	-1,924	-	182,204
Operating profit before interest, depreciation, amortization and impairment	9,651	17,312	26,964	-	-4,940	22,024
Depreciation and amortization	-3,487	-7,138	-10,625	-	-1,078	-11,703
Operating profit / loss(-)	6,165	10,175	16,339	-	-6,018	10,321
Net finance income/expense	-3,168	72	-3,095	-	-7,193	-10,289
Profit / loss(-) from joint ventures and associates	-257	-	-257	-	-	-257
Profit / loss(-) before tax	2,740	10,247	12,986	-	-13,212	-225

First half year 2022

<i>Amounts in USD thousands</i>	ESS	PCS	Total operating segments	Eliminations	Headquarter	Total HMM
<i>Income statement</i>						
External revenue and other income	181,969	142,304	324,273	-		324,273
Inter-segment revenue	1,710	2,536	4,246	-4,246	-	-
Total revenue and other income	183,679	144,839	328,518	-4,246	-	324,273
Operating profit before interest, depreciation, amortization and impairment	12,142	24,281	36,423	-	-7,223	29,200
Depreciation and amortization	-7,130	-14,117	-21,247	-	-2,147	-23,394
Operating profit / loss(-)	5,012	10,164	15,176	-	-9,370	5,806
Net finance income/expense	-5,446	75	-5,371	-	-13,102	-18,473
Profit / loss(-) from joint ventures and associates	168	-	168	-	-	168
Profit / loss(-) before tax	-265	10,239	9,974	-	-22,471	-12,498

Section 3 - Asset base

3.1 Property, plant and equipment

First half year 2023

	Buildings and land	Machinery, equipment, software	Assets under construction	Total
<i>Amounts in USD thousands</i>				
<i>Historical cost</i>				
Balance as of January 1, 2023	155,278	82,171	1,398	238,847
Additions	6,173	1,071	2,853	10,098
Reclassifications	-	-209	-	-209
Transfer from assets under construction	-	328	-328	-0
Disposals and scrapping	-	-3	-	-3
Currency translation differences	7,495	-353	-140	7,002
Balance as of June 30, 2023	168,946	83,005	3,783	255,734
<i>Accumulated depreciation</i>				
Balance as of January 1, 2023	-7,848	-13,325	-	-21,173
Depreciation for the period	-7,821	-1,368	-	-9,189
Reclassifications	-	589	-	589
Disposals and scrapping	-	3	-	3
Currency translation differences	-2,763	-968	-	-3,730
Balance as of June 30, 2023	-18,431	-15,068	-	-33,499
Net book value as of January 1, 2023	147,430	68,846	1,398	217,675
Net book value as of June 30, 2023	150,514	67,937	3,783	222,235

First half year 2022

	Buildings and land	Machinery, equipment, software	Assets under construction	Total
<i>Historical cost</i>				
Balance as of January 1, 2022	152,377	78,512	651	231,540
Additions	0	908	62	969
Reclassifications	-	668	-105	563
Transfer from assets under construction	-	37	-37	0
Disposals and scrapping	-	-29	-	-29
Currency translation differences	2,110	-1,994	-294	-178
Balance as of June 30, 2022	154,487	78,101	277	232,865
<i>Accumulated depreciation</i>				
Balance as of January 1, 2022	-989	-2,317	-	-3,306
Depreciation for the period	-3,000	-7,002	-	-10,002
Disposals and scrapping	-	27	-	27
Currency translation differences	-837	1,363	-	526
Balance as of June 30, 2022	-4,826	-7,929	-	-12,755
Net book value as of January 1, 2022	151,388	76,195	651	228,234
Net book value as of June 30, 2022	149,661	70,172	277	220,110

3.2 Intangible assets and goodwill

First half year 2023

Amounts in USD thousands	Note	Development costs ¹⁾	Goodwill	Patents and rights	Customer Relations	Other intangible assets	Total
<i>Historical cost</i>							
Balance as of January 1, 2023		45,279	278,112	21,141	105,611	11,042	461,186
Reclassification and other changes		301	-	-134	-	133	300
Capitalized development		2,338	-	-	-	-	2,338
Adjustment ²⁾		-	9,413	-	-	-	9,413
Currency translation differences		-2,776	339	-153	404	99	-2,087
Balance as of June 30, 2023		45,142	287,864	20,854	106,015	11,275	471,150
<i>Accumulated amortization and impairment</i>							
Balance as of January 1, 2023		-6,274	-	-4,500	-15,064	-809	-26,647
Amortization for the period		-2,532	-	-4,303	-2,682	-416	-9,932
Currency translation differences		2,076	-	-69	-794	-123	1,090
Balance as of June 30, 2023		-6,730	-	-8,871	-18,540	-1,348	-35,489
Net book value as of January 1, 2023		39,005	278,112	16,641	90,547	10,233	434,539
Net book value as of June 30, 2023		38,411	287,863	11,982	87,476	9,927	435,661
Useful life		3-5	Infinite	3-5	3-5	3-5	

¹⁾ Current R&D activities are spread across Norway, Germany, and the United States. The development activities are mainly related to:

- R&D in adjoining industries and misc software development initiatives
 - Develop next generation elastomers for oilfield sealing applications, not just in our current space, in cooperation with a major operator.
 - Develop a novel solution to reduce the number of accumulator bottles required to meet new regulatory requirements in the Gulf of Mexico
- New R&D efforts for 2023 and beyond include developing a fully electric BOP for both offshore surface (platforms and jack-ups) and subsea use.

²⁾ Adjustment on Goodwill relates to contingent liabilities. See note 5.4 for details.

First half year 2022

Amounts in USD thousands	Note	Development costs	Goodwill	Patents and rights	Customer Relations	Other intangible assets	Total
<i>Historical cost</i>							
Balance as of January 1, 2022		43,310	277,157	19,594	105,255	4,541	449,857
Reclassification and other changes		-572	-	-	-	-	-572
Capitalized development		218	-	-	-	-	218
Currency translation differences		-1,541	91	-179	261	153	-1,215
Balance as of June 30, 2022		41,415	277,248	19,415	105,516	4,694	448,288
<i>Accumulated amortization and impairment</i>							
Currency translation differences		-695	-	-884	-3,583	71	-5,091
Amortization for the period		-2,264	-	-1,883	-5,168	-831	-10,146
Currency translation differences		-	-	179	-271	-48	-140
Balance as of June 30, 2022		-2,959	-	-2,589	-9,021	-808	-15,377
Net book value as of January 1, 2022		42,615	277,157	18,710	101,672	4,612	444,766
Net book value as of June 30, 2022		38,456	277,248	16,826	96,494	3,886	432,911
Useful life		3-5	Infinite	3-5	3-5	3-5	

Section 4 - Financial instruments, risk and capital management

4.1 Financial instruments

Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. For financial instruments measured at fair value, the levels in the fair value hierarchy are as shown below.

Level 1 - Fair values are based on prices quoted in an active market for identical assets or liabilities.

Level 2 - Fair values are based on price inputs other than quoted prices derived from observable market transactions in an active market for identical assets or liabilities. Level 2 includes currency or interest derivatives and interest bonds, typically when the group uses forward prices on foreign exchange rates or interest rates as inputs to valuation models.

Level 3 - Fair values are based on unobservable inputs, mainly based on internal assumptions used in the absence of quoted prices from an active market or other observable price inputs.

First half year 2023

<i>Amounts in USD thousands</i>	<i>Note</i>	Carrying amount	Financial instruments measured at fair value	Level in fair value hierarchy
30.06.2023				
Financial assets measured at fair value				
<i>Fair value- hedging instruments</i>				
Derivative financial instruments		7,727	7,727	Level 2
Financial assets not measured at fair value				
<i>Financial assets at amortized cost</i>				
Cash and cash equivalents		43,074		
Current financial assets		18,928		
Trade receivables and other current assets		177,796		
Financial assets		247,524	7,727	

<i>Amounts in USD thousands</i>	<i>Note</i>	Carrying amount	Financial instruments measured at fair value	Level in fair value hierarchy
30.06.2023				
Financial liabilities measured at fair value				
<i>Fair value – hedging instruments</i>				
Derivative financial instruments		14,182	14,182	Level 2
Financial liabilities not measured at fair value				
<i>Financial liabilities at amortized cost</i>				
Borrowings		330,321		
<i>Other financial liabilities</i>				
Other non-current liabilities		6,815		
Trade payables and other current liabilities		227,233		
Provisions		17,846		
Financial liabilities		596,396	14,182	

4.1 Financial instruments (continued)

First half year 2022

<i>Amounts in USD thousands</i>	<i>Note</i>	Carrying amount	Financial instruments measured at fair value	Level in fair value hierarchy
30.06.2022				
Financial assets measured at fair value				
<i>Fair value- hedging instruments</i>				
Derivative financial instruments		5,208	5,208	Level 2
Financial assets not measured at fair value				
<i>Financial assets at amortized cost</i>				
Cash and cash equivalents		64,179		
Current financial assets		44,997		
Trade receivables and other current assets		129,808		
Financial assets		244,192	5,208	

<i>Amounts in USD thousands</i>	<i>Note</i>	Carrying amount	Financial instruments measured at fair value	Level in fair value hierarchy
30.06.2022				
Financial liabilities measured at fair value				
<i>Fair value – hedging instruments</i>				
Derivative financial instruments		11,302	11,302	Level 2
Financial liabilities not measured at fair value				
<i>Financial liabilities at amortized cost</i>				
Borrowings		307,298		
<i>Other financial liabilities</i>				
Other non-current liabilities		4,493		
Trade payables and other current liabilities		177,544		
Contract liabilities		68,960		
Provisions		18,673		
Financial liabilities		588,271	11,302	

4.2 Finance income and finance expenses

<i>Amounts in USD thousands</i>	Second quarter		First half year	
	2023	2022	2023	2022
Interest income on bank deposits measured at amortized cost	1,149	537	1,583	973
Foreign exchange gain	3,918	3,429	6,538	4,573
Other finance income	229	1	524	2
Finance income	5,295	3,967	8,646	5,548
Interest expense on financial liabilities measured at amortized cost	-8,713	-5,978	-17,643	-11,331
Interest expense on lease liabilities	-413	-549	-860	-1,147
Foreign exchange loss	-2,940	-4,257	-3,818	-6,053
Other financial expenses ¹⁾	-2,764	-3,473	-3,542	-5,490
Finance expenses	-14,830	-14,255	-25,863	-24,021
Net finance expenses recognized in profit and loss	9,535	10,289	17,217	18,473
Profit / loss(-) from equity-accounted investees	-	-257	-	168

¹⁾ Other financial expense relates to bank fees and amortisation of capitalized borrowing costs.

4.3 Borrowings

Below are contractual terms of the group's interest-bearing loans and borrowings which are measured at amortized cost. For more information about the group's exposure to interest rates, foreign currency and liquidity risk, see note 4.1 Financial risk management and exposures.

First half year 2023

<i>Amounts in USD thousand</i>	Currency	Nominal currency value	Carrying amount (USD)	Interest rate margin	Fixed rate	Maturity date	Interest terms
Bond	USD	150,000	148,364	7%		Feb 2025	LIBOR + Margin
Term loan Tranche A	USD	17,725	15,887	4%		Feb 2024	LIBOR + Margin
Term loan Tranche B	USD	5,908	5,296	5%		Feb 2024	LIBOR + Margin
Shareholder loan	USD	114,954	114,954		8%	Oct 2025	Fixed rate
Revolving credit facility (USD 80 million)	USD	45,000	45,821	4%		Feb 2024	LIBOR + Margin
Total borrowings		333,588	330,321				

Current borrowings	69,673
Non-current borrowings	260,648
Total borrowings	330,321

HMH Holding B.V. is the direct borrower of all of the loans above.

Reconciliation of liabilities arising from financing activities

<i>Amounts in USD thousand</i>	01.01.2023	Cash flows	Interest	Amortization	Capitalized borrowing costs	30.06.2023
Term loan facility	35,684	-15,556	-	1,054	-	21,182
Bond	147,858	-	-	506	-	148,364
Shareholder loan	110,266	-	4,688	-	-	114,954
Revolving Credit Facilities	8,035	37,000	786	-	-	45,821
Total liabilities arising from financing activities	301,843	21,444	5,474	1,560	-	330,321

First half year 2022

<i>Amounts in USD thousand</i>	Currency	Nominal currency value	Carrying amount (USD)	Interest rate margin	Fixed rate	Maturity date	Interest terms
Bond	USD	150,000	149,889	7%		Feb 2022	LIBOR + Margin
Term loan Tranche A	USD	40,833	40,027	4%		Feb 2024	LIBOR + Margin
Term loan Tranche B	USD	13,611	13,342	5%		Feb 2024	LIBOR + Margin
Shareholder loan	USD	104,040	104,040		8%	Oct 2025	Fixed rate
Total borrowings			307,298				

Current borrowings	35,611
Non-current borrowings	271,687
Total borrowings	307,298

HMH Holding B.V. is the direct borrower of all of the loans above.

Reconciliation of liabilities arising from financing activities

<i>Amounts in USD thousand</i>	01.01.2022	Cash flows	Interest	Amortization	Capitalized borrowing costs	30.06.2022
Term loan facility	70,000	-15,556	-	354	-1,429	53,369
Bridge loan facility	150,000	-150,000	-	1,409	-1,409	-
Bond	-	150,000	-	489	-600	149,889
Shareholder loan ¹⁾	102,000	-	2,040	-	-	104,040
Total liabilities arising from financing activities	322,000	-15,556	2,040	2,252	-3,438	307,298

¹⁾ As part of the consideration paid to Akastor and Baker Hughes in relation to the creation of the joint venture was by establishing shareholder loans to Akastor and Baker Hughes. The total amount of the shareholder loan is USD 100 million and will not be settled prior to external debt. Earliest maturity date is set to October 1, 2025. USD 20 million of the loan relates to Akastor, and remaining USD 80 million is a loan from Baker Hughes to HMH.

Section 5 - Other information

5.1 Provisions

First half year

<i>Amounts in USD thousands</i>	30.06.2023	30.06.2022	31.12.2022
Provisions, current	16,489	17,418	15,754
Provisions, non-current	1,358	1,255	734
Total provisions	17,846	18,673	16,488

Provisions mainly consist of Warranties, Restructuring provision and other provisions.

Warranties

The provision for warranties relates mainly to the possibility that HMH Group, based on contractual agreements, needs to perform guarantee work related to products and services delivered to customers. Warranty provision is presented as current as it is expected to be settled in the group's normal operating cycle.

Restructuring

Restructuring mainly relates to significant workforce reduction and reorganization in MHWirth due to challenging rig market. The provision includes provision for vacant office premises after the workforce reduction and is estimated based on the detailed restructuring plans for the businesses and locations affected.

As of 31 December 2022, a restructuring provision of USD 1.1 million had been recognised mainly relating to gratuity pensions and provision for restoration and hand back costs of rented offices. Expenditures of USD 1.8 million were charged against the provision in the Second Quarter of 2023 related to restructuring of workforce in HMH. There was no reversal of restructuring provision in 2023 so far.

Other provisions

Provisions in Hydril USA Distribution LLC were:

- USD 4 million environmental reserve for estimated remediation costs for two plants.
- USD 2 million other provisions

The remaining USD 4 million are other provisions in the HMH Group

5.2 Related party transactions

HMH Group with its parent company HMH Holding B.V., is a joint venture by Akastor and Baker Hughes. The shareholders are Baker Hughes Holdings LLC (50%), Akastor AS (25%), and Mercury HoldCo Inc (25%).

Related parties for the HMH Group are the shareholders and the entities in the Akastor Group and Baker Hughes Group.

First half year 2023

	Baker Hughes Holding LLC	GE Drilling Services LLC	Oil and Gas Pressure Control Middle East	GEO Oil and Gas Australia Pty Ltd	Akastor AS	Aker Solution AS	AKOFS JV	Other Baker-Hughes companies	Other Akastor companies	Total
<i>Amounts in USD thousands</i>										
Period April 1, 2023 - June 30, 2023										
Income statement										
Revenue	-	-	-	131	-41	-	4,222	166	232	4,711
Net financial items	-2,982	-	-	-	-608	-	-	-36	-619	-4,245
Balance as of June 30, 2023										
Interest-bearing receivables	-	-	-	-	18,928	-	-	-	-	18,928
Trade receivables	-	1,053	1,301	-	-	319	-	511	-319	2,866
Trade payables	-	-	-	-	-	-	-	285	-	285
Lease liability related party	-	-	-	-	-	1,518	-	-	-	1,518
Borrowings / shareholder loans	91,975	-	-	-	22,979	-	-	-	-	114,954
Indemnification asset ²⁾	-	-	-	-	22,821	-	-	-	-	22,821
Non-current receivable related party ¹⁾	3,454	-	-	-	3,486	-	-	-	-	6,940
Contingent liabilities ³⁾	666	-	-	-	8,747	-	-	-	-	9,413

¹⁾ It is recorded as Other non-current assets. It consists of receivable against Akastor and Baker-Hughes resulting from the settlement of the acquisition of MHWirth and Subsea Drilling Systems, respectively.

²⁾ As part of the agreement between Akastor and Baker Hughes at the time of the formation of the group, Akastor is responsible for all pension liabilities accrued and unsettled pension liabilities pre October 1, 2021. HMH have booked a receivable in HMH Holding B.V. towards Akastor for their part of the total pension liability of USD 21.3 million as a non-current assets and USD 1.5 million as a current assets.

³⁾ See note 5.4 for details.

Related party transactions

Akastor

- Akastor has provided a shareholder loan to HMH of total USD 20 million in 2021. This is a long-term loan provided to finance the Groups operating and finance activities. The closing balance includes the initial loan amount and the capitalized interest, see Note 4.3 for details.
- Akastor has provided a seller's credit for Step Oiltools of USD 16.4 million related to carve-out of Step Oiltools prior to the merger.
- As part of the merger, Akastor is responsible for the pension liability from before the merger. Hence, HMH has a receivable of USD 22.8 million receivable towards Akastor.

Baker Hughes

- Baker Hughes has provided a shareholder loan to HMH of total USD 80 million in 2021. This is a long-term loan provided to finance the Group's operating and finance activities. (See note 4.3)

First half year 2022

	Baker Hughes Holding LLC	GE Drilling Services LLC	Oil and Gas Pressure Control Middle East	GEO Oil and Gas Australia Pty Ltd	Akastor AS	Aker Solution AS	AKOFS JV	Other Baker-Hughes companies	Other Akastor companies	Total
<i>Amounts in USD thousands</i>										
Period January 1, 2022 - June 30, 2022										
Income statement										
Revenue	-	-	-	453	-	1,284	1,820	619	232	4,407
Net financial items	-3,279	-	-	-	-141	-	-	-99	-	-3,519
Balance as of June 30, 2022										
Interest-bearing receivables	-	-	-	-	17,079	-	-	-	-	17,079
Trade receivables	-	1,053	1,301	-	-	341	-	1,326	148	4,170
Trade payables	-	-	-	-	-	-	-	368	-	368
Lease liability related party	-	-	-	-	-	2,536	-	-	-	2,536
Borrowings / shareholder loans	83,232	-	-	-	20,808	-	-	-	-	104,040
Indemnification asset	-	-	-	-	27,919	-	-	-	-	27,919

5.2 Related party transactions (continued)

Related party transactions

Akastor

- Akastor has provided a shareholder loan to HMH of total USD 20 million in 2021. This is a long-term loan provided to finance the Group's operating and finance activities. (See note 4.3)
- Akastor has provided a seller's credit for Step Oiltools of USD 16.4 million related to carve-out of Step Oiltools prior to the merger.
- In relation to the merger, there were performed a carve-out of pension liabilities in MHWirth AS - asset in HMH Holding B.V against Akastor AS. As part of the merger, Akastor is responsible for the pension liability from before the merger, so called carved-out pension. Hence, HMH has a receivable of USD 27.9 million receivable towards Akastor as of June 30, 2022.

Baker Hughes

- Baker Hughes has provided a shareholder loan to HMH of total USD 80 million in 2021. This is a long-term loan provided to finance the Group's operating and finance activities. (See note 4.3)

5.3 Income tax

The Company's effective tax rates for the three and six months ended June 30, 2023 and 2022 were negatively impacted by the changes in valuation allowance related to losses in certain jurisdictions for which the Company cannot currently recognize a tax benefit. The effective tax rates were also impacted by the Group's US income and losses which are taxed to Baker Hughes and Akastor, certain withholding taxes, as well as differences in tax rates in the jurisdictions in which we operate. The effective tax rates for the periods ending December 31, 2022 and 2021 were also impacted by these same items.

5.4 Commitments and contingencies

Our contingent consideration include approximately USD 9.4 million associated with our deferred tax assets that were acquired as part of the formation of HMH and is payable to our shareholders upon utilization.

5.5 Subsequent events

Non-adjusting events

No subsequent events are noted which require adjustments in the interim condensed consolidated financial statements or to be disclosed.

Alternative Performance Measures (APM)

To enhance investors' understanding of the company's performance, The Group presents certain alternative performance measures (APMs). An APM is defined as a financial measure of historical or future financial performance, financial position or cash flows, other than a financial measure defined or specific in the applicable financial reporting framework (IFRS). As every group does not calculate financial performance measures in the same manner, these are not always comparable with measures used by other companies. These financial measures should therefore not be regarded as a replacement for measures as defined according to IFRS.

The Group uses adjusted EBITDA as an APM.

Adjusted EBITDA

Adjusted EBITDA is defined as the profit/(loss) for the year/ period before net financial income (expenses), income tax expense, depreciation and amortization (EBITDA), adjusted for non-recurring items affecting comparability.

Non-recurring items

The Group defines non-recurring items as one-time costs, not relating to the actual reporting period or core activity.