

HMH

Annual Report

for the financial period April 28 to December 31, 2021

HMH Holding B.V.

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HMH Management Report 2021

For the period ended 31 December 2021

April 2023



Management Report

The Directors of the Company hereby present their report for the financial period ended on 31 December 2021.

The report herein may contain certain forward-looking statements relating to the Group that are based on the beliefs of the Group's management as well as assumptions made by and information currently available to the Group's management. These forward-looking statements are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to the Group's business prospects, future developments, trends and conditions in the industry and geographical markets in which the Group operates, its strategies, plans, objectives and goals, its ability to control costs, statements relating to prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

These forward-looking statements reflect the Group's views at the time such reports was made with respect to future events and are not a guarantee of future performance or developments.

Furthermore, the report covers the proper understanding of the business model of the entity and the policy including anti bribery policy, environment, social and personnel affairs (referring to section Environmental and personnel-related information), respect for human right and know your customer policy (KYC).

Business overview

HMH Holding B.V. (the "Company" or the "HMH") was incorporated as a limited liability company on 28 April 2021 and is organized and existing under the laws of the Netherlands. In total HMH Holding B.V. has issued 200 shares with a nominal value of 1 EUR leaving HMH Holding B.V. with a share capital of EUR 200. The Company is seated in Amsterdam and is registered in the Chamber of Commerce with CCI number 82719322, RSIN number 862578796. In 2021, the Company changed its name from MHH Holding B.V. to HMH Holding B.V.

On October 1, 2021, the Company acquired Baker Hughes' Subsea Drilling Systems business (SDS) and Akastor's wholly owned MHWirth business, to form HMH (The Group). The Company was established by Akastor contributing its shares in MHWirth AS and MHWirth LLC to HMH Holding B.V. in return for 50% of the shares of the Company with a fair value of USD 300 million and consideration transferred and paid to Akastor of USD 117.7 million, of which USD 97.71 million was payable in cash at closing with the remainder in the form of a shareholder loan. Baker Hughes transferred the Subsea Drilling Systems business in return for 50% of the shares of the Company with a fair value of USD 300 million and consideration transferred and paid to Baker Hughes of USD 166.55 million, of which USD 86.55 million was payable in cash at closing with the remainder



in the form of a shareholder loan. As per 31 December 2021, the shareholders of the Company are Baker Hughes Holdings LLC (50%), Akastor AS (25%), and Mercury HoldCo Inc (25%) (both wholly owned by Akastor ASA). The fair value of the shares in the Company transferred to Akastor and Baker Hughes was determined based on the business enterprise value as determined by shareholders and HMH Holding B.V. management with support of external valuation specialists. The SDS non-US entities were transferred as subsidiaries under MHWirth AS and hence was adjusted as part of intercompany loan structure in HMH Group.

The objectives of the Company are according to the Articles of Association §2.2;

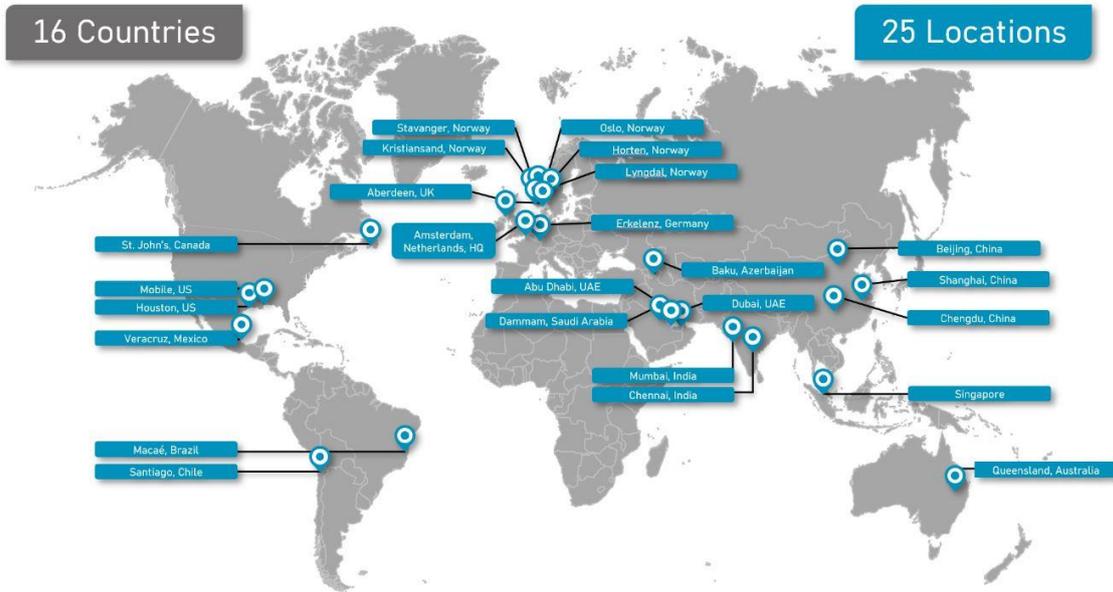
- a.** to incorporate, to in any manner participate or take any other interest in, to manage and to supervise businesses and companies of whatever nature;
- b.** to give advice and to provide services to businesses and companies with which the Company is affiliated;
- c.** to finance businesses and companies with which the Company is affiliated;
- d.** to borrow and to raise funds, including the issuing of bonds, issuing guarantees, debentures, or other securities, and to enter into related agreements;
- e.** to issue guarantees, to commit the Company to encumber the assets of the Company for the benefit of businesses, companies, and other legal entities with which the Company is affiliated with and for the benefit of third parties, as well as any and all things that are related or may be conducive to the above, all of this in the broadest sense of the word.

The Group objective is to be a premium drilling solution provider – delivering a broad portfolio of products and services that are designed to be among the safest and most capable and reliable in the industry. In addition to land and offshore drilling capabilities, The Group has expertise in subsea mining, geothermal, onshore and offshore construction, and the onshore wind industry. See section “Business overview” for further information.

HMH Holding B.V. is the parent company of the Group. The Group has ~2,100 employees globally, with operations across Europe, North America, Latin America, the Middle East, Asia and Africa.



Our Global Presence



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 has two operating segments: Equipment and System Solutions (ESS) and Pressure Control Systems (PCS). The segments are managed separately and offer different products and services. However, the Group jointly provides global full-service delivery to customers in the same market segments, including the main categories of products and services discussed below:

ESS is a supplier of drilling solutions and complete top side drilling packages and services to both onshore and offshore oil and gas producers and drilling contractor, which includes overhaul, equipment installation and commissioning, services account management, 24/7 technical support, logistics, engineering upgrades, spare parts supply, training, condition-based maintenance, and other services. The ESS segment consists of the legacy MHWirth business.

PCS is a supplier of integrated drilling products and services, and the key product offering consists of 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/ Long Term Service Agreements. The PCS segment consist of the legacy Subsea Drilling Systems business within Baker Hughes.

Main markets and business segment products and services

The Group serves customers in multiple industries, providing reliable and safe solutions that satisfy customer's needs.

Drilling market (offshore and onshore)

The Group combines ESS's topside drilling equipment packages (top drives, draw works, derricks, etc.) mud systems, and drilling risers, and PCS's 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.

The Group's primary customers include rig builders and/or owner operators in all segments, such as drilling contractors, oil companies, and shipyards.

The Group's main product offering, and key customers supports the following segments:

ESS

- Topside equipment, derrick handling, control systems & automated solutions, and mud systems for floaters, jack-ups, fixed platforms and onshore rigs
- Risers for floaters

PCS

- Pressure control systems and BOPs for floaters, jack-ups, fixed platforms, and onshore rigs

The Group's combined offering can be split into three main categories:

- Rig products
- Aftermarket services
- Rig intelligence/digital solutions

The rig products are provided across most drilling markets, either as single equipment sales or as part of larger construction projects. Key products include topside equipment, derrick and handling equipment, mud and control systems, BOPs, and risers.



Furthermore, the Group offers aftermarket services for installed products, such as spare parts, maintenance, and overhaul and repair, securing repeat business and stable income for the duration of the lifetime of a rig.

Rig intelligence/digital solutions encompass digital products and services that enable operational optimization such as drilling automation and condition-based maintenance. These offerings are an important revenue driver as they provide upgrade opportunities, and the technology can be redeployed in new business segments to provide for additional revenue.

Non-oil business

ESS participates in certain non-oil related industries, primarily through provision of products and services to the mining and construction segments. These include pile top drilling rigs, heavy duty slurry pumps and offshore mining equipment.

- The pile top drilling rig (PBA) market is a niche market in on- and offshore projects for hard rock drilling. The Group is a market leader in number of PBAs sold.
- Heavy duty slurry pumps are used to move materials in a water slurry. Company has an installed base of over 115 pumps throughout the world.
- Subsea mining – the Group has provided equipment for a fleet of 7 drilling and mining vessels, all equipped with HMH drilling/mining systems.
- Seabed research – the Group has provided core sampling and methane hydrate investigation.

Opportunities in renewable markets

ESS has recognized the potential to utilize its expertise within those industries focused on the energy transition, and has highlighted offshore wind, geothermal and digital solutions as three key areas of opportunity going forward. Opportunities in renewable industries exist within the following main areas:

- Offshore wind - installation, operation & maintenance
- Digital solutions – SCADA, operational management systems, data collection & analytics
- Geothermal – drilling and controls.



Outlook

Principal markets where the Group operates

The Group is primarily exposed to the drilling equipment market through its rig equipment offering. It is present across all drilling areas, including both offshore and onshore drilling. The ESS and PCS operating segments are operating in the same markets and have the same customers. Market intelligence is based on rig counts in the market and are not available by operating segment.

HMH estimates increased ESS activities in the re-activation and re-certification of offshore floater business in the short-term perspective and hence growth in revenue related to such activities in 2023. From 2024 onwards, upgrades of control systems on offshore rigs as well as increased activities in the mining business is ramping up and combined will increase ESS revenue compared to 2022 levels.

HMH also estimates that PCS activities in the BOP control systems will be on an increasing trend through 2023 and that the offshore rig count will increase future service activities compared to 2022 levels.

Hence HMH expects overall activities and details re the different market segments follow below.

Offshore Drilling

Increasing oil prices coupled with the fact that the oil and gas industry has gone through a relatively long period of time with low levels of investment, are shaping the offshore drilling equipment market towards a positive inflection.

Rystad Energy expects offshore exploration and drilling activity to tick upwards as E&P companies increase their spending budgets, due to improved economics on the back of strong oil price fundamentals. It also forecasts that floater demand will grow to ~143 rig years in 2025, driven by improved break evens vis-à-vis land and unconventional markets. This is largely a result of the prolonged downturn shifting focus towards efficiency and standardization, increasing the relative competitiveness of deepwater and ultra-deepwater production.

Floater rigs constitute ~55% of HMH's marketed installed base, and therefore, any increase in floater rig demand is a natural driver for HMH's drilling equipment and service demand. The Group management expects that the growth in the number of active units equipped with HMH equipment should grow on par with the market.



Similarly, Rystad forecasts that Jackup demand is expected to grow to ~365 rig years in 2025. Most growth is expected to come from the MENAT region, where local E&P companies and drilling contractors, have recently made, and are expected to continue to make sizeable investments to increase drilling capacity in the region.

Rig reactivations will most likely be the preferred route employed by drilling contractors to address additional increases in demand, but it is important to bear in mind that many of the rigs that are currently listed as cold stacked, have been in that state for several years, and in most cases, significant investment will be required to bring them back to an operational state. In some cases, it would require significant expense to reactivate them. Therefore, many of these units could end up being retired/scrapped, meaning that drilling contractors may have a smaller universe of acceptable rigs from which to choose if demand surges.

An unexpectedly large increase in global demand for oil and gas could, therefore, ultimately accelerate the arrival of the next drilling rig build cycle. In that event, the Group would be very well positioned to take advantage.

Onshore Drilling

The onshore drilling market represents a small part of HMH's product portfolio but is becoming an increasingly important segment on the back of its expanding penetration within the Middle East and North Africa and Latin America.

Onshore activity in the Middle East is expected to be a key growth driver, as E&P companies in the region, continue to make investments to increase local production of oil and gas. Rig utilization levels in the region are growing, and technical requirements are becoming more demanding. Local operating companies are looking to drill wells in increasingly challenging environments at higher temperatures and pressures, and companies with a technology edge such as HMH may be better positioned to provide products that deliver optimal performance in such conditions.

Non-oil activity

The Group is seeing a growing share of its revenue base from its businesses that support industries sitting outside, or adjacent to, the oil & gas sector. This is consistent with the general service market seeking opportunities outside oil and gas exploration to become broader energy service companies. The Group is increasingly targeting the onshore and subsea mining market as well as the renewable energy industry, which we expect to provide opportunities to expand its total installed base and service revenues.



Mining

The Group operates within the onshore and offshore mining/construction industry. Going forward, certain relevant minerals are expected to meet large demand on the back of increased demand of low carbon/digital technologies. The International Energy Agency estimates that in response to the shift to net zero, the world will require more mining. Furthermore, the IEA projects that the annual demand for critical minerals from clean energy technologies will surpass US\$400bn by 2050, which is equivalent to the annual revenues of the current coal market.

In this context, the Group management expects to see yearly sales growth for its slurry pumps remain consistent with, or exceed, market growth. New regulations governing dewatering of slurry may further generate incremental demand for the type of heavy-duty slurry pumps that HMH produces, as higher discharge pressure pumps may be required to handle the transport of more concentrated fluids.

Renewable industries

The Group has recognized the potential to utilize its expertise within industries focused on the energy transition, and has highlighted offshore wind, geothermal and digital solutions as three key areas of opportunity going forward.

Resources

The Group is looking to attract resources in various growth areas and seeks to establish key resources in regions where capabilities are available, and costs are competitive.

Capex

In the next three-year period, the Group will focus its Capex on strategic and operational investments. Initiatives supporting the development requirements related to new technology in both business segments will be the main driver in the investment strategy.

Operational performance

The Group financial estimates for the period 2023 to 2025 are based on organic and transactional growth. Improvement of financial performance is a key priority and the outlook in both business segments display an inclining trend. Rig count is expected up for floaters and jack ups and will grow service revenue, margins and cash flow.

The Group has adequate financial resources and financing to execute on the 2023 plans going into 2024. The Group aims to continue its research and development consistent with prior years. No significant change is expected in respect of the number of FTEs. The Group expects sustained performance and delivery on growth targets will assure the Group has ample financing and equity opportunities to fund future growth.



Financial information

The Group was incorporated on 28. April 2021 and operationally established with effect from October 1, 2021, through the parent company's acquisition of all shares in MHWirth AS and MHWirth LLC from Akastor and the Subsea Drilling Systems business from Baker Hughes. These transactions have been accounted for as a business combination under IFRS 3, hence profit and loss items in the former MHWirth business and Subsea Drilling System business have been incorporated in the statutory financial statements from October 1, 2021. HMH Holding B.V.'s consolidated financial statements for 2021 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and the Title 9, Book 2 of the Dutch Civil Code as of December 31, 2021. These consolidated financial statements do not include comparative financial information. The Group's accounting policies are shown in the Annual Financial Statements 2021, Section 1.1.

As the Group with two underlying businesses mentioned above began its operations October 1, 2021, the results below mainly reflect operational performance for the three-month period ended December 31, 2021. Please refer to the section below where management explained the developments for the goodwill, borrowings and operational performance.

- Revenue and Other Income of USD 162.6 million
- EBITDA 2021 of USD 24 million¹
- Net profit for the year of USD -1.9 million
- Operational Cash Flow of USD 25,8 million
- Total Assets of USD 1,302 million
- Total Equity of USD 598.7 million

Financial performance

The Group reported financial performance in 2021 above expectations in the first operational quarter as HMH. The Group revenue was mainly dominated by service activities and both segments reported EBITDA and cash flow above expectations despite high activity in internal integration projects. PCS had service performance with both EBITDA and cash flow above expectations. ESS reported revenue above expectations and had digital and top side projects performing well with high contribution margins. The Group experienced as part of the integration work and start up activities some non-recurring expenses and hence net profit was lower in 2021 than operational performance will be in 2022 and onwards. HMH is a business with activity for which revenue recognition for some part is presented over time and hence both contract assets/liability and account receivable/payable will fluctuate in the reporting period due to progress in projects, billing milestones and customer payments.

¹ This is a non-GAAP measure and is further explained in the "Other Information" section.



Goodwill

The formation of HMH Holding B.V. is considered to be a business combination forming a joint venture following IFRS 2, outside the scope of IFRS 3. Based on the guidance in IAS 8 and as a policy choice, the Group has accounted for the contribution of the MHWirth business and SDS businesses to HMH Holding B.V. under the acquisition method as set out in IFRS 3 as the transaction has substance for the combining parties. Business combinations are accounted for using the acquisition method as of the acquisition date, which is the date when control is transferred to the group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment.

The goodwill resulting from the MHWirth AS and SDS acquisitions are mainly attributable to the skills and technical talent of the workforce and expected synergies going forward. The carrying amount of goodwill that arose from the formation of HMH Holding B.V. was USD 276 million as of October 1, 2021. See note 6.1 – Business combinations of the consolidated financial statements for further details.

Borrowings

The Group has total borrowings of USD 316.9 million as of December 31, 2021. Part of the consideration paid to Akastor and Baker Hughes, in relation to the creation of the joint venture, was the shareholder loans received from Akastor and Baker Hughes. The total amount of the shareholder loans as of December 31, 2021, 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.

Additionally, the Group has a facility agreement with a bank consortium including a USD 150 million Bridge Facility, a USD 80 million Multi currency Revolving Credit Facility and a USD 70 million Term loan facility. The bridge loan of USD 150 million originally had a termination date February 26, 2022. The bridge loan was refinanced with a Bond loan on February 16, 2022. The terms for the Bond loan are 7% margin + LIBOR (Libor01 published by Reuters) and has a maturity date of February 10, 2025. The bond was listed on November 4, 2022, on the Oslo Stock Exchange.

See note 4.8 – Borrowings of the consolidated financial statements for further details related to the Group's interest-bearing loans and borrowings.



Significant risks and uncertainties

HMH is exposed to various forms of market, operational and financial risks that may affect its operational performance, influence its ability to meet strategic goals and impact the Group's reputation. To manage and mitigate risks within HMH, risk evaluation and assessment are an integral part of all business activities. In the ordinary course of business, the Group is exposed to various external risks. On the Group level, the Management constantly considers and determines whether the infrastructure, resource and systems currently in place throughout the Group are adequate to maintain a satisfactory level of risk. The Group is exposed to several financial risks. Financial instruments are only used to mitigate risks and is not used for trading and/or speculation purposes.

The Group's operations may be negatively affected by several factors, many of which are outside the Group's control. The Risk appetite column below represents the level of risk that management of the Group is willing to accept while pursuing its objectives before any action is determined to be necessary in order to reduce the risk. These risks include:

Risk area	Risk	Risk description	Risk appetite	Measures to mitigate risk
Strategic	COVID-19	Due to the COVID-19 crisis, market conditions were disrupted and impacted by various factors beyond the Group's control, including a prolonged spread of the pandemic, government measures affecting the Group's operations and customers' and suppliers' behaviors.	Medium	<ul style="list-style-type: none"> The Group has a strong financial position to quickly respond to downturn in activities. Continuously monitoring macroeconomic conditions to remain flexible and to optimize our business as appropriate. Necessary and effective preventive measures to support the well-being of employees.
	Highly competitive industry	Failure of the Group to compete effectively and be awarded contracts through the successful management of its product and services strategy, development of improved and new technological solutions, maintenance of customer relationships and other factors	High	<ul style="list-style-type: none"> Explore and develop other market and product segments. Access to sufficient funds to take new investment opportunities. Taken various initiatives in relation to digitization and standardization.



		could adversely affect the Group's competitiveness and profitability.		<ul style="list-style-type: none"> Delivering premium products to maintain the Group reputation of quality and low failure rates
	Third-party suppliers	The Group is dependent on third-party equipment, materials and components, and timely delivery of important materials and components is essential to the business of the Group.	Medium	<ul style="list-style-type: none"> HMH has strategic partnerships to ensure an efficient and effective global supply chain. Maintains a stock of critical components, if necessary
Operational	Retain, attract, and hire highly skilled personnel.	The Group's success depends, in part, on its ability to retain, attract and hire highly skilled personnel. If the Group is unable to retain, attract or hire highly skilled personnel, its ability to compete may be diminished.	High	<ul style="list-style-type: none"> HMH offers competitive compensation packages. Engages in cooperation programs with universities. Retention programs for key personnel (e.g., share based compensation) Maintain good reputation and ESG philosophy to attract and retain employees
	Operations in developing countries	The Group's operations in such developing or newly industrialized countries expose the Group to additional risks created by political unrest and related factors.	High	<ul style="list-style-type: none"> HMH conducts risk assessments before any new country entry and actively engages with its clients to monitor and mitigate the respective country-related regulatory, commercial and technical risk
	Health and safety risk	Failure to maintain adequate safety standards could have a material adverse effect on the reputation, business, operations and the financial condition of the Group.	Low	<ul style="list-style-type: none"> HMH aims to reduce major accident hazard exposure through application of a safety framework to manage risk
	Information technology, cyber threat, data protection	Unauthorized access to our IT network and insider threats, where staff are exploiting confidential information, are seen as a significant risk.	Medium	<ul style="list-style-type: none"> Monthly security patches, active monitoring against suspicious activities.



Financial and reporting	Oil and Gas Demand and Price variations	The Group is particularly sensitive to fluctuations in prices for oil and gas in response to changes in the supply of and demand for oil and gas, market uncertainty, and a variety of other political and economic factors.	Medium	<ul style="list-style-type: none"> • HMH performs close monitoring of oil price fluctuations and perform analysis of the impact of oil price variations to the market and economic factors.
	Currency risk	Fluctuations in exchange rates may have a material adverse impact on the operations and the financial condition of the Group.	Medium	<ul style="list-style-type: none"> • HMH perform hedge of cashflow related to projects where currency risk exposure is assessed high, using forward contracts. • Pursuant to the policy, variation orders must be hedged as soon as received and recognized in the project.
	Interest rate risk	Interest rate fluctuations could have a material adverse impact on operations and the financial condition of the Group.	Low	<ul style="list-style-type: none"> • HMH's policy is currently not to hedge floating interest rate; however, the interest rate exposure will be monitored, and the intention is to adjust the policy if required.
	Credit risk	Credit risk is the risk of financial losses to the Group if customer or counterparty to financial investments/instruments fails to meet contractual obligations and arise principally from investment securities and receivables.	Low	<ul style="list-style-type: none"> • Derivatives are only traded against approved banks. All approved banks have investment grade ratings. • Assessment of credit risk related to customers and subcontractors is an important requirement in the bid phase and throughout the contract period. Such assessments are based on credit ratings, income statement and balance sheet reviews and using credit assessment tools available (e.g., Dun & Bradstreet and Credit Watch)



	Liquidity risk	Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities.	Low	<ul style="list-style-type: none"> • HMH Treasury maintains flexibility in funding by maintaining availability under committed credit lines. • HMH policy for the purpose of optimizing availability and flexibility of cash within the group is to operate a centrally managed cash pooling arrangement. • Management monitors rolling weekly, and monthly forecasts of the group's liquidity reserve based on expected cash flow
Compliance	Changes in environmental and regulatory requirements	Changes in environmental and regulatory requirements could adversely affect the level of exploration by oil and gas companies and, therefore, demand for the Group's services and products.	Low	<ul style="list-style-type: none"> • HMH takes great care to carry out its activities in compliance with laws and regulations. • The close monitoring of laws and regulations is carried out continuously and substantive changes are escalated quickly. • By means of HMH's Code of Conduct, all employees are aware of and must always act in compliance with all laws, regulations, policies and procedures
	Claims and litigation	Any claims against the Group could harm the Group's reputation and could result in professional liability, product liability, criminal liability, warranty obligations and other liabilities that, to the extent the Group is not adequately insured, or cannot insure, against a loss or the insurer fails to provide coverage, could	Low	<ul style="list-style-type: none"> • HMH ensures that is adequately insured against any claims. • HMH aims to reduce major accident hazard exposure through application of a safety framework to manage risk



		have a material adverse effect on the business.		
	Insurance coverage	An uninsured loss, a loss that exceeds the limits of the insurance policies of the Group or a succession of such losses could have a material adverse effect on the business, results of operations and financial condition of the Group.	Low	<ul style="list-style-type: none"> • HMH ensures that is adequately insured against any claims. • HMH aims to reduce major accident hazard exposure through application of a safety framework to manage risk
	Tax	Changes in direct or indirect tax laws, tax practices or compliance requirements, the practical interpretation and administration thereof, including in respect to market practices, or otherwise, in any jurisdiction in which the Group operates could have a material adverse effect on the business.	Low	<ul style="list-style-type: none"> • Make use of external tax advisors for complicated subjects • Close monitoring of changes in tax law and substantive changes are escalated. • Develop good relations with tax authorities based on mutual respect, transparency and trust

Covid-19

Due to the COVID-19 crisis, market conditions were disrupted and impacted by various factors beyond the Group’s control, including a prolonged spread of the pandemic, government measures affecting the Group’s operations and customer’s behaviors. These factors led to a high degree of uncertainty on the estimates and assumptions concerning the future that were considered in multiple scenarios which are believed to be reasonable, supportable, and realistic under circumstances. The estimates and assumptions have been based on the available information at the end of December 2021.

Post-pandemic economic recovery has recently fueled demand increases for oil and gas. This situation, coupled with supply disruptions associated to the Ukraine crisis, have driven significant rises in energy prices. This situation has led to an overall increase in drilling activity levels both offshore and onshore and in consequently, the Group has experienced an increase in demand for its drilling equipment and services globally in 2022.



Any future outbreak of COVID-19 or other contagious diseases is beyond the Group's control and there is no assurance that any future outbreak of COVID-19 or other contagious diseases occurring in areas in which the Group, its suppliers, partners, or customers operate, will not have a material adverse effect on the Group's business, results of operations or financial condition.

The Group operates in a highly competitive industry

The oil service industry is highly competitive and subject to swings in pricing power. A failure of the Group to compete effectively and be awarded contracts through the successful management of its product and services strategy, development of improved and new technological solutions, maintenance of customer relationships and other factors could adversely affect the Group's competitiveness and profitability and, therefore, could have a material adverse effect on the business, results of operations and financial condition of the Group. Operational risks are, among other things, related to the extent to which the companies are able to adjust their activity to changing market conditions as well as their ability to be awarded contracts and execute on complex projects and operations within acceptable time and cost boundaries. The Group's market positions and revenues could be affected if the Group is unable to compete efficiently. In the Group's main market segment, which is to support existing drilling rigs, we see a highly competitive situation. Due to the overcapacity of available drilling rigs in the industry our primary customers, the rig owners, have limited pricing power. This in turn leads to a situation where the rig owners are focused on their operational costs. For the Group this results in reduced maintenance and upgrade contracts on which to bid, and therefore the Group must be price competitive to secure work.

The Group is dependent on services from third parties and supply of materials to complete contracts

The Group is dependent on third-party equipment, materials and components, and the timely delivery of important materials and components are essential to the business of the Group. Constraints in the supply chain may result in products or services of the Group being disrupted or delayed, which could have a material adverse effect on the business, operations, and the financial condition of the Group.

If a sub-contractor, supplier, or manufacturer fails to provide services, supplies or equipment for any reason, the Group may be required to procure these services from other third parties on a delayed basis or at a higher price than anticipated, which could adversely affect profitability.

During periods of wide-spread economic slowdown, third parties may find it difficult to obtain sufficient financing to fund their operations. The inability to obtain financing could adversely affect a third party's ability to provide materials, equipment, or services, which could have a material adverse effect on the business, operations, and the financial condition of the Group.



Retain, attract, and hire highly skilled personnel

The Group's business is dependent on the technical competence of its employees and proprietary technological solutions developed by the Group. The demand for improved technology is constantly increasing and if the Group is unable to deliver commercially competitive services, or, fails to attract employees with the requisite level of technological competence, this could have a material adverse effect on the Group's business, prospects, financial position, and operating results.

The Group's primary customer base, the drilling rig owners, gain their limited pricing power from efficiency, safety, and environmental footprint KPI's (Key Performance Indicator). Technology is an important element to improve and maintain a customer's efficiency, safety, and environmental footprint KPI's. As a Group we are dependent on having the technology, solutions, and people to support our customers in reaching their KPI's. The ability to do so affects the Group's pricing power and its ability to secure contracts.

Operations in developing countries

The Group's operations in such developing or newly industrialized countries (e.g., operations in Senegal, Brazil, and Azerbaijan) expose the Group to additional risks created, inter alia, by political unrest. The Group has, and the Group will continue to have, a strategy to continue and expand operations in many developing or newly industrialized countries in which the political, socioeconomic, and legal systems are less predictable than in countries with more developed institutional structures. Socio-political or economic upheaval, changes in laws and other factors related to a higher degree of uncertainty could have a material adverse effect on the business, operations and the financial condition of the Group and impact the value of the Group's investments in such countries.

The Group's operations in such countries expose the Group to the risk of being unable to repatriate income or capital which could lead to reduced operating profits and/or liquidity constraints and could have a material adverse effect on the business, operations and the financial condition of the Group.

Further, certain countries in which the Group operates, or intends to operate, impose local requirements, such as but not limited to, unpredictable tax regimes, customs regulations, environmental demands, requirements related to local physical presence and resources, which could make it difficult for the Group to compete in such countries and increase the risk that the Group's business standards and policies as well as the Group's quality standards are not fully compliant with local laws and regulations, and which in turn could have a material adverse effect on the business, operations and the financial condition of the Group.

Certain less developed or newly industrialized countries in which the Group operates, or intends to operate, have a higher incidence of violations of applicable anti-corruption, anti-bribery laws and regulations and fraud



risk. The Group takes these risks extremely seriously and, to address such an increased risk, management performs fraud risk assessment on a regularly basis the Group has implemented and follows a robust Code of Conduct, a Compliance and Ombuds program, whistleblowing procedures and open reporting, and third-party due diligence (KYC) protocol. No violations in respect of corruption, bribery and incidents of fraud were noted by management in 2021.

Health and safety risk

The Group is exposed to certain health and safety risk, including compliance with a broad range of health and safety laws and regulations. Construction and maintenance sites are inherently dangerous workplaces, and failure by the Group to maintain safe work sites could have a material adverse effect on its business, reputation, operations and the financial condition of the Group. The Group is subject to a broad range of health and safety laws and regulations in each of the jurisdictions in which it operates, and such laws and regulations impose increasingly stringent health and safety protection standards. The costs of complying with, and the liabilities imposed pursuant to, health and safety laws and regulations could be significant, and failure to comply could result in the assessment of civil and criminal penalties, suspension of permits, temporary or permanent closure of production facilities, or claims or lawsuits by injured employees, sub-contractors or third parties. Failure to maintain adequate safety standards could have a material adverse effect on the reputation, business, operations and the financial condition of the Group.

Information technology, cyber threat, data protection

Unauthorized access to the IT network could pose a significant risk to the Group's information security, potentially revealing sensitive data to unauthorized individuals, competitors, or even nation-state actors. This vulnerability could stem from social engineering tactics or unauthorized entry to engineering and testing areas, both remotely and locally. The potential loss of intellectual property and classified information could undermine the confidentiality, integrity, and availability of company data, making the Group vulnerable to threats from nation-states, cybercriminals, and cyber activists. To combat this, HMM has implemented measures to address cybercrime, hacking threats and social engineering, such as mandatory training and implementing a robust cyber-security program. HMM is in the process of developing new security policies and reviewing a more targeted security awareness tool.

Oil and Gas Demand and Price variations

As a global provider of drilling solutions, engineering, projects, technology, equipment and services for the oil and gas industry, the Group is particularly sensitive to factors such as oil and gas prices, the demand for oil and gas, the level of exploration, development, production, investment, modification, and maintenance activity as well as the corresponding expenditure by oil and gas companies.



Prices for oil and gas have historically been and are expected to remain subject to fluctuations in response to changes in the supply of and demand for oil and gas, market uncertainty and a variety of other political and economic factors. Prolonged reductions in oil and gas prices typically result in decreased levels of exploration, development, production, investment, modification and maintenance activity by oil and gas companies. Any decreased levels of exploration, development and production activity or reductions or postponement of major expenditures by oil and gas companies could lead to downward pricing pressure on oil and gas service companies, such as the Group, and, therefore, could adversely affect the Group's activity.

The offshore drilling market was strongly affected by the decrease in oil price and global turmoil during 2020 and continues to be suffering from overcapacity of offshore drilling rigs.

Currency risk

The Group operates globally and is exposed to currency risk on commercial transactions, assets and liabilities and investments in foreign operations. Commercial transactions, assets and liabilities are subject to currency risk when payments are denominated in a currency other than the respective functional currency of the relevant member of the Group. Fluctuations in exchange rates, particularly between EUR, NOK, GBP, and USD, could have a material adverse effect on the Group. The Group's foreign exchange risk mainly arises from Norway and Germany and revenue denominated in EUR and NOK. The largest investments are also mainly made in EUR, NOK, and USD. The Group's policy is to hedge currency risk exposure in relevant project using forward contracts. However, there can be no assurance that any hedging policy or strategies adopted by the Group will be sufficiently effective or that the Group will be completely shielded from this risk.

Interest rate risk

The Group faces risks associated with its interest-bearing debt. External borrowings, which at the date of this Financial Statements amounted to USD 215 million (excluding fixed rate shareholder loans of USD 102 million) accrue interest at floating rates with interest periods ranging from one to six months (unless otherwise agreed with the lenders). The Group's policy is currently not to hedge floating interest rate; however, the interest rate exposure will continue to be closely monitored. There can be no assurance that the Group will be able to hedge its exposure to fluctuations in interest rates or that any future hedging policy will sufficiently mitigate the adverse effects of interest rate fluctuations on the Group's results of operations and financial condition, and such exposure could have a material adverse effect on the Group's financial condition.



Credit risk

Credit risk is the risk of financial losses to the group if customer or counterparty to financial investments/instruments fails to meet contractual obligations and arise principally from investment securities and receivables.

Derivatives are only traded against approved banks. All approved banks have acceptable investment grade ratings. Credit risk related to investment securities and derivatives are therefore considered to be insignificant.

Delayed payment of significant amounts payable from customers could have a material adverse effect on the liquidity of the Group. Especially in weak economic environments, the Group could experience increased payment delays and failures by customers due to, among other reasons, customers' reduced cash flow from operations or access to the credit markets. If one or more customers fails to pay significant amounts of outstanding receivables in a timely manner or at all, for any reason, this could have a material adverse effect on the Group's liquidity position as the cash or cash equivalents available to the Group may be reduced and the Group may be required to increasingly rely on its credit facilities for liquidity. This could have a material adverse effect on the business, operations and the financial condition of the Group. Assessment of credit risk related to customers and subcontractors is an important requirement in the bid phase and throughout the contract period. Such assessments are based on credit ratings, income statement and balance sheet reviews and using credit assessment tools available (e.g., Dun & Bradstreet and Credit Watch). Sales to customers are settled in cash. Normal credit terms are 30-90 days.

Revenues are mainly related to large and long-term projects closely followed up in terms of payments up front and in accordance with agreed milestones. Normally, lack of payments is due to disagreements related to project deliveries and is solved together with the customer or escalated to local leadership. Based on estimates of incurred losses in respect of trade receivables and contract assets, the Group establishes a provision for impairment losses. Provisions for loss on debtors are based on individual assessments.

The Group evaluates that significant credit risk concentrations are related to trade receivables from major corporate customers in the oil and gas industry. The maximum exposure to credit risk at the reporting date equals the carrying amounts of financial assets. The Group does not hold collateral as security.



Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities. The Group manages its liquidity to ensure that it will have sufficient liquidity reserves to meet its liabilities when due.

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, HMM Treasury maintains flexibility in funding by maintaining availability under committed credit lines as shown in note 4.3 – Cash and cash equivalents of the consolidated financial statements.

The Group policy for the purpose of optimizing availability and flexibility of cash within the group is to operate a centrally managed cash pooling arrangement. An important condition for the participants (business units) in such cash pooling arrangements is that the Group as an owner of such pools is financially viable and can prove its capability to service its obligations concerning repayment of any net deposits made by business units. Management monitors rolling weekly and monthly forecasts of the Group's liquidity reserve on the basis of expected cash flow. Lastly, the Group has a liquidity reserve per year-end 2021, composed of an undrawn committed credit facility of USD 85 million and cash and cash equivalents. Please refer to note 4.6.

Changes in environmental and regulatory requirements

Changes in environmental and regulatory requirements could adversely affect the level of exploration by oil and gas companies and, therefore, impact demand for the Group's services and products. Various governments and agencies have been evaluating climate-related legislation and other regulatory initiatives that would restrict emissions of greenhouse gases. Because the business of the Group depends on the level of activity in the oil and gas industry, existing or future laws, regulations, treaties or international agreements related to greenhouse gases and climate change, including incentives to conserve energy or use alternative energy sources, this could have a material adverse effect on the business, operations and the financial condition of the Group if such laws, regulations, treaties or international agreements negatively affect global demand for oil and gas.

The main climate-related risks in the Group concern the Group's current industrial investments, since the industry is in a state of accelerated transition to a lower-carbon intensive industry. Unless these risks are met with mitigating measures, the Group could face a scenario where it could lose its market position and/or with the Group's product lines are ultimately obsolete and replaced by more energy efficient/green alternatives. However, this transition to low carbon intensive industry will also create several opportunities, with focus on more efficient drilling equipment which will generate a more climate friendly operation.



Claims and litigation could have a material adverse effect on the business, results of operations and financial condition of the Group

Given the nature of the products and services that the Group provides, the business in which the Group operates, and where an accident can potentially have significant consequences (for example in connection with deepwater operations), the Group is exposed to the risk of claims, legal proceedings and disputes from authorities, customers and other third parties, including claims in relation to personal injury, environmental issues, intellectual property rights, tax matters, fines and penalties, labor or employment matters, privacy and personal data, data security issues, competition, anti-trust issues, anti-money laundering and sanctions. Any claims against the Group could harm the Group's reputation and could result in professional liability, product liability, criminal liability, warranty obligations and other liabilities that, if the Group were not adequately insured, or cannot insure, against a loss or the insurer fails to provide coverage, could have a material adverse effect on the business, operations and the financial condition of the Group.

Insurance coverage

Given the nature of the products and services that the Group provides, the business in which the Group operates, and where an accident can potentially have significant consequences (for example in connection with deepwater operations) the Group is exposed to a number of risks, including but not limited to, industrial accidents, the controlled use of potentially harmful and hazardous materials during production, the provision of services and the installation of products. The Group maintains a portfolio of insurance policies to protect its core businesses against loss of property, business interruption, injury to personnel and/or liability to third parties for such losses as per industry standards. Risks insured generally include loss or damage to physical assets (buildings, plant, equipment, and work in progress) and business interruption resulting therefrom, bodily injury to and death of employees, and third-party liabilities. Certain types of losses are generally not insured by the Group because they are either uninsurable or not economically insurable, such as losses caused as a result of inability to deliver on time or at the right quality, or losses occasioned by willful misconduct, criminal acts, fines and penalties, and various perils associated with war and terrorism. The insurance policies of the Group may not be sufficient to adequately ensure the Group from a claim that exceeds its policy limits or under every circumstance or against every hazard to which it could be subject. An uninsured loss, a loss that exceeds the limits of the insurance policies of the Group or a succession of such losses could have a material adverse effect on the business, operations and the financial condition of the Group.



Tax

The operations of the Group are carried out in countries across the world, and, therefore, the Group's tax filings are subject to the jurisdiction of a significant number of tax authorities and tax regimes as well as to cross-border tax treaties between governments. Further, the nature of the operations of the Group means that the Group routinely must deal with complex tax issues (such as transfer pricing, permanent establishment, or similar issues) as well as competing and developing tax systems where tax treaties may not exist or where the legislative framework is unclear and/or subject to change or interpretation without pre-warning or transitional regulations. Moreover, where project work is partly undertaken in the jurisdiction in which the project deliverables are delivered to the customer and partly in other jurisdictions (which is the case for many of the projects of the Group), there may be uncertainties, and risks, as to whether and to what extent income from that project is taxable in the jurisdiction in which the project deliverables are delivered to the customer, which could subject the Group to the risk of double taxation, unexpected tax liabilities and/or penalties. In addition, the global operations of the Group are taxed on bases that vary from country to country, including net profit, deemed net profit (generally based on turnover) and revenue based withholding taxes based on turnover.

Changes in direct or indirect tax laws, tax practices or compliance requirements, the practical interpretation and administration thereof, including in respect to market practices, or otherwise, in any jurisdiction in which the Group operates could have a material adverse effect on the business, operations and the financial condition of the Group.

Environmental and personnel-related information

Human Rights and Labor Rights

HMH respects internationally proclaimed human and labor rights and supports international human right conventions such as the UN Declaration and Convention on Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the OECD Guidelines for Multinational Enterprises. HMH acknowledges all employees' right to form and join trade unions of their own choice and aim to include and involve employees and their unions in decision-making in accordance with applicable laws. HMH does not tolerate harassment in any form by or towards employees, and strictly forbids retaliation against an HMH employee who raises a claim or concern. HMH employees shall expect a workplace free from harassment and discrimination on the basis of age, gender, sexual orientation, disability, race, nationality, political opinions, religion or ethnic background, or any other basis or protected class prohibited by law. HMH will not employ, use, or enter into contract with those who employ or use child or forced labor and will not tolerate working conditions or treatment that is in conflict with international laws and practices. HMH shall ensure that the Group, through its operations, does not cause or become complicit in any violation of human rights. HMH shall address



and minimize risks of human rights infringements in the supply chain, in the projects where we contribute, and all other parts of our operations.

Metrics and Targets

Consistent with its shareholders HMH implemented guidelines, strategy and requirements with respect to Environmental, Social and Governance requirements. HMH discloses metrics related to the Group's own CO2 emissions (Scope 1, Scope 2, business travel), and revenue from non-oil industry. The main long-term targets are to have a significant portion of turnover from non-oil industries that meets the EU Taxonomy requirements by 2030, from non-oil industries and be climate neutral from 2050.



EU taxonomy

The EU taxonomy is a classification system that sets out a list of environmentally sustainable economic activities. It forms part of the EU's plan to scale up sustainable investment and implement the European Green Deal. The EU Taxonomy Regulation (Regulation 2020/852) entered into force on 12 July 2020. Since then, the EU has implemented Delegated Acts to further expand on the taxonomy framework. The Climate Delegated Act, the Complementary Climate Delegated Act, and the Environmental Delegated Act set out a list of eligible activities along with technical screening criteria for when the activities can be considered sustainable. Currently, only the Climate Delegated Act is in force and covers just over one hundred taxonomy-eligible economic activities. The Group will continue to monitor and invest in EU Taxonomy-aligned activities.



The EU Taxonomy could have an impact on the Group as it sets out criteria for what is considered an environmentally sustainable economic activity. To meet this criterion, the Group plans to take steps to reduce its environmental impact in order to qualify. This may include reducing greenhouse gas emissions, investing in renewable energy sources, looking into other business segments. HMH strategy target linked to EU Taxonomy states that by 2030, its goal is for a significant portion of its turnover to be from non-oil business, which would meet the EU taxonomy requirements.

Group's eligible activities

While a significant portion of the Group's portfolio of products, services and technology is used in the oil & gas industry, competence of HMH can be leveraged to develop and support the renewable sector as well, e.g., manufacturing of renewable energy technology, electricity generation and cogeneration and heat/cool production.

Supply Chain

In assessing the risk of human rights violations within the HMH value chain, its global supply chain is considered the most vulnerable to violations of human rights. To qualify for the vendor shortlist, suppliers must complete a questionnaire regarding Health, Safety and Environment (HSE), quality, integrity, and human rights; sign and agree to the supplier declaration; and pass a due-diligence screening. The supplier declaration outlines key requirements concerning ethical conduct, respect for the environment and human rights, and compliance with HSE requirements, and must be signed by all suppliers. The supplier selection criteria also mandate quality, on-time delivery, fulfilling customer requirements, appropriate competition, and equal treatment of suppliers.

To monitor the suppliers' performance, HMH has implemented the supplier management system, LeanLinking. This system is used globally, and the organization's adherence to the system is confirmed in HMH's ISO 9001 audits. In order to mitigate this risk, HMH continually monitor its suppliers, and if any supplier does not meet the requirements and reasonable discussions to address concerns were unsuccessful, its agreement is terminated, and the supplier is removed from the HMH approved vendor list.

Environment

HMH is committed to continually reducing its impact on the environment. The Group designs products and services which reduce undesirable environmental effects and ensure the safe and efficient utilization of energy and natural resources. HMH's operations are carried out with efficient use of materials and energy, and with a focus on minimizing waste and damage to the environment. The Group strives to ensure that products can be recycled or safely disposed.



Environmental Management Systems

HMH is committed to operating with transparency, integrity, and accountability, and has also been ISO 14001:2015 certified. The Group demonstrates its commitment to ESG by delivering industry-leading solutions designed to increase efficiency and reduce carbon footprint in drilling operations, promoting a diversified workforce and basic human rights and being an accountable business partner. The Group is now focused on maintaining the certifications through continuous improvement of our supporting HSSE processes and procedures, consultation with our employees, compliance with local HSSE legislations, annual Process Review, and internal and external audits. These certifications assist us in meeting our ESG strategy and commitments.

“Greener” Business Opportunities

HMH will also seek to pursue opportunities within the renewable sector and further expand its offering to non-oil markets. It is expected that the Group's broader scope of services will provide a more solid foundation for participating in the oil and gas industry's transition towards more energy efficient solutions, and this will form a key area in the strategy of the Group.

As part of its commitment to reduce our customer's environmental footprints, HMH has developed several solutions designed to reduce fuel consumption and emissions on offshore drilling rigs. These includes software designed to monitor, control, and reduce power consumption, as well as physical equipment utilizing hybrid technology and energy storage systems to reduce fuel usage. Additionally, HMH provides software and smart technology solutions that increase efficiency and performance requiring less personnel onboard.

HMH has identified several business opportunities in the growing subsea mineral mining industry which are partly based on knowledge gained through delivery of equipment and systems to subsea diamond mining vessels. Global demand for minerals such as nickel has risen dramatically due to use in electric vehicle (EV) batteries and other components supporting this shift towards renewables. Industry experts have predicted that subsea mineral mining will be necessary to meet the demand for these minerals to enable a transition from fossil fuels to renewable energy.

CO₂ Reductions

A top strategic priority for HMH involves supporting its customers with technology to improve their operational efficiency. In practice, this means drilling wells faster, resulting in a reduction in CO₂ emissions proportional to the time saved. HMH is also focused on reducing fuel consumption through efficient machines and collaboration with partners for optimized hybrid solutions (generators, batteries, etc.) that have a significant effect on CO₂ emissions. Additionally, HMH is increasingly utilizing technology to support customers remotely, resulting in



less travel emissions. HMM is focused on providing customers with technology and automated solutions designed in part to reduce Personnel On Board (POB) rigs, which also reduces CO2 emissions.

Research and development information

Current R&D activities are spread across Norway, Germany, and the United States. The focus of R&D activities involves optimizing existing products and exploring new opportunities which complement our business model. The accounting treatment for research and development expenditures is described in note 1.2 – Significant accounting policies of the consolidated financial statements.

Within the PCS business, HMM is committed to making those necessary investments to improve the capabilities of existing core products and to create new product offerings to fuel organic growth.

In 2022, a key core product capability project was introducing the WCSR-X shearing product, which extended the shearing capacity of existing BOPs to an industry-leading 17" OD pipe and reduced required shear force up to 48%. The Group has three major R&D projects that continued execution in 2022 and 2023:

- Develop a rotating control device (RCD) along with associated equipment to enable a riserless drilling implantation. This will be a "first of its kind" deployment that was enabled by our acquisition of some key technology through our purchase of ESD.
- 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. We expect a significant portion of funding to come from operator partners. As with the RCD development, the development of the E-BOP has been enabled by our acquisition of ESD.

ESS Business current R&D activities focus on optimizing existing products and services to meet customers expectation towards optimizing assets in operation. Improve efficiency, reduce emissions, reduce cost, and improve customers competitiveness/uniqueness reflect our R&D efforts. A key element in this work is focus on digitalization by developing digital- and automation solutions.

PCS business and ESS business have in the past years built a strong portfolio of automation and digital solutions that can be integrated on operating rigs in the global market. The R&D portfolio spreads around various key digital and automated solutions with various levels of technical readiness. The results from the



Group's R&D work have made a large set of digital and automation products and solutions market ready and released as commercially available products and services.

A key R&D project started in 2021, is to demonstrate an electronic tally system (eTally) onboard a rig in operation. The project demonstrates key technology that enables improved logistics, reduced offshore manning, and digitalize important work processes. The project is run in close cooperation with a rig owner, oil company and with financial support by the Norwegian Research council and is estimated to be finalized in 2023.

As we experience strong demand for our non-oil related portfolio, a part of our R&D efforts has focused to improve and further develop existing products such as slurry pumps portfolio, equipment's and systems for seabed mining and large PBAs. Additional work has been made to exploring new opportunities in adjoining industries where we see a good fit with HMH competency and its core "DNA". This work has resulted in key priorities and market leads in 2021 that we will continue to explore in 2022.

ESS and PCS will focus its development efforts on the coming years into "game-changing" technologies as open water drilling and electric BOP. These developments will be done in close cooperation with leading oil companies.

Capital management

The majority of the Group's capital consists of its net equity, 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.

HMH Holding B.V., must comply with certain financial covenants under its Facility Agreement. Details of which are given in note 4.6. The Group's current funding requirements have been met from operations and from the existing debt instruments.

The Group's Capital Management Policy is to maintain a strong capital base to improve and maintain the confidence of investors, creditors, and the market. In addition, the Group is focusing on establishing a future strong capital base that will make the Group able to organically and transactionally grow the HMH footprint. The Group has a strong focus on EBITDA and monitors the development closely through regular status meetings and reviews.



Non-financial Statement

Considering the current business model of the Group, management does not have specific non-financial information policy as all relevant understanding over the Group, development of the business, the results, the position of the entity and the effects of its activities on the society are covered via separate policies. Management refers to the relevant section of this report. The Group's management has in place the anti-bribery policy, policies in respect of environment, social and personnel affairs (referring to section Environmental and personnel-related information in the Management Report), respect for human right and know your customer policies. The main risks with respect to those matters discussed under the Significant risks and uncertainties section of this report. For the discussion over the EU taxonomy, please refer to the relevant section as well. No non-financial KPIs that are relevant for the business activities of the Group was set.

Other information

Non-GAAP measures

The financial information in this report includes measures, which are not defined by generally accepted accounting principles (GAAP) such as IFRS. We believe this information, along with comparable GAAP measurements, may give insight to stakeholders because it provides a basis for evaluating our operational performance. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with GAAP. Wherever appropriate and practical, we provide reconciliations to relevant GAAP measures.

Term	Definition
EBITDA	Is equal to operating earnings plus depreciation and amortization



Corporate governance

Corporate Governance Statement

The Group has high standards of corporate governance, ensuring responsible and transparent leadership and management that are geared to ensure full compliance and set the basis for a sustainable long-term performance and growth. Corporate governance puts the focus not only on business risks and the Group's reputation, but also on corporate social responsibility towards all our stakeholders. As a responsible corporate citizen, we recognize the significance of effective corporate governance. We show respect for society and the environment, communicate in an open and transparent manner, and act in accordance with legal, corporate, and ethical guidelines.

Group Governance Structure

The Company has per year end 2021 a Board of Directors comprising of Karl Erik Kjelstad, Merrill Anthony Miller, Kristian Monsen Røkke, Neil Saunders and Larry Brian Worrell. Neil Saunders was replaced by Edoardo Padeletti on 31st January 2023. Mr. Miller is an independent director and part of executive management while the others are non-independent directors as a result of their nomination for appointment by Baker Hughes and Akastor, respectively. Mr. Miller resigned from his role as president and thus as executive management of HMH in December 2022 and was replaced by Eirik Bergsvik as per the same moment.

As of December 31, 2021, the executive management of HMH Holding B.V. comprised of CEO Merrill Anthony Miller, CFO Thomas McGee, GC/CAO Dwight Rettig, Eirik Bergsvik (President Equipment and System Solution) and Chuck Chauviere (President Pressure Control Systems).

The Company has no Supervisory Board or Audit Committee in 2021. The Board of Directors constituted as the Audit Committee in 2021. In line with compliance of Article 2 of the EC directive 2006/43/EC Implementation Decree of 26 July 2008 (the Decree) concerning audit of annual accounts, the Audit Committee was established in November 2022. The Audit Committee was established by the Company's articles of association as a separate and designated corporate body within the meaning of Article 2 paragraph 4 of the Decree, assigned to perform all duties of an audit committee in accordance with Article 2 paragraph 2 of the Decree. The Audit Committee comprises of one member, who qualifies as independent from the Company, is an expert in the field of financial reporting and auditing and has expertise and experience relevant to the Company's business sector.



General Meeting of Shareholders

A General Meeting of Shareholders is held not less than once a year to discuss the Annual report, including the management report of the Board of Directors, the annual financial statements with explanatory notes, any proposal concerning dividends or other distributions.

The Board of Directors is responsible for all governance activities and is accountable for pursuing and achieving corporate goals and objectives. The Board of Directors is also responsible for the Group strategy and compliance with all regulatory and legislative requirements.

Board of Directors Composition

Merril Anthony Miller

Mr. Miller has more than 40 years of experience from the oil service industry. Previously, Mr. Miller served as President and CEO of National Oilwell Varco 2001-2014.

Other previous experience includes Chairman of RIG from 2015 to 2020, Chairman of MHWirth 2019-2021, 15 years at Helmerich & Payne International Drilling Company in various senior management positions, Degree in Applied Science and Engineering from U. S. Military Academy at West Point in 1972, MBA from Harvard Business School in 1980.

Kristian Monsen Røkke

Mr. Røkke has experience from investment management, offshore services, and shipbuilding in several companies in the Aker group. Prior to assuming his current position as Chief Executive Officer of Aker Horizons ASA, Mr. Røkke served as Chief Investment Officer of Aker. Before that, he was CEO of Akastor ASA, a publicly listed oil service investment company, and spent several years in various operational and executive roles at Philly Shipyard. He has an MBA from The Wharton School of the University of Pennsylvania.

Neil Saunders

Mr. Saunders is Executive Vice President, Oilfield Equipment of Baker Hughes. Mr. Saunders has more than 25 years of experience in the upstream oil and gas industry. He previously served as President & CEO, Subsea Systems & Drilling for GE Oil & Gas, where he was responsible for all product lines, systems, and global operations of the Subsea Systems & Drilling business unit. Prior to that, he was the Senior Vice President for Subsea Production Systems. In 2022 Neil Saunders was replaced by Edoardo Padeletti.



Larry Brian Worrell

Mr. Worrell is the Chief Financial Officer for Baker Hughes. With more than 30 years of experience as a financial executive, he most recently served as Vice President and Chief Financial Officer for GE Oil & Gas since January 2014. In December 2010, he assumed the role of Vice President, GE Corporate Financial Planning & Analysis.

Worrell was Vice President of the GE Corporate Audit Staff from January 2006 to December 2010, where he led a team of 750 people in ensuring financial statement integrity, controllership, compliance, and best practices throughout the company. He has worked on five continents and in multiple businesses throughout his career and has served on several Boards of Directors for companies and non-profits. Worrell is a graduate of the University of North Carolina at Chapel Hill, with an honors degree in economics.

Karl Erik Kjelstad

Mr. Kjelstad is CEO of Akastor. He joined Akastor in 2014, he has been part of the Aker group since 1998 and has held numerous key positions including various CEO positions. Karl Erik has also held several board positions in different industries, including oil service, offshore drilling, offshore and merchant shipping, shipbuilding, IT services, real estate, and construction industry. Karl Erik holds an MSc in Marine Engineering from the Norwegian University of Science and Technology (NTNU) and an AMP from Harvard Business School.

Management remuneration

Board of Directors

The Board of Directors received no remuneration for being directors in 2021, but Mr. Miller received remuneration for being part of the executive management in 2021. The members of the Board of Directors have no agreements that entitle them to any extraordinary remuneration from HMH.

Policy on remuneration to the members of the executive management

All the members of the executive management were employees of the Group with terms and conditions of employment consistent with industry standards. Mr. Dwight Rettig was contracted as an independent contractor.



Compensation to the executive management has fixed elements which include a base salary which, pursuant to the company's benchmarking, is competitive. The executive management has variable remuneration based upon the performance of the company. All variable compensation is subject to HMH performance.

Referencing note 7.4 for further information.

Directors' and executive management's shareholding

Neither Directors nor the members of the executive management have shares in HMH Group as of December 31, 2021.

Diversity

HMH promotes diversity, and provides inclusion to all (potential) employees, irrespective of their gender, race, ethnic origin, physical and mental ability, age, nationality, sexual orientation, religion or belief, marital status, thinking style or socio-economic status. We oppose all forms of unfair discrimination.

Our guidelines aim to go beyond statutory equal opportunities policy and to embrace diversity and inclusion as part of the Group's strategy to source, retain and manage unique talent, skills, knowledge and experience. These guidelines will govern everyday working life and cover such matters as: recruitment and selection; access to leadership opportunities; access to learning and development opportunities; succession planning; and talent management.

While the Board of Directors are currently not balanced regarding gender, the Group recognizes the benefit of gender diversity and of importance that is attached to achieve this.

External auditor

For the 2021 financial period, KPMG Accountants N.V. was the Group's independent external auditor.



Values and Code of Conduct

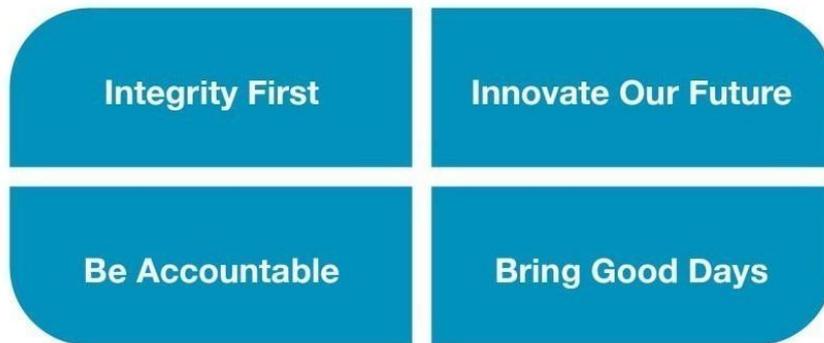
HMH contributes to sustainable social development through responsible business practices. The ethical guidelines and other governing documents of HMH have been drafted following core corporate values as stated below:

Integrity First

- We do what we say and say what we do
- We are transparent
- We do things the right way – ethically and in compliance with laws and regulations
- We keep our commitments, building trust with customers, shareholders, the community and each other
- We take responsibility for our actions, regardless of the outcome

Innovate Our Future

- We use our competence, capability and technology to design our future
- We are curious, innovative and commercial
- We continuously improve



Be Accountable

- We deliver on our responsibilities
- We never pass a problem, we solve it!
- We act in a sustainable, ethical and socially responsible manner

Bring Good Days

- We have fun and enjoy our work
- We respect each other and we work together as one team
- We share knowledge and help each other succeed
- We are all equally accountable for caring for the environment, safety and well-being of ourselves and others

HMH has established a Group Code of Conduct that applies to all employees in the HMH Group and requires that business partners adhere to the same principles as HMH. The Code of Conduct is published and made available to all employees, and employees must be familiar with and in compliance with the content of the Code of Conduct.

HMH operates in an international environment involving a diversity of countries and cultures and international transaction and contracts. The Code of Conduct contains a “zero tolerance” policy for bribery and corruption, and guides employees in regard to any potential conflicts of interest.



Subsequent Events

The situation in Ukraine

In February 2022, Russian armed forces invaded Ukraine. HMH has no employees in Ukraine or Russia. In 2022, HMH has limited activity with Russia and Ukraine. Management is fully aware of and proactively managing its operations in the region, including sanctions and indirect impacts, and are taking actions to mitigate its effect on supply chain and other associated risks.

Conversion of bridge loan

HMH has a facility agreement with a bank consortium including USD 150 million Bridge Facility, USD 80 million Multi currency Revolving Credit Facility and USD 70 million thousand Term loan facility. The bridge loan of USD 150 million had a termination date February 26, 2022.

The bridge loan was refinanced with a Bond loan the February 16, 2022. The terms for the Bond loan are 7% margin + LIBOR (Libor01 published by Reuters) and has a maturity date February 10, 2025. The bond was listed on November 4, 2022, on the Oslo Stock Exchange.

Cancellation of Valaris 20K-Contract

The backers of the 20K development driving this project order from Valaris were Equinor and Total Energies. Earlier in 2022, Total Energies exited its involvement in the project leaving Equinor to seek out a new partner. While that remains a possibility, potential partners informed Equinor it would make sense to cancel the existing agreements including the one related to the Valaris 20K project as any new partner would need to re-baseline with Equinor. HMH was protected financially through a time-based cancellation clause resulting in a positive financial impact on the contract of approx. USD 19 -20 million in contribution margin accounted for in 2022. The cancellation did not have material negative impacts on operations.

Sale of Frontica Engineering

In June 2022, MHWirth AS sold its shares in Frontica Engineering AS to Aker Solutions AS. As part of the sale agreement, the NWC was settled in September 2022 leaving a payable from MHWirth AS to Aker Solutions. This was paid in September 2022.

Purchase of shares in Electrical Subsea & Drilling AS performed in stages

As of December 31, 2021, MHWirth AS owned 20% of shares Electrical Subsea & Drilling AS which were accounted for as an equity accounted investee. In June 2022, MHWirth AS decided to purchase the remaining 80% of shares in the Company. MHWirth entered the agreement in June 2022, with the effective date of the



purchase of August 24, 2022. As of the effective date Electrical Subsea & Drilling AS will be a fully consolidated entity in the Group.

Statement of the Board of Directors

The Financial Statements give a true and fair view of the assets and liabilities, the financial position and the profit or loss, and the management report provides a true and fair view where the significant risks and uncertainties to which the Group is exposed have been described. The management statement also covers the development of the business, the results, the position of the entity and the effects of its activities.

Amsterdam, April 26, 2023
The Board of Directors:

Merrill Anthony Miller
(Chairman of the board)

Karl Erik Kjelstad
(Board member)

Edoardo Padeletti
(Board member)

Kristian Monsen Røkke
(Board member)

Larry Brian Worrell
(Board member)

HMH

Consolidated Financial Statements
for the financial period April 28, to December 31, 2021
HMH Holding B.V.

Consolidated statement of financial position

<i>Amounts in USD thousands</i>	Notes	31.12.2021
ASSETS		
Non-current assets		
Property, plant and equipment	3.1	228,233
Other Intangible assets	3.3	167,609
Right-of-use assets	3.2	41,588
Goodwill	3.3	277,157
Investment in joint ventures and associates	6.3	186
Other investments		39
Other non-current assets	7.3	7,285
Deferred tax assets	5.1	38,750
Total non-current assets		760,846
Current assets		
Inventories	2.3	156,932
Trade receivables and other current assets	2.6	123,438
Derivative financial instruments	4.2	7,104
Current financial assets	4.2	44,295
Contract assets	2.1	117,351
Cash and cash equivalents	4.3	91,725
Total current assets		540,845
TOTAL ASSETS		1,301,691
USD thousands	Notes	31.12.2021
EQUITY AND LIABILITIES		
Equity		
Share capital	4.7	0
Share premium	4.7	601,539
Reserves	4.7	-958
Retained earnings	4.7	-1,863
Total equity		598,718
Non-current liabilities		
Non-current borrowings	4.8	135,963
Non-current lease liabilities	3.2	33,041
Employee benefit obligations	2.4	26,627
Deferred tax liabilities	5.1	25,863
Non-current provisions	7.2	5,288
Other non-current liabilities	7.1	2,896
Total non-current liabilities		229,678
Current liabilities		
Current borrowings	4.8	180,985
Current lease liabilities	3.2	10,207
Current tax liabilities	5.1	5,988
Current provisions	7.2	14,206
Trade payables and other current liabilities	2.7	160,806
Contract liabilities	2.1	95,108
Derivative financial instruments	4.2	5,996
Total current liabilities		473,295
Total liabilities		702,973
TOTAL EQUITY AND LIABILITIES		1,301,691

The Notes to the Consolidated Financial Statements on pages 48 to 87 from the integral part of these consolidated financial statements.

Consolidated statement of cash flows

<i>Amounts in USD thousands</i>	Notes	28.04.2021- 31.12.2021
<i>Cash flow from operating activities</i>		
Profit (loss) before tax		2,565
<i>Adjustments for:</i>		
Net finance income and expenses		7,342
Depreciation, amortization and impairment		14,251
Profit / loss(-) on disposal of assets	2.1	-21
Profit / loss(-) from joint ventures and associates	6.3	-63
Sum adjustments		24,072
<i>Changes in working capital:</i>		
Decrease / increase(-) in trade receivables and other current assets		45,988
Increase / decrease(-) in inventories		7,571
Increase / decrease(-) in trade payables and other liabilities		-40,494
Decrease / increase(-) in contract assets		-117,351
Increase / decrease(-) in contract liabilities		95,108
Other changes		11,331
Sum working capital		2,154
Interest paid	4.4	-185
Interest paid for leases	4.4	-601
Interest received	4.4	393
Income taxes paid	5.1	-
Net cash from operating activities		25,834
<i>Cash flow from investing activities</i>		
Purchase of property, plant and equipment	3.1	-1,550
Payments for capitalized development expenses	3.3	-306
Proceeds from sale of property, plant and equipment	3.1,2.1	21
Acquisition of subsidiaries, net of cash acquired	6.1	-146,977
Net cash flow from investing activities		-148,811
<i>Cash flow from financing activities</i>		
Proceeds from borrowing	4.8	220,000
Payment of borrowing cost	4.8	-2,385
Payment of lease liabilities	3.2	-1,743
Net cash flow from financing activities		215,872
Effect of exchange rate changes on cash and cash equivalents		-1,169
Net increase (decrease) in cash and cash equivalents		91,725
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period		91,725

The Notes to the Consolidated Financial Statements on pages 48 to 87 from the integral part of these consolidated financial statements.

Consolidated income statement

<i>Amounts in USD thousands</i>	<i>Notes</i>	28.04.2021- 31.12.2021
Revenue	2.1	162,586
Materials, goods and services		-67,361
Salaries, wages and social security costs	2.4	-46,303
Other operating expenses	2.5	-24,828
Operating expenses		-138,493
Depreciation and amortization	3.1-3.3	-12,664
Impairment	3.2	-1,587
Operating profit / loss(-)		9,843
Finance income	4.4	5,850
Finance expenses	4.4	-13,191
Net finance expenses		-7,342
Profit / loss(-) from joint ventures and associates	6.3	63
Profit / loss(-) before tax		2,565
Income tax expense / income (-)	5.1	-4,428
Profit / loss(-) for the period		-1,863
Profit attributable to:		
Equity holders of the parent		-1,863

Consolidated statement of comprehensive income

<i>Amounts in USD thousands</i>	<i>Notes</i>	28.04.2021- 31.12.2021
Profit (loss) for the period		-1,863
Other comprehensive income		
Cash flow hedges, gross amount		1,329
Cash flow hedges, related tax		-266
Total change in hedging reserve, net of tax	4.5	1,063
Currency translation differences - foreign operations		-1,285
Total items that may be reclassified subsequently to profit or loss, net of tax		-222
Remeasurement gain / loss (-) net defined benefit liability	2.4	-1,018
Related tax to remeasurement gain / loss (-) net defined benefit liability	2.4, 4.7	281
Total items that will not be reclassified to profit or loss, net of tax		-737
Total other comprehensive income / loss(-) for the period, net of tax		-958
Total comprehensive income / loss(-)		-2,821
Total comprehensive income / loss(-) attributable to:		
Equity holders of the parent		-2,821

The Notes to the Consolidated Financial Statements on pages 48 to 87 from the integral part of these consolidated financial statements.

Consolidated statement of changes in equity

Amounts in USD thousands	Note	Share capital	Share premium	Reserves			Retained earnings	Total equity
				Hedging reserve	Pension remeasurement reserve	Currency translation reserve		
2021								
Equity as of April 28, 2021 ¹⁾	1.2	0	-	-	-	-	-	0
Profit (loss) for the period		-	-	-	-	-	-1,863	-1,863
Other comprehensive income		-	-	1,063	-737	-1,285	-	-958
Total comprehensive income		0	-	1,063	-737	-1,285	-1,863	-2,821
Debt conversion September 29, 2021		-	1,539	-	-	-	-	1,539
Increase in share capital and premium October 1, 2021	4.7	0	600,000	-	-	-	-	600,000
Equity as of December 31, 2021		0	601,539	1,063	-737	-1,285	-1,863	598,718

¹⁾ Share capital is USD 0.001 thousand at April 28, 2021, and USD 0.002 thousand at 31.12.2021

Amsterdam, April 26, 2023

Merrill Anthony Miller
(chairman of the board)

Karl Erik Kjelstad
(board member)

Edoardo Padeletti
(board member)

Kristian Monsen Rokke
(board member)

Larry Brian Worrell
(board member)

The Notes to the Consolidated Financial Statements on pages 48 to 87 from the integral part of these consolidated financial statements.

Notes to the consolidated financial statements

Section 1 - Background

1.1 General information

Corporate information

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 Weerdestein 97, 1083GG Amsterdam, Netherlands. Due to listing of its bond on the Oslo Stock Exchange (Norway) on November 4, 2022, HMH Holding B.V. is considered a public interest entity in the European union (EU-PIE) as of that date. See note 4.8.

The HMH group was incorporated on April 28, 2021 and operationally established with effect from October 1, 2021, through the parent company's acquisition of all shares in MHWirth business and the Subsea Drilling System business from Baker Hughes. These transactions have been accounted for as a business combination under IFRS 3, hence profit and loss items in the former MHWirth AS and Subsea Drilling System business have been incorporated in these financial statements from October 1, 2021. For more information on the purchase price allocation and related accounting, see note 1.2 Significant accounting policies (formation of the group) and note 6.1. Business combinations. After these transactions, 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. Company vision is centered on an unparalleled commitment to quality and yielding economic advantages for customers and stakeholders. HMH has a global span covering five continents with offices in 16 countries.

Basis for preparation

Basis of accounting

The Company is newly incorporated and therefore a first-time adoption of IFRS is applicable as of the date of incorporation. Due to newly formation of the Company, there are no comparatives applicable and opening balances are nil, therefore the transition did not result in any IFRS 1 disclosures.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), their interpretations adopted by the International Accounting Standards Board (IASB) and the additional requirements of The Dutch Civil Code, Book 2, Part 9 as of December 31, 2021.

Going concern basis of accounting

The consolidated financial statements have been prepared on a going concern basis, which assumes that the group will be able to meet the mandatory terms and conditions of the banking facilities and all other commitments as disclosed in note 4.6 Capital management.

Statement of compliance

The consolidated financial statements of the Company are part of the statutory financial statements of the Company. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Section 2:362(9) of The Dutch Civil Code.

The consolidated financial statements were authorized for issue by the Board of Directors on April 26, 2023.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items, which are measured on an alternative basis on each reporting date:

- Derivative financial instruments are measured at fair value.
- Non-derivative financial instruments at Fair Value through Profit or Loss (FVTPL) are measured at fair value.
- Net defined benefit (asset) liability is recognized at fair value of plan assets less the present value of the defined benefit obligation.

Functional and presentation currency

The consolidated financial statements are presented in USD. All financial information presented in USD has been rounded to the nearest thousand (USD thousand), except when otherwise stated. In the statement of comprehensive income, income/gains are presented as positive amounts and expenses/costs are presented as negative amounts. In the notes, both income and expenses are presented as positive numbers. The subtotals and totals in some of the tables in these consolidated financial statements may not equal the sum of the amounts shown due to rounding.

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although management believes these assumptions to be reasonable, given historical experience, actual amounts and results could differ from these estimates. The items involving a higher degree of judgment or complexity, and items

where assumptions and estimates are material to the consolidated financial statements, are disclosed in note 1.3 Significant accounting estimates and judgments.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Standards issued but not yet effective

The group has not early adopted any new or amended standards and interpretations which are effective for annual periods beginning after January 1, 2022. The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimate (Amendments to IAS 8)

1.2 Significant accounting policies

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the period presented, unless otherwise stated.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date of which control ceases.

Formation of the Group

Upon establishment of the HMH group, Akastor and Baker Hughes contributed the MHWirth AS and Subsea Drilling Systems (SDS) business respectively in exchange for shares in HMH Holding B.V. and cash consideration. See details in the note 6.1 Business combinations.

The formation of HMH Holding B.V. is considered to be a business combination on formation of a joint venture, outside the scope of IFRS 3 and IFRS 2 scopes out any contribution that constitutes a business. Based on the guidance in IAS 8 and as a policy choice, the Group has accounted for the contribution of the MHWirth and SDS businesses to HMH Holding B.V. under the acquisition method as set out in IFRS 3 as the transaction has substance for the combining parties. The acquisition method, whereby assets and liabilities of the combining businesses are reflected at fair value upon contribution (acquisition date), is considered to provide the most relevant information for the users of the financial statements and adopted as accounting policy that will be applied consistently. See note 1.3 relating to the significant judgment applied in the determination of the fair value and the useful lives of the assets and liabilities acquired.

The determination of the fair value and the useful lives of the assets and liabilities acquired is performed, which requires the application of judgment.

Business combinations

Business combinations are accounted for using the acquisition method as of the acquisition date, which is the date when control is transferred to the group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment.

Transaction costs, other than those associated with the issue of debt or equity securities incurred in connection with a business combination are expensed as incurred.

Loss of control

On the loss of control, the group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity. Any resulting gain or loss is recognized in the income statement. Any interest retained in the former subsidiary is measured at fair value when control is lost. Subsequently is accounted under the equity-method or as an equity investment depending on the level of influence retained.

Investment in joint ventures and associates

The group's interests in joint ventures and associates are accounted under the equity-method.

A joint venture is an arrangement in which the group has joint control, whereby the group has rights to the net assets of the arrangement, rather to its assets and obligations for its liabilities. Joint control is established by contractual agreement requiring unanimous consent of the ventures for strategic, financial and operating decisions. An associate is an entity in which the group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in joint ventures and associates are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the group's share of the profit and loss and other comprehensive income of joint ventures and associates. The group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. When the group's share of losses exceeds its interest in a joint venture or an associate, the carrying amount of that interest, including any long-term investments, is reduced to zero, and further losses are not recognized except to the extent that the group incurs legal or constructive obligations or has made payments on behalf of the investee, and liability is recognized in this case.

The purpose of the investment determines the presentation of the group's share of profit and loss from the associates and joint ventures in the income statement. When the entity is established to share risk in executing a project or is closely related to HMH's operating activities, the share of profit or loss is reported as part of Other income in Operating profit. Share of the profit or loss of a financial investment is reported as part of Net finance expenses.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with joint ventures and associates are eliminated to the extent of the group's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Foreign currency

Foreign currency transactions and balances

Transactions in foreign currencies are translated at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate on that date. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the exchange rate on the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rates on the date the fair value is determined.

Investments in foreign operations

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates. The results and financial positions of all the group entities that have a functional currency different from the group's presentation currency are translated into the presentation currency as follows:

- Assets and liabilities, including goodwill and fair value adjustments, are translated at the closing exchange rate at the reporting date.
- Income statements are translated at average exchange rate for the period, calculated on the basis of 12 monthly end rates.

Foreign currency differences are recognized in other comprehensive income and accumulated in the currency translation reserve.

Current / non-current classification

An asset is classified as current when it is expected to be realized or is intended for sale or consumption in the group's normal operating cycle, it is held primarily for the purpose of being traded, or it is expected/due to be realized or settled within twelve months after the reporting date. Other assets are classified as non-current.

A liability is classified as current when it is expected to be settled in the group's normal operating cycle, is held primarily for the purpose of being traded, the liability is due to be settled within twelve months after the reporting period, or if the group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Financial assets, financial liabilities, and equity

A financial asset or financial liability is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, a financial asset is classified as measured at amortized costs or fair value through profit and loss (FVTPL). The classification depends on the group's business model for managing the financial assets and the contractual terms of the cash flows.

- A financial asset is measured at amortized costs if the business model is to hold the asset to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interests (SPPI criterion).
- All financial assets not classified as measured at amortized cost are measured at FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the group changes its business model for managing financial assets.

The Group derecognizes a financial asset when: The contractual rights to the cash flows from the financial asset expire; or it transfers the rights to receive the contractual cash flows in a transaction in which either: substantially all of the risks and rewards of ownership of the financial asset are transferred; or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Group enters into transactions whereby it transfers assets recognized in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Other investments

Other investments include equity and debt investments in companies where the group has neither control nor significant influence, usually represented by less than 20 percent of the voting power. The investments are categorized as financial assets measured at FVTPL and recognized at fair value at the reporting date. Subsequent to initial recognition, changes in financial assets measured at FVTPL are recognized in profit and loss.

Trade receivables and other current assets

Trade receivables and other current assets are classified as financial assets measured at amortized costs. They are recognized at the original invoiced amount, less loss allowance made for credit losses. The interest rate element is disregarded if insignificant, which is the case for the majority of the group's trade receivables.

Interest-bearing receivables

Interest-bearing receivables include loans to related parties and are generally classified as financial assets measured at amortized costs. Such financial assets are recognized initially at fair value and subsequent measurement at amortized cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits held at banks and other short-term highly liquid investments with original maturity of three months or less.

Trade payables and other current liabilities

Trade payables are recognized at the original invoiced amount. Other current liabilities are recognized initially at fair value. Trade payables and other current liabilities are valued at amortized cost using the effective interest rate method. The interest rate element is disregarded if it is insignificant, which is the case for the majority of the group's trade payables.

Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

Share capital

Ordinary shares are classified as equity. Repurchase of share capital is recognized as a reduction in equity and is classified as treasury shares.

Derivative financial instruments

The group uses derivative financial instruments such as currency forward contracts to hedge its exposure to foreign exchange risks arising from operational, financial and investment activities. These derivative financial instruments are accounted for as cash flow hedges since highly probable future cash flows are hedged (rather than committed revenues and expenses). Derivative financial instruments are recognized initially at fair value. Derivatives are subsequently measured at fair value, and changes in fair value are accounted for as described below. Financial instruments, including derivatives, are only used to mitigate risk and cannot be used for trading and/or speculation purposes. Financial instruments, including derivatives, are only used to mitigate risk and cannot be used for trading and/or speculation purposes.

Cash flow hedge

Hedging of the exposure to variability in cash flows that is attributable to a particular risk or a highly probable future cash flow is defined as a cash flow hedge. The effective portion of changes in the fair value is recognized in other comprehensive income as a hedge reserve. Any gain or loss relating to the ineffective portion of derivative hedging instruments is recognized immediately in the income statement as finance income or expense.

Hedge accounting is discontinued when the hedge no longer qualifies for hedge accounting. Disqualification occurs when the hedging instrument expires, is sold, terminated or exercised, or when a forecast transaction is no longer expected, or the hedge is no longer effective. When a hedge is disqualified, the cumulative gain or

loss that was recognized in the hedge reserve is recognized immediately in the income statement unless it relates to a future cash flow that is likely to occur, but don't qualify for hedge accounting, in which the accumulated hedge reserve remains in other comprehensive income until the hedged cash flow is recognized in income statement. For cash flow hedges associated with forecast transactions that subsequently result in recognition of a non-financial asset, the amounts accumulated in the cash flow hedge reserve is included directly in the initial cost of the non-financial asset when recognized.

Finance income and expense

Finance income and expense include interest income and expense, foreign exchange gains and losses, dividend income, gains and losses on derivatives, as well as change in fair value of financial assets measured at FVTPL. Interest income and expenses include calculated interest using the effective interest method, in addition to discounting effects from assets and liabilities measured at fair value. Gains and losses on derivatives include effects from derivatives that do not qualify for hedge accounting, in addition to the ineffective portion of qualifying hedges. Reclassifications of OCI is booked against financial expenses.

Revenue from contract with customers

The significant accounting policies relating to revenue recognition from contracts with customers are described in note 1.3 Significant accounting estimates and judgments (Revenue recognition) and note 2.1 Revenue from contracts with customers.

Contract assets

Contract assets relate to the group's rights to consideration for work performed, but not yet invoiced at the reporting date. The contract assets are transferred to receivables when the rights to payment become unconditional, which usually occurs when invoices are issued to the customers.

Contract liabilities

A contract liability is recognized if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Income tax

Income tax recognized in the income statement comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous periods. Current tax payable also includes any tax liability arising from the declaration of dividends, recognized at the same time as the liability to pay the related dividend.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting and the amounts used for taxation purposes. Deferred tax is not recognized for:

- Goodwill not deductible for tax purposes
- The initial recognition of assets or liabilities that affects neither accounting nor taxable profit
- Temporary differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the tax assets and settle the liabilities simultaneously.

Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Measurement of deferred tax assets are reviewed at each reporting date.

Inventories

Inventories are recognized at the average acquisition cost or net realizable value, whichever is lower. The net sales value for raw materials and work in progress (goods under production) is calculated as the net realizable value of the finished products less the remaining production and sales costs. In the case of manufactured inventories and work in progress, cost should include an appropriate share of attributable costs based on normal operating capacity.

Impairment

Trade receivables and contract assets

Loss allowance is recognized in profit or loss and measured at lifetime Expected Credit Loss (ECLs.) ECLs is a probability-weighted estimate of credit losses. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial asset. The group considers a financial asset to be in default when the group is unlikely to receive its outstanding contractual amount in full, or the contractual payments are more than 90 days past due. When

estimating ECLs, the group considers reasonable and supportable information that is relevant and available without undue cost or effort, based on the group's historical experience including forward-looking information.

The gross carrying amount of trade receivable is written off when the group has no reasonable expectations of recovering a trade receivable in its entirety or a portion thereof. The group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. Trade receivables that are written off could still be subject to enforcement activities in order to comply with the group's procedures for recovery of amounts due

Non-financial assets

The carrying amounts of the group's non-financial assets (other than employee benefit assets, inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If an indication of impairment exists, the asset's recoverable amount is estimated. Cash-generating units (CGU) containing goodwill, intangible assets with an indefinite useful life and intangible assets that are not yet available for use are tested for impairment annually.

The recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is recognized whenever the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognized in the income statement.

An impairment loss recognized in respect of a CGU (or a group of CGUs) containing goodwill is allocated first to goodwill and then to the other assets in the CGU(s) on a pro rata basis.

An impairment loss on goodwill is not reversed. An impairment loss on other assets is reversed if there has been a change in the estimates used to determine the recoverable amount, and the change can be objectively related to an event occurring after the impairment is recognized. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Provisions

A provision is recognized when the group has a present obligation as a result of a past event that can be estimated reliably, and it is probable that the group will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a market based post-tax rate that reflects current market assessments of the time value of money and, where appropriate, the liability-specific risks. The unwinding of the discount is recognized as finance expense.

Warranties

Provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Onerous contracts

Provision for onerous contracts is recognized when the expected benefits to be derived by the group from a contract are lower than the unavoidable costs of meeting the obligations under the contract. The provision is measured at the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is recognized, the group recognizes any impairment loss on the assets associated with the contract.

Restructuring

A restructuring provision is recognized when the group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that the entity will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Leases

As a lessee

Right-of-use assets

The group recognizes right-of-use asset at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any prepaid lease payments made at or before the commencement date, plus any initial direct costs. Subsequently, the right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. In addition, the right-of-asset is subject to impairment assessment of non-financial assets and adjusted for certain remeasurement of the lease liability.

Lease liabilities

At the lease commencement date, the group recognizes lease liability measured at the present value of the lease payments over the lease term, discounted using the group's incremental interest rate. Generally, the lease payments include fixed payments and variable lease payments that depend on an index or rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or as appropriate, changes in the assessment of whether an extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Short term leases and leases of low-value assets

The group applies the recognition exemption to its leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option (short-term leases). The group also applies recognition exemption to leases that are considered of low-value assets, mainly IT equipment and office equipment. Lease payments associated with the short-term leases and leases of low-value assets are recognized as expenses on a straight-line basis over the lease term.

Lease term

The group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any period covered by an option to terminate the lease if it is reasonably certain not to be exercised. The group applies judgment in evaluating whether it is reasonably certain to exercise extension option, considering all relevant factors that create economic incentive to exercise the extension option.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labor, borrowing costs on qualifying assets, production overheads and the estimated costs of dismantling and removing the assets and restoring the site on which they are located.

If the components of property, plant and equipment have different useful lives, they are accounted for as separate components.

Subsequent costs

The group capitalizes the cost of a replacement part or a component of property, plant and equipment when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the group and the cost of the item can be measured reliably. All other costs are expensed as incurred.

Depreciation

Depreciation is normally recognized on a straight-line basis over the estimated useful lives of property, plant and equipment.

Intangible assets

Goodwill

Goodwill that arises from the acquisition of subsidiaries is presented as intangible asset. For the measurement of goodwill at initial recognition, see Business combinations.

Goodwill is measured at cost less accumulated impairment losses. In respect of investments in associated and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the investments in joint venture and associates as a whole.

When the group disposes of an operation within a CGU or group of CGUs to which goodwill has been allocated, a portion of the goodwill is included in the carrying amount of the operation when determining the gain or loss on disposal. The portion of the goodwill allocated is measured based on the relative values of the operation disposed of and the portion of the CGU retained at the date of partial disposal, unless it can be demonstrated that another method better reflects the goodwill associated with the operation disposed of. The same principle is used for allocation of goodwill when the group reorganizes its businesses.

Research and development

Expenditures on research activities undertaken with the prospect of obtaining new scientific or technical knowledge and understanding is recognized in the income statement as incurred.

Development activities involve a plan or design for the production of new or substantially improved products or processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the group intends to and has sufficient resources to complete development and to use or sell the asset. The capitalized expenditure includes cost of materials, direct labor overhead costs that are directly attributable to preparing the asset for its intended use and capitalized interest on qualifying assets. Other development expenditures are recognized in the income statement as an expense as incurred.

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

Other intangible assets, Patents and rights, Customer relations

Acquired intangible assets are measured at cost less accumulated amortization and impairment losses.

Subsequent expenditures

Subsequent expenditures on intangible assets are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are expensed as incurred.

Amortization

Amortization is recognized in the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such useful lives are indefinite. Intangible assets are amortized from the date they are available for use. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate

Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an expense in the income statement as incurred.

Defined benefit plans

The group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods; discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. The discount rate is the yield at the reporting date on government bonds or high-quality corporate bonds with maturities consistent with the terms of the obligations.

Remeasurement of the net defined benefit liability, which comprises actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in the income statement.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the income statement. The group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Fair value measurement

When available, the group measures the fair value of a financial instrument using the quoted price in an active market for that instrument. If there is no quoted price in an active market, then the group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price. If the group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, and the difference between the fair value on initial recognition and the transaction price is recognized as a deferred gain or loss. Subsequently, the deferred gain or loss is recognized in profit or loss on an appropriate basis over the life of the instrument.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. See note 1.3 for more information

1.3 Significant accounting estimates and judgments

Estimates

Estimates and judgments are continually reviewed and are based on historical experiences and expectations of future events. The resulting accounting estimates will, by definition, seldom accurately match actual results, but are based on the best estimate at the time. Estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue recognition

Revenue from performance obligations satisfied over time, typically in construction contracts and service contracts, are recognized according to progress. This requires estimates of the final total revenue, as well as measurement of progress achieved to date as a proportion of the total work to be performed. The estimated progress in long-term construction contracts is based on internal and external estimates of progress. See note 2.1 for description of type of revenue and revenue recognition policy by type of revenue.

The main uncertainty when assessing total contract revenue is related to recoverable amounts from variation orders, claims and incentive payments which are recognized when it is highly probable that they will not result in a significant reversal of revenue. This assessment is adjusted by management's evaluation of liquidated damages to be imposed by customers, typically relating to contractual delivery terms. In most construction contracts, there are frequent changes in scope of work resulting in variation orders. The contracts with customers normally include procedures for issuing and approval of variation orders. There can be unapproved variation orders and claims included in the contract revenue where recovery is assessed as highly probable and other criteria are met. Even though management has extensive experience in assessing the outcome of such negotiations, uncertainties exist.

One of the key uncertainties related to revenue recognition arises in the final stages of the completion of long-term contracts which can involve renegotiations with customers. The estimates of the likely outcome of these renegotiations are based on management's assessments subject to complex interpretations of contractual, engineering, design and project execution issues. There can be a wide range of reasonably possible outcomes from such renegotiations and the estimates made require a high degree of judgment.

The physical progress and estimated margin in the start-up phase of a long-term construction contracts are based on assumptions and hence exposed to inherent risks. The estimation uncertainty related to total cost estimates during the early stages of a long-term construction contract is mitigated by a policy of recognizing revenue equal to cost until the significant risk is measurable and a mature cost estimate is concluded upon.

Warranties

A provision is made for expected warranty expenditures. The warranty period is normally 12-30 months depending on the specific customer contract and terms. Based on historical warranty expense experience, the warranty provision is estimated at 1,4% of product cost in long term construction contracts and 1% of revenue for single equipment sales. Reference is made to note 7.2 Provisions for further information about provisions for warranty expenditures.

Impairment of non-financial assets

Property, plant and equipment and intangible assets

The group has significant non-current assets recognized in the consolidated statement of financial position related to property, plant and equipment and intangible assets. The recoverable amount of some of these assets can be significantly impacted by changes of market conditions. The group considers whether there are indications of impairment on the carrying amounts of such non-current assets. If such indications exist, an impairment test is performed to assess whether or not the assets should be impaired. The valuations will often be performed based on estimates of future cash flows discounted by an appropriate discount rate. Significant estimates and judgments are made by the management, including determining cash-generating units and discount rate, projections for future cash flows and assumptions of future market conditions. References are made to note 3.1 Property, plant and equipment and note 3.3 Intangible assets and goodwill.

Right-of-use asset

The group considers whether there are indications of impairment on the carrying amounts of rights-of-use assets. If such indications exist, an impairment test is performed to assess whether or not the assets should be impaired. The valuations will often be performed based on estimates of future cash flows discounted by an appropriate discount rate. Significant estimates and judgments are made by the management, including determining cash-generating units and discount rate, projections for future cash flows and assumptions of future market conditions. References are made to note 3.2 Right-of-use assets and related lease liabilities.

Goodwill

The group performs impairment testing of goodwill annually or more frequently if any impairment indicators are identified. The recoverable amounts of cash-generating units to which goodwill is allocated have been determined based on fair value in use. These calculations require management to estimate future cash flows expected to arise from these cash-generating units and an appropriate discount rate to reflect the time value of the money. Key assumptions made by the management also include assumptions for future market conditions, which require a high degree of judgment. Further details about goodwill allocation and impairment testing are included in note 3.4 Impairment testing of goodwill.

Income taxes

The group is subject to income taxes in numerous jurisdictions. Significant judgment is required to determine the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Provisions for anticipated tax audit issues are based on estimates of eventual additional taxes.

Income tax expense is calculated based on reported income in the different legal entities. Deferred income tax assets and liabilities is calculated based on the temporary differences between the assets' carrying amount for financial reporting purposes and their respective tax basis. The total amount of income tax

expense and allocation between current and deferred income tax requires management's interpretation of complex tax laws and regulations in the many tax jurisdictions where the group operates.

Valuation of deferred tax assets is dependent on management's assessment of future recoverability of the deferred tax benefit. Expected recoverability may result from expected taxable income in the near future, planned transactions or planned tax optimizing measures. Economic conditions may change and lead to a different conclusion regarding recoverability, and such change may affect the results for each future reporting period.

Tax authorities in different jurisdictions may challenge calculation of income taxes from prior periods. Such processes may lead to changes to prior periods' taxable income, resulting in changes to income tax expense. When tax authorities' challenge income tax calculations, management is required to make estimates of the probability and amount of possible tax adjustments. Such estimates may change as additional information becomes known. Further details about income taxes are included in note 5.1 Income tax.

Legal disputes and contingent liabilities

Given the scope of the group's worldwide operations, group companies are inevitably involved in legal disputes in the course of their business activities. In addition, HMM from time to time engage in mergers, acquisitions and other transactions that could expose the companies to financial and other non-operational risks, such as indemnity claims and price adjustment mechanisms resulting in recognition of deferred settlement obligations. Provisions have been made to cover the expected outcome of the legal claims and disputes to the extent negative outcomes are likely and reliable estimates can be made. However, the final outcomes of these cases are subject to uncertainties and resulting liabilities may exceed warrant recognized. The group follows the development of these disputes on case-by-case basis and makes assessment based on all available evidence as at the reporting date.

Fair value

The determination of the fair value and the useful lives of the assets and liabilities acquired is performed, which required the application of judgment. Fair values have been estimated by a range of different valuation techniques, such as the market approach, income approach and cost approach based on the which techniques that has been assessed to be most appropriate for the type of assets or liability measured. All of these methods include a range of various assumptions where significant estimate has been exercised.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. Including:

- a) Derivatives (note 4.2)
- b) Acquisitions (note 6.1)

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Judgments

In the process of applying the group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Significant judgment in accounting for business combinations

Most business combinations are governed by IFRS 3. However, according to IFRS 3.2, the standard does not apply to the accounting for the formation of a joint venture in the financial statements of the joint venture itself nor does it apply to a combination of entities under common control. There is no other specific guidance on the topic of common control elsewhere in IFRS and so significant estimate has been exercised.

HMM concluded that the formation of the Group is considered to be a business combination on formation of a joint venture, outside the scope of IFRS 3. HMM developed and adopted an accounting policy in accordance with IAS 8 of measuring the transaction at fair value in the consolidated financial statements. Under this method, the contribution of the MHWirth and SDS business was accounted for under the acquisition method set out in IFRS 3, whereby assets and liabilities are measured at fair value on acquisition date. As such, a purchase price allocation calculation was performed by the management expert.

In addition, there is put in place a shareholders' agreements dated 1 October 2021 between Baker Hughes Holdings LLC, Akastor AS and Mercury HoldCo Inc. Akastor AS and Mercury Holdco Inc (together "Akastor") is owned by Akastor ASA (100% ownership). The shareholders' agreements and the Articles of Association of HMH Holding B.V. describes how the company should be governed and outlines shareholders' rights and obligations.

Section 2 - Operating performance

2.1 Revenue from contracts with customers

Revenue types	28.04.2021- 31.12.2021
<i>Amounts in USD thousands</i>	
Revenue from contract with customers	162,421
Other revenue and income	
Lease revenue	144
Gain on disposal of fixed assets	21
Total revenue	162,586

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. See note 2.2 for description of the segments ESS and PCS.

<i>Amounts in USD thousands</i>	ESS	PCS	Total
Major contract/revenue types			
Construction revenue	18,018	3,797	21,815
Service revenue	47,340	60,581	107,921
Sale of products	22,816	10,034	32,850
Total revenue	88,174	74,412	162,586

Timing of revenue recognition

Transferred over time	40,834	13,831	54,665
Transferred at point in time	47,340	60,581	107,921
Total revenue	88,174	74,412	162,586

Contract balances

<i>Amounts in USD thousands</i>	31.12.2021
Trade receivables included in "Trade receivables and other current assets"	81,409
Contract assets included in "Trade receivables and other current assets"	117,351
Contract liabilities included in "Trade payables and other current liabilities"	95,108

HMH acquired from the business combination: Trade receivables amounting to USD 143,877 thousand, Contract assets of USD 16,386 thousand and contract liabilities of USD 177,717 thousand.

No impairment has been recognized on contract assets in 2021.

Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially satisfied) as of December 31, 2021.

<i>Amounts in USD thousands</i>	2022	Later	Total
Transaction price allocated	228,729	17,168	245,897

The amounts disclosed above do not include variable consideration which is constrained.

2.1 Revenue from contracts with customers (Continued)

The following provides information about nature of performance obligations, including significant payment terms, and related significant revenue recognition policies. Revenue is measured based on the consideration specified in a contract with a customer. The Group recognizes revenue when it transfers control over

Type of contract/revenue	Nature of performance obligations, including significant payment terms	Significant revenue recognition policies
Construction contracts	<p>Under construction contracts, specialized products are built to a customer's specifications and the assets have no alternative use to the group. If a construction contract is terminated by the customer, the group has an enforceable right to payment for the work completed to date. The contracts usually establish a milestone payment schedule. The group has assessed that these performance obligations are satisfied over time.</p> <p>Each of the construction contracts normally includes a single, combined output for the customer, such as an integrated drilling equipment package. One single performance obligation is usually identified in each contract.</p> <p>Assurance-type warranty for a period of 12-30 months is normally included in construction contracts.</p> <p>Normal payment terms for Construction Contracts are 30 to 45 days</p>	<p>Revenue from the construction performance obligations is recognized according to progress. The input method used to measure progress is determined by reference to the cost incurred to date relative to the total estimated contract cost. Revenue in excess of costs is not recognized until the outcome of the performance obligation can be measured reliably, usually at 20% of completion.</p> <p>Variable considerations, such as incentive bonus, are included in construction revenue when it is highly probable that a significant revenue reversal will not occur. Potential penalty for Liquidated Damages is recognized as a reduction of the transaction price unless it is highly probable that it will not be incurred. Disputed amounts and claims are only recognized when negotiations have reached an advanced stage, customer acceptance is highly likely, and the amounts can be measured reliably.</p> <p>Contract modifications are accounted for as a separate contract when the deliveries are distinct from deliveries in the main contract, and the pricing of the deliveries in the variation order is based on stand-alone selling prices. Contract modifications is only accounted for when the modification is approved by the customer. If the modification is approved, but price is not yet settled, revenue is only recognized when it is highly probable that it will not be reversed.</p>
Service revenue	<p>Service revenue is generated from rendering of services to customers. The customers simultaneously receive and consume the benefits provided by these services. The invoicing is usually based on the service provided at regular basis.</p> <p>Under some service contracts, the invoices are based on hours or days performed at agreed rates. The group has assessed that these performance obligations are satisfied over time.</p> <p>Normal payment terms for Service revenue are 30-45 days</p>	<p>Service revenue is recognized over time as the services are provided.</p> <p>The revenue is recognized according to progress or using the invoiced amounts when the invoiced amounts directly correspond with the value of the services that are transferred to the customers. The progress is normally measured using an input method, by the reference of costs incurred to date relative to the total estimated costs.</p> <p>As part of service contracts, HMH also sells spare parts. Spare part revenue is recognized when the goods are ready for collection/at delivery i.e. point in time.</p>
Sale of products	<p>This revenue type involves sale of products or equipment that are of a standard nature, not made to the customer's specifications. Customers obtain control of these products usually when the goods are delivered to the customers according to the contract terms. Invoices are usually generated when the products are delivered. The group has assessed that these performance obligations are satisfied at a point of time.</p> <p>Assurance-type warranty for a period of 12-18 months is normally included in these contracts.</p> <p>Normal payment terms for Sale of standard products is 30 days or 30-45 days</p>	<p>Revenue from these performance obligations is recognized when the customers obtain control of the goods, which is essentially similar to the timing when the goods are delivered to the customers.</p>

Section 2 - Operating performance

2.2 Segments

Basis for segmentation

As of December 31, 2021, HMH has two operating segments. The segments are managed separately and offer different products and services due to different market segments and different strategies for their projects, products and services:

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).

Measurement of segment performance

Segment performance is measured by operating profit before depreciation, amortization and impairment (EBITDA) which is reviewed by the group's Executive Management (the chief operating decision maker). Segment profit, together with key financial information as described below, gives the Executive Management Group relevant information in evaluating the results of the operating segments and is relevant in evaluating the results of the segments relative to other entities operating within these industries. Inter-segment pricing is determined on an arm's length basis.

The accounting policies of the reportable segments are the same as described under note 1.1 Basis of preparation and note 1.2 Significant accounting principles.

<i>Amounts in USD thousands</i>	ESS	PCS	Total operating segments	Eliminations	Total HMH
2021					
<i>Income statement</i>					
External revenue and other income	88,174	74,412	162,586	-	162,586
Inter-segment revenue	1,286	1,065	2,351	-2,351	-
Total revenue	89,460	75,477	164,937	-2,351	162,586
Operating profit before interest, depreciation, amortization and impairment	6,263	17,831	24,094	-	24,094
Depreciation and amortization					-12,664
Impairment					-1,587
Operating profit / loss(-)					9,843
Net finance income/expense					-7,342
Profit / loss(-) from joint ventures and associates					63
Profit / loss(-) before tax					2,565

Geographical information

Geographical revenue is presented on the basis of geographical location of the group companies selling to the customers. Non-current assets and capital expenditures are based on the geographical location of the assets.

<i>Amounts in USD thousands</i>	ESS	PCS	Revenue 2021
USA	6,855	58,138	64,993
Norway	38,208	-	38,208
Germany	20,914	-	20,914
Singapore	5,984	5,354	11,339
UK	1,073	7,595	8,668
Azerbaijan	7,005	-	7,005
Brazil	3,052	-	3,052
Dubai	3,538	-	3,538
Other countries	1,545	3,325	4,870
Revenue	88,174	74,412	162,586

Non-current assets excluding deferred tax assets and financial instruments

<i>Amounts in USD thousands</i>	2021
HQ Netherlands*	389,011
USA	218,549
Norway	49,328
Brazil	-
Germany	25,832
Other countries	8,000
Consolidated assets	690,719

*HQ Netherlands assets is mainly Goodwill accounted for in HMH Holding B.V.

Major customer

There is only one customer that alone contribute more than 10% of total revenue in the Group, that customer represents approximately USD 19.8 million of the Group's total revenue.

2.3 Inventories

<i>Amounts in USD thousands</i>	31.12.2021
Stock of raw materials	22,498
Goods under production	13,417
Finished goods	121,017
Total inventories	156,932
Recognized as expense in the period	-62,590
Write-down of inventories in the period	-512

Finished goods

The group purchases parts which is to be modified and used in projects. These modified parts are classified as finished good until they are sold as part of the projects. There is limited amounts of parts which are sold as unmodified products to customers.

2.4 Employee benefits expenses

<i>Amounts in USD thousands</i>	28.04.2021-31.12.2021
Salaries and wages including holiday allowance	36,099
Social security tax / national insurance contribution	7,789
Pension costs	1,382
Other employee costs	1,032
Salaries, wages and social security costs	46,303

<i>Average number of employees (FTE) ¹⁾</i>	28.04.2021-31.12.2021
Netherlands	0
Norway	697
Germany	238
United States	467
Brazil	138
Other countries	446
Total	1,985

¹⁾ Average number of employees is calculated as sum of employees in October, November and December 2021, divided by the number of months included.

For Key management remuneration see note 7.4 Management remuneration

Pension plans

HMH pension costs represent the future pension entitlement earned by employees in the financial year. In a defined contribution plan the company is responsible for paying an agreed contribution to the employee's pension assets. In such a plan, this annual contribution is also the cost. In a defined benefit plan, it is the company's responsibility to provide a certain pension. The measurement of the cost and the pension liability for such arrangements is subject to actuarial valuations. The main pension liability's relates to Norway and Germany. The welfare and support fund are closed for new entries. The welfare and support fund is recorded as other non-current liabilities and not as pension. See note 7.1

Pension plans in Germany

The main pension arrangement in Germany is a general pension plan organized by the German Government. This arrangement provides the main general pension entitlement of all Germans. All pension arrangements by employers consequently represent limited additional pension entitlements. German employers are not obliged to provide an employment pension plan.

ATZ (Altersteilzeit) – early retirement arrangement

ATZ is an early retirement arrangement organized by German employers, Trade/Labor Unions in Germany and the German Government. The ATZ plan is providing additional lifelong pensions to employees that retire before the general retirement age, to compensate for the reduction of the ordinary pension entitlements. The employees are given a choice of retirement age, with lower pension at earlier retirement.

The principle that during the current employment relationship the work performed by the employee is equivalent to the remuneration paid by the employer (principle of equivalence) and that there is therefore no impact on the balance sheet does not apply in the case of partial retirement.

The backlog of performance in the block model of ATZ represents an obligation on the part of the employer. The employee has already performed work for which he/she has not yet received any remuneration. For the fee to be paid in the release phase, a provision must be made during the work phase and increased pro rata temporis until the release phase is reached.

According to commercial law, the top-up amounts to be paid must be set aside in full upon completion of the semi-retirement obligation. According to tax law, these are to be accumulated in installments like the arrears.

Claims for reimbursement from the employment agency are to be offset against the provision for tax purposes, insofar as they are probable.

The estimated contributions expected to be paid to the German plan during 2022 amount to 827 thousand USD.

Pension plans in Norway

The main pension arrangement in Norway is a general pension plan organized by the Norwegian Government. This arrangement provides the main general pension entitlement of all Norwegian employees. All pension arrangements by employers consequently represent limited additional pension entitlements.

Norwegian employers are obliged to provide an employment pension plan, which can be organized as a defined benefit plan or as a defined contribution plan. The Norwegian companies in HMH have closed the earlier defined benefit plans in 2008 and are now providing defined contribution plans for all employees.

Defined benefit plan

Employees who were 58 years or older in 2008, when the change took place, are still in the defined benefit plan, which is a funded plan. There are no longer any active employees in this plan. The estimated contributions expected to be paid to the Norwegian plan during 2022 amount to USD 261 thousand.

Compensation plan

To ensure that the employees were treated fairly on the change over to the contribution plan in 2008, the Company introduced a compensation plan. The basis for deciding the compensation amount is the difference between calculated pension capital in the defined benefit plan and the value of the defined benefit plan at the age of 67 years. The compensation amount will be adjusted annually in accordance with the adjustment of the employees' pensionable income, and accrued interest according to market interest. If the employee leaves the company voluntarily before the age of 67 years, the compensation amount will be reduced.

AFP – early retirement arrangement

AFP is an early retirement arrangement organized by Norwegian employers, the main Labor Union organization in Norway (LO) and the Norwegian Government. The AFP plan is providing additional lifelong pensions to employees that retire before the general retirement age, to compensate for the reduction of the ordinary pension entitlements. The employees are given a choice of retirement age, with lower pension at earlier retirement.

The Norwegian Accounting Standards Board has issued a comment concluding that the AFP plan is a multi-employer defined benefit plan. The AFP plan exposes the participating entities to actuarial risk associated with employees of other entities with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual participating entities. Sufficient information is not available to use defined benefit accounting and the AFP plan is accounted for as a defined contribution plan.

2.4 Employee benefits expenses (Continued)

Pension plans outside Norway and Germany

Pension plans outside Norway and Germany are predominately defined contribution plans and includes 1,534 employees. There are only 2 entities with significant defined benefit plan which is MHWirth AS (Norway) and MHWirth GmbH (Germany).

Pension cost

<i>Amounts in USD thousands</i>	<i>Note</i>	28.04.2021-31.12.2021
Defined benefit plans		828
Defined contribution plans including AFP		554
Total pension cost		1,382

Net employee defined benefit obligations

<i>Amounts in USD thousands</i>	31.12.2021
Defined benefit plans Norway	13,097
Defined benefit plans Germany	13,435
Defined benefit plans Other countries	95
Total employee benefit obligations	26,628

Movement in net defined benefit liability

<i>Amounts in USD thousands</i>		Pension obligation
Liability as of April 28, 2021		-
Acquisition through business combinations	6.1	27,992

Included in profit or loss

Service cost	828
Interest cost (income)	208
Total	1,036

Included in OCI

Remeasurements (loss) gain arising from	
- financial assumptions	12
- experience adjustments	-991
- currency adjustments	-39
Total	-1,018

Other

Benefits paid by the plan	-
Contributions paid into the plan	-1,383
Total	-1,383
Liability as of December 31	26,627

The defined benefit plans are unfunded and consequently there are no pension plan assets to be disclosed.

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. For the accounting of the pension receivables please refer to note 7.3.

Defined benefit obligation – actuarial assumptions

The group's most significant defined benefit plans are in Norway and Germany. The followings are the principal actuarial assumptions at the reporting date for the plans in these countries.

	2021	
	Norway	Germany
Discount rate	1.50%	1.87%
Salary progression	2.50%	n/a
Pension indexation	0.72%	1.75%
Mortality table	K2013	RT 2018 G

The discount rates and other assumptions for Norway in 2021 are based on the Norwegian high quality corporate bond rate and recommendations from the Norwegian Accounting Standards Board. It should be expected that fluctuations in the discount rates would also lead to fluctuations in the pension indexations. The total effect of fluctuations in economic assumptions is consequently unlikely to be very significant.

Assumptions regarding future mortality have been based on published statistics and mortality tables. The current life expectancy underlying the values of the defined benefit obligation at the reporting date is shown below.

2.4 Employee benefits expenses (Continued)

Years	2021	
	Norway	Germany
Life expectancy of male pensioners	22.60	17.9
Life expectancy of female pensioners	25.90	21.1

As of December 31, 2021, the weighted-average duration of the defined benefit obligation was 12.06 years.

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation as of December 31, 2021 by the amounts shown below

Amounts in USD thousands	Change in defined benefit obligation	
	Increase	Decrease
Discount rate (1% decrease/increase movement)	1,768	2,244
Future salary growth (1% increase/decrease movement)	1,991	1,978
Future pension growth (1% increase/decrease movement)	2,228	1,983

2.5 Other operating expenses

<i>Amounts in USD thousands</i>	28.04.2021-31.12.2021
External consultants inclusive audit fees	7,818
Other costs for premises and equipment	4,334
Insurance	1,508
Office equipment	1,016
Travel expenses	479
Other	9,672
Total other operating expenses	24,828

Fees to the auditors

The table below summarizes audit fees, as well as fees for audit related services, tax services and other services incurred by the group during the period April to December 2021.

The following fees were charged by KPMG Accountants N.V. to the Company, its subsidiaries and other consolidated companies, as referred to in Section 2:382a(1) and (2) of the Dutch Civil Code.

<i>Amounts in USD thousands</i>	KPMG Accountant N.V. 2021	Other KPMG network 2021	Total 2021
Audit	-	2,582	2,582
Other audit services	-	-	-
Tax advisory services	-	22	22
Other non-audit services	-	11	11
Total	-	2,615	2,615

2.6 Trade receivables and other current assets

<i>Amounts in USD thousands</i>	Note	31.12.2021
Trade receivables		81,660
Less provision for impairment		-236
Trade receivables, net of provision		81,424
Other receivables		7,187
Advances to suppliers		14,195
Prepaid expenses		17,894
Public duty and tax refund		2,738
Contingent considerations	4.2	-
Total trade receivables and other current assets		123,438

Book value of trade and other receivables is approximately equal to fair value.

Aging of trade receivables

<i>Amounts in USD thousands</i>	31.12.2021
Excluding provision for impairment	
Not overdue	56,501
Past due 0-30 days	12,644
Past due 31-90 days	12,239
Past due 91 days	276
Total trade receivables	81,660

A majority of the trade receivables past due is related to major customers. These outstanding receivables are monitored regularly and impairment analysis is performed on an individual basis for major customers. As of December 31, 2021, provision of impairment of USD 236 thousand was recorded on receivables. See below for the movements in the provision for impairment of receivables.

<i>Amounts in USD thousands</i>	Note	2021
Balance as of April 28		0
Change in expected credit loss		620
Utilized		-151
Currency translation differences		-232
Balance as of December 31		236

2.7 Trade payables and other current liabilities

<i>Amounts in USD thousands</i>	<i>Note</i>	31.12.2021
Trade creditors		61,505
Accrued operating costs		80,169
Trade payables and other current liabilities	4.2	141,673
Public duty and tax payables		13,232
Other provisions ¹⁾	4.2	5,901
Total trade payables and other current liabilities		160,806

Book value of trade payables and other current liabilities is approximately equal to fair value.

¹⁾ USD 4 million reserve for credit note provided to one customer related to buy back of materials already delivered for a cancelled order. The credit note expires by end of 2022. Hydril US entered into an agreement with a customer to repurchase material delivered as part of a cancelled order for which the customer had no immediate use. The reserve should expire before the end of 2022 with the customer and is reconciled on a monthly basis with the customer with accompany monthly credits issued.

Section 3 - Asset base

3.1 Property, plant and equipment

<i>Amounts in USD thousands</i>	<i>Note</i>	Buildings and land	Machinery, equipment, software	Under construction	Total
<i>Historical cost</i>					
Balance as of April 28, 2021		-	-	-	-
Additions		149	1,276	125	1,550
Additions through business combinations	6.1	155,234	78,646	561	234,442
Reclassifications		-	-	-	-
Transfer from assets under construction		-	25	-25	0
Currency translation differences		-3,006	-1,433	-9	-4,447
Balance as of December 31, 2021		152,377	78,514	653	231,544
<i>Accumulated depreciation</i>					
Balance as of April 28, 2021					
Depreciation for the period		1,603	3,299	-	4,902
Currency translation differences		-614	-977	-	-1,591
Balance as of December 31, 2021		989	2,322	-	3,310
Book value as of April 28, 2021		-	-	-	-
Book value as of December 31, 2021		151,388	76,192	653	228,233

Depreciation

Estimates for useful life, depreciation method and residual values are reviewed annually. Assets are mainly depreciated on a straight-line basis over their expected economic lives as follows:

Machinery, equipment and software	3-16 years
Buildings	16-33 years

3.2 Right-of-use assets and related lease liabilities

Group as lessee

The group has mostly property leases on a number of locations worldwide. The leases typically run for a period of 2-10 years and some of the leases have extension options. The group has also an immaterial amount of lease agreements related to cars, machinery, IT equipment and office equipment. These leases have an average lease period of 2-3 years, generally with no renewal options included.

The group applies the short-term lease recognition exemptions for leases of property or machinery with lease term of 12 months or less. Leases of IT equipment and office equipment are considered as leases of low-value assets. The right-of-use assets and lease liabilities are not recognized for short-term leases or leases of low-value assets.

The lease agreements do not impose any covenants or restrictions.

Group as lessee

Right-of-use assets

<i>Amounts in USD thousands</i>	2021
Balance as of April 28	-
Additions through business combinations	45,206
Depreciation	-1,907
Impairment ¹⁾	-1,587
Currency translation differences	-125
Balance as of December 31	41,588

¹⁾ The impairment is due to a portion of the building not being used in the US, and the Group could not sub-lease the available area. Therefore, an impairment was recognized.

Lease liabilities

<i>Amounts in USD thousands</i>	2021
Balance as of April 28	-
Additions	0
Additions through business combinations	45,206
Cash flows, principal payments	-1,743
Currency translation differences	-215
Balance as of December 31	43,247
Current lease liabilities	10,207
Non-current lease liabilities	33,041

The maturity analysis of lease liabilities is disclosed in note 4.1.

Lease payments recognized in the income statement

<i>Amounts in USD thousands</i>	28.04.2021-31.12.2021
Depreciation expense of right-of-use assets	1,907
Interest expense on lease liabilities	601
Expenses related to short-term leases	18
Expenses related to leases of low-value items	2,712
Total	5,237

Total cash flow

<i>Amounts in USD thousands</i>	28.04.2021-31.12.2021
Lease payments	-2,345
Short-term and low-value leases	-2,729
Total lease cash flow	-5,074

Some property leases contain extension or termination options exercisable before the end of the non-cancellable period. They are used to maximize operational flexibility in terms of managing the assets used in the group's operations. The extension and termination options held are exercisable only by the group and not by the respective lessor. The group assesses at lease commencement date whether it is reasonably certain to exercise the extension or termination options.

Most extension options in offices leases have not been included in the lease liability, because the group expects to be able to replace the assets without significant cost or business disruption. Most of the early termination options are not considered in the lease term either as the group assesses it as reasonably certain that the leases will not be terminated early. If the group had exercised the extension options in significant property leases as of December 31, 2021, the group estimates potential future lease payments (undiscounted) of approximately USD 382.5 thousand, which are not included in the lease liabilities.

3.3 Intangible assets and goodwill

<i>Amounts in USD thousands</i>	<i>Note</i>	Development costs	Goodwill	Patents and rights	Customer Relations	Other intangible assets	Total
<i>Historical cost</i>							
Balance as of April 28, 2021		-	-	-	-	-	-
Acquisition through business combinations	6.1	43,572	275,560	19,594	105,255	4,673	448,656
Reclassifications		4	260	-	-	-	264
Capitalized development		306	-	-	-	-0	306
Currency translation differences		-572	1,336	-	-	-133	631
Balance as of December 31, 2021		43,310	277,157	19,594	105,255	4,541	449,857
<i>Accumulated amortization and impairment</i>							
Balance as of April 28, 2021		-	-	-	-	-	-
Amortization for the period		-1,150	-	-942	-3,583	-180	-5,855
Currency translation differences		455	-	57	-	251	763
Balance as of December 31, 2021		-695	-	-884	-3,583	71	-5,092
Net book value as of April 28, 2021		-	-	-	-	-	-
Net book value as of December 31, 2021		42,615	277,157	18,710	101,672	4,612	444,765
Useful life		3-5	Infinite	3-5	3-5	3-5	

Research and development costs

Research and development is acquired through business combinations.

Amortization

Intangible assets other than goodwill have finite useful lives and are amortized over the expected economic life.

Goodwill

At 31.12.2021 the carrying amount of Goodwill is USD 277,157 thousand. See note 3.4 Impairment testing of goodwill and 6.1 Business combination for details.

3.4 Impairment testing of goodwill

The impairment assessment performed as at 31 December 2021 and information and valuations per PPA used as inputs. There have not been any material changes to input parameters between the PPA and year-end impairment assessment.

Goodwill arose from the formation of HMH Holding B.V. as this was considered to be a business combination and accounted for using the acquisition method. For the purpose of impairment testing, goodwill has been allocated to the groups of cash generating units as shown in the table below, which represents the lowest level at which goodwill is monitored in management reporting.

Please see note 2.2 Segment note for description of the operating segments.

<i>Amounts in USD thousands</i>	31.12.2021
ESS	174,594
PCS	102,563
Total goodwill	277,157

Impairment testing for cash-generating units containing goodwill

The recoverable amount was based on fair value in use, estimated using discounted cash flows. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used. The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the oil and gas industries as well as management's expectations regarding margin, and have been based on historical data from both external and internal sources.

The cash flow projections are based on budget and strategic forecast for the periods 2022 - 2030. Beyond the explicit forecast period, the cash flows have been extrapolated using a constant growth rate.

EBITDA used represents the operating earnings before depreciation and amortization and is estimated based on the expected future performance of the existing businesses in their main markets. Assumptions are made regarding revenue growth, gross margins and other cost components based on historical experience as well as assessment of future market development and conditions. These assumptions require a high degree of judgment, given the significant degree of uncertainty regarding oilfield service activities in the forecast period.

Revenue growth The group estimated a revenue for the fiscal year 2022 and growing at a compounded annual growth rate (CAGR) between 2022 and 2030. Revenue growth through 2025 is primarily driven by the expected recovery in commodity prices and the corresponding increase in rigs and drilling activity. Given the cyclical nature of the industry, revenues beginning in 2026 for new projects were adjusted based on an inflated 5-year average to reflect a mid-cycle view and grown at 2% thereafter.

Terminal value growth rate The group uses a constant growth rate of 2% (including inflation) for periods beyond the management's forecast period. The growth rates used do not exceed the growth rates for the oil and gas industry in which the CGU operates.

Discount rates are estimated based on Weighted Average Cost of Capital (WACC) for the industry in which the CGU operates. The risk-free interest rates used in the discount rates are based on the 10-year state treasury bond rate at the time of the impairment testing. Optimal debt leverage is estimated for each CGUs. The discount rates are further adjusted to reflect any additional short to medium term market risk considering current industry conditions.

<i>Discount rate assumptions used in impairment testing</i>	<i>Discount rate after tax</i>	<i>Discount rate pre tax</i>
	2021	2021
ESS	13.0 %	10.4 %
PCS	13.0 %	10.7 %
Other key assumptions	ESS	PCS
Compounded annual growth rate (CAGR)	4.4 %	6.5 %
Terminal growth rate	2.0 %	2.0 %

Sensitivity to changes in assumptions

For the CGUs containing goodwill, the recoverable amounts are the same as the carrying amounts and consequently no impairment loss of goodwill was recognized in 2021. However any negative changes to the key assumption will lead to an impairment charge.

Climate related matters

HMH constantly monitors the latest government legislation in relation to climate-related matters. At the current time, to the best knowledge of the management, no legislation has been passed that will impact the group. HMH will adjust the key assumptions used in value-in-use calculations and sensitivity to changes in assumptions should a change be required. Please see note 4.1 for description of the HMH specific climate risk and opportunities.

Section 4 - Financial instruments, risk and capital management

4.1 Financial risk management and exposures

The group is exposed to a variety of financial risks: currency risk, interest rate risk, price risk, credit risk, liquidity risk and capital risk. The capital market risk affects the value of financial instruments held. The objective of financial risk management is to manage and control financial risk exposures and thereby increase the predictability of earnings and minimize potential adverse effects on the group's financial performance. The group uses financial derivative instruments to hedge certain risk exposures and applies hedge accounting in order to reduce the profit or loss volatility.

Risk management is present in every contract. It is the responsibility of the project managers, with the support of HMH Treasury, to identify, evaluate and hedge financial risks under policies approved by the Board of Directors. The group has established principles for overall risk management, as well as policies for the use of derivatives and financial investments. There have not been any changes in these policies during the period.

Currency risk

The group operates internationally and is exposed to currency risk on commercial transactions, recognized assets and liabilities and net investments in foreign operations. In addition, contributions from subsidiaries and operates in foreign currencies, providing a currency exposure also at group level. Commercial transactions and recognized assets and liabilities are subject to currency risk when payments are denominated in a currency other than the respective functional currency of the group company. The group's exposure to currency risk is primarily to EUR, GBP and NOK, but also other currencies.

HMH's policy requires business units to mitigate currency exposure in any contracts. HMH manages exposures by entering into forward contracts or currency options with the financial marketplace. HMH has a large number of contracts involving foreign currency exposures and the currency risk policy has been established.

The group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency and amount of their respective cash flows. The group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method. In these hedge relationships, the main sources of ineffectiveness can arise from changes to the forecasted amount of cash flows of hedged items and hedging instruments.

The change in hedge reserve in 2021 is related to hedges of estimated future sales and purchases.

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The group's exposure to the risk of changes in foreign exchange rates primarily relates to intercompany transactions between each subsidiary and HMH Holding B.V. (i.e., dividends and group contributions).

In the group, there are three legal entities carrying currency risk. MHWirth AS has a currency risk USD to NOK, MHWirth GmbH with a currency risk USD to EUR, and MHWirth UK/Hydril PCB Limited which with a currency risk GBP to USD. The group manages its foreign currency risk related to future transactions in signed customer and vendor contract by hedging transactions.

When a derivative is entered into for the purpose of being a hedge, the Group negotiates the terms of the derivative to match the terms of the hedged exposure. For hedges of forecast transactions, the derivative covers the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in the foreign currency.

The following tables demonstrate the sensitivity on financial instruments in foreign currency at 31.12.2021 to a reasonably possible change in USD, EUR, GBP and NOK exchange rates, with all other variables held constant. This is the best estimate of the currency exposure, given that all major currency exposure is hedged in accordance with the group's policy. The net exposure is managed by HMH Treasury. The group's exposure to foreign currency changes for all other currencies is not material.

Year	Change in NOK rate	Effect on profit before tax ¹ USD thousands	Effect on pre-tax income (OCI) ² USD thousands
2021	+10%	-1,311	-1,407
	-10%	1,602	1,720

Year	Change in EUR rate	Effect on profit before tax ¹ USD thousands	Effect on pre-tax income (OCI) ² USD thousands
2021	+10%	379	379
	-10%	-485	-485

Year	Change in GBP rate	Effect on profit before tax ¹ USD thousands	Effect on pre-tax income (OCI) ² USD thousands
2021	+10%	-321	-321
	-10%	392	392

¹) Effect on profit before tax is calculated as change in profit before tax in specific entity when changing currency rate with 10%.

²) The equity effect is calculated as the change in fair value of the cash flow hedge when shifting currency rate 10% up and 10% down.

Interest rate risk

The group's interest rate risk arises from cash balances, interest-bearing borrowings and interest-bearing receivables. Borrowings and receivables issued at variable rates as well as cash expose the group to cash flow interest rate risk. Borrowings and receivables issued at fixed rates expose the group to fair value interest rate risk.

The group has three main loans exposed for interest rate risk with a total value of USD 320 million. USD 100 million out of the total USD 320 million is a shareholder loan with fixed interest. An increase of 100 basis points in interest rates at December 31, 2021 would have increased (decreased) equity and profit and loss by USD 2.2 million. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

A decrease of 100 basis points in interest rates during 2021 would have had the equal but opposite effect on the above amounts, on the basis that all other variables remain constant.

4.1 Financial risk management and exposures (continued)

Obligations

HMH has provided the following guarantees on behalf of subsidiaries and related parties as of December 31, 2021 (estimated remaining exposure as of December 31, 2021):

Performance guarantees on behalf of group companies are USD 55 million.

Price risk

The group is exposed to fluctuations in market prices in the operational areas related to contracts, including changes in market prices for raw materials, equipment and development in wages. These risks are to the extent possible managed in bid processes by locking in committed prices from vendors as a basis for offers to customer or through escalation clauses with customers.

Credit risk

Credit risk is the risk of financial losses to the group if customer or counterparty to financial investments/instruments fails to meet contractual obligations and arise principally from investment securities and receivables.

Derivatives are only traded against approved banks. All approved banks have investment grade ratings. Credit risk related to investment securities and derivatives are therefore considered to be insignificant.

Cash and cash equivalents are held with approved banks. The group considers credit risk on its cash and cash equivalents to be insignificant.

Assessment of credit risk related to customers and subcontractors is an important requirement in the bid phase and throughout the contract period. Such assessments are based on credit ratings, income statement and balance sheet reviews and using credit assessment tools available (e.g. Dun & Bradstreet and Credit Watch). Sales to customers are settled in cash. Normal credit terms are 30-90 days.

Revenues are mainly related to large and long-term projects closely followed up in terms of payments up front and in accordance with agreed milestones. Normally, lack of payments is due to disagreements related to project deliveries and is solved together with the customer or escalated to the local authority.

Based on estimates of incurred losses in respect of trade receivables and contract assets, the group establishes a loss allowance. Loss allowance on debtors are based on individual assessments of potential risks of default and relevant forward-looking information, refer to note 1.2 Significant accounting policies, Impairment. Loss allowance on receivables were USD 236 thousand at December 31, 2021.

The group evaluates that credit risk concentrations are related to trade receivables from major corporate customers in the oil and gas industry. The counterparties of HMH is within Drilling and oil business and is larger companies with longer history with either the PCS or ESS business. The maximum exposure to credit risk at the reporting date equals the carrying amounts of financial assets. The group does not hold collateral as security. Contract assets and liabilities are stated in note 2.1. See note 2.2 and 2.6 for additional information about major customers.

The Group has the largest concentration of trade receivable and contract assets in United States, Norway and Singapore representing 18,1%, 15,8% and 14,2% respectively. The group continuously monitor the credit risk related to geographical regions, its customer basis and project profile to reduce the related risk of contract assets and trade receivable

Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting the obligations associated with its financial liabilities. The group manages its liquidity to ensure that it will always have sufficient liquidity reserves to meet its liabilities when due.

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, HMH Treasury maintains flexibility in funding by maintaining availability under committed credit lines as shown in note 4.3.

The group policy for the purpose of optimizing availability and flexibility of cash within the group is to operate a centrally managed cash pooling arrangement. An important condition for the participants (business units) in such cash pooling arrangements is that the group as an owner of such pools is financially viable and is able to prove its capability to service its obligations concerning repayment of any net deposits made by business units. Management monitors rolling weekly and monthly forecasts of the group's liquidity reserve on the basis of expected cash flow.

Climate risk and opportunities

Climate risk areas are identified annually through a bottom-up process involving all units and locations in HMH, then reviewed by company management and followed up by the HMH ESG program owner ensuring that risks are integrated and managed as part of the company risk assessment, reported to management, and annually to the board. The largest risks identified in the HMH Climate Risks and Opportunities Assessment are related to the transition to a low-emission economy, which is expected to drive a decrease in demand for oil and gas. This transition presents challenges in terms of access to and cost of capital, the ability to hire and retain talent, and increasingly restrictive regulatory requirements. Additionally, large oil companies are shifting toward low-carbon production, which will result in changes to customer requirements and require investment in new technology.

HMH has identified several business opportunities related to supporting renewable energy including diversification into other industries and market sectors as well as development of new products and services for existing business areas and customers which are focused on efficiency, reduction of emissions, and contribution to a circular economy.

4.1 Financial risk management and exposures (continued)

Financial liabilities and the period in which they mature

The following is the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements.

<i>Amounts in USD thousands</i>	<i>Note</i>	Book value	Total cash flow	6 months and less	6-12 months	1-2 years	2-5 years	More than 5 years
2021								
Non-current borrowings ²⁾	4.8	135,963	183,000	-	-	32,000	151,000	-
Current borrowings ¹⁾	4.8	180,985	181,111	165,556	15,556	-	-	-
Lease liabilities	3.2	43,247	53,396	2,755	3,445	6,593	24,221	16,382
Other non-current liabilities		2,896	3,100	-	-	500	2,300	300
Derivative financial instruments		5,996	5,996	5,400	596	-	-	-
Trade and other payables	2.7	160,806	160,806	159,806	-	1,000	-	-
Total financial liabilities		529,893	587,409	333,516	19,597	40,093	177,521	16,682

¹⁾ Bridge loan of USD 150 million has a maturity date in Q1 2022, will be replaced by a bond loan with new terms and conditions. Interest rate according to Bridge facilities has been used for cash flow estimates.

²⁾ Shareholder loans of USD 100 million cannot be settled prior to external debt given current loan agreements, earliest maturity date is set to October 1, 2025. The loans have an interest rate of 8%.

4.2 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.

<i>Amounts in USD thousands</i>	<i>Note</i>	Carrying amount	Financial instruments measured at fair value	Level in fair value hierarchy
31.12.2021				
Financial assets measured at fair value				
<i>Fair value- hedging instruments</i>				
Derivative financial instruments	4.5	7,104	7,104	Level 2
Financial assets not measured at fair value				
<i>Financial assets at amortized cost</i>				
Cash and cash equivalents	4.3	91,725		
Current financial assets ¹⁾	7.3	44,295		
Trade receivables and other current assets	2.6	88,611		
Financial assets		231,735	7,104	

¹⁾ Interest-bearing receivables of USD 16.3 million and indemnification asset of USD 27.9 million. See note 7.3 for more information.

<i>Amounts in USD thousands</i>	<i>Note</i>	Carrying amount	Financial instruments measured at fair value	Level in fair value hierarchy
31.12.2021				
Financial liabilities measured at fair value				
<i>Fair value – hedging instruments</i>				
Derivative financial instruments	4.5	5,996	5,996	Level 2
Financial liabilities not measured at fair value				
<i>Financial liabilities at amortized cost</i>				
Borrowings	4.8	316,947		
<i>Other financial liabilities</i>				
Other non-current liabilities	7.2	2,896		
Trade payables and other current liabilities	2.7	141,673		
Provisions	7.2	19,494		
Financial liabilities		487,007	5,996	

4.3 Cash and cash equivalents

<i>Amounts in USD thousands</i>	<i>Note</i>	31.12.2021
Restricted cash		10
Interest-bearing cash deposits		91,715
Total cash and cash equivalents		91,725

Additional undrawn committed current bank revolving credit facilities amount to USD 85 million including an undrawn overdraft limit amounting to USD 5 million that together with cash and cash equivalents gives a total liquidity reserve of USD 176.7 million as of December 31, 2021. See also note 4.8 Borrowings.

Interest-bearing cash deposits included under cash and cash equivalents only represent deposits that are available on demand.

4.4 Finance income and finance expenses

<i>Amounts in USD thousands</i>	28.04.2021- 31.12.2021
Interest income on bank deposits measured at amortized cost	393
Foreign exchange gain	1,739
Other finance income ¹⁾	3,718
Finance income	5,850
Interest expense on financial liabilities measured at amortized cost	4,789
Interest expense on lease liabilities	601
Foreign exchange loss	2,333
Other financial expenses ²⁾	5,468
Finance expenses	13,191
Profit / loss(-) from joint ventures and associates	63
Net finance expenses recognized in profit and loss	7,278

¹⁾ Other finance income is mainly attributable to earn-out settlement of an initial receivable for a sold subsidiary pre-merger transaction.

²⁾ Other finance expenses are also mainly attributable to the settlement with the shareholder related to the same sold pre-merger subsidiary (for further details please refer to note 5 in the company only financial statements).

See note 4.2 Financial instruments for information of the finance income and expense generating items.

4.5 Derivative financial instruments

Derivative financial instruments are classified as current assets or liabilities as they are a part of the operating cycle. Information regarding risk management policies in the group is available in note 4.1 Financial risk management and exposures.

Fair value of derivative instruments with maturity

The table below presents the fair value of the derivative financial instruments and a maturity analysis of the derivatives cash flows. Valuation techniques and inputs of forward contracts are based on the quoted forward exchange rate.

<i>Amounts in USD thousands</i>	Total	Maturity		
		6 months and less	6-12 months	1-2 years
31.12.2021				
Foreign exchanges forward contracts to hedge highly probable forecasted sales				
Notional amounts USD	18,440	7,820	2,971	7,649
Average forward rate (USD/NOK)		8.25	8.50	8.88
Foreign exchanges forward contracts to hedge highly probable forecasted purchases				
Notional amounts EUR	1,742	1,118	624	-
Average forward rate (EUR/NOK)		10.27	10.63	-

Foreign exchange derivatives

HMH entities hedge the group's future transactions in foreign currencies with external banks. The foreign exchange derivatives are subject to hedge accounting. Hedges qualifying for hedge accounting are classified as cash flow hedges (hedges of highly probable future revenues and/or expenses).

The hedged transactions in foreign currency that are subject to cash flow hedge accounting are highly probable future transactions expected to occur at various dates during the next one to four years, depending on progress in the projects. Gains and losses on forward foreign exchange contracts are recognized in other comprehensive income and reported as hedging reserve in equity until they are recognized in the income statement in the period or periods during which the hedged transactions affect the income statement. If the forward foreign exchange contract is rolled due to change in timing of the forecasted cash flow, the settlement effect is included in Contract assets or Contract liabilities.

Cash flow hedges' impact on profit and loss and equity

<i>Amounts in USD thousands</i>	31.12.21
Net fair value of all hedging instruments (assets / liability (-))	1,109
Recognized in profit / loss(-)	-
Deferred in equity (the hedge reserve)	1,063

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss.

The purpose of the hedging instrument is to secure a situation where the hedged item and the hedging instrument together represent a predetermined value independent of fluctuations of exchange rates. Revenue and expense on the underlying construction contracts are recognized in the income statement in accordance with progress. The positive USD 1,063 thousand that are currently recorded directly in the hedging reserve, will be reclassified to income statement.

The currency hedge is revaluated every month covering the coming 3-month period.

4.5 Derivative financial instruments (continued)

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting.

<i>Amounts in USD thousands</i>	Hedging reserve
Balance as of April 28	-
Hedging reserve from acquisition	-
Change in fair value	
Change in foreign currency risk	1,329
Tax on movement on reserve during the year	-266
Balance as of December 31	1,063

4.6 Capital management

The Company, the head of the Group, has to comply with certain financial covenants under its loan agreement, details of which are given in this note. The Group's current funding requirements have been met from operations and from the committed credit lines.

HMH's capital management is designed to ensure that the group has sufficient financial flexibility, short-term and long-term. One main objective is to maintain a financial structure that, through solidity and cash flow, secures the group's strong long-term creditworthiness, as well as maximize value creation for its shareholders through:

- Investing in projects and business areas which will increase the Company's Return On Capital Employed (ROCE) over time.
- Optimizing the Company's capital structure to ensure both sufficient and timely funding over time to finance its activities at the lowest cost.

Funding policy

Liquidity planning

HMH has a strong focus on its liquidity situation in order to meet its short-term working capital needs and to ensure solvency for its financial obligations. HMH had a liquidity reserve per year-end 2021 of USD 176.7 million, composed of an undrawn committed credit facility of USD 85 million and cash and cash equivalents of USD 91.7 million.

Funding of operations

HMH's group funding policy is that subsidiaries should finance their operations with the treasury department (HMH Treasury). This ensures optimal availability and transfer of cash within the group and better control of the Company's overall debt as well as cheaper funding for its operations.

Funding duration

HMH emphasizes financial flexibility and steers its capital structure accordingly to limit its liquidity and refinancing risks. In this perspective, loans and other external borrowings are to be renegotiated well in advance of their due date and generally for periods of 3 to 5 years.

Funding cost

HMH aims to have diversified funding sources in order to reach the lowest possible cost of capital. These funding sources might include:

- The use of banks based on syndicated credit facilities.
- The issue of debt instruments in the Norwegian capital market.
- The issue of debt instruments in foreign capital markets.

Ratios used in monitoring of capital/covenants

HMH monitors capital quarterly on the basis of a gearing ratio (net debt/equity), interest coverage ratio (ICR) based on EBITDA/net interest costs and leverage ratio based on net total borrowings/LTM EBITDA. These ratios are similar to covenants as defined in loan agreements for the revolving credit facilities which are shown below. See note 4.8 Borrowings for details about these loans.

- The Company's gearing ratio shall not exceed 1.0 times and is calculated from the consolidated total borrowings to the consolidated Equity.
- The Interest Cover Ratio shall not be lower than 4.5x, calculated from the consolidated EBITDA to net interest expenses which means consolidated Finance Costs less the amount of interest income received by or accrued in favor of the Relevant Group during a Relevant Period.
- The Leverage ratio shall not be higher than 3.0x, calculated from net total borrowings to consolidated last twelve months EBITDA.
- Minimum liquidity amount shall exceed USD 30 million on consolidated level. This includes the available undrawn multi-currency revolving credit facility.
- Relevant Group means the Group excluding any Project Company and its Subsidiaries
- Relevant Period means a period of four (4) financial quarters of the Company ending on a quarter date
- Project Company" means an entity that is a member of the Group (other than an Obligor or a Holding Company of an Obligor), being party to a Project Financing at any time and which has no other Financial Indebtedness with recourse to any other member of the Group (other than that Project Company or other Project Companies).

The ratios are calculated based on net debt including cash and borrowings as shown in note 4.8 Financial instruments, EBITDA (earnings before interest, tax, depreciation, amortization) and net interest costs, however adjusted for certain items as defined in the loan agreement. Covenants ratios are based on accounting principles as of December 31, 2021.

The covenants are monitored on a regular basis by the HMH Treasury department to ensure compliance with the loan agreements and are tested and reported on a quarterly basis. HMH was in compliance with its covenants as of December 31, 2021.

4.7 Capital and reserves

Share capital

HMH Holding B.V. has class A and class B shares, with equal rights for all shares. The holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at General Meetings. Total outstanding shares are 200 at par value EUR 1 per share. October 1st, 2021, the Group issued Titan share A (50 shares), Titan share B (50 shares), Bear share A (50 shares) and Bear share B (50 shares) all at par value EUR 1. All issued shares are fully paid.

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. According to the shareholders' agreement between Baker Hughes and Akastor, the shareholders have joint control of HMH Holding B.V. and its subsidiaries.

During 2021 the share premium increased USD 600,000 thousand by the capital increase on October 1, 2021 and USD 1,539 thousand by the debt conversion on September 29, 2021. The debt conversion was related to cost in HMH Holding B.V. covered by Akastor as the liability towards Akastor in the parent company were converted to equity prior to acquisition of MHWirth and SDS businesses.

Issued capital and reserves

Share capital	Number of shares authorized and fully paid	Par value per share EUR	Financial Position (EUR)
At April 28, 2021	0	0	0
Share issuance April 28, 2021	100	0.01	1
Consolidation of the shares August 27, 2021 ¹⁾	-100	0.01	-1
Consolidation of the shares August 27, 2021 ¹⁾	1	1.00	1
Share issue at October 1, 2021	199	1.00	199
At December 31, 2021	200	1.00	200

¹⁾ The Company has consolidated its shares on August 27, 2021. After which the issued share capital amounted to EUR 1, divided into 100 ordinary shares with a nominal value of EUR 0.01 each.

Hedging reserve

The hedging reserve relates to cash flow hedges of future secured revenues and expenses against exchange rate fluctuations. The income statement effects of such instruments are recognized in accordance with the progress of the underlying construction contract as part of revenues or expenses as appropriate. The hedging reserve represents the value of such hedging instruments that is not yet recognized in the income statement. The underlying nature of a hedge is that a positive value on a hedging instrument exists to cover a negative value on the hedged position, see Note 4.5 derivative financial instruments

Pension remeasurement reserve

The pension remeasurement reserve includes the effect of remeasurement of pension obligations arising due to change in assumptions, such as discounts

Amounts in USD thousands

2021

Balance as of April 28	0
Other comprehensive income, net of tax	-737
Balance as of December 31	-737

See note 2.4 for more information relating to pension obligations.

Currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences from hedges of net investments in foreign operations.

The currency translation reserve includes exchange differences arising from the translation of the net investments in foreign operations. Upon the disposal of investments in foreign operations or liquidation of such entities, the accumulated currency translation differences related to these entities are reclassified from the currency translation reserve to the income statement.

For the purpose of the group's capital management, capital includes issued capital, and all other equity reserves attributable to the equity holders of the parent. The primary objective of the group's capital management is to ensure that it maintains a healthy working capital and financial stability in order to support its growing business operations and to maximize shareholder value.

The group manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, perform prepayments of debt or draw on short-term credit.

In order to achieve this overall objective, the group's capital management, amongst other things, aims to ensure that it reinvests or returns excess cash flows from operations that are not necessary to maintain a healthy operating working capital to its investors. There has been no breach of the financial covenants in the current or previous period. Reference is made to note 4.6 Capital management.

4.8 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.

31.12.2021

<i>Amounts in USD thousand</i>	Currency	Nominal currency value	Carrying amount (USD)	Interest rate margin	Fixed rate	Maturity date	Interest terms
Revolving credit facility (USD 80 million)	USD	-	-	4%		Feb 2024	LIBOR + Margin
Bridge loan Tranche A ¹⁾	USD	112,500	111,606	4%		Feb 2022 ¹⁾	LIBOR + Margin
Bridge loan Tranche B ¹⁾	USD	37,500	37,202	5%		Feb 2022 ¹⁾	LIBOR + Margin
Term loan Tranche A	USD	52,500	50,272	4%		Feb 2024	LIBOR + Margin
Term loan Tranche B	USD	17,500	15,868	5%		Feb 2024	LIBOR + Margin
Shareholder loan	USD	102,000	102,000		8%	Oct 2025	Fixed rate
Total borrowings			316,947				
Current borrowings			180,985				
Non-current borrowings			135,963				
Total borrowings			316,947				

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

¹⁾ Bridge loan was refinanced with a Bond loan the February 16, 2022, see note 7.5.

Bank debt

The revolving credit facilities are provided by a bank syndicate consisting of high-quality Nordic and international banks, consisting of: DNB, HSBC Continental Europe, Nordea Bank Abp and Skandinaviska Enskilda Banken AB. 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. For information about financial covenants, see note 4.6 Capital management.

Reconciliation of liabilities arising from financing activities

<i>Amounts in USD thousand</i>	28.04.2021	Non-cash loan	Cash flows	Capitalized interest	Capitalized borrowing costs ²⁾	31.12.2021
Term loan facility			70,000		-3,861	66,140
Bridge loan facility			150,000		-1,193	148,808
Shareholder loan ¹⁾		100,000		2,000		102,000
Total liabilities arising from financing activities	0	100,000	220,000	2,000	-5,053	316,947

¹⁾ As part of the consideration paid to Akastor and Baker Hughes in relation to the creation of the joint venture, see note 6.1 for further details, was by establishing shareholder loans to Akastor and Baker Hughes. The total amount of the shareholder loan is USD 100 million and cannot be settled prior to external debt given current loan agreements. 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.

²⁾ Part of the borrowing cost relating to the Term loan facility was paid by Baker-Hughes.

Section 5 - Tax

5.1 Income tax

Income tax expense

<i>Amounts in USD thousands</i>	28.04.2021-31.12.2021	
Current year ¹⁾		-3,104
Total current tax expense(-) / income		-3,104
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences		-1,324
Total deferred tax expense(-) / income		-1,324
Total tax expense(-) / income		-4,428

¹⁾ Current year tax expenses differ from the tax payables as of December 31, 2021 because the current year tax expenses relate to the period after formation of the group, October 1 - December 1, 2021, while the tax payable are for the full tax year period January 1 - December 31, 2021.

Effective tax rate

The table below reconciles the reported income tax expense to the expected income tax expense according to the corporate income tax rate in The Netherlands.

<i>Amounts in USD thousands</i>	28.04.2021-31.12.2021	
Profit (loss) before tax	2,565	
Tax rate (25%)	-641	-25%
<i>Tax effects of:</i>		
Difference between local tax rate and Dutch tax rate	550	21%
Non-deductible expenses	-1,241	-48%
Tax losses not recognized as deferred tax assets	-2,248	-88%
Other	-848	-33%
Total tax expenses(-) / income	-4,428	-173%

5.1 Income tax (Continued)

Recognized deferred tax assets and liabilities

Amounts in USD thousands	Assets		Liabilities		Net	
	31.12.2021	01.10.2021	31.12.2021	01.10.2021	31.12.2021	01.10.2021
Property, plant and equipment	4,274	4,274	-6,470	-6,470	-2,196	-2,196
Intangible assets	-	-	-13,941	-13,941	-13,941	-13,941
Projects under construction	-	-	-8,220	-8,220	-8,220	-8,220
Pensions	5,938	5,938	-20	-20	5,918	5,918
Provisions	11,742	11,742	-	-	11,742	11,742
Derivatives	-	-	-1,506	-1,073	-1,506	-1,073
Other ¹⁾	19,151	20,042	-227	-227	18,924	19,816
Tax loss carry-forwards	2,166	2,166	-	-	2,166	2,166
Total before set offs	43,271	44,162	-30,384	-29,951	12,887	14,211
Set off of tax	-4,521	-4,521	4,521	4,521	-	-
Total deferred tax assets (liabilities)	38,750	39,641	-25,863	-25,430	12,887	14,211

¹⁾ USD 10 million relates to temporary differences of inventory in MHWirth AS and USD 6 million relates to carried -forward interest expense in MHWirth AS as of December 31, 2021.

Change in net recognized deferred tax assets and liabilities

Amounts in USD thousands	Property, plant and equipment	Intangible assets	Projects under construction	Pensions	Provisions	Derivatives	Other	Tax loss carry-forwards	Total
Balance as of April 28, 2021									
Acquisition of subsidiaries	-2,196	-13,941	-8,220	5,918	11,742	-1,073	19,816	2,166	14,211
Recognized in profit and loss	-	-	-	-281	-	-183	-861	-	-1,324
Recognized in other comprehensive income	-	-	-	281	-	-266	-	-	15
Currency translation differences	-	-	-	-	-	15	-31	-	-16
Balance as of December 31, 2021	-2,196	-13,941	-8,220	5,918	11,742	-1,506	18,924	2,166	12,887

Unrecognized tax loss carry-forwards and unrecognized other tax reducing temporary differences

Expiry date of unrecognized tax loss carry-forwards

Amounts in USD thousands	Amount
Expiry in 2022	-
Expiry in 2023	-
Expiry in 2024 and later	29
Indefinite	9,888
Total	9,918

Unrecognized other tax reducing temporary differences at 31.12.2021 17,045

Section 6 - Group structure

6.1 Business combinations

Business combinations in 2021

On October 1, 2021 the joint venture between Akastor and Baker Hughes was formed and named HMH. The joint venture was established by Akastor contributing its shares in MHWirth business to HMH Holding B.V. in return for 50% of the shares with a fair value of USD 300 million and consideration transferred of USD 117.7 million, of which USD 97.71 million was payable in cash at closing with the remainder in the form of a shareholder loan (SHL). Baker Hughes transferred the Subsea Drilling System business in return for 50% of the shares with a fair value of USD 300 million and consideration transferred of USD 166.55 million, of which USD 86.55 million was payable in cash at closing with the remainder in the form of a shareholder loan (SHL). HMH Holding B.V. acquired 100% of MHWirth AS and 100% of Subsea Drilling System. The shareholders are Baker Hughes Holdings LLC (50%), Akastor AS (25%), and Mercury HoldCo Inc (25%). The fair value of the shares in the Company transferred to Akastor and Baker Hughes was determined based on the business enterprise value as determined by valuation specialists.

MHWirth 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.

Subsea Drilling Systems (SDS) is a supplier of integrated drilling products and services, and the key product offering consists of blowout preventor systems, controls and drilling riser equipment, includes spare parts supply for rig operations and maintenance programs, overhaul and recertification and reactivation of rigs and 24/7 technical supports.

The combination of MHWirth and SDS business creates a leading drilling solutions provider with integrated delivery capabilities, financial strength, and flexibility to address full range of customer priorities across all drilling segments.

If the joint venture would have been established and MHWirth AS and SDS would have been transferred on January 1, 2021, the revenue for the Group would have been USD 583.4 million and the profit before tax would have been USD 31.1 million.

Identifiable assets and liabilities acquired

<i>Amounts in USD thousands</i>	MHWirth AS	SDS	Total
Land and Land improvements	15,928	23,459	39,387
Fixed Assets	65,780	129,275	195,055
Inventory	42,041	120,849	162,890
Trademark / Trade name	6,321	13,274	19,594
Developed technology	23,244	20,329	43,572
Customer relationships	61,097	42,764	103,862
Customer contract	-1,916	3,309	1,394
Other current assets and liabilities ¹⁾	25,585	-61,404	-35,819
Cash and cash equivalents	18,285	19,000	37,285
Deferred tax asset	11,069	3,142	14,211
Other long-term assets and liabilities	-23,312	50,580	27,268
Total identifiable net assets acquired	244,121	364,578	608,699
Purchase consideration transferred	417,710	466,550	884,260
Goodwill	173,588	101,972	275,560

¹⁾ The fair value of current receivables of USD 135 million (MHWirth) and USD 9 million (SDS) is included here. The gross value of the same receivables are USD 144 million (MHWirth) and USD 10 million (SDS) at acquisition date. The group except to collect all outstanding receivables.

Analysis of cash flows on acquisition

<i>Amounts in USD thousands</i>	MHWirth AS	SDS	Total
Net cash acquired with the subsidiary	18,285	19,000	37,285
Cash paid by the Company	97,711	86,551	184,262
Net cash flow from acquisition	-79,426	-67,551	-146,977

The goodwill resulting from the MHWirth AS and SDS acquisitions are mainly attributable to the skills and technical talent of the workforce and expected synergies going forward.

Transaction costs of USD 1,405 thousand were expensed and are included in the other operating expenses.

6.2 Group Companies

The ultimate parent company of the Group is HMH Holding B.V. The ownership equals the percentage of voting shares, if not stated otherwise. For information about other investments in the group, refer to Note 6.3 Investment in joint ventures and associates.

Group companies as of December 31, 2021

Company	Location	Country	Ownership (%)
			31.12.2021
HMH Holding B.V.	Amsterdam	Netherlands	
MHWirth			
MHWirth Pty Ltd	Argenton	Australia	100
MHWirth do Brasil Equipamentos Ltda	Rio de Janeiro	Brazil	100
MHWirth Canada Inc	Newfoundland	Canada	100
MHWirth Chile SpA	Santiago	Chile	100
MHWirth GmbH	Erkelenz	Germany	100
MHWirth (India) Pvt Ltd	Mumbai	India	100
MHWirth AS	Kristiansand	Norway	100
MHWirth HoldCo AS	Kristiansand	Norway	100
MHWirth (Singapore) Pte Ltd	Singapore	Singapore	100
MHWirth Singapore Engineering Management Pte	Singapore	Singapore	100
MHWirth FZE	Dubai	UAE	100
MHWirth Gas & Oilfield Equipment & Services LLC ¹⁾	Abu Dhabi	UAE	49
MHWirth UK Ltd	Aberdeen	UK	100
MHWirth LLC	Houston	USA	100
MHWirth Offshore Petroleum Engineering (Shanghai) Co Ltd	Shanghai	China	100
Bronco Manufacturing, LLC	Tulsa	USA	100
SDS			
Hydril PCB Canada Inc	Newfoundland	Canada	100
Baker Hughes Drilling Engineer Services of India Pvt. Ltd	Chennai	India	100
Hydril Pressure Control S. de R.L de C.V.	Veracruz	Mexico	100
Frontica Engineering AS	Kristiansand	Norway	100
Hydril Pressure Controlling Arabia Limited	Riyadh	Saudi Arabia	100
Hydril Pressure Control SASU	Dakar	Senegal	100
Baker Hughes Drilling Asia Pte Ltd	Singapore	Singapore	100
Hydril PCB Limited	Aberdeen	UK	100
Hydril USA Distribution LLC	Houston	USA	100
Other companies			
Electrical Subsea & Drilling AS ²⁾	Straume	Norway	20

¹⁾ The other shareholder of MHWirth Gas & Oilfield Equipment & Services LLC is not active, has no right for dividend or appoint the Board of Directors. The Group considers to have full control of the company and consolidated in the Group without non-controlling interests.

²⁾ Associated company

Step Oiltools B.V. was sold from MHWirth AS to Akastor AS prior to the formation of the Group under which MHWirth AS has a seller's credit note against Akastor AS of USD 16.4 million. As part of the agreement, there is a locked-box interest of 8% p.a. calculated on the Share Consideration from the date of the Carve-in-agreement until completion.

The completion of the Carve-in agreement is conditional upon Akastor/Step receiving the relevant regulatory approvals for re-transferring Step back to the Company. The seller credit expires as soon as the regulatory approval is received. However, even when the Group bears the economic risk and benefit for the period between signing and closing, the Group does not consider to have control over the entity and Step Oiltools B.V. is not consolidated in the Group.

6.3 Investment in joint ventures and associates

Investment in joint ventures and associates includes associates. See note 7.3 Related parties for overview of transactions and balances with associates, and any guarantees provided on behalf of or from such entities.
The group's interest is accounted for using the equity-method in the consolidated financial statements.

Amounts in USD thousands

Share of profit (loss) reported in Financial items for period 28.04.2021 - 31.12.2021	63
Carrying amount of investments at 31.12.2021	186

Amounts in USD thousands

Carrying value at April 28	-	2021
Acquired as a part of business combination	124	
Profit and loss for the period	63	
Exchange rate adjustment	-2	
Adjustments December 31	-	
Carrying amount at December 31	186	

Carrying amount of investments consists of an investment of USD 183 thousand in Electrical Subsea & Drilling AS (20%-ownership) and other smaller investments in Hydril USA Distribution LLC and Baker Hughes Drilling Asia Pte. Ltd.

7.1 Other non-current liabilities

<i>Amounts in USD thousands</i>	31.12.2021
Welfare and support fund	2,335
Other non-current liabilities	561
Total other non-current liabilities	2,896

Welfare and support fund

The main purpose of this fund is to serve future indirect pension obligations.

7.2 Provisions

<i>Amounts in USD thousands</i>	31.12.2021
Provision, current	14,206
Provision, non-current	5,288
Total provisions	19,494

Development of significant provisions

<i>Amounts in USD thousands</i>	<i>Warranties</i>	<i>Restructuring</i>	<i>Other</i>	<i>Total</i>
Balance as of April 28, 2021				
Acquisition through business combinations	7,911	1,792	6,528	16,231
Provision provided during the period	1,054	52	3,207	4,313
Provision utilized during the period	-381	-139	-	-520
Provisions reversed during the period	-442	-	166	-276
Currency translation differences	-78	16	-191	-253
Balance as of December 31, 2021	8,064	1,722	9,709	19,495
<i>Expected timing of payment</i>				
Within the next twelve months	6,813	276	7,119	14,207
After the next twelve months	1,252	1,446	2,590	5,288
Total	8,064	1,722	9,709	19,495

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. See Note 1.3 Significant accounting estimates and judgments for further descriptions.

Restructuring

Restructuring mainly relates to significant workforce reduction and reorganization in MHWirth due to the 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.

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 3 million is other provisions in the Group.

7.3 Related party transactions

Related party relationships are those involving control (either direct or indirect), joint control or significant influence. Related parties are in a position to enter into transactions with the company that would not be undertaken between unrelated parties. All transactions with related parties to HMH Holding B.V. have been based on arm's length terms unless disclosed differently.

HMH Holding B.V. is a parent company with control of around 25 companies around the world. These subsidiaries are listed in note 6.2 Group companies. Any transactions between the parent company and the subsidiaries are shown line by line in the parent company's financial statements of the parent company, and are eliminated in the consolidated financial statements.

Associates are accounted for using the equity method, see note 6.3 Equity-accounted investees. Transactions between the group and these entities are shown in the table below.

Remunerations and transactions with directors and executive officers are summarized in note 7.4 Management remunerations.

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%). For equity transaction with parents, refer to note 4.7

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

Summary of transactions and balances with significant related parties

<i>Amounts in USD thousands</i>	<i>Akastor</i>	<i>Baker-Hughes</i>	<i>Total</i>
Period April 28, 2021 - December 31, 2021			
<i>Income statement</i>			
Revenue	-	692	692
Operation expenses	-	-4,340	-4,340
Net financial items	-400	-1,600	-2,000
As at December 31, 2021			
<i>Assets (liabilities)</i>			
Finance lease receivables	11	-	11
Interest-bearing receivable	16,355	-	16,355
Trade receivables	130	3,490	3,620
Trade payables	-	-11,817	-11,817
Borrowings / shareholder loans	-20,400	-81,600	-102,000
Indemnification asset	27,900	-	27,900
Non-current receivable related party ¹⁾	3,486	3,453	6,939

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.

Related party transactions

Akastor

- Akastor has provided a shareholder loan to HMH of total USD 20 million. This is a long-term loan provided to finance the Group's operating and finance activities
- 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 indemnification asset of USD 27.9 million receivable towards Akastor, which will be reduced in line with pension payments to former employees.

Baker Hughes

- Baker Hughes has provided a shareholder loan to HMH of total USD 80 million. This is a long-term loan provided to finance the Group's operating and finance activities.
- Between HMH and Baker Hughes there exist a transaction service agreement (TSA). Operating expense for HMH related to this agreement was USD 4.3 million for the period October 1, 2021 to December 31, 2021.

Indemnification asset

Per IFRS 3.27-28 in line with the merger transaction deal, the Company obtains an indemnification asset. That is related to the pension liabilities Akastor sold to the Company. As result Akastor is contractually obliged to indemnify the Company for that specific liability. An asset was recognised at the same time and measured using the same measurement basis as the liability. This ensured that both the asset and the liability were measured on a consistent basis using similar assumptions.

After initial recognition, per IFRS 3.57, an indemnification asset continues to be measured based on the assumptions used to measure the related liability, subject to management's assessment of collectability of the asset, limited to the amount of the liability to which it relates. As the receivable is mirroring the liability movement and thus reflecting that HMH Holding B.V. is being compensated for this by Akastor, the pension receivable is also remeasured at each reporting date. Therefore, the receivable is accounted for in a similar way in the consolidated income statement.

7.4 Management remuneration

The Board of Directors of the Group comprises of directors Karl Erik Kjestlad, Merrill Anthony Miller, Kristian Monsen Rokke, Neil Saunders and Larry Brian Worrell. Neil Saunders was replaced by Edoardo Padeletti January 31, 2023. Mr. Miller was an independent director and part of executive management while the others are non-independent directors as a result of their nomination for appointment by Baker Hughes and Akastor, respectively. Mr. Miller resigned from his role as president and thus executive management of HMH in December 2022 and was replaced by Eirik Bergsvik as per the same moment. Mr. Miller continued to serve as Chairman of the Board of Directors.

As of December 31, 2021, the executive management of HMH Holding B.V. comprised of CEO Merrill Anthony Miller, CFO Thomas McGee, GC/CAO Dwight Rettig, Eirik Bergsvik (President Equipment and System Solution) and Chuck Chauviere (President Pressure Control Systems).

The Group has no Supervisory Board or Audit Committee in 2021.

Board of Directors

The Board of Directors received no remuneration for being directors from HMH, but Mr. Miller received remuneration for being part of the executive management in 2021. The members of the Board of Directors have no agreements that entitle them to any extraordinary remuneration.

The Board of Directors comprise of representatives from both shareholders. These representatives are employed or contracted by the shareholders and the Company has not received any charges from shareholders nor representatives for the services as board directors. According to art IFRS art. 381.3 and Dutch law RJ 330.201, this represents related parties not being at arm's length conditions.

Both the Board of Directors and the executive management represent Key Management Personnel of the Group.

Policy on remuneration to the members of the executive management

All the members of the executive management were employees of the Group with terms and conditions of employment consistent with industry standards. Mr. Dwight Rettig was a contracted as an independent contractor.

Compensation to the executive management has fixed elements which includes a base salary which, pursuant to the Company's benchmarking, is competitive. The executive management has variable remuneration based upon the performance of the Company. All variable compensation is subject to HMH performance.

Benefits

The executive management participates in the standard employee, pension and insurance plan applicable to all employees in the company. No executive personnel in HMH have performance-based pension plans and there are no current loans, prepayments or other forms of credit from the company to its executive management.

HMH has no share-based payments to the Executive management or to the Board of Directors in 2021.

Directors' and executive management's shareholding

Directors and the members of the executive management have no shares in HMH Group as of December 31, 2021.

Remuneration to executive management

<i>Amounts in USD thousands</i>	28.04.2021 - 31.12.2021
Short term regular benefit	682
Pension	12
Total remuneration to executive management	694

The remuneration disclosed above represent expenses recognized in the income statement.

The remuneration was paid by the HMH subsidiaries and not by the parent company.

7.5 Subsequent events

Non-adjusting events

The situation in Ukraine

In February 2022, Russian armed forces invaded Ukraine. HMH has no employees in Ukraine or Russia. In 2022, HMH has limited activity with Russia and Ukraine. Management is fully aware of and proactively managing its operations in the region, including sanctions and indirect impacts, and are taking actions to mitigate its effect on supply chain and other associated risks.

Conversion of bridge loan

HMH has a facility agreement with a bank consortium including USD 150 million Bridge Facility, USD 80 million Multi currency Revolving Credit Facility and USD 70 million thousand Term loan facility. The bridge loan of USD 150 million had a termination date February 26, 2022.

The bridge loan was refinanced with a Bond loan the February 16, 2022. The terms for the Bond loan are 7% margin + LIBOR (Libor01 published by Reuters) and has a maturity date February 10, 2025. The bond was listed on November 4, 2022, on the Oslo Stock Exchange.

Cancellation of Valaris 20K-Contract

The backers of the 20K development driving this project order from Valaris were Equinor and Total Energies. Earlier in 2022, Total Energies exited its involvement in the project leaving Equinor to seek out a new partner. While that remains a possibility, potential partners informed Equinor it would make sense to cancel the existing agreements including the one related to the Valaris 20K project as any new partner would need to re-baseline with Equinor. HMH was protected financially through a time-based cancellation clause resulting in a positive financial impact on the contract of approx. USD 19 -20 million in contribution margin accounted for in 2022. The cancellation did not have material negative impacts on operations.

Sale of Frontica Engineering

In June 2022, MHWirth AS sold its shares in Frontica Engineering AS to Aker Solutions AS. As part of the sale agreement, the NWC was settled in September 2022 leaving a payable from MHWirth AS to Aker Solutions. This was paid in September 2022.

Purchase of shares in Electrical Subsea & Drilling AS performed in stages

As of December 31, 2021, MHWirth AS owned 20% of shares Electrical Subsea & Drilling AS which were accounted for as an equity accounted investee. In June 2022, MHWirth AS decided to purchase the remaining 80% of shares in the Company. MHWirth entered the agreement in June 2022, with the effective date of the purchase of August 24, 2022. As of the effective date Electrical Subsea & Drilling AS will be a fully consolidated entity in the Group.

HMH

**Company Financial Statements
for the financial period April 28 to December 31, 2021
HMH Holding B.V.**

Income statement

<i>Amounts in USD thousands</i>	<i>Note</i>	28.04 2021- 31.12.2021
Revenue	2	940
Other operating expenses	2	-6,986
Operating expenses		-6,986
Operating profit / loss (-)		-6,047
Finance income	3	1,169
Finance expenses	3	-9,316
Net finance expenses		-8,147
Profit / loss (-) before tax		-14,193
Income tax expense (income)	4	-
Profit / loss (-) for the period		-14,193

Statement of comprehensive income

<i>Amounts in USD thousands</i>	<i>Notes</i>	28.04 2021- 31.12.2021
Profit / loss (-) for the period		-14,193
Other comprehensive income		
Total other comprehensive income / loss(-) for the period, net of tax		-
Total comprehensive income / loss (-)		-14,193
Total comprehensive income / loss (-) attributable to:		
Equity holders of the parent		-14,193

The accompanying notes are integral part of the these Company Financial Statements on pages 93-103.

Statement of financial position

<i>USD thousands (Before profit appropriation)</i>	<i>Note</i>	31.12.2021
Assets		
Investments in subsidiaries	5	782,502
Non-current non interest-bearing receivables to group companies	7	3,453
Non-current non interest-bearing receivables to related parties	7	31,369
Non-current interest-bearing receivables to group companies and related parties	7	75,124
Total non-current assets		892,448
Trade receivables and other current assets		587
Other receivables to group companies	7	940
Cash and cash equivalents	7	17,102
Total current assets		18,629
Total assets		911,078
Equity and liabilities		
Share capital		0,232
Share premium		601,539
Retained earnings		-
Unappropriated result		-14,193
Total equity	6	587,346
Non-current borrowings	7,8	33,963
Non-current interest-bearing liabilities to shareholders	7	102,000
Deferred tax liability	4	-
Total non-current liabilities		135,963
Current borrowings	8	180,985
Trade payables and other current liabilities		6,785
Total current liabilities		187,769
Total liabilities		323,732
Total equity and liabilities		911,078

HMH Holding B.V. is a limited liability company that was incorporated and domiciled in the Netherlands on the April 28, 2021 with a share capital of USD 232.

The accompanying notes are integral part of the these Company Financial Statements on pages 93-103.

Statement of cash flows

For the period April 28, 2021 - December 31, 2021

<i>USD thousands</i>	<i>Note</i>	28.04 2021- 31.12.2021
Profit / loss (-) before tax		-14,193
<i>Adjustments:</i>		
Net finance income and expenses	3	8,147
Profit / loss (-), net of adjustments		-6,047
<i>Changes in working capital:</i>		
Decrease/ increase (-) in trade receivables and other current assets		-1,527
Increase/ decrease (-) in trade payables and other liabilities		6,785
Other changes		-11,882
Net changed in working capital		-6,625
Interest paid	3	-185
Other financial expenses paid	3	-4,564
Interest received	3	1,169
Income taxes paid	4	-
Net cash from operating activities		-16,252
Acquisition of subsidiaries	5	-184,262
Net cash from investing activities		-184,262
Proceeds from borrowings	8	220,000
Payment of borrowing cost	8	-2,385
Net cash from financing activities		217,615
Effect of exchange rate changes on cash and cash equivalents		-
Net increase / decrease (-) in cash and cash equivalents		17,102
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period		17,102

The accompanying notes are integral part of the these Company Financial Statements on pages 93-103.

Statement of changes in equity

For the period April 28, 2021 - December 31, 2021

<i>Amounts in USD thousands</i>	<i>Note</i>	Share capital ¹⁾	Share premium	Retained earnings	Unappropriated result	Total equity
Equity as of April 28, 2021		0	-	-	-	0
Debt conversion September 29, 2021			1,539	-		1,539
Increase in share capital October 1, 2021		0	600,000	-	-	600,000
Profit (loss) for the period			-	-	-14,193	-14,193
Currency translation			-	-	-	-
Equity as of December 31, 2021	6	0	601,539	-	-14,193	587,346

¹⁾ Share capital is USD 0.001 thousand at April 28, 2021, and USD 0.002 thousand at December 31, 2021.

The accompanying notes are integral part of the these Company Financial Statements on pages 93-103.

Notes to the company financial statements

Note 1 General Information

General information

HMH Holding B.V. (the "Company") was incorporated as a limited liability company on April 28, 2021 and is organized and existing under the laws of the Netherlands. The Company is seated in Amsterdam and is registered in the Chamber of Commerce with CCI number 82719322, RSIN number 862578796. The Company's address is Weerdestein 97, 1083GG Amsterdam. Due to the listing of its bond on the Oslo Stock Exchange (Norway) on November 4, 2022, HMH Holding B.V. is considered a public interest entity in the European Union (EU-PIE) as of the that date.

As of October 1, 2021, the Company acquired Baker Hughes' Subsea Drilling Systems (SDS) and Akastor's wholly owned subsidiary, MHWirth establishing and creating HMH (The Group). The acquisition was resolved as contribution in kind and shareholder loan and resulted in a 50% ownership each by Baker Hughes and Akastor so the shareholders after the transactions 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 Holding B.V. is the holding company of the HMH group. 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. The Company vision is centered on an unparalleled commitment to quality and yielding economic advantages for customers and stakeholders. HMH has a global span covering five continents with offices in 16 countries.

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), their interpretations adopted by the International Accounting Standards Board (IASB) and the additional requirements of the Dutch Civil Code, Book 2, Part 9 as of December 31, 2021.

Functional currency and presentation currency

The parent company's financial statements are presented in USD, which is HMH Holding B.V.'s functional currency. All financial information presented in USD has been rounded to the nearest thousand (USD thousand), except when otherwise stated. In the statement of comprehensive income, income/gains are presented as positive amounts and expenses/costs are presented as negative amounts. In the notes, both income and expenses are presented as positive numbers. The subtotals and totals in some of the tables in these financial statements may not equal the sum of the amounts shown due to rounding.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of this financial statement are set out below. These policies have been consistently applied to the period presented, unless otherwise stated.

Compared to the accounting policies applied in the consolidated financial statement (Section 1 to the consolidated financial statements), the parent company's financial statements' accounting policies only deviate with respect to the following items:

Foreign currency

Transactions in foreign currencies are translated at the exchange rate applicable at the date of the transaction. Monetary items in a foreign currency are translated to USD using the exchange rate applicable on the balance sheet date. Foreign exchange differences arising on translation are recognized in the income statement as they occur. Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the exchange rate on the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rates on the date the fair value is determined.

Investments in subsidiaries

Investments in subsidiaries are measured at cost in the parent company accounts, less any impairment losses. An impairment loss in respect of participating interests in subsidiaries is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognized in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. Investments in subsidiaries and associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may exceed the fair value of the investment.

Dividends and other distributions from subsidiaries are recognized as income the same year as they are recognized in the financial statement of the provider. If the dividends or group contributions exceed withheld profits after the acquisition date, the excess amount represents repayment of invested capital, and is recognized as a reduction of carrying value of the investment.

Classification

Current assets and current liabilities include items due within one year or items that are part of the operating cycle. Other balance sheet items are classified as non-current assets/debts.

Some borrowing agreements incorporate undertakings by the borrower (covenants) which have the effect that the liability becomes payable on demand if certain conditions related to the borrower's financial position are breached.

Non-current borrowings are presented as current if a loan covenant breach exists at balance date. The liability is classified as non-current only when:

- (a) the lender has agreed, prior to the authorization of the financial statements for issue, not to demand payment as a consequence of the breach; and
- (b) it is not probable that further breaches will occur within twelve months of the balance sheet date.

Finance income and expense

Finance income and expense include interest income and expense, foreign exchange gains and losses. Interest income and expenses include calculated interest using the effective interest method, in addition to discounting effects from assets and liabilities measured at fair value.

Cash and cash equivalent

Cash and cash equivalents include cash, bank deposits and other short-term liquid investments. HMM Holding B.V. has a cash pool that includes the parent company's cash as well as net deposits from subsidiaries in the group cash pooling system owned by the parent company. See note 7 for description of the cash pool.

HMM Holding B.V. is the owner of cash pool systems. The cash in the cash pool is classified as cash and cash equivalent in the financial statement.

Share capital

Costs for purchase of own shares including transaction costs are accounted for directly against equity. Sales of own shares are performed according to stock-exchange quotations at the time of award and accounted for as increase in equity.

Cash flow statement

The statement of cash flow is prepared according to the indirect method.

Tax

Tax income (expense) in the income statement comprises current tax, withholding tax and changes in deferred tax. Deferred tax is calculated as 25 percent of temporary differences between accounting and tax values as well as any tax losses carry-forward at the year end. Net deferred tax assets are recognized only to the extent it is probable that they will be utilized against future taxable profits.

Note 2 Operating revenue and expenses

Revenue types

<i>Amounts in USD thousand</i>	<i>Note</i>	28.04 2021-31.12.2021
Revenue		
Other revenue		940
Total revenue		940

Revenue recognition

Other revenue consist of management charges, service provided by Group finance for services performed for the subsidiaries.

There are no employees in HMH Holding B.V. and hence no salary or pension related costs and also no loan or guarantees related to the executive management team.

Operating expenses

<i>Amounts in USD thousand</i>	<i>Note</i>	28.04 2021-31.12.2021
Legal and compliance cost		1,966
Consultant fees		1,950
Other operating cost		3,070
Total operating expenses		6,986

Other operating cost

Includes USD 1,500 thousand of costs associated with issue of shares.

Fees to the auditors

There were no fees charged by KPMG Accountants N.V. to the Company in the period April - December 2021, as referred to in Section 2:382a(1) and (2) of the Dutch Civil Code.

Board of Directors

The members of the Board of Directors have no agreements that entitle them to any remuneration for 2021.

Supervisory board and Audit committee

HMH Holding B.V. does not have a Supervisory board. The Board of Directors has a function for Audit committee.

Policy for remuneration the Executive management

For Benefits and Policy on remuneration to the members of the executive management please refer to note 7.4 in the Groups consolidated financial statements.

Directors' and Executive management's shareholding

Directors and Executive management have no shares in HMH Holding B.V. as of December 31, 2021.

Note 3 Net financial items	<i>Note</i>	28.04 2021-31.12.2021
Interest income on interest-bearing intercompany loans, measured at amortized cost		1,162
Other finance income		7
Finance income		1,169
Interest expense on financial liabilities measured at amortized cost		-4,752
Net foreign exchange loss		-6
Other financial expenses		-4,559
Finance expenses		-9,316
Net finance expenses recognized in profit and loss		-8,147

Overview of the interest-bearing deposits, receivables and borrowings are included in note 7.

Note 4 Tax

Amounts in USD thousand

28.04 2021-31.12.2021

Income tax expense

Current income tax this year	-
Deferred tax expenses to income statement	-
Total tax expense(-) / income	-

Calculation of taxable income

Profit (loss) before tax	-14,193
Permanent differences	8,558
Changes in temporary differences	995
Taxable income	-4,640
Change in tax loss carry forward, 100%	4,640
Taxable profit	-

Specification of permanent differences:

Non-deductible expenses	1,593
Write down shares/loans (and reversal)	4,559
Non-deductible interest expenses	2,407
Total permanent differences	8,558
Tax rate	25%
Tax effects of permanent differences	2,140

Effective tax rate

The table below reconciles the reported income tax expense to the expected income tax expense according to the corporate income tax rate in The Netherlands.

	Gross	Tax effect
Profit (loss) before tax	-14,193	
Tax rate (25 %)		3,548
Permanent differences	8,558	-2,140
Deferred tax from write down (or reversal) of tax loss or deferred tax assets		-1,160
Deferred tax assets(-) / liabilities (+), not recognized		-249
Tax expense (-) / income		-

Note 5 Investments in subsidiaries

Name of the subsidiary	Location	Registered office	2021		
			Share capital (USD thousand)	Number of shares held	Percentage owner voting share
MHWirth AS	Norway	Butangen 20, 4639 Kristiansand S	11,361	100,200,004	100%
MHWirth LLC ¹⁾	US	3300 North Sam Houston Pkwy East, Houston, TX 77032, USA	¹⁾	¹⁾	100%
Hydril USA Distribution LLC ¹⁾	US	3300 North Sam Houston Pkwy East, Houston, TX 77032, USA	¹⁾	¹⁾	100%

¹⁾ MHWirth LLC and Hydril USA Distribution LLC are not structured as share based companies. Both companies are fully owned by HMM Holding B.V.

Name of the subsidiary	Carrying amount as of 31.12.2021	Profit (loss) for the full year	Equity as of 31.12.2021
MHWirth AS	376,517	925	184,727
MHWirth LLC	-	-2,881	11,580
Hydril USA Distribution LLC	405,985	-20,000	299,000
Total	782,502	-21,956	495,307

The Company performed a regular annual impairment test of its investment to determine whether there was any indication of impairment. Based on the test conducted by the Company by comparing the recoverable amount of the investment with its carrying amount, neither impairment triggers nor impairment losses were noted.

The Group was newly established based on a consideration paid of USD 884,260 thousand (see note 6.1 in the Consolidated FS). Both the PCS and ESS business operates in a market with positive future outlook and have solutions and services with a high demand in the market. The PCS and ESS business is assessed complementary, and it is expected to gain significant synergies. The Group has established projects to leverage these synergies going forward. Hence, equity in subsidiaries is expected to grow beyond investments.

The total consideration transferred for both businesses, ESS and PCS, was USD 884,260 thousand, including an USD 64 million intercompany loan receivable issued by the Company to its subsidiary MH Wirth LLC (please see note 7) for its acquisition of certain companies from Akastor. Such intercompany loan was presented separately at company level by reclassifying it from cost-price investments to intercompany receivables.

A subsequent working capital settlement of the acquisition of ESS and PCS of USD 6,939 thousand were accounted for as a receivable (see note 7) and therefore deducted from the cost-price. Such an adjustment was also adjusted at the consolidation level (please refer to note 6.1). Transaction costs of USD 5,336 thousand included as part of the consideration paid have been reclassified from the cost-price and included in the amortised cost calculation of current and non-current borrowings (see note 8). Such an adjustment was also appropriately adjusted at the consolidation level (please refer to note 4.8 and note 6.1).

That resulted into the consideration paid for the investments USD 807,541 thousand. The cash paid by the Company is USD 184,262 thousand (please refer to note 6.1).

The difference between the investments in subsidiaries of USD 782,502 thousand at company level and the consideration transferred mentioned above is attributable to the identified balance sheet item that was not in scope of the acquisition perimeter. The merger transaction out scoped an earn-out payable in an amount of EUR 2,861 thousand from MHWirth AS to Akastor for the sold subsidiary prior to the merger and is accounted for as a settlement between the Company and Akastor as part of the investments in subsidiaries. Lastly, the contribution agreement discussed an indemnification asset, which the Company obtained from Akastor for the related pension liabilities existed prior to the merger in underlying subsidiaries and accounted for respectively as an indemnification asset between the Company and Akastor for an amount of USD 27,900 (please refer to note 7).

As a result management considered USD 782,502 thousand as deemed cost used as the starting point for subsequent measurement at historical cost in the stand-alone financial statements.

Note 6 Shareholders' equity and shareholders

Share capital

At April 28, 2021, the parent company was founded with 100 ordinary shares and share capital of USD 0.001 thousand.

October 1, 2021 the 100 ordinary shares was converted to 1 Titan Share B with the same value of USD 0.001 thousand. and afterwards, on the same day, the Company issued Titan share A (50 shares), Titan share B (49 shares), Bear share A (50 shares) and Bear share B (50 shares) all at par value EUR 1. All issued shares are fully paid. Exchange rate used for translation of the share capital is 1.16 USD/EUR.

Class A and class B shares are with equal rights for all shares. The holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at General Meetings. Total outstanding shares are 200 at par value EUR 1 per share.

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. According to the shareholders' agreement between Baker Hughes and Akastor, the shareholders have joint control of HMH Holding B.V. and its subsidiaries.

During 2021 the share premium increased USD 600,000 thousand by the capital increase on October 1, 2021 and USD 1,539 thousand by the debt conversion on September 29, 2021. The debt conversion was related to cost in HMH Holding B.V. covered by Akastor as the liability towards Akastor in the parent company were converted to equity prior to acquisition of MHWirth and SDS businesses.

See note 2 for cost related to issue of shares. All the incorporation costs were born by the shareholders.

Shareholders as per December 31, 2021

<i>Company</i>	Number of shares held	Ownership
Bake Hughes Holding LLC	100	50%
Akastor AS	50	25%
Mercury HoldCo Inc.	50	25%

Retained earnings

Proposal for profit appropriation 2021

The Management Board proposes to the General Meeting to appropriate the profit after tax for 2021 as follows: to pay out an amount of USD 0 thousand as dividend and to add the remaining amount of USD - 14,193 thousand to retained earnings.

Reconciliation of shareholders' equity and net result per the consolidated financial statements with shareholders' equity and net result per the

Shareholders' equity according to the consolidated statement of financial position	598,718
Hedge reserve in MHWirth AS	-1,063
Pension remeasurement reserve in subsidiaries	737
Currency translation reserve in subsidiaries	1,285
Retained earnings from subsidiaries	-12,330
Shareholders' equity according to HMH Holding B.V. statement of financial position	587,346
Amount in Parent's financial statements	587,346
Net result according to the consolidated profit and loss account	-1,863
Profit / loss (-) for the period from subsidiaries	-12,330
Net result according to HMH Holding B.V. profit and loss account	-14,193

Note 7 Transactions with group companies and related parties

Receivables and borrowings from group companies and related parties

<i>Amounts in USD thousand</i>	<i>Note</i>	2021
Non-current interest-bearing receivables to group companies		75,124
Net interest-bearing receivables to group companies and related parties		75,124
Non-current non interest-bearing receivables to group companies		3,453
Non-current non interest-bearing receivables to related parties		3,486
Indemnification asset		27,883
Net non interest-bearing receivables to group companies and related parties		34,822
Other receivables to group companies		940
Total other receivables to group companies		940
Non-current interest-bearing liabilities to related parties	8	102,000
Total interest-bearing liabilities to related parties		102,000

Non-current non interest-bearing receivables to group companies and related parties

On April 1, 2022, the Company as agreed with the group companies and related parties to charge interest of 8 % p.a, the expected maturity date is October 1, 2025.

Interest-bearing receivables on and borrowings from group companies

HMH Holding B.V. is the group's central treasury function and enters into borrowings and deposit agreements with group companies. Deposits and borrowings are done at market terms and are dependent of the group companies' credit rating and the duration of the borrowings. Non-current interest-bearing liability to related parties is a long-term loan provided by Akastor and Bakers Hughes. See note 8 for terms on borrowings.

The intercompany receivables are considered recoverable by management. The carrying values of the recognised current receivables approximate their respective fair values, given the short maturities of the positions. For the non-current receivables, appropriate interest rates are applied.

Indemnification asset

Per IFRS 3.27-28 in line with the merger transaction deal, the Company obtains an indemnification asset. That is related to the pension liabilities Akastor sold to the Company. As result Akastor is contractually obliged to indemnify the Company for that specific liability. An asset was recognised at the same time and measured using the same measurement basis as the liability. This ensured that both the asset and the liability were measured on a consistent basis using similar assumptions.

After initial recognition, per IFRS 3.57, an indemnification asset continues to be measured based on the assumptions used to measure the related liability, subject to management's assessment of collectability of the asset, limited to the amount of the liability to which it relates. For the accounting of the pension receivable please refer to note 7.3 in the Groups consolidated financial statements.

Cash pool arrangement

HMH Holding B.V. is the owner of the cash pool system arrangement. The cash pool systems cover a majority of the group geographically and assure good control and access to the group's cash. Participation in the cash pool is vested in the Group's policy and decided by each company's Board of Directors and confirmed by a statement of participation. The participants in the cash pool system owns their respective cash balances but are jointly and severally liable and it is therefore important that HMH as a group is financially viable and can repay deposits and carry out transactions. Any debit balance on a sub account can be set-off against any credit balance. Hence, a debit balance represents a claim on HMH and a credit balance a borrowing from HMH.

Additional undrawn committed current bank revolving credit facilities amount to USD 85 million including an undrawn overdraft limit amounting to USD 5 million that together with cash and cash equivalents gives a total liquidity reserve of USD 102.1 million as of December 31, 2021. As of December 31, 2021 no cash balances are restricted for use.

<i>Amounts in USD thousand</i>	<i>Note</i>	2021
Cash and cash equivalents		17,102
Cash in cash pool system		17,102

Note 8 Borrowings

<i>Amounts in thousand</i>	Currency	Nominal currency value	Carrying amount (USD)	Interest rate	Interest margin	Maturity	Interest Terms
2021							
Revolving credit facility (USD 80million) ¹⁾	USD	-	-	4%		Feb. 24	LIBOR+Margin
Bridge loan Tranche A	USD	112,500	111,606	4%		Feb. 22	LIBOR+Margin
Bridge loan Tranche B	USD	37,500	37,202	5%		Feb. 22	LIBOR+Margin
Term loan Tranche A	USD	52,500	50,272	4%		Feb. 24	LIBOR+Margin
Term loan Tranche B	USD	17,500	15,868	5%		Feb. 24	LIBOR+Margin
Shareholder loan	USD	102,000	102,000		8%	Oct 2025	Fixed rate
Total borrowings		322,000	316,947				
Current borrowings			180,985				
Non-current borrowings			135,963				
Total			316,947				

¹⁾ The revolving credit facilities are provided by a bank syndicate consisting of high-quality Nordic and international banks, consisting of: DNB, HSBC Continental Europe, Nordea Bank Abp and Skandinaviska Enskilda Banken AB. 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 covenants are monitored on a regular basis by the HMH Treasury department to ensure compliance with the loan agreements and are tested and reported on a quarterly basis. HMH was in compliance with its covenants as of December 31, 2021, and at the sign-off date.

Reconciliation of liabilities arising from financing activities

<i>Amounts in USD thousand</i>	28.4.2021	Non-cash loan	Cash flows	Capitalized interest	Capitalized borrowing costs ²⁾	31.12.2021
Term loan facility			70,000		-3,861	66,140
Bridge loan facility			150,000		-1,193	148,808
Shareholder loan ¹⁾		100,000		2,000		102,000
	0	100,000	220,000	2,000	-5,053	316,947

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 cannot be settled prior to external debt given current loan agreements. 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.

²⁾ Part of the borrowing cost relating to the Term loan facility was paid by Baker-Hughes.

Note 9 Guarantees

HMH Holding B.V. has provided no guarantees on behalf of wholly owned subsidiaries and there are no guarantees from any of the subsidiaries and related parties as of December 31 (all obligations are per date of issue). Hydril USA Distribution LLC acts as a guarantor for HMH Holding B.V. in respect of intercompany loan from MHWirth LLC of USD 24,000,000, which is the maximum amount MHWirth LLC is exposed to the Company.

Note 10 Financial risk management and financial instruments

Fair value

The fair values of most of the financial instruments recognized on the statement of financial position, including accounts receivable, cash at the bank and in hand, and current liabilities, are approximately equal to their carrying amounts.

Currency risk

Subsidiaries may enter into financial derivative agreements with the parent company to hedge their foreign exchange exposure. Accordingly, derivatives from external banks are used to mitigate the foreign exchange exposure from the financial derivative agreements with the subsidiaries. In addition, HMH Holding B.V. may have cash flow exposure towards its financial assets and liabilities. HMH Holding B.V. may enter into financial derivative agreements to hedge these potential cash flow exposures.

As of 31 December 2021, HMH Holding B.V. had not entered into any forward exchange contracts. The majority (98%) of the cash holdings are in USD currency, hence why foreign exchange risk related to the non-USD currency is immaterial.

Interest rate risk

The Company is exposed to changes in interest rates because of floating interest rate on loan receivables and loan payables. The Company does not hedge transactions exposure in financial markets and does not have any fixed interest rate loan receivables nor loan payables. The Company is therefore not exposed to fair value risk on its outstanding loan receivables or loan payables. Interest bearing loan receivables and loan payables expose the Company to income statement and cash flow interest risk.

Interest-bearing borrowings to group companies reflect the cost of external borrowing, reducing the interest risk exposure for HMH Holding B.V.

Credit risk

Credit risk is the risk of financial losses to the Company if a customer or counterparty fails to meet contractual obligations. Credit risk relates to loans to subsidiaries and associated companies, guarantees to subsidiaries and associated companies and deposits with external banks. External deposits are done according to a list of approved banks and primarily with banks where the Company also have a borrowing relationship. Cash and cash equivalents are held with approved banks. The group considers credit risk on its cash and cash equivalents to be insignificant.

Loss allowances for interest-bearing receivables are made in situations of negative equity if the Company is not expected to be able to fulfil its loan obligations from future earnings. No impairment was booked in 2021. See note 7 Receivables and borrowings from group companies for more information about receivables. The counterparties of HMH is within Drilling and oil business and is larger companies with longer history with either the PCS or ESS business. Receivables to related parties are only toward the owners that are solid companies with good credit rating.

Management is making analyses on the concentration of the credit risk. Based on the current knowledge, no credit risk is related on geographical region or type of subsidiaries. The main type of the receivables is related to group and related parties with good credit ratings. Management believes that there is no concentration risk in 2021.

Liquidity risk

Liquidity risk relates to the risk that the Company will not be able to meet its debt and guarantee obligations and is managed through maintaining sufficient cash and available credit facilities. Due to the dynamic nature of the underlying businesses, HMH Treasury maintains flexibility in funding by maintaining availability under committed credit lines. Development in the group's and thereby HMH Holding B.V.'s available liquidity is continuously monitored through weekly and monthly cash flow forecasts, annual budgets and long term planning.

<i>Amounts in USD thousands</i>	<i>Note</i>	Book value	Total cash flow	6 months and less	6-12 months	1-2 years	2-5 years	More than 5 years
2021								
Non-current borrowings ²⁾	8	135,963	183,000	-	-	32,000	151,000	-
Current borrowings ¹⁾	8	180,985	181,111	165,556	15,556	-	-	-
Trade Payable and other current receivable		6,785	6,785	6,785	-	-	-	-
Total financial liabilities		323,732	370,896	172,340	15,556	32,000	151,000	-

¹⁾ Bridge loan of USD 150 million has a maturity date in Q1 2022, will be replaced by a bond loan with new terms and conditions. Interest rate according to Bridge facilities has been used for cash flow estimates.

²⁾ Shareholder loan of USD 100 million cannot be settled prior to external debt given current loan agreements, earliest maturity date is set to October 1, 2025. The loan has an interest rate of 8%.

Note 11 Related parties

Transactions and balances with subsidiaries and related parties are described in the following notes:

Income statement

<i>Amounts in USD thousands</i>	<i>Note</i>	28.04 2021-31.12.2021
Other services	2	940
Financial items	3	-8,147

Statement of financial position

<i>Amounts in USD thousands</i>	<i>Note</i>	31.12.2021
Investments	5	495,307
Cash pool, receivables and borrowings	7	127,987
Guarantees	9	-
Liabilities	7	102,000

Transactions with shareholders

HMH Holding B.V. has class A and class B shares, with equal rights for all shares. The holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at General Meetings. 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. According to the shareholders' agreement between Baker Hughes and Akastor, the shareholders have joint control of HMH Holding B.V. and its subsidiaries.

During 2021, the share capital and share premium increased USD 600,000 thousand from the capital increase on October 1, 2021 and USD 1,539 thousand from debt conversion on September 29, 2021.

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.

Transactions with key management

Board of Directors

The Board of Directors received no remuneration for being directors but Mr. Miller received remuneration for being part of the executive management in 2021. The members of the Board of Directors have no agreements that entitle them to any extraordinary remuneration.

Policy for remuneration the Executive management

As of December 31, 2021, the executive management of HMH Holding comprised of CEO Merrill Anthony Miller, CFO Thomas McGee, GC/CAO Dwight Rettig, Eirik Bergsvik (President Equipment and System Solution) and Chuck Chauviere (President Pressure Control Systems).

Directors' and Executive management's shareholding

Directors and Executive management have no shares in HMH Holding B.V. as of December 31, 2021.

Refer to note 7.4 Management remuneration in the Consolidated Financial Statements for details on remuneration paid to key management.

Transactions with group companies

Related party relationships are those involving control (either direct or indirect), joint control or significant influence. Related parties are in a position to enter into transactions with the company that would not be undertaken between unrelated parties.

HMH Holding B.V. is a parent company with control of around 25 companies around the world. Any transactions between the parent company and the subsidiaries are shown line by line in the parent company's financial statements of the parent company, and are eliminated in the consolidated financial statements.

Associates are accounted for using the equity method. Transactions between the group and these entities are shown in the table below.

Summary of transactions and balances with significant related parties

<i>Amounts in USD thousands</i>	<i>Akastor</i>	<i>Baker-Hughes</i>	<i>Total</i>
Period April 28, 2021 - December 31, 2021			
<i>Income statement</i>			
Net financial items	-400	-1,600	-2,000
As at December 31, 2021			
<i>Assets (liabilities)</i>			
Borrowings / shareholder loans	-20,400	-81,600	-102,000
Non-current receivable related party	3,486	-	3,486
Indemnification asset	27,883	-	27,883

Note 12 Subsequent events

Non-adjusting events

The situation in Ukraine

In February 2022, Russian armed forces invaded Ukraine. HMM has no employees in Ukraine or Russia. In 2022, HMM has limited activity with Russia and Ukraine. Management is fully aware of and proactively managing its operations in the region, including sanctions and indirect impacts, and are taking actions to mitigate its effect on supply chain and other associated risks.

Conversion of bridge loan

HMM has a facility agreement with a bank consortium including USD 150 million Bridge Facility, USD 80 million Multi currency Revolving Credit Facility and USD 70 million thousand Term loan facility. The bridge loan of USD 150 million had a termination date February 26, 2022.

The bridge loan was refinanced with a Bond loan the February 16, 2022. The terms for the Bond loan are 7% margin + LIBOR (Libor01 published by Reuters) and has a maturity date February 10, 2025. The bond was listed on November 4, 2022, on the Oslo Stock Exchange.

Amsterdam, April 26, 2023

Merrill Anthony Miller
(Chairman of the Board)

Karl Erik Kjelstad
(Board member)

Edoardo Padeletti
(Board member)

Kristian Monsen Rokke
(board member)

Larry Brian Worrell
(board member)

Other information

Appropriation of the result for the year

According to the Article 11.1.1 of the Company's Article of Association, the allocation of the results shall be included in the retained earnings and reflected in the annual accounts as adopted by the General Meeting.

Report of the independent auditor

For the report of the independent auditor, reference is made to following pages of the annual report.

Signatures of the financial statement

The Management Board have today discussed and approved these financial statements for 2021 of HMM Holding B.V.. These Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), their interpretations adopted by the International Accounting Standards Board (IASB) and the additional requirements of the Dutch Civil Code, Book 2, Part 9.

In our opinion, the financial statement give a true and fair view of HMM Holding B.V.'s financial position at 31 December 2021 and of the result of HMM Holding B.V.'s operations and the cash flows for the period from April 28, 2021 until December 31, 2021.

Branch offices

The Group has branch offices in Baku, Azerbaijan that operate under the respective trade name MHWirth Azerbaijan and a branch office in South Korea that operates under the respective trade name MHWirth Korea.

The financial statements for the period from April 28, 2021 until December 31, 2021 of HMM Holding B.V. were authorized for issue by the Board of Directors on April 26, 2023.



Independent auditor's report

To: the General Meeting of Shareholders and the Audit Committee of HMH Holding B.V.

Report on the audit of the financial statements 2021 included in the annual report

Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of HMH Holding B.V. as at 31 December 2021 and of its result and its cash flows for the period 28 April 2021 to 31 December 2021, in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2021 of HMH Holding B.V. based in Amsterdam.

The financial statements comprise:

- 1 the consolidated and company statement of financial position as at 31 December 2021;
- 2 the following consolidated and company statements for the financial period 28 April 2021 to 31 December 2021: the income statement and statement other comprehensive income, changes in equity and cash flows; and
- 3 the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of HMH Holding B.V. (hereafter: the Company) in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in respect of going concern, fraud and non-compliance with laws and regulations, and the key audit matters was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.



We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

Summary

Materiality

Consolidated financial statements

- Materiality of USD 8 million
- 0.6% of the total assets

Company financial statements

- Materiality of USD 5.6 million
- 0.6% of total assets

Group audit

- Audit coverage of 92% of total assets
- Audit coverage 85% of revenue

Fraud/Noclar and Going concern

- Fraud & Non-compliance with laws and regulations (Noclar-)related risks: presumed risk of management override of controls and revenue recognition
- Going concern-related risks: no going concern risk identified

Key audit matters

- Purchase price allocation and valuation of assets and liabilities
- Revenue recognition: accounting for construction contract profit

Opinion

Unqualified

Materiality

Based on our professional judgement, we determined the materiality for the consolidated financial statements as a whole at USD 8 million and for the company financial statements as a whole at USD 5.6 million.

The materiality for the consolidated financial statements is determined with reference to the relevant benchmark, being 0.6% of the total assets.



We consider total assets as the most appropriate benchmark, as it is the most significant metric utilized by stakeholders due to the merger transaction, which took place as at 1 October 2021 and the short financial period between 1 October 2021 and 31 December 2021.

The materiality for the company financial statements is determined with reference to the relevant benchmark, being 0.6% of total assets. We consider total assets, which mainly include investment in subsidiaries, as the most appropriate benchmark given the activities of the stand-alone Company as a group holding and investment company.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the consolidated and company financial statements for qualitative reasons.

We agreed with the Board of Directors that uncorrected misstatements identified during our audit in excess of USD 400,000 and USD 280,000 of the consolidated and company financial statements, respectively, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

The Company is at the head of a group of components. The financial information of this group is included in the financial statements of the Company.

Our group audit mainly focused on significant components in terms of size and financial interest or where significant risks or complex activities were presenting, leading to audits of the complete reporting package of 5 components (including the stand-alone Company). This represents an audit coverage of 92% of total assets and 85% of revenues.

We have:

- performed audit procedures ourselves at the stand-alone Company;
- made use of the work of KPMG Oslo and work of other KPMG auditors for the audit of the Hydril USA Distribution LLC (including Subsea Drillings Systems Group), MHWirth AS, MHWirth GmbH and MHWirth do Brasil Equipamentos Ltda. components that are significant to the group. For that purpose, we have sent detailed instructions to KPMG Norway, KPMG Brazil, KPMG USA, KPMG Kristiansand and KPMG Germany, covering significant areas including the relevant risks of material misstatement, and set out the information required to be reported to the group audit team. We held conference calls and physical meetings with KPMG Oslo, KPMG Brazil, KPMG USA, KPMG Kristiansand and KPMG Germany.

We visited the main component locations in the USA, Brazil and Norway, and we performed file reviews of the audit files of KPMG Oslo, KPMG Brazil, KPMG USA, KPMG Kristiansand and KPMG Germany.

For the residual population not in scope, we performed additional procedures in order to corroborate that our scoping remained appropriate throughout the audit.

By performing the procedures mentioned above at group components, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the financial statements.



Audit response to the risk of fraud and non-compliance with laws and regulations

In the paragraph 'Significant risks and uncertainties' of the management's report, the Board of Directors described the procedures in respect of the risk of fraud and non-compliance with laws and regulations.

As part of our audit, we have gained insights into the Company and its business environment and assessed the design and implementation of the Company's risk management in relation to fraud and non-compliance. Our procedures included, among other things, assessing the Company's code of conduct, whistleblowing procedures, incidents register, and its procedures to investigate indications of possible fraud and non-compliance. Furthermore, we performed relevant inquiries with management and other relevant functions, such as Legal Counsel and Compliance.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable to the Company and identified the following areas as those most likely to have a material effect on the financial statements:

- Anti-bribery and corruption laws and regulations
- Anti-money laundering laws and regulations
- Trade sanctions and export controls laws and regulations

We, together with our forensics specialists, evaluated the fraud and non-compliance risk factors to consider whether those factors indicate a risk of material misstatement in the financial statements.

Based on the above and on the auditing standards, we identified the following presumed fraud risks laid down in the auditing standards and that are relevant to our audit and responded as follows:

- **Management override of controls (a presumed risk)**

Risk:

- Management is in a unique position to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively, such as accounting records around the estimate related to the purchase price allocation and valuation of assets and liabilities.

Responses:

- We evaluated the design and the implementation of internal controls that mitigate fraud, such as processes related to journal entries and estimates.
- We performed a data analysis of journal entries to determine any potential high-risk criteria and carried out procedures for any identified risk, such as a screening of journal entries which contain specific words or unexpected journal entries bookings.
- We incorporated elements of unpredictability in our audit, including the use of different sampling methods for a selection of general and operating expenses and liabilities.

- We reviewed accounting estimates for bias by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.
- We evaluated the appropriateness of all material manual and late adjustments made during the consolidation process.
- We made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.

- **Revenue recognition (a presumed risk)**

Risk:

- There is a risk of inaccurate and premature revenue recognition in relation to construction contracts (over time revenue), as it is a complex area and it involves a high degree of judgement in accordance with IFRS 15.

Response:

- We refer to our key audit matter: Revenue recognition - accounting for construction contract profit.

Our evaluation of the procedures performed in relation to fraud and non-compliance with laws and regulations did not result in an additional key audit matter.

We communicated our risk assessment, audit responses and results to the Board of Directors and the Audit Committee of the Company.

Our audit procedures did not reveal indications and/or reasonable suspicion of fraud and non-compliance that are considered material for our audit.

Audit response to going concern

The Board of Directors has performed its going concern assessment and has not identified any going concern risks.

Our main procedures to assess the Board of Directors' assessment were:

- We considered whether the Board of Directors' assessment of the going concern risks includes all relevant information of which we are aware as a result of our audit.
- We inspected the terms of conditions of the financing agreements that could lead to going concern risks, the term of the agreement and any covenants.
- We analyzed the Company's financial position as at year-end and compared it to the balance sheet as at the date of the merger, 1 October 2021, which can be considered as an opening balance.



In addition, we inquired management about the result and cash flows for the three-months period ended 31 December 2021 and the year ended 31 December 2022 as well as their analysis compared to budget and forecast.

The outcome of our risk assessment procedures did not give reason to perform additional audit procedures on Board of Directors' going concern assessment.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Audit Committee. The key audit matters are not a comprehensive reflection of all matters discussed.

Purchase price allocation and valuation of assets and liabilities

Description

On 1 October 2021, the joint venture, being the Company, was formed and brought together drilling businesses of two previously separate groups. All identified assets and liabilities were measured at the acquisition date at their estimated fair values in accordance with the requirements of IFRS 3.

The acquisition was accounted for using the acquisition method, and the consideration transferred was measured at fair value. The Company provisionally measured the identifiable assets and liabilities acquired at fair value using a range of different valuation methods based on different type of assets, such as Multi Excess Earnings Methods, Relief from Royalty methods, and Income approach (DCF), of which the DCF method was the main valuation technique. Business combinations are disclosed in Note 6.1 to the consolidated financial statements.

As a significant level of management judgement is required for the determination of the valuation models and the key assumptions including the discount rate, WACC, revenue and EBITDA margin forecasts, we identified the provisional measurement of the valuation of intangible assets acquired from MHWirth AS and Subsea Drilling Systems at fair value as a key audit matter.

This required a high degree of auditor's professional judgment and an increased extent of efforts, including the need to involve KPMG fair value specialists when performing audit procedures to evaluate the reasonableness of management's estimates used in the provisional purchase price allocation.

Our response

- We challenged the management and management expert assumptions over the fair values applied to the identified assets and liabilities.
- We obtained and evaluated a management's analysis in relation to forecasted revenue growth and EBITDA margins and compared assumptions used in projections to historical data, external market reports and the Company's announcements to the market.



- With the assistance of KPMG fair value specialists, we evaluated the valuation model used and the key assumptions applied. We evaluated the reasonableness of management's methodology and developed an independent range of estimates to test the discount rate.

In addition, we evaluated the appropriateness of the accounting principles applied based on IFRS 3's requirements and the adequacy of the Company's related disclosures as presented in the note 6.1 to the consolidated financial statements.

Our observation

Based on our procedures performed, we consider management's assumptions and estimates in respect of the purchase price allocation and valuation of assets and liabilities to be acceptable and the disclosures relating to the purchase price allocation as included in the note 6.1 in the consolidated financial statements to be adequate.

Revenue recognition: accounting for construction contract profit

Description

As stated in the 'Audit response to the risk of fraud and non-compliance with laws and regulations' section of our auditor's report, there is a risk of inaccurate and premature revenue recognition in accordance with IFRS 15 in relation to construction contracts (over time revenue) as it is affected by subjective elements including estimated costs to complete and projected revenue, whether impacted by change orders, project progress or (potential) disputes. Due to the aforementioned risk of inaccurate and premature revenue recognition and since construction contracts involve significant judgement in estimation of future contract costs, we consider the revenue recognition as a key audit matter and as a significant fraud risk.

Our response

- We verified that the accounting policy for revenue recognition applied by the Company is in accordance with IFRS 15 'Revenue from Contracts with Customers' and that the methods for making estimates are appropriate and have been applied consistently, or whether changes, if any, are appropriate in the circumstances.
- We obtained an understanding of the Company's internal controls, including testing of design and implementation of internal control activities with respect to project management, project accounting and the project results estimation process, and evaluated the design of the controls over the Board of Directors estimation process.
- We challenged management's assumptions in determining if certain contracts contain single or multiple performance obligations by obtaining, reading, and critically assessing the terms and conditions of relevant contractual documents.
- We evaluated management's process for assessing the stage of completion and the method applied in accordance with IFRS 15. We verified management's input for the stage of completion calculation and reperformed it.



- We read and discussed project reports and other assessments with management and compared the current forecasts to historical outcomes where relevant.
- We challenged management on the estimate of costs to complete and the risk assessment related to fulfilment costs.

In addition, we evaluated the adequacy of the Company's related disclosures as presented in the note 2.1 to the consolidated financial statements.

Our observation

The results of our procedures on the revenue recognition were satisfactory. We consider the disclosures relating to revenue recognition as included in the financial statements to be adequate.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and other information.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Board of Directors is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities regarding the financial statements

Responsibilities of the Board of Directors and the Audit Committee for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Directors is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. In that respect, the Board of Directors under supervision of the Audit Committee, is responsible for the prevention and detection of fraud and non-compliance with laws and regulations, including determining measures to resolve the consequences of it and to prevent recurrence.



As part of the preparation of the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Directors should prepare the financial statements using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so. The Board of Directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A further description of our responsibilities for the audit of the financial statements is located at the website of de 'Koninklijke Nederlandse Beroepsorganisatie van Accountants' (NBA, Royal Netherlands Institute of Chartered Accountants) at: http://www.nba.nl/ENG_algemeen_01. This description forms part of our independent auditor's report.

Amstelveen, 26 April 2023

KPMG Accountants N.V.

L.M.A. van Opzeeland RA