



Interim condensed consolidated financial information

March 31, 2024

HMH Holding B.V. including subsidiaries

Unaudited

Table of Contents

Business Review Q1 2024	3
Unaudited condensed consolidated interim income statement	4
Unaudited condensed consolidated interim statement of comprehensive income	4
Unaudited condensed consolidated interim statement of financial position	5
Unaudited condensed consolidated interim statement of cash flows	7
Unaudited condensed consolidated interim statement of changes in equity	8
Notes to the Consolidated Financial Statements	
Section 1 - Background	9
1.1 Corporate information	9
1.2 Basis of preparation	9
Section 2 - Operating performance	10
2.1 Revenue from contracts with customers	10
2.2 Operating segments	11
Section 3 - Asset base	12
3.1 Property, plant and equipment	12
3.2 Intangible assets and goodwill	13
Section 4 - Financial instruments, risk and capital management	14
4.1 Financial instruments	14
4.2 Finance income and finance expenses	16
4.3 Borrowings	17
Section 5 - Other information	19
5.1 Provisions	19
5.2 Related party transactions	20
5.3 Income tax	22
5.4 Commitments, contingencies and contingent considerations	22
5.5 Non-controlling interest	22
5.6 Subsequent events	22



Business Review Q1 2024

Business Summary

HMH reports revenues of USD 193 million for the three months ended March 31, 2024, with an adjusted EBITDA (adjusted for non-recurring expenses or costs defined as outside of normal company operations) of USD 33 million, corresponding to an EBITDA margin of approximately 17%. Unadjusted EBITDA was USD 32 million for the three months ended March 31, 2024. Revenues down 7% in a quarter-to-quarter basis driven by product mix and volume and a one-time prior quarter service performance bonus and up 4% year-to-year driven by increase in DLS output offset by lower project activity. We continue to experience book to bill ratio of greater than 1.

Adjusted EBITDA and Cash Flow

Adjusted EBITDA was up 75% on a year over year driven by product mix and volume, and down 28% on a quarter over quarter basis, driven by prior quarter product mix and volume and a one-time performance bonus. Free cash flow (cash generated from operating activities less taxes paid and net investments) was positive USD 8 million in the quarter, an improvement of 22 million vs 1Q23 but lower than 4Q23 due to timing of project related milestone payments. The aftermarket segment of HMH exhibits very steady working capital performance.

Integration process

We completed our ERP implementation in our PCS business in 2022 and our ESS business in 3Q23. We have already started to see the benefits of this implementation, as it has greatly enhanced our reporting capabilities.

Capital Structure

In 4Q23 HMH preformed a full refinancing of its debt structure. The \$150 million Senior Secured floating rate bond was replaced by a new 3-year \$200 million Senior Secured fixed rate bond. There is a tap capacity built into the bond framework, allowing a further issue of \$75 million subject to market conditions. The refinancing allowed HMH to take advantage of improved market conditions, extending the maturity structure of its debt, while at the same time improving terms which helps position the Group for further growth. We now have \$222 million of interest-bearing debt, with USD \$22 million drawn under the new RCF. In 1Q24, HMH fully repaid the \$22 million of the RCF. With \$49 million of cash on the balance sheet, we have \$151 million of net debt. HMH stays well within all covenant requirements for Minimum Liquidity, Gearing Ratio and Interest Coverage Ratio.

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.

Thomas McGee
(Chief Financial Officer)

Amsterdam April 25, 2024

Unaudited condensed consolidated interim income statement

<i>Amounts in USD thousands</i>	<i>Notes</i>	First quarter		Year
		2024	2023	2023
Revenue and other income	2.1	193,377	185,575	785,579
Operating expenses		-161,867	-171,012	-663,352
Operating profit before depreciation, amortization and impairment	2.2	31,510	14,563	122,227
Operating profit before depreciation, amortization and impairment, adjusted				
Depreciation and amortization	2.2	-11,022	-10,829	-44,683
Operating profit / loss(-)		20,488	3,734	77,544
Finance income	4.2	2,602	3,351	13,769
Finance expenses	4.2	-12,542	-11,033	-63,882
Net finance expenses		-9,940	-7,682	-50,113
Profit / loss(-) before tax		10,548	-3,948	27,431
Income tax expense		-4,122	-2,982	-16,656
Profit / loss(-) for the period		6,426	-6,930	10,775
Profit / loss(-) attributable to:				
Equity holders of the parent		6,146	-6,930	10,775
Non-controlling interests		280	-	-
<i>Amounts in USD thousands</i>	<i>Notes</i>	First quarter		Year
		2024	2023	2023
Profit (loss) for the period		6,426	-6,930	10,775
Other comprehensive income				
Cash flow hedges, gross amount		-1,653	-832	3,584
Cash flow hedges, related tax		-551	-277	-717
Total change in hedging reserve, net of tax		-2,205	-1,109	2,867
Currency translation differences - foreign operations		-4,581	1,016	5,146
Total items that may be reclassified subsequently to profit or loss, net of tax		-6,785	-93	8,013
Remeasurement gain net defined benefit liability		192	41	13
Deferred tax of remeasurement gain net defined benefit liability		64	14	4
Total items that will not be reclassified to profit or loss, net of tax		256	54	17
Total other comprehensive income / loss(-) for the period, net of tax		-6,529	-39	8,029
Total comprehensive income / loss(-)		-103	-6,969	18,805
Total comprehensive income / loss(-) attributable to:				
Equity holders of the parent		-384	-6,969	18,805
Non-controlling interests		280	-	-

Unaudited condensed consolidated interim statement of financial position

<i>Amounts in USD thousands</i>	<i>Notes</i>	31/03/2024	31/12/2023	31/03/2023
<i>Non-current assets</i>				
Deferred tax assets		27,255	28,570	31,350
Property, plant and equipment	3.1	212,675	214,834	219,063
Other Intangible assets	3.2	142,779	148,471	150,993
Right-of-use assets		37,736	34,149	30,311
Goodwill	3.2	287,628	287,848	278,210
Other non-current assets		33,543	28,488	7,217
Total non-current assets		741,616	742,359	717,144
Current assets				
Prepaid company tax		971	884	1,293
Inventories		267,375	241,404	176,546
Trade receivables and other current assets	4.1	187,203	178,205	187,883
Derivative financial instruments	4.1	1,702	2,759	4,362
Current financial assets	4.1	1,500	1,500	40,208
Contract assets	4.1	121,876	143,652	134,259
Cash and cash equivalents	4.1	49,238	62,524	37,256
Total current assets		629,865	630,928	581,806
TOTAL ASSETS		1,371,481	1,373,288	1,298,951

Unaudited condensed consolidated interim statement of financial position

USD thousands	Notes	31/03/2024	31/12/2023	31/03/2023
EQUITY AND LIABILITIES				
Equity				
Share capital		0	0	0
Share premium		601,539	601,539	601,539
Other equity		10,345	15,194	-2,840
Retained earnings		-14,707	-20,852	-24,650
Equity attributable to equity holders of the parent company		597,177	595,881	574,048
Non-controlling interests		9,567	-	-
Total equity		606,744	595,881	574,048
Non-current liabilities				
Non-current borrowings	4.3	325,506	315,175	258,548
Non-current lease liabilities		31,213	28,617	23,678
Employee benefit obligations		17,811	19,154	18,618
Deferred tax liabilities		19,955	21,541	21,136
Non-current provisions	5.1	1,002	1,068	698
Other non-current liabilities	4.1	11,160	11,359	6,005
Total non-current liabilities		406,646	396,913	328,683
Current liabilities				
Current borrowings	4.3	974	25,453	56,100
Current lease liabilities		9,540	8,722	8,734
Current tax liabilities		7,462	8,283	8,173
Current provisions	5.1	18,661	17,829	15,067
Trade payables and other current liabilities	4.1	236,910	243,356	225,075
Contract liabilities		81,435	75,525	75,004
Derivative financial instruments	4.1	3,109	1,326	8,066
Total current liabilities		358,090	380,494	396,220
Total liabilities		764,737	777,408	724,903
TOTAL EQUITY AND LIABILITIES		1,371,481	1,373,288	1,298,951

Amsterdam, April 25, 2024

Thomas McGee
(Chief Financial Officer)

Unaudited condensed consolidated interim statement of cash flows

<i>Amounts in USD thousands</i>	<i>Notes</i>	First quarter		Year
		2024	2023	2023
<i>Cash flow from operating activities</i>				
Profit / loss (-) before tax		10,548	-3,948	27,431
<i>Adjustments for:</i>				
Net finance income and expenses		9,940	7,682	50,113
Share-based payment expenses		1,680	1,560	6,470
Foreign exchange gain / loss (-)		-2,373	-4,872	1,504
Other net finance cost / income (-)		-1,042	-	143
Depreciation, amortization and impairment		11,022	10,829	44,683
Gain (-) / loss on disposal of assets		-	-	-30
Sum Adjustments		29,774	11,251	130,314
<i>Changes in working capital:</i>				
Decrease/increase(-) in trade receivables and other current assets		-5,650	5,089	-7,165
Increase/decrease(-) in inventories		-25,971	-18,448	-58,664
Increase/decrease(-) in trade payables and other liabilities		-3,832	19,806	-6,007
Decrease/increase(-) in contract assets		21,776	-10,574	-19,967
Increase/decrease(-) in contract liabilities		5,911	-17,365	17,886
Other changes		-3,449	3,767	11,845
Sum changes in working capital		-11,215	-17,724	-62,072
Interest paid		-579	-5,649	-26,159
Interest paid for leases		-540	-447	-2,180
Interest received		889	435	2,592
Income taxes paid		-5,301	-1,941	-11,909
Net cash from operating activities		13,028	-14,076	30,586
<i>Cash flow from investing activities</i>				
Purchase of property, plant and equipment		-4,730	-2,940	-14,116
Payments for capitalized development expenses		-590	-404	-10,541
Proceeds from sale of property, plant and equipment		-	-	601
Net cash flow from investing activities		-5,320	-3,344	-24,056
<i>Cash flow from financing activities</i>				
Proceeds from sale to non-controlling interest		2,291	-	-
Proceeds from borrowings		-	25,000	183,043
Repayment of borrowings		-22,000	-15,778	-157,320
Payment of borrowing cost		-	-113	-11,243
Payment of lease liabilities		-1,173	-2,415	-4,836
Net cash flow from financing activities		-20,883	6,694	9,644
Effect of exchange rate changes on cash and cash equivalents		-111	646	-986
Net increase (decrease) in cash and cash equivalents		-13,286	-10,080	15,188
Cash and cash equivalents at the beginning of the period		62,524	47,336	47,336
Cash and cash equivalents at the end of the period		49,238	37,256	62,524

Unaudited condensed consolidated interim statement of changes in equity

For the three months ended March 31, 2024

	Share capital ¹⁾	Share premium	Other equity				Retained earnings	Total	Non-controlling interest	Total equity
			Hedging reserve	Pension remeasurement reserve	Share-based payments	Currency translation reserve				
<i>Amounts in USD thousands</i>										
Equity as of December 31, 2023	0	601,539	1,097	2,036	9,967	2,095	-20,852	595,881	-	595,881
Profit / loss (-) for the period	-	-	-	-	-	-	6,146	6,146	280	6,426
Other comprehensive income / loss (-)	-	-	-2,205	256	-	-4,581	-	-6,529	-	-6,529
Share-based payments	-	-	-	-	1,680	-	-	1,680	-	1,680
Non-controlling interest (note 5.5)	-	-	-	-	-	-	-	-	9,287	9,287
Total comprehensive income / loss (-)	0	601,539	-1,107	2,292	11,647	-2,486	-14,707	597,177	9,567	606,744
Equity as of March 31, 2024	0	601,539	-1,107	2,292	11,647	-2,486	-14,707	597,177	9,567	606,744

¹⁾ Share capital is USD 0.002 thousand at March 31, 2024

For the three months ended March 31, 2023

	Share capital ¹⁾	Share premium	Other equity				Retained earnings	Total	Non-controlling interests	Total equity
			Hedging reserve	Pension remeasurement reserve	Share-based payments	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	-	581,017
Profit (loss) for the period	-	-	-	-	-	-	-6,930	-6,930	-	-6,930
Other comprehensive income / loss (-)	-	-	-1,109	54	-	1,016	-	-39	-	-39
Total comprehensive income / loss (-)	0	601,539	-2,878	2,073	-	-2,035	-24,650	-24,650	-24,650	574,048
Equity as of March 31, 2023	0	601,539	-2,878	2,073	-	-2,035	-24,650	-24,650	-24,650	574,048

¹⁾ Share capital is USD 0.002 thousand at March 31, 2023

Section 1 - Background

Note 1 General information

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 unaudited condensed consolidated financial statements for the three months ended March 31, 2024 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 judgment 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 2023. 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, 2023 which were prepared according to the IFRS Accounting Standards 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.

- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Lack of Exchangeability (Amendments to IAS 21)

The interim condensed consolidated financial statements for the three months ended March 31, 2024 are unaudited.

Section 2 - Operating performance

Note 2.1 - Revenue from contracts with customers

<i>Amounts in USD thousands</i>	First quarter	
	2024	2023
Revenue from contract with customers	192,165	185,477
Other revenue and income		
Lease revenue	-	98
Other income	1,211	-
Total revenue and other income	193,377	185,575

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. HMM 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 in 2021.

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) in 2021.

First quarter 2024

<i>Amounts in USD thousands</i>	ESS	PCS	Total
Major contract/revenue types			
Construction revenue	14,693	19,196	33,889
Service revenue	35,207	33,635	68,842
Sale of products	48,919	41,726	90,645
Total revenue and other income	98,819	94,558	193,377

Timing of revenue recognition

Transferred over time	49,900	52,831	102,731
Transferred at point in time	48,919	41,726	90,645
Total revenue and other income	98,819	94,558	193,377

First quarter 2023

<i>Amounts in USD thousands</i>	ESS	PCS	Total
Major contract/revenue types			
Construction revenue	46,831	23,437	70,268
Service revenue	32,331	25,444	57,775
Sale of products	22,716	34,816	57,532
Total revenue and other income	101,878	83,697	185,575

Timing of revenue recognition

Transferred over time	79,162	48,881	128,043
Transferred at point in time	22,716	34,816	57,532
Total revenue and other income	101,878	83,697	185,575

Note 2.2 - Operating segments

HMH identifies its reportable segments and disclose segment information under IFRS 8 Operation Segments. See note 2.2 Segments in HMH's Annual Report 2023 for description of HMH's management model and operating segments as well as accounting principles used for segments reporting.

First quarter 2024

<i>Amounts in USD thousands</i>	ESS	PCS	Total operating segments	Eliminations	Headquarter	Total HMH
<i>Income statement</i>						
External revenue and other income	98,819	94,558	193,377	-	-	193,377
Inter-segment revenue	1,286	2,923	4,208	-4,208	-	-
Total revenue and other income	100,105	97,480	197,585	-4,208	-	193,377
Operating profit before interest, depreciation, amortization and impairment	9,784	24,833	34,617	-	-3,106	31,511
Depreciation and amortization	-3,935	-6,450	-10,385	-	-638	-11,023
Operating profit / loss(-)	5,849	18,383	24,232	-	-3,744	20,488
Net finance income/expense	-2,891	-48	-2,939	-	-7,001	-9,940
Profit / loss(-) before tax	2,958	18,335	21,293	-	-10,745	10,548

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	101,878	83,697	185,575	-	-	185,575
Inter-segment revenue	1,197	903	2,100	-2,100	-	-
Total revenue and other income	103,124	84,552	187,675	-2,100	-	185,575
Operating profit before interest, depreciation, amortization and impairment	8,429	11,470	19,899	-	-5,336	14,563
Depreciation and amortization	-3,328	-6,425	-9,753	-	-1,076	-10,829
Operating profit / loss(-)	5,101	5,045	10,146	-	-6,412	3,734
Net finance income/expense	223	-548	-325	-	-7,357	-7,682
Profit / loss(-) before tax	5,324	4,497	9,821	-	-13,769	-3,948

Section 3 - Asset base

3.1 Property, plant and equipment

As of January 1, 2024

<i>Amounts in USD thousands</i>	Buildings and land	Machinery, equipment, software	Assets under construction	Total
<i>Historical cost</i>				
Balance as of January 1, 2024	166,325	83,672	5,695	255,692
Additions	-	3,942	788	4,730
Transfer from assets under construction	-	52	-52	-
Disposals and scrapping	-	-13	-	-13
Currency translation differences	-2,987	-2,228	-163	-5,378
Balance as of March 31, 2024	163,338	85,425	6,267	255,030
<i>Accumulated depreciation</i>				
Balance as of January 1, 2024	-22,670	-18,188	-	-40,858
Depreciation for the period	-1,463	-2,882	-	-4,345
Disposals and scrapping	-	13	-	13
Currency translation differences	1,138	1,697	-	2,835
Balance as of March 31, 2024	-22,995	-19,361	-	-42,356
Net book value as of January 1, 2024	143,655	65,484	5,695	214,834
Net book value as of March 31, 2024	140,343	66,065	6,267	212,675

As of 1 January, 2023

<i>Amounts in USD thousands</i>	Buildings and land	Machinery, equipment, software	Assets under construction	Total
<i>Historical cost</i>				
Balance as of January 1, 2023	155,278	82,171	1,398	238,847
Additions	1,296	617	2,079	3,992
Transfer from assets under construction	-	289	-289	-
Currency translation differences	2,834	673	57	3,564
Balance as of March 31, 2023	159,408	83,749	3,246	246,404
<i>Accumulated depreciation</i>				
Balance as of January 1, 2023	-7,848	-13,325	-	-21,171
Depreciation for the period	-3,557	-737	-	-4,294
Reclassifications	-	-280	-	-280
Currency translation differences	-1,040	-556	-	-1,595
Balance as of March 31, 2023	-12,444	-14,898	-	-27,341
Net book value as of January 1, 2023	147,430	68,846	1,398	217,675
Net book value as of March 31, 2023	146,964	68,851	3,246	219,063

3.2 Intangible assets and goodwill

As of January 1, 2024

<i>Amounts in USD thousands</i>	<i>Note</i>	Development costs	Goodwill	Patents and rights	Customer relationship	Other intangible assets	Total
<i>Historical cost</i>							
Balance as of January 1, 2024		55,989	287,848	20,550	107,893	11,140	483,420
Additions		-	-	-	-	590	590
Reclassification and other changes ¹⁾		59	-	35	-355	-15	-275
Currency translation differences		-3,510	-219	-233	252	11	-3,699
Balance as of March 31, 2024		52,538	287,629	20,353	107,790	11,726	480,036
<i>Accumulated amortization and impairment</i>							
Balance as of January 1, 2024		-11,890	-	-8,890	-25,081	-1,241	-47,102
Amortization for the period		-1,448	-	-	-3,254	-140	-4,841
Currency translation differences		2,532	-	56	-262	-11	2,315
Balance as of March 31, 2024		-10,805	-	-8,834	-28,597	-1,393	-49,629
Net book value as of January 1, 2024		44,099	287,848	11,660	82,812	9,899	436,318
Net book value as of March 31, 2024		41,733	287,629	11,519	79,193	10,333	430,407
Useful life (years)		3-5	Indefinite	3-5	3-5	3-5	

¹⁾ Reclassification of USD -275 thousand is related to opening balance adjustment within fixed assets and intangible assets for balance alignment with sub-ledger in Hydril US.

As of January, 2023

<i>Amounts in USD thousands</i>	<i>Note</i>	Development costs ¹⁾	Goodwill	Patents and rights	Customer relationship	Other intangible assets	Total
<i>Historical cost</i>							
Balance as of January 1, 2023		45,279	278,113	21,141	105,611	11,042	461,186
Reclassification and other changes		153	-	-	-	-239	-86
Capitalized development		404	-	-	-	-	404
Currency translation differences		-1,870	347	-95	589	81	-948
Balance as of March 31, 2023		43,965	278,460	21,046	106,200	10,884	460,556
<i>Accumulated amortization and impairment</i>							
Balance as of January 1, 2023		-6,274	-	-4,500	-15,064	-809	-26,646
Amortization for the period		-1,252	-	-2,141	-1,513	-208	-5,115
Currency translation differences		1,132	-	-56	-588	-81	407
Balance as of March 31, 2023		-6,394	-	-6,698	-17,165	-1,097	-31,353
Net book value as of January 1, 2023		39,005	278,113	16,641	90,547	10,233	434,540
Net book value as of March 31, 2023		37,571	278,460	14,348	89,036	9,786	429,203
Useful life (years)		3-5	Indefinite	3-5	3-5	3-5	

¹⁾ Our ongoing R&D efforts are being orchestrated across multiple locations, including Norway, Germany, and the United States. These activities are primarily centred on several areas:

- R&D in adjoining industries and miscellaneous software development initiatives
 - Collaborating with a prominent operator to formulate next-gen elastomers for sealing applications within the oilfield landscape, thereby extending beyond our current horizon
 - 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.

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.

As of 31 March 2024

<i>Amounts in USD thousands</i>	<i>Note</i>	Carrying amount	Financial instruments measured at fair value	Level in fair value hierarchy
Financial assets measured at fair value				
<i>Fair value- hedging instruments</i>				
Derivative financial instruments		1,702	1,702	Level 2
Financial assets not measured at fair value				
<i>Financial assets at amortized cost</i>				
Cash and cash equivalents		49,238		
Current financial assets		1,500		
Trade receivables and other current assets		187,203		
Contract assets		121,876		
Financial assets		361,519	1,702	

<i>Amounts in USD thousands</i>	<i>Note</i>	Carrying amount	Financial instruments measured at fair value	Level in fair value hierarchy
Financial liabilities measured at fair value				
<i>Fair value – hedging instruments</i>				
Derivative financial instruments		3,109	3,109	Level 2
Financial liabilities not measured at fair value				
<i>Financial liabilities at amortized cost</i>				
Borrowings	4.3	326,479		
<i>Other financial liabilities</i>				
Other non-current liabilities		1,747		
Trade payables and other current liabilities		236,910		
Provisions	5.1	19,663		
Financial liabilities		587,907	3,109	

4.1 Financial instruments (continued)

As of 31 March 2023

<i>Amounts in USD thousands</i>	<i>Note</i>	Carrying amount	Financial instruments measured at fair value	Level in fair value hierarchy
Financial assets measured at fair value				
<i>Fair value- hedging instruments</i>				
Derivative financial instruments		4,362	4,362	Level 2
Financial assets not measured at fair value				
<i>Financial assets at amortized cost</i>				
Cash and cash equivalents		37,256		
Current financial assets		40,208		
Trade receivables and other current assets		187,883		
Contract assets		134,259		
Financial assets		403,968	4,362	

<i>Amounts in USD thousands</i>	<i>Note</i>	Carrying amount	Financial instruments measured at fair value	Level in fair value hierarchy
31.03.2023				
Financial liabilities measured at fair value				
<i>Fair value – hedging instruments</i>				
Derivative financial instruments		8,066	8,066	Level 2
Financial liabilities not measured at fair value				
<i>Financial liabilities at amortized cost</i>				
Borrowings	4.3	314,648		
<i>Other financial liabilities</i>				
Other non-current liabilities		6,005		
Trade payables and other current liabilities		225,075		
Provisions	5.1	15,765		
Financial liabilities		569,560	8,066	

4.2 Finance income and finance expenses

<i>Amounts in USD thousands</i>	First quarter	
	2024	2023
Interest income on bank deposits measured at amortized cost	874	435
Interest income on finance lease receivables	15	-
Foreign exchange gain	1,428	2,620
Other finance income	285	296
Finance income	2,602	3,351
Interest expense on financial liabilities measured at amortized cost	-8,053	-8,930
Interest expense on lease liabilities	-540	-447
Foreign exchange loss	-3,030	-878
Other financial expenses ¹⁾	-919	-778
Finance expenses	-12,542	-11,033
Net finance expenses recognized in profit and loss(-)	-9,940	-7,682
Profit / loss(-) from equity-accounted investees	-	-

¹⁾ Other financial expense relates to bank fees.

4.3 Borrowings

Below are contractual terms of the Group's interest-bearing loans and borrowings which are measured at amortized cost.

As of March 31, 2024

<i>Amounts in USD thousand</i>	Currency	Nominal currency value	Carrying amount (USD)	Interest rate margin	Fixed rate	Maturity date	Interest terms
Bond loan HMM02	USD	200,000	203,527		9.875%	Nov 2026	Fixed rate
Shareholder loan	USD	121,979	121,979		8.00%	Oct 2027	Fixed rate
Revolving Credit Facility 2023	USD	22,000	-797	3.75%		May 2026	SOFR + Margin
Credit line China	RBM	7,704	974			Jul 2024	China LPR + Margin
Total borrowings			325,683				
Current borrowings			974				
Non-current borrowings			325,506				
Non-current assets ¹⁾			-797				
Total borrowings			325,683				

¹⁾ Adjustment in non-current assets relate to reclassification of capitalized borrowing costs. This is included in non-current borrowings.

HMH Holding B.V. is the direct borrower of the bonds, shareholder loan and the revolving credit facilities in the table above.

MHWirth Offshore Petroleum Engineering (Shanghai) Co Ltd is the borrower of the Credit Line China.

Bonds

The revolving credit facilities are provided by a bank syndicate consisting of high-quality Nordic and international banks, consisting of: DNB Markets, a part of DNB Bank ASA and Nordea Bank Abp, filial i Norge. The terms and conditions include restrictions which are customary for these kinds of facilities, including inter alia negative pledge provisions and restrictions on acquisitions, disposals and mergers, dividend distribution and change of control provisions.

The Bond loan (ISIN code: NO0012428996) was refinanced on November 30, 2023. HMH Holding BV issued on November 30, 2023 a bond (ISIN code: NO0012428996) of USD 200 million with a 3-year tenor and a fixed coupon of 9.88 % per annum. The Group intends to list the bond on the Oslo Stock Exchange in Q3 2024. The terms and conditions include restrictions which are customary for these kinds of debt instruments, including inter alia negative pledge provisions and restrictions on acquisitions, disposals and mergers, dividend distribution and change of control provisions.

The existing bond was repaid at 104.71562% of the nominal amount (plus accrued and unpaid interest of the redeemed amount) on November 28, 2023.

<i>Amounts in USD thousand</i>	01.01.2024	Cash flows	Interest	Amortization	Capitalized borrowing costs	Currency translation	31.03.2024
Bond loan HMM02	198,928	-	5,082	328	-811	-	203,527
Shareholder loan ²⁾	119,587	-	2,392	-	-	-	121,979
Revolving Credit Facilities	21,128	-22,000	-	75	-	-	-797
Credit Line China	984	-	-	-	-	-10	974
Total liabilities arising from financing activities	340,628	-22,000	7,474	403	-811	-10	325,683

²⁾ As part of the consideration paid to Akastor and Baker Hughes in relation to the creation of the joint venture, it was established a shareholder loans to Akastor and Baker Hughes. The total amount of the shareholder loan is USD 100 million and the Group expects that it 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.

4.3 Borrowings (continued)

As of March 31, 2023

<i>Amounts in USD thousand</i>	Currency	Nominal currency value	Carrying amount (USD)	Interest rate margin	Fixed rate	Maturity date	Interest terms
Bond loan	USD	150,000	148,111	7%		Feb 2024	LIBOR + Margin
Term loan Tranche A	USD	23,333	21,597	4%		Feb 2024	LIBOR + Margin
Term loan Tranche B	USD	7,778	6,836	5%		Feb 2024	LIBOR + Margin
Shareholder loan	USD	112,685	112,685		8%	Oct 2025	Fixed rate
Revolving credit facility		45,000	25,419	4%			
Total borrowings			314,648				
Current borrowings			56,100				
Non-current borrowings			258,548				
Total borrowings			314,648				-

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	31.03.2023
Term loan facility	35,684	-7,778	-	527	-	28,433
Bond loan	147,858	-	-	253	-	148,111
Shareholder loan ¹⁾	110,266	-	2,419	-	-	112,685
Revolving Credit Facilities	8,035	17,000	384	-	-	25,419
Total liabilities arising from financing activities	301,843	9,222	2,803	780	-	314,648

¹⁾ As part of the consideration paid to Akastor and Baker Hughes in relation to the creation of the joint venture, it was established a shareholder loans to Akastor and Baker Hughes. The total amount of the shareholder loan is USD 100 million and the Group expects that it 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

<i>Amounts in USD thousands</i>	31.03.2024	31.12.2023	31.03.2023
Provisions, current	18,661	17,829	15,067
Provisions, non-current	1,002	1,068	698
Total provisions	19,663	18,897	15,765

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

The non-current provisions encompass a restructuring provision specific to MHWirth AS. The restructuring primarily pertains to substantial workforce decrease and reorganization within MHWirth, driven by the challenging rig market conditions. This provision incorporates unoccupied office premises subsequent to the decrease in workforce and is appraised based on the comprehensive restructuring plans for the affected businesses and locations.

Due to more adverse market conditions, additional restructuring provision was provided in 2023.

The decrease of the restructuring provision occurs on a monthly basis.

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

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.

As of 31 March 2024

<i>Amounts in USD thousands</i>	Baker Hughes Holding LLC	GE Drilling Services LLC	Akastor AS	Aker BP	Other Baker-Hughes companies	Other Akastor companies	Tanajib Holding Company	Total
Period January 1, 2024 - March 31, 2024								
Income statement								
Revenue	-	-	130	2	24	-	-	156
Net financial items	-1,834	-	-398	-	-	-	-	-2,232
Balance as of March 31, 2024								
Other current assets ⁴⁾	-	-	-	-	-	-	2,179	2,179
Trade receivables	-	-	1,500	786	321	-	-	2,606
Trade payables	-	-	-	-	110	-	-	110
Borrowings / shareholder loans	97,583	-	24,396	-	-	-	-	121,979
Indemnification asset ²⁾	-	-	20,254	-	-	-	-	20,254
Non-current receivable related party ¹⁾	4,049	-	4,087	-	-	-	-	8,136
Contingent considerations ³⁾	666	-	8,747	-	-	-	-	9,413
Other non-current assets ⁴⁾	-	-	-	-	-	-	4,754	4,754

¹⁾ It is included as part of Other 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 19.9 million as a non-current assets and USD 1.5 million as a current assets.

³⁾ See note 5.4 in this interim condensed report for details.

⁴⁾ See note 5.5 in this interim condensed report 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.
- As part of the merger, Akastor is responsible for the pension liability from before the merger. Hence, HMH has a receivable of USD 20.4 million receivable towards Akastor.
- HMH agreed to pay consideration to the shareholders upon utilization of the deferred tax assets that were acquired as part of the formation of HMH. See note 5.4 in this interim condensed report for details.

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 Groups operating and finance activities. The closing balance includes the initial loan amount and the capitalized interest, see Note 4.3 for details.
- HMH agreed to pay consideration to the shareholders upon utilization of the deferred tax assets that were acquired as part of the formation of HMH. See note 5.4 in this interim condensed report for details.

5.2 Related party transactions (continued)

As of 31 March 2023

<i>Amounts in USD thousands</i>	Baker Hughes Holding LLC	GE Drilling Services LLC	AKOFS JV	Akastor AS	Aker Solution AS	Aker BP	Other Baker-Hughes companies	Other Akastor companies	Tanjib Holding Company	Total
Period January 1, 2023 - March 31, 2023										
Income statement										
Revenue	-	-	2,472	-	-	-	218	22	-	2,712
Net financial items	-1,491	-	-	-375	-	-	-18	-214	-	-2,098
Balance as of March 31, 2023										
Interest-bearing receivables	-	-	-	24,206	-	-	-	-	-	24,206
Trade receivables	-	1,225	-	-	-	-	123	964	-	2,313
Trade payables	-	-	-	-	-	-	395	-	-	395
Lease liability related party	-	-	-	-	1,724	-	-	-	-	1,724
Borrowings / shareholder loans	90,152	-	-	22,533	-	-	-	-	-	112,685
Indemnification asset	-	-	-	6,939	-	-	-	-	-	6,939

Related party transactions

Akastor

- Akastor has provided a shareholder loan to HMM 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)
- In relation to the merger, there were performed a carve-out of pension liabilities in MHWirth AS - asset in HMM 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, HMM 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 HMM 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 Group's effective tax rates for the three months ended March 31, 2024 and 2023 were negatively impacted by the changes in the unrecognized deferred tax assets related to losses in certain jurisdictions for which the Group 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, 2023 and December 31, 2022 were also impacted by these same items.

5.4 Commitments, contingencies and contingent considerations

Our contingent consideration include approximately USD 9.4 million associated with our deferred tax assets that were acquired as part of the formation of HMM and is payable to our shareholders upon utilization. Commitments and contingencies are liabilities recorded on the balance sheet.

There is no other commitments or contingencies as of March 31, 2024 or 2023.

5.5 Non-controlling interest

During 1st quarter 2024, HMM announced that it entered into a Joint Venture with Tanajib Holding Company in Saudi Arabia. Tanajib has a strong and lengthy legacy in Saudi Arabia and the greater Middle East region, providing drilling and maintenance solutions as well as manufacturing and process optimization services. Under the agreement Tanajib will own 30% of non-controlling interest in Hydril Pressure Controlling Arabia Limited.

5.6 Subsequent events

As of the signing date of interim condensed consolidated financial statements, no subsequent events are noted which require adjustments in the interim condensed consolidated financial statements or to be disclosed.