Consolidated Financial Statements
for the year 2024

HMH Holding B.V.

Consolidated income statement
for the year ended December 31, 2024

Amounts in USD thousands	*Notes*	**2024**	**2023**
Revenue and other income	2.1	**843,268**	**785,579**
Materials, goods and services		-352,357	-369,528
Salaries, wages and social security costs	2.5	-239,820	-218,637
Other operating expenses	2.6	-88,926	-75,187
Operating expenses		**-681,102**	**-663,352**
Depreciation and amortization	3.1-3.3	-47,629	-44,683
Operating profit / loss(-)		**114,537**	**77,544**
Finance income	4.4	19,019	13,769
Finance expenses	4.4	-63,505	-63,882
Net finance expenses		**-44,486**	**-50,113**
Profit / loss(-) before tax		**70,051**	**27,431**
Income tax expense	5.1	-24,532	-16,656
Profit / loss(-) for the period		**45,519**	**10,775**
Profit attributable to:			
Equity holders of the parent		44,780	10,775
Non-controlling interests		739	-

Consolidated statement of comprehensive income

Amounts in USD thousands	*Notes*	**2024**	**2023**
Profit / loss(-) for the period		**45,519**	**10,775**
Other comprehensive income			
Cash flow hedges, gross amount		-4,314	3,688
Cash flow hedges, related tax		966	-821
Total change in hedging reserve, net of tax	4.2	**-3,348**	**2,867**
Currency translation differences - foreign operations		-21,591	5,126
Total items that may be reclassified subsequently to profit or loss, net of tax		**-24,939**	**7,993**
Remeasurement gain / loss(-) net defined benefit liability	2.5	567	13
Related tax to remeasurement gain / loss(-) net defined benefit liability		-113	4
Total items that will not be reclassified to profit or loss, net of tax		**453**	**17**
Total other comprehensive income / loss(-) for the period, net of tax		**-24,486**	**8,009**
Total comprehensive income / loss(-)		**21,033**	**18,785**
Total comprehensive income / loss(-) attributable to:			
Equity holders of the parent		20,295	18,785
Non-controlling interests		739	-

The Notes to the Consolidated Financial Statements on page 40 to 86 form an integral part of these consolidated financial statements.

Consolidated statements of financial position

As at December 31

Amounts in USD thousands	*Notes*	**2024**	**2023**
ASSETS			
Non-current assets			
Property, plant and equipment	3.1	198,684	214,834
Other intangible assets	3.3	136,324	148,471
Right-of-use assets	3.2	37,087	34,149
Goodwill	3.3	300,939	287,848
Other non-current assets	7.1	31,854	28,488
Deferred tax assets	5.1	19,139	28,570
Total non-current assets		**724,026**	**742,359**
Current assets			
Inventories	2.3	279,957	241,404
Trade receivables and other current assets	2.4	181,712	178,205
Derivative financial instruments	4.2	1,713	2,759
Current financial assets	4.2	3,679	1,500
Contract assets	2.1	143,360	143,652
Prepaid income tax		682	884
Cash and cash equivalents	4.3	48,912	62,524
Total current assets		**660,015**	**630,928**
TOTAL ASSETS		**1,384,041**	**1,373,288**

As at December 31

Amounts in USD thousands	*Notes*	**2024**	**2023**
EQUITY AND LIABILITIES			
Equity			
Share capital	4.6	0	0
Share premium	4.6	601,539	601,539
Reserves	4.6	5,137	15,175
Retained earnings	4.6	23,948	-20,832
Equity attributable to equity holders of the parent company		**630,624**	**595,881**
Non-controlling interests		**1,170**	**-**
Total equity		**631,794**	**595,881**
Non-current liabilities			
Non-current borrowings	4.7	328,747	315,175
Non-current lease liabilities	3.2	30,684	28,617
Employee benefit obligations	2.5	16,828	19,154
Deferred tax liabilities	5.1	19,128	21,541
Non-current provisions	7.2	822	1,068
Other non-current liabilities	7.1	14,212	11,359
Total non-current liabilities		**410,422**	**396,913**
Current liabilities			
Current borrowings	4.7	14,428	25,453
Current lease liabilities	3.2	8,688	8,722
Current tax liabilities	5.1	6,040	8,283
Current provisions	7.2	16,109	17,829
Trade payables and other current liabilities	2.7	236,322	243,356
Contract liabilities	2.1	55,627	75,525
Derivative financial instruments	4.2	4,612	1,326
Total current liabilities		**341,826**	**380,495**
Total liabilities		**752,247**	**777,408**
TOTAL EQUITY AND LIABILITIES		**1,384,041**	**1,373,288**

The Notes to the Consolidated Financial Statements on page 40 to 86 form an integral part of these consolidated financial statements.

Consolidated statements of cash flows
for the year ended December 31, 2024

Amounts in USD thousands	*Notes*	**2024**	**2023**
Cash flow from operating activities			
Profit / loss(-) before tax		70,051	27,431
Adjustments for:			
Net finance income and expenses		44,486	50,113
Share-based payment expense		5,557	6,470
Foreign exchange gain and loss(-)		-6,786	527
Depreciation and amortization	3.1-3.3	47,629	44,683
		160,937	**129,225**
Changes in:			
Decrease/Increase(-) in trade receivables and other current assets		-1,514	-4,724
Decrease/Increase(-) in inventories		-35,510	-58,664
Increase/Decrease(-) in trade payables and other liabilities		-11,431	-5,569
Decrease/Increase(-) in contract assets		292	-19,967
Increase/Decrease(-) in contract liabilities		-19,898	17,886
Decrease/Increase(-) in indemnification assets		-1,621	2,642
Decrease/Increase (-) in non-current assets		-5,424	-33
Increase/Decrease(-) in non-current liabilities		-	-178
Decrease/Increase (-) in current financial assets		1,500	1,426
Increase/Decrease(-) in provisions and employee benefit		-3,838	2,783
Other changes		-584	6,129
		-78,028	**-58,269**
Interest paid		-21,127	-26,159
Interest paid for leases	4.4	-2,158	-2,180
Interest received	4.4	2,788	2,592
Income taxes paid		-17,218	-11,972
Net cash from operating activities		**45,195**	**33,237**
Cash flow from investing activities			
Purchase of property, plant and equipment		-16,096	-14,116
Payments for capitalized development expenses		-2,436	-10,541
Proceeds from sale of property, plant and equipment		213	601
Acquisition of subsidiaries, net of cash acquired	6.1	-19,624	-
Net cash flow used in investing activities		**-37,943**	**-24,057**
Cash flow from financing activities			
Proceeds from sale to non-controlling interest	4.6	2,291	-
Proceeds from borrowing	4.7	90,000	183,043
Payment of borrowings	4.7	-97,984	-157,320
Payment of borrowing cost	4.7	-1,627	-11,243
Payment of lease liabilities	3.2	-10,320	-7,486
Net cash flow used in financing activities		**-17,641**	**6,994**
Effect of exchange rate changes on cash and cash equivalents		-3,222	-986
Net increase / decrease (-) in cash and cash equivalents		**-13,612**	**15,188**
Cash and cash equivalents at the beginning of the period		62,524	47,336
Cash and cash equivalents at the end of the period	4.3	**48,912**	**62,524**

The Notes to the Consolidated Financial Statements on page 40 to 86 form an integral part of these consolidated financial statements.

Consolidated statements of changes in equity

For the year ended December 31, 2024

Amounts in USD thousands	Note	Share capital [1]	Share premium	Hedging reserve	Pension remeasurement reserve	Other reserve	Currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
		Attributable to owners of the Group									
Balance as at January 1, 2024		**0**	**601,539**	**1,098**	**2,036**	**9,967**	**2,075**	**-20,832**	**595,881**	**-**	**595,881**
Profit / loss(-) for the period of 2024		-	-	-	-	-	-	44,780	44,780	739	45,519
Other comprehensive income		-	-	-3,348	453	-	-21,591	-	-24,486	-	-24,486
Total comprehensive income		**-**	**-**	**-3,348**	**453**	**-**	**-21,591**	**44,780**	**20,295**	**739**	**21,033**
Share-based payments	2.5	-	-	-	-	5,557	-	-	5,557	-	5,557
Sale of ownership interest in Hydril Arabia	4.6		-	-	-	8,891	**-**	**-**	8,891	431	9,322
Balance at December 31, 2024		**0**	**601,539**	**-2,250**	**2,489**	**24,415**	**-19,516**	**23,948**	**630,624**	**1,170**	**631,794**

[1] Share capital is USD 0.003 thousand at December 31, 2024

For the year ended December 31, 2023

Amounts in USD thousands	Note	Share capital [1]	Share premium	Hedging reserve	Pension remeasurement reserve	Other reserve	Currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
		Attributable to owners of the Group									
Balance at January 1		**0**	**601,539**	**-1,769**	**2,019**	**-**	**-3,051**	**-31,607**	**567,130**	**-**	**567,130**
Profit / loss(-) for the period of 2023		-	-	-	-	-	-	10,775	10,775	-	10,775
Other comprehensive income		-	-	2,867	17	-	5,126		8,009	-	8,009
Total comprehensive income		**0**	**-**	**2,867**	**17**	**-**	**5,126**	**10,775**	**18,785**	**-**	**18,785**
Share-based payments	2.5	-	-	-	-	9,967	-	-	9,967	-	9,967
Balance at December 31, 2023		**0**	**601,539**	**1,098**	**2,036**	**9,967**	**2,075**	**-20,832**	**595,881**	**-**	**595,881**

[1] Share capital is USD 0.003 thousand at December 31, 2023

Amsterdam, April 28, 2025

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Daniel W. Rabun
(Chairman of the board,
appointed as per 21.10.2024)

____
Karl Erik Kjelstad
(Vice Chairman)

____
Kristian M. Røkke
(Board member)

____
Georgia M. Magno
(Board member)
appointed as per 06.03.2025)

____
Judson E. Bailey
(Board member)

The Notes to the Consolidated Financial Statements on page 40 to 86 form an 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 Oslo Stock Exchange (Norway) on November 4, 2022, HMH Holding B.V. was considered a public interest entity in the European Union (EU-PIE) as at December 31, 2022. Due to fully repayment of this bond on November 22, 2023 and November 28, 2023, HMH Holding BV is not considered to be an EU-PIE as at December 31, 2024. The Group issued a new bond on October 30, 2023 and intends to list the bond on the Oslo Stock Exchange during the first half of 2025, and will become an EU-PIE at the moment of the bond listing.

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 from Akastor and the Subsea Drilling System business from Baker Hughes. 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. The Group's vision is centered on an unparalleled commitment to quality and yielding economic advantages for customers and stakeholders. HMH Holding B.V. Group has a global span covering five continents with offices in 16 countries.

Basis of preparation

Statement of compliance

The consolidated financial statements of the Group are part of the statutory financial statements of the Group. 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 28, 2025.

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 4.5 Capital management.

Certain amounts in prior year periods have been reclassified to conform with current period presentation.

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, which is the Group'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 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.

New and amended standards and interpretations

In 2024 new standards and amendments to existing standards have become effective. This is related to the following standards:

- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

The adoption of these items did not have a significant impact on the Group's consolidated financial statements.

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, 2025. The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- Lack of Exchangeability (Amendments to IAS 21)
- Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)
- Annual Improvements to IFRS Accounting Standards – Volume 11

The group is currently working with identifying the impact the IFRS 18 Presentation and Disclosures in Financial Statements will have on the primary financial statements and notes to the financial statements.

1.2 Material accounting policies

Summary of material 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.

Business combinations

Most business combinations are governed by IFRS 3 Business combinations. However, 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.

HMH concluded that the formation of the Group was considered to be a business combination under common control on the formation of a joint venture, outside the scope of IFRS 3. HMH developed and adopted an accounting policy in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors 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.

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.

Non-controlling interests

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

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

The consolidated financial statements are presented in USD. Assets and liabilities of non-U.S. operations with a functional currency other than USD have been translated into USD using the Group's period end exchange rates, and revenue, expenses and cash flows have been translated at average rates for the respective periods. Any resulting translation gains and losses are included in other comprehensive income (loss). The impact of remeasurement of monetary assets and liabilities denominated in currencies other than the functional currency of the Group or its subsidiaries is included in the consolidated statements of income.

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 fair value through profit and loss (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 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 canceled 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 Group evaluates the expected credit losses of accounts receivable, considering historical credit losses, current customer-specific information and other relevant factors when determining the allowance. The Group monitors customer payment history and current creditworthiness to determine that collectability of the related financial assets is reasonably assured. The Group also considers the overall business climate in which customers operate. For accounts receivable, a loss allowance matrix is utilized to measure lifetime expected credit losses. The matrix contemplates historical credit losses by age of receivables, adjusted for any forward-looking information and management expectations. 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. Restricted cash may include legally restricted deposits held as compensating balances against short-term borrowing arrangements, contracts entered into with others or company statements of intention with regard to particular deposits. The Group held an immaterial balance of restricted cash as of December 31, 2024 and December 31, 2023.

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.

Other equity

Other Equity refers to equity items that do not fall under the usual categories such as share capital, share premium, retained earnings, or reserves. This category can include various types of equity instruments and transactions that have specific accounting treatments. Refer to note 4.6 for details.

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 are not 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.

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. The deferred tax assets acquired before the incorporation of the HMH Group are retained by the shareholders. Shareholders have the right to bill HMH when deferred tax assets are utilized. The fair value of the obligation to shareholders is acknowledged within the Group and is presented as other non-current liabilities. 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. The inventory policy also applies for project inventory, which is inventory purchased based on project demands, but that has not yet been issued to projects.

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.

Legal disputes and contingent liabilities

Given the scope of the Group's worldwide operations, its subsidiaries are inevitably involved in legal disputes in the course of their business activities. In addition, the Group from time to time engages in mergers, acquisitions and other transactions that could expose the Group 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 provisions 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.

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 note 6.1 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 it 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.

Share-based payments

The grant-date fair value of equity-settled share-based payment awards granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

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 and judgements

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 contract change orders 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 stage of completion 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
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. A provision is made for expected warranty expenditures. The warranty period is normally 12 to 30 months depending on the specific customer contract and terms. Reference is made to note 7.2 Provisions for further information about provisions for warranty expenditures.

Impairment of financial assets
The Group holds various financial assets, which may be subject to impairment if there are indicators of potential declines in their recoverable amounts. In such cases, impairment tests are conducted to evaluate whether adjustments to carrying values are necessary. These tests typically involve estimating future cash flows, determining appropriate discount rates, and making assumptions about market conditions, all of which require significant management judgment and analysis.

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. There have been no changes in cash-generating units in 2024. 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.

Impairment of Goodwill
The Group performs impairment testing of goodwill annually or more frequently if any impairment indicators are identified. When applicable, the Group carries forward and uses the most recent detailed calculation of a cash-generating unit's recoverable amount made in a preceding period, provided all of the following criteria are met: a) the assets and liabilities making up the unit have not changed significantly since the most recent recoverable amount calculation, b) the most recent recoverable amount calculation resulted in an amount that exceeded the carrying amount of the unit by a substantial margin; and c) based on an analysis of events that have occurred and circumstances that have changed since the most recent recoverable amount calculation, the likelihood that a current recoverable amount determination would be less than the current carrying amount of the unit is remote. 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. No impairment was recorded during the years ended December 31, 2024 or 2023.

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.

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.

Section 2 - Operating performance

2.1 Revenue

Disaggregation of revenue and other income
Revenue and other income is disaggregated in the following table by major contracts and revenue types and timing of revenue recognition. Revenue from contracts with customers amounts to USD 840.6 million (USD 782.6 million in 2023) and other income amounts to USD 2.6 million (USD 3.0 million in 2023)
See note 2.2 for description of the segments ESS and PCS.

For the year ended December 31, 2024

Amounts in USD thousands	ESS	PCS	Total
Major contract/revenue types			
Project and other manufacturing contracts revenue	33,551	36,910	70,461
Sale of products	108,610	50,064	158,674
Service revenue	190,767	175,341	366,108
Spare parts revenue	110,806	137,219	248,025
Revenue and other income	**443,734**	**399,534**	**843,268**
Timing of revenue recognition			
Transferred over time	190,658	128,435	319,093
Transferred at point in time	253,076	271,100	524,176
Revenue and other income	**443,734**	**399,534**	**843,268**

For the year ended December 31, 2023

Amounts in USD thousands	ESS	PCS	Total
Major contracts/revenue types			
Project and other manufacturing contracts revenue	26,877	50,816	77,693
Sale of products	58,912	51,753	110,665
Service revenue	189,419	139,368	328,787
Spare parts revenue	105,121	163,313	268,434
Revenue and other income	**380,330**	**405,249**	**785,579**
Timing of revenue recognition			
Transferred over time	132,054	121,950	254,004
Transferred at point in time	248,276	283,299	531,575
Revenue and other income	**380,330**	**405,249**	**785,579**

Amounts in USD thousands	2024	2023
Trade receivables included in "Trade receivables and other current assets"	133,986	130,659
Contract assets	143,360	143,652
Contract liabilities	55,627	75,525

Transaction price allocated to the remaining performance obligations
In 2024 the aggregate amount of the transaction price allocated to the unsatisfied or partially unsatisfied performance obligations was USD 464.8 million (USD 355.5 million in 2023). In 2024, the Company expected to recognize substantially all of the revenue from the total remaining performance obligations over the next 12 months. Contract modifications could affect both the timing to complete as well as the amount to be received as the Company fulfils the related remaining performance obligations.

2.1 Revenue (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 a good or service to a customer. The assessment is made on contract-by-contract basis. Refer to note 1.3 for description of the significant estimates in the revenue recognition.

Type of contract/revenue	Nature of performance obligations, including significant payment terms	Significant revenue recognition policies
Project and other manufacturing contracts	Under project and other manufacturing contracts, specialized products are built to a customer's specifications and the assets have no alternative use to the Group. If a project or other manufacturing contract is terminated by the customer, the Group has an enforceable right to payment for the work completed to date. The contracts establish a legally enforceable milestone payment schedule as well as a legally enforceable right to receive payment for work completed. Each of the project or other manufacturing contracts normally includes a single, combined output for the customer, such as an integrated drilling equipment package. A single performance obligation, satisfied over time, is identified in each contract. Project and other manufacturing contracts revenue is presented in product revenue on the consolidated statements of income. Normal payment terms for project and other manufacturing contracts are 30 to 45 days.	Revenue from project and other manufacturing contracts is recognized according to progress. The input method used to measure progress is determined by reference to the costs incurred to date relative to the total estimated contract cost. Because of the uniqueness of the project and the required engineering in the initial phases of construction contracts, the Group may defer recognition of revenue, in excess of costs, until the point that progress can be measured reliably, which is when a project is approximately 20% complete. The Group considers milestone payments as variable consideration, with the full milestone payment representing the most likely outcome based on the Group's historical experience. In addition, liquidated damages are 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. 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.
Service revenue	Service revenue is generated from the rendering of various aftermarket services for installed products to customers. This offering includes field service, maintenance, overhaul and repair. Field service, maintenance and overhaul and repair services are satisfied over time as the customers simultaneously receive and consume the benefits provided by these services. For service contracts with multiple performance obligations, the Group allocates the transaction price based on the stand-alone selling price of each performance obligation. The Group determines the stand-alone selling price based on observable prices or will use an estimation method if observable prices are not available. Normal payment terms for service revenue are 30 to 45 days.	Service revenue associated with field service, maintenance and overhaul and repair is recognized according to progress or the as-invoiced amounts, when the invoiced amounts directly correspond with the benefit of the services that are transferred to the customers. Progress is measured using the input method based on labor hours incurred.
Spare parts revenue	Revenue from spare parts, which involve physical transfer of goods, is satisfied at a point of time when control transfers to the customers, according to the contract terms. Normal payment terms for spare parts revenue are 30 to 45 days.	Revenue from spare parts is recognized when the customers obtain control of the goods, according to the contract terms, typically at physical shipment of goods.

Sale of products	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 according to the contract terms. The Group has assessed that these performance obligations are satisfied at a point of time. Revenue for sale of products is presented in product revenue on the consolidated statements of income. For contracts with multiple performance obligations, the Group allocates the transaction price based on the stand-alone selling price of each performance obligation. The Group determines the stand-alone selling price based on observable prices or will use an estimation method if observable prices are not available. Normal payment terms for sale of products are 30 to 45 days.	Revenue from these performance obligations is recognized when the customers obtain control of the goods, according to the contract terms.

2.2 Operating segments

Basis for segmentation
As at December 31, 2024, 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:

Equipment and System Solutions (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.

Pressure Control Systems (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 re-certification and reactivation of rigs, technical and operational rig support which includes a 24/7 support centre 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 Material accounting policies.

Amounts in USD thousands	ESS	PCS	**Total operating segments**	Eliminations	Headquarter	**Total HMH**
For the year ended December 31, 2024						
Income statement						
External revenue and other income	443,733	399,535	**843,268**	-	-	**843,268**
Inter-segment revenue	5,549	10,115	**15,664**	-15,664	-	**-**
Total revenue and other income	**449,282**	**409,649**	**858,932**	**-15,664**	**-**	**843,268**
Operating profit before interest, depreciation and amortization	**67,891**	**106,273**	**174,164**	**-**	**-11,998**	**162,166**
Depreciation and amortization						**-47,629**
Operating profit / loss(-)						**114,537**
Net finance income/expense						**-44,486**
Profit / loss(-) before tax						**70,051**

Amounts in USD thousands	ESS	PCS	**Total operating segments**	Eliminations	Headquarter	**Total HMH**
For the year ended December 31, 2023						
Income statement						
External revenue and other income	380,330	405,249	**785,579**	-	-	**785,579**
Inter-segment revenue	8,284	7,948	**16,232**	-16,232	-	**-**
Total revenue and other income	**388,614**	**413,197**	**801,811**	**-16,232**	**-**	**785,579**
Operating profit before interest, depreciation and amortization	**29,998**	**100,090**	**130,087**	**-**	**-7,860**	**122,227**
Depreciation and amortization						**-44,683**
Operating profit / loss(-)						**77,544**
Net finance income/expense						**-50,113**
Profit / loss(-) before tax						**27,431**

2.2 Operating segments (Continued)

Geographical information
Geographical revenue is presented on the basis of the geographic regions from which our revenues originated during the years ended December 31, 2024 and 2023, though much of our installed base may be deployed or operating in a different geographic region. Non-current assets are presented based on the geographical location of the asset.

			2024			**2023**
Amounts in USD thousands	ESS	PCS	**Revenue**	ESS	PCS	**Revenue**
USA	41,713	262,556	304,269	42,200	256,182	298,381
Norway	206,691	-	206,691	178,369	-	178,369
Germany	99,453	-	99,453	62,002	-	62,002
UK	8,688	63,914	72,602	8,722	58,750	67,473
Singapore	12,792	32,773	45,565	11,039	38,998	50,037
Brazil	22,238	9,589	31,827	20,868	8,027	28,895
Azerbaijan	17,272	3,481	20,754	17,096	3,662	20,758
UAE	19,904	0	19,904	21,936	4,299	26,236
Saudi Arabia	-	19,314	19,314	-	10,839	10,839
China	4,215	6,605	10,820	5,979	18,229	24,208
Australia	10,767	-	10,767	10,236	-	10,236
Other countries	-	1,302	1,302	1,883	6,263	8,146
Revenue	**443,733**	**399,535**	**843,268**	**380,330**	**405,249**	**785,579**

Non-current assets excluding deferred tax assets and financial instruments

Amounts in USD thousands	**2024**	**2023**
As at December 31		
HQ Netherlands[1)]	382,809	404,652
USA	183,786	164,109
Norway	43,614	44,584
Brazil	25,211	31,210
Germany	19,281	22,812
Other countries	12,521	12,260
Mexico	4,439	4,864
Consolidated assets	**671,661**	**684,492**

[1)] HQ Netherlands assets is mainly Goodwill accounted for in HMH Holding B.V. and intangible assets acquired through merger of PCS and ESS.

Major customer
Our top five customers accounted for approximately 42.0% and 32.9% of our total consolidated revenues for the years ended December 31, 2024 and 2023, respectively. In 2024, one customer accounted for 18.2% of our revenues for such year. In 2023, no customers accounted for more than 10% of our revenues for such year. The loss of business from one or more significant customers, or the failure to perform under any contract with such significant customers, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

2.3 Inventories

As at December 31

Amounts in USD thousands	**2024**	**2023**
Stock of raw materials	26,354	38,859
Goods under production	45,585	7,981
Finished goods	208,018	194,564
Total inventories	**279,957**	**241,404**
Recognized as expense in the period	-98,766	-74,771
Write-down of inventories in the period	-5,747	-783
Reversal of write-down in the period	399	399

Finished goods

The Group purchases parts which are to be modified and used in projects. These modified parts are classified as finished goods until they are sold as part of the project. There are limited amounts of parts which are sold as unmodified products to customers. Project Stock is included as inventory and amounts to USD 21.1 million as at 2024 (USD 22.9 million in 2023).

2.4 Trade receivables and other current assets

As at December 31

Amounts in USD thousands	**2024**	**2023**
Trade receivables	133,986	130,659
Provision for expected credit loss	-5,559	-6,747
Total trade receivables, net of provision	**128,426**	**123,912**
Other receivables	1,658	2,414
Advances to suppliers	4,098	16,148
Unbilled receivables	22,653	17,281
Prepaid expenses	17,176	13,899
Public duty and tax refund	7,702	4,551
Total receivables and other current assets	**181,712**	**178,205**

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

Aging of trade receivables

Amounts in USD thousands	**2024**	**2023**
Not overdue	97,744	90,554
Past due 0-30 days	19,611	19,461
Past due 31-90 days	5,767	10,754
Past due 91 days	10,864	9,890
Total trade receivables	**133,986**	**130,659**

A majority of the trade receivables past due is related to key customers. These outstanding receivables are monitored regularly and impairment analysis is performed on an individual basis for key customers. As at December 31, 2024, provision of impairment of USD 5,6 million was recorded on receivables (2023: USD 6,8 million). See below for the movements in the provision for impairment of receivables.

Amounts in USD thousands	**2024**	**2023**
Balance as at January 1	6,747	3,811
Change in expected credit loss	-180	2,906
Unused amounts reversed	-799	-24
Currency translation differences	-209	54
Balance as at December 31	**5,559**	**6,747**

2.5 Employee benefits expenses

Amounts in USD thousands	2024	2023
Salaries and wages including holiday allowance	195,821	173,430
Social security tax / national insurance contribution	18,914	16,127
Pension costs	6,258	6,234
Other employee costs [1)]	18,827	22,847
Salaries, wages and social security costs	**239,820**	**218,637**

[1)] Other employee costs include employee recognition and rewards, employee training and development costs, employee safety and health programs and other benefits.

Average number of employees (FTE)	2024	2023
Norway	609	595
Germany	212	216
United States	603	575
Brazil	223	213
Other countries	408	392
Total	**2,055**	**1,991**

Share-based payment program (equity-settled)

On January 31, 2022 the Board of Directors (BoD) of HMH Holding B.V. established an award program to management and certain employees to entitle them to a cash payment when certain strategic goals are achieved (Phantom program).

At grant date (January 31, 2022) the Board of Directors (BoD) awarded USD 10 million to the participants of the program based on an equity value of the Company of USD 600 million. The amount of the cash payment is determined based on the increase/decrease of the equity value of the Group. The program expires at the end of the a eight-year period after grant date. The program will fully vest in the event of change of control or initial public offering. The total carrying amount for this share based payment scheme as at December 31, 2024 is USD 8.2 million (2023: USD 6.2 million).

At grant date (September 1, 2022) the BoD awarded USD 5 million to the participants of the program based on an equity value of the Company of USD 600 million. The program expires at the end of the a three-year period after grant date. The program will fully vest in the event of change of control or initial public offering. The total carrying amount for this share based payment scheme as at December 31, 2024 is USD 4.1 million (2023: USD 3.2 million).

In Q4 2023, HMH Management has reassessed the Phantom and LTI 2022 share-based payment programs and concluded that the awards will most likely be settled in shares and not in cash as assessed earlier. As a result of this change in the expected settlement of these two awards, the Group has reassessed the accounting implications and concluded that it is a modification of these share-based programs. As a result of the modification, these two awards were reclassified from cash-settled to equity-settled awards on a prospective basis from the date of modification in the amount of USD 9.967 million. Based on changes in expectation of the settlement, it was reclassified from cash-settled to equity-settled with a resulting reclassification from liability to equity in the balance sheet. For the Phantom program, the update in the forfeiture rate indicated that difference between the carrying amount of the liability and the fair value recognized in equity was USD 0.0 million which was immediately recognized in profit or loss. For the LTI 2022 program, management concluded that there was no difference in the carrying amount of the liability and the fair value of the equity recorded; the profit or loss effect is null at the modification date.

At September 1, 2023, the BoD of HMH Holding B.V. established a share-based incentive program covering certain key personnel employees to entitle them to a equity payment when certain strategic goals are achieved (LTI 2023 program). At grant date (September 1, 2023) the BoD awarded USD 5 million to the participants of the program based on an equity value of the Company of USD 700 million. The program expires at the end of the a three-year period after grant date. The total carrying amount for this share based payment scheme as at December 31, 2024 is USD 2.6 million (2023: USD 0.6 million).

At September 1, 2024, the BoD of HMH Holding B.V. established a share-based incentive program covering certain key personnel employees to entitle them to a equity payment when certain strategic goals are achieved (LTI 2024 program). At grant date (September 1, 2024) the BoD awarded USD 5 million to the participants of the program based on an equity value of the Company of USD 1 billion. The program expires at the end of the a three-year period after grant date. The total carrying amount for this share based payment scheme as at December 31, 2024 is USD 0.4 million.

Total amount expensed in 2024 is USD 5.557 million (USD 9.967 million in 2023). 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 liabilities relate 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.

For pension plans in Norway and Germany there are no material changes in term of pension agreements in 2024 compared to 2023.

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. This does not apply in the case of partial retirement.

2.5 Employee benefits expenses (Continued)

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 2025 amount to USD 766 thousand.

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 2025 amount to USD 144 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.

Pension plans outside Norway and Germany
Pension plans outside Norway and Germany are predominately defined contribution plans and includes 1,184 employees in 2024 (2023: 1,184 employees).

Pension cost

Amounts in USD thousands	*Note*	**2024**	**2023**
Defined benefit plans		464	206
Defined contribution plans including AFP		5,794	6,028
Total pension cost		**6,258**	**6,234**

Net employee defined benefit obligations

Amounts in USD thousands	**2024**	**2023**
Defined benefit plans Norway	8,040	9,083
Defined benefit plans Germany	8,581	8,947
Defined benefit plans other countries	208	1,124
Total employee benefit obligations	**16,828**	**19,154**

Movement in net defined benefit liability

Amounts in USD thousands	**2024**	**2023**
Liability as at January 1	19,153	18,797
Included in profit / loss(-)		
Service cost	464	206
Interest cost (income)	764	523
Total	**1,228**	**729**
Included in OCI		
Remeasurement (loss) gain arising from		
- financial assumptions	-26	112
- experience adjustments	158	-212
- currency adjustments	-699	88
Total	**-567**	**-13**
Other		
Contributions paid into the plan	-1,501	-1,104
Foreign currency translation adjustment	-1,485	743
Total	**-2,986**	**-361**
Liability as at December 31	**16,828**	**19,153**

2.5 Employee benefits expenses (Continued)

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 at October 1, 2021. HMH have booked a receivable in HMH Holding B.V. towards Akastor for their part of the total pension liability, see indemnification assets in note 7.3 Related party transactions.

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.

	2024		2023	
	Norway	Germany	Norway	Germany
Discount rate	3.90%	3.06%	3.10%	3.69%
Salary progression	4.00%	2.60%	3.50%	2.60%
Pension indexation	2.40%	2.00%	1.80%	2.00%
Mortality table	K2013	RT 2018 G	K2013	RT 2018 G

The discount rates and other assumptions for Norway in 2024 and 2023 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.

	2024		2023	
Years	Norway	Germany	Norway	Germany
Life expectancy of males after pension	22.8	20.9	22.7	20.6
Life expectancy of females after pension	26.1	24.3	26.0	24.0

As at December 31, 2024, the weighted-average duration of the defined benefit obligation was 9.76 years (2023: 9.98 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 at December 31, 2024 and December 31, 2023 by the amounts shown below.

Amounts in USD thousands	**Change in defined benefit obligation**	
Change in actuarial assumptions	Increase	Decrease
2024		
Discount rate (1% decrease/increase movement)	1,171	1,415
Future salary growth (1% increase/decrease movement)	1,290	1,277
Future pension growth (1% increase/decrease movement)	1,406	1,282

	Change in defined benefit obligation	
Change in actuarial assumptions	Increase	Decrease
2023		
Discount rate (1% decrease/increase movement)	1,170	1,418
Future salary growth (1% increase/decrease movement)	1,292	1,278
Future pension growth (1% increase/decrease movement)	1,409	1,283

2.6 Other operating expenses

Amounts in USD thousands	**2024**	**2023**
External consultants inclusive audit fees	41,357	31,505
Other costs for premises and equipment	29,873	32,287
Insurance	7,239	5,190
Travel expenses	6,968	5,127
Other	3,489	1,077
Total other operating expenses	**88,926**	**75,187**

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 periods for 2023 and 2024.

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

	2024			**2023**		
Amounts in USD thousands	KPMG Accountant N.V	Other KPMG network	**Total**	KPMG Accountant N.V	Other KPMG network	**Total**
Audit	520	3,304	3,824	551	1,909	2,459
Other audit services	280	-	280	-	1,690	1,690
Tax advisory services	-	22	22	-	10	10
Other non-audit services	-	4	4	-	-	-
Total	**800**	**3,329**	**4,129**	**551**	**3,608**	**4,159**

The Group has also paid an audit fee of USD 62 thousand to other auditors in subsidiaries in 2024 (2023: USD 134 thousand).

The fees mentioned in the table for the audit of the financial statements (and other audit engagements) are related to the work performed during the reporting period by the external auditor.

2.7 Trade payables and other current liabilities

As at December 31

Amounts in USD thousands	*Note*	**2024**	**2023**
Trade creditors		108,327	116,733
Accruals		117,314	116,452
Trade payables	*4.2*	**225,641**	**233,185**
Duties and tax		9,550	9,427
Deferred settlement obligations		1,131	744
Total trade payables and other current liabilities		**236,322**	**243,356**

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

Section 3 - Asset base

3.1 Property, plant and equipment

Amounts in USD thousands	*Note*	**Buildings and land**	**Machinery, equipment, software**	**Assets under construction**	**Total**
Historical cost					
Balance as at January 1, 2024		**166,325**	**83,672**	**5,695**	**255,692**
Additions		327	1,950	12,224	**14,501**
Additions through business combinations	*6.1*	-	439	-	**439**
Reclassifications [1)]		23	-5	-1,113	**-1,095**
Transfer from assets under construction		2,181	10,930	-13,111	**0**
Disposals and scrapping		-	-4,698	-	**-4,698**
Currency translation differences		-17,218	-7,076	-570	**-24,864**
Balance as at December 31, 2024		**151,638**	**85,212**	**3,125**	**239,975**
Accumulated depreciation					
Balance as at January 1, 2024		**-22,670**	**-18,188**	**-**	**-40,858**
Depreciation for the period		-5,686	-12,922	-	**-18,608**
Reclassifications [1)]		-	1,702	-	**1,702**
Disposals and scrapping		-	4,485	-	**4,485**
Currency translation differences		6,640	5,347	-	**11,987**
Balance as at December 31, 2024		**-21,716**	**-19,576**	**-**	**-41,292**
Book value as at January 1, 2024		**143,655**	**65,484**	**5,695**	**214,834**
Book value as at December 31, 2024		**129,923**	**65,636**	**3,125**	**198,684**

[1)] Reclassification from Property, plant and equipment to Intangibles.

Amounts in USD thousands	*Note*	**Buildings and land**	**Machinery, equipment, software**	**Assets under construction**	**Total**
Historical cost					
Balance as at January 1, 2023		**155,278**	**82,171**	**1,398**	**238,847**
Additions		6,173	2,505	5,439	**14,116**
Reclassifications [1)]		34	-3,943	124	**-3,785**
Transfer from assets under construction		-	1,453	-1,453	**-**
Disposals and scrapping		-	-345	-	**-345**
Currency translation differences		4,839	1,832	187	**6,858**
Balance as at December 31, 2023		**166,325**	**83,672**	**5,695**	**255,692**
Accumulated depreciation					
Balance as at January 1, 2023		**-7,847**	**-13,325**	**-**	**-21,172**
Depreciation for the period		-15,018	-3,876	-	**-18,894**
Disposal and scrapping		-	-226	-	**-226**
Currency translation differences		195	-762	-	**-567**
Balance as at December 31, 2023		**-22,670**	**-18,188**	**-**	**-40,858**
Book value as at January 1, 2023		**147,431**	**68,846**	**1,398**	**217,675**
Book value as at December 31, 2023		**143,655**	**65,484**	**5,695**	**214,834**

[1)] Reclassification from Property, plant and equipment to Intangibles.

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

Amounts in USD thousands	**2024**	**2023**
Balance as at January 1	**34,149**	**37,138**
Depreciation	-7,695	-6,212
Additions	4,706	271
Remeasurement	8,439	3,327
Currency translation differences	-2,512	-375
Balance as at December 31	**37,087**	**34,149**

Lease liabilities

Amounts in USD thousands	**2024**	**2023**
Balance as at January 1	**37,339**	**39,923**
Cash flows, principal payments	-10,108	-7,054
Additions	4,706	271
Remeasurement	8,439	3,326
Change in accrued interest	2,150	2,218
Currency translation differences	-3,154	-1,345
Balance as at December 31	**39,372**	**37,339**
Current lease liabilities	**8,688**	**8,722**
Non-current lease liabilities	**30,684**	**28,617**

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

Lease payments recognized in the income statement

Amounts in USD thousands	**2024**	**2023**
Depreciation expense of right-of-use assets	7,695	8,126
Interest expense on lease liabilities	2,158	2,180
Expenses related to short-term leases and low value items	246	563
Total	**10,100**	**10,868**

Total cash flow

Amounts in USD thousands	**2024**	**2023**
Lease payments	-10,074	-6,923
Short-term and low-value leases	-246	-563
Total lease cash flow	**-10,320**	**-7,486**

Lease liabilities expiring within the following periods from the balance dates:
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 at December 31, 2024, the Group estimates potential future lease payments (undiscounted) would have had an immaterial impact to the lease liability.

3.3 Intangible assets and goodwill

Amounts in USD thousands	*Note*	Development costs[2)]	Goodwill	Patents and rights	Customer Relations	Total
Historical cost						
Balance as at January 1, 2024		67,129	287,848	20,550	107,893	483,420
Additions		1,406	-	17	-	1,422
Reclassifications and other changes[1)]		1,888	-	2	-	1,890
Acquisition through business combination	*6.1*	6,000	14,125	-	5,000	25,125
Disposal		-846	-	-	-	-846
Currency translation differences		-8,358	-1,033	-462	-	-9,852
Balance as at December 31, 2024		**67,219**	**300,940**	**20,108**	**112,893**	**501,159**
Accumulated amortization						
Balance as at January 1, 2024		**-13,132**	**-**	**-8,890**	**-25,081**	**-47,102**
Amortization for the period		-6,343	-	-2,927	-12,054	-21,326
Reclassification [1)]		-1,123	-	-	-	-1,123
Disposal and scrapping		846	-	-	-	846
Currency translation differences		4,618	-	190	-	4,809
Balance as at December 31, 2024		**-15,134**	**-**	**-11,627**	**-37,135**	**-63,897**
Net book value as at January 1, 2024		**53,997**	**287,848**	**11,661**	**82,813**	**436,318**
Net book value as at December 31, 2024		**52,085**	**300,940**	**8,481**	**75,758**	**437,263**
Useful life		**3-8**	**Indefinite**	**3-5**	**2-20**	

[1)] Reclassification from Property, plant and equipment to Intangibles and other changes within intangible assets.

[2)] Our ongoing R&D efforts are being orchestrated across multiple locations, including Norway, Germany, and the United States. These activities are primarily centered on the following areas:
- Development of a rotating control device along with associated equipment to enable open water, riserless drilling.
- Design and construction of a tested for the development of the electric BOP actuators, motors and controllers for use in offshore surface (platforms and jack-ups), subsea and land applications.
- Development of automation and digitalization solutions and digitally-powered services to improve customer efficiency, reduce emissions and improve customer competitiveness.

Amounts in USD thousands	Development costs	Goodwill	Patents and rights	Customer Relations	Total
Historical cost					
Balance as at January 1, 2023	56,321	287,525	21,141	105,611	470,599
Reclassifications	728	-	-	1,686	2,413
Additions	10,541	-	-	-	10,541
Currency translation differences	-460	322	-591	596	-133
Balance as at December 31, 2023	**67,129**	**287,848**	**20,550**	**107,893**	**483,420**
Accumulated amortization					
Balance as at January 1, 2023	-7,082	-	-4,500	-15,064	-26,646
Amortization for the period	-5,851	-	-4,303	-9,423	-19,577
Currency translation differences	-199	-	-87	-594	-880
Balance as at December 31, 2023	**-13,132**	**-**	**-8,890**	**-25,081**	**-47,103**
Net book value as at January 1, 2023	**49,238**	**287,525**	**16,642**	**90,547**	**443,953**
Net book value as at December 31, 2023	**53,997**	**287,848**	**11,661**	**82,813**	**436,318**
Useful life	**3-8**	**Indefinite**	**3-5**	**2-20**	

Development costs
Development is acquired through business combinations.
Development costs that are not eligible for capitalization have been expensed in the period incurred and recognized as other operating expenses.

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

Goodwill
At December 31, 2024 the carrying amount of goodwill is USD 300,939 thousand (2023: USD 287,848 thousand). See note 3.4 Impairment testing of goodwill.

3.4 Impairment testing of goodwill

Goodwill mainly arose from the formation of HMH Holding B.V in 2021 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.

Amounts in USD thousands	**2024**	**2023**
ESS	183,585	184,503
PCS	117,354	103,345
Total goodwill	**300,939**	**287,848**

Impairment testing for cash-generating units containing goodwill

The Group conducted its annual impairment test for the goodwill by carrying forward the most recent detailed calculation of its recoverable amount from the preceding period. This approach was considered appropriate as the assets and liabilities of the CGUs have not changed significantly since last year's recoverable amount calculation, and the previous calculation indicated that the recoverable amount significantly exceeded the carrying amount of the CGU. Additionally, an analysis of events and changes in circumstances since the prior assessment indicated that the likelihood of the current recoverable amount being lower than the carrying amount is remote.

The recoverable amount was based on value-in-use at December 31, 2023, estimated using discounted cash flows. The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represented 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 were based on budget and strategic forecast for the periods 2024 - 2028. 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 year 2024 and growing at a compounded annual growth rate (CAGR) between 2024 and 2028. Revenue growth through 2026 is primarily driven by the expected recovery in commodity prices and the corresponding increase in rigs and drilling activity. Given the cyclicality of the industry, revenues beginning in 2028 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 2.0% (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 were 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 were 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 were further adjusted to reflect any additional short to medium term market risk considering current industry conditions.

	Discount rate after tax	***Discount rate pre tax***
Discount rate assumptions used in impairment testing	**2023**	**2023**
ESS	10.5 %	8.4 %
PCS	10.5 %	8.7 %

Other key assumptions	**ESS**	**PCS**
Compounded annual growth rate (CAGR for years 2025-2029)	6.8 %	2.5 %
Terminal growth rate	2.0 %	2.0 %

Sensitivity to changes in assumptions
Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	Change required for carrying amount to equal recoverable amount	
	ESS	**PCS**
	2023	**2023**
Forecasted revenue growth 2024-2028 (percentage points)	-1.8 %	-3.0 %
Forecasted EBITDA margin, including terminal year (percentage points)	-8.2 %	-13.3 %

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, capital risk and climate 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 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. For the years ended December 31, 2024 and 2023, 63.9% and 62.0%, respectively, of the Groups revenues were denominated in foreign 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 2024 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 end of the periods, 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)	Effect on pre-tax equity (OCI) [2)
		USD 000	USD 000
2024	+10%	-2,059	119
	-10%	2,517	-353
2023	+10%	1,747	-97
	-10%	-2,135	119

Year	Change in EUR rate	Effect on profit before tax [1)	Effect on pre-tax equity (OCI) [2)
		USD 000	USD 000
2024	+10%	-706	0
	-10%	863	-1
2023	+10%	-48	1
	-10%	58	-1

Year	Change in GBP rate	Effect on profit before tax [1)	Effect on pre-tax equity (OCI) [2)
		USD 000	USD 000
2024	+10%	-1,953	-
	-10%	2,387	-
2023	+10%	-1,928	-
	-10%	2,357	-

[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 OCI effect is calculated as the change in fair value of the cash flow hedge when shifting currency rate 10% up and 10% down. Only the separate equity is disclosed, i.e. excluding impact through comprehensive impact.

4.1 Financial risk management and exposures (continued)

Interest rate risk
The Group is primarily exposed to interest rate risk through the Revolver. As of December 31, 2024, the Group had USD 14.4 million of aggregate principal amount outstanding under the Revolver, which bears interest at the compounded SOFR plus an applicable margin. The Group do not currently intend to hedge the exposure to interest rate risk. The impact of a 1% increase in interest rates on outstanding debt as of December 31, 2024 would result in an annual increase in interest expense of approximately USD 0.1 million.

Obligations
HMH has provided the following guarantees on behalf of subsidiaries and related parties as at December 31, 2024 (estimated remaining exposure as at December 31, 2024):

Performance and advance payment guarantees issued on behalf of Group companies are USD 43.2 million (2023: USD 61 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 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 5.6 million as at December 31, 2024 (2023: USD 6.8 million)

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 are within drilling and oil business and are 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 2.4 for additional information.

The Group has the largest concentration of trade receivable and contract assets in United States and Norway representing 31% and 33%, respectively, (2023: 28% and 48%, respectively). The Group regularly monitors 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.

A portion of the Company's cash reserves is held in accounts domiciled in China. Due to regulatory restrictions and foreign exchange controls in China, the transfer of cash from China to other jurisdictions may be subject to limitations and delays. Consequently, the Company may face challenges in accessing these funds when needed.

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 change continues to attract considerable attention internationally, including from regulators, legislators, companies in a variety of industries, financial market participants and other stakeholders.Changes in consumer and industrial/commercial behaviour, preferences and attitudes with respect to the generation and consumption of energy, petroleum products and the use of products manufactured with, or powered by, petroleum products, may in the long-term result in:

i) The enactment of additional climate change-related regulations, policies and initiatives (at the government, regulator, corporate and investor community levels), including alternative energy requirements, new fuel consumption standards, energy conservation and emissions reductions measures and responsible energy development,
ii) Technological advances with respect to the generation, transmission, storage and consumption of energy (e.g., wind, solar and hydrogen power, smart grid technology and battery technology, and increasing efficiency) and
iii) Increased availability of, and increased consumer and industrial/commercial demand for, alternative energy sources and products manufactured with, or powered by, alternative energy sources (e.g., electric vehicles and renewable residential and commercial power supplies).

As of December 31, 2024, management assesses that there are no significant climate change risks affecting the consolidated financial statements but will continue to monitor and assess the actual and potential effects of climate risk going forward.

Financial liabilities and the period in which they mature
The following is the remaining contractual maturities of financial liabilities at the reporting dates. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements.

As at December 31, 2024

Amounts in USD thousands	*Note*	Book value	Net cash flow	6 months and less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-current borrowings	*4.7*	328,747	406,711	10,880	9,880	220,772	165,179	-
Current borrowings	*4.7*	14,428	15,350	15,350	-	-	-	-
Lease liabilities	*3.2*	39,372	47,280	4,326	4,326	8,265	17,748	12,615
Other non-current liabilities		14,213	5,537	-	-	-	5,537	-
Derivative financial instruments		4,612	4,574	3,296	835	442	-	-
Trade and other payables	*2.7*	236,322	236,322	236,322	-	-	-	-
Total financial liabilities		**637,693**	**715,773**	**270,174**	**15,041**	**229,480**	**188,464**	**12,615**

As at December 31, 2023

Amounts in USD thousands	*Note*	Book value	Net cash flow	6 months and less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-current borrowings [1)]	*4.7*	315,175	415,804	9,880	9,880	19,760	376,284	-
Current borrowings	*4.7*	25,453	24,590	24,590	-	-	-	-
Lease liabilities	*3.2*	37,339	45,691	3,923	3,923	6,297	15,693	15,854
Other non-current liabilities		11,359	1,945	-	-	1,945	-	-
Derivative financial instruments		1,326	1,326	1,032	223	71	-	-
Trade and other payables	*2.7*	243,356	245,690	245,690	-	-	-	-
Total financial liabilities		**634,008**	**726,693**	**284,449**	**13,361**	**27,006**	**389,316**	**13,166**

[1)] The bond loan of USD 150 million had been refinanced by a new bond loan of USD 200 million. See note 4.7 for more information.

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.

As at December 31, 2024

Amounts in USD thousands	*Note*	Carrying amount	Financial instruments measured at fair value	Level in fair value hierarchy
Financial assets measured at fair value				
Fair value- hedging instruments				
Derivative financial instruments	*4.2*	1,713	1,713	Level 2
Financial assets not measured at fair value				
Financial assets at amortized cost				
Cash and cash equivalents	*4.3*	48,912		
Current financial assets		3,679		
Trade receivables and other current assets	*2.4*	181,712		
Other financial assets amortized at costs	*7.3*	6,933		
Financial assets		**242,949**	**1,713**	

The fair value (Level 3) of the seller's credit against Akastor AS on proceeds from the sales or liquidation of Step Oiltools B.V. is USD 0 million as at December 31, 2024, see details in note 6.2.

As at December 31, 2024

Amounts in USD thousands	*Note*	Carrying amount	Financial instruments measured at fair value	Level in fair value hierarchy
Financial liabilities measured at fair value				
Fair value – hedging instruments				
Derivative financial instruments	*4.2*	4,612	4,612	Level 2
Financial liabilities not measured at fair value				
Financial liabilities at amortized cost				
Borrowings	*4.7*	343,174		
Other financial liabilities				
Other non-current liabilities	*7.1*	14,212		
Trade payables and other current liabilities	*2.7*	236,322		
Provisions	*7.2*	16,931		
Financial liabilities		**615,252**	**4,612**	

As at December 31, 2023

Amounts in USD thousands	*Note*	Carrying amount	Financial instruments measured at fair value	Level in fair value hierarchy
Financial assets measured at fair value				
Fair value- hedging instruments				
Derivative financial instruments	*4.2*	2,759	2,759	Level 2
Financial assets not measured at fair value				
Financial assets at amortized cost				
Cash and cash equivalents	*4.3*	62,524		
Current financial assets [1)]	*7.3*	1,500		
Trade receivables and other current assets	*2.4*	178,205		
Financial assets		**244,988**	**2,759**	

The fair value (Level 3) of the seller's credit against Akastor AS on proceeds from the sales or liquidation of Step Oiltools B.V. has been remeasured to USD 0 million as at December 31, 2023, see details in note 6.2.

[1)] Current portion of the indemnification assets of USD 1.5 million. See note 7.3 for more information.

As at December 31, 2023				
Amounts in USD thousands	*Note*	**Carrying amount**	**Financial instruments measured at fair value**	**Level in fair value hierarchy**
Financial liabilities measured at fair value				
Fair value – hedging instruments				
Derivative financial instruments	*4.2*	1,326	1,326	Level 2
Financial liabilities not measured at fair value				
Financial liabilities at amortized cost				
Borrowings	*4.7*	340,628		
Other financial liabilities				
Other non-current liabilities	*7.1*	11,359		
Trade payables and other current liabilities	*2.7*	243,356		
Provisions	*7.2*	18,897		
Financial liabilities		**615,566**	**1,326**	

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.

		Maturity		
As at December 31, 2024	**Total**	**6 months and less**	**6-12 months**	**1-2 years**
Foreign exchanges forward contracts to hedge highly probable forecasted sales				
Notional amounts USD	97,709	74,136	10,817	12,757
Average forward rate (USD/NOK)		10.89	10.92	10.54
Notional amounts EUR	10,109	5,485	4,379	245
Average forward rate (EUR/NOK)		11.90	11.93	12.09
Notional amounts GBP	6,028	3,658	294	2,075
Average forward rate (GBP/NOK)		13.94	13.91	13.83
Notional amounts EUR	40,449	28,141	12,308	-
Average forward rate (EUR/USD)		1.08	1.08	-
Foreign exchanges forward contracts to hedge highly probable forecasted purchases				
Notional amounts EUR	4,235	3,185	1,050	-
Average forward rate (EUR/NOK)		11.76	11.94	-
Notional amounts GBP	2,595	1,206	450	940
Average forward rate (GBP/NOK)		13.65	13.95	13.92
Notional amounts EUR	2,246	2,246	-	-
Average forward rate (EUR/USD)		1.11	-	-

		Maturity		
'As at December 31, 2023	**Total**	**6 months and less**	**6-12 months**	**1-2 years**
Foreign exchanges forward contracts to hedge highly probable forecasted sales				
Notional amounts USD	9,123	3,692	4,001	1,429
Average forward rate (USD/NOK)		10.50	10.72	10.43
Foreign exchanges forward contracts to hedge highly probable forecasted purchases				
Notional amounts EUR	8,596	8,344	223	29
Average forward rate (EUR/NOK)		10.90	11.48	11.33
Notional amounts EUR	9,327	9,002	325	
Average forward rate (EUR/USD)		1.10	1.11	

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.

4.2 Financial instruments (continued)

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 negative USD 2,250 thousand that are currently recorded directly in the hedging reserve as at December 31, 2024, will be reclassified to income statement (2023: positive USD 1,098 thousand)

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

Amounts in USD thousands	**2024**	**2023**
Net fair value of all hedging instruments (assets / liability (-))	-2,900	1,433
Deferred in equity (the hedge reserve)	-2,250	1,098

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.

	Hedging reserve	
Amounts in USD thousands	**2024**	**2023**
Balance as at January 1	**1,098**	**-1,769**
Change in foreign currency risk	-4,314	3,688
Tax on movement on reserve during the year	966	-821
Balance as at December 31	**-2,250**	**1,098**

4.3 Cash and cash equivalents

As at December 31

Amounts in USD thousands	**2024**	**2023**
Restricted cash	170	42
Unrestricted cash	48,742	62,482
Total cash and cash equivalents	**48,912**	**62,524**

Restricted Cash may include legally restricted deposits held as compensating balances against short-term borrowing arrangements, contracts entered into with others, or company statements of intention with regard to particular deposits

Additional undrawn committed current bank revolving credit facilities amount to USD 35 million with cash and cash equivalents gives a total liquidity reserve of USD 84 million as at December 31, 2024 (2023: USD 90.5 million). See also note 4.7 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

Amounts in USD thousands	**2024**	**2023**
Interest income on bank deposits	2,746	2,592
Interest income on finance lease receivables	42	92
Foreign exchange gain	15,809	11,362
Other finance income	422	-277
Finance income	**19,019**	**13,769**
Interest expense on financial liabilities measured at amortized cost	-36,385	-41,635
Refinancing costs	-	-7,207
Interest expense on lease liabilities	-2,158	-2,180
Foreign exchange loss	-21,504	-10,698
Other financial expenses	-3,458	-2,162
Finance expenses	**-63,505**	**-63,882**
Net finance expenses recognized in profit and loss	**-44,486**	**-50,113**

4.5 Capital management

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 as at December 31, 2024 of USD 84.0 million (2023: USD 90.5 million), composed of undrawn committed credit facilities of USD 35 million (2023: USD 28 million) and cash and cash equivalents of USD 48.9 million (2023: USD 62.5 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, but are not limited to:

- 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 on the basis of a gearing ratio (net debt/equity) and interest coverage ratio (ICR) based on adjusted EBITDA which is rolling 4 quarter EBITDA where EBITDA is according to definition of HMH Non-GAAP measure in the Group Management Report. These ratios are similar to covenants as defined in loan agreements for the revolving credit facilities which are shown below. See note 4.7 Borrowings for details about these loans.

- The company's gearing ratio shall be less than 1.0 times and is calculated from the consolidated total net borrowings to the consolidated total Equity.
- The Interest Cover Ratio shall be greater than 2.5x, calculated from the consolidated LTM EBITDA to net interest expenses which means consolidated Finance Costs less the amount of interest income received by or accrued during a Relevant Period.
- Minimum liquidity amount shall be at least USD 30 million on consolidated level. This includes the available undrawn multi-currency revolving credit facility.
- Relevant Period means each period of twelve (12) consecutive calendar months ending on the last day of the preceding financial quarter.

The ratios are calculated based on net debt including cash and borrowings as shown in note 4.2 Financial instruments, LTM 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 at December 31, 2024.

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 at December 31, 2024 and December 31, 2023.

4.6 Capital and reserves

Share capital

HMH B.V. has Class A ordinary shares and Class B ordinary 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 shares, par value EUR 1 per share. As of December 31, 2024 and 2023, the Group had 100 Class A ordinary shares and 100 Class B ordinary shares outstanding.

The shareholders are Baker Hughes Holdings LLC (50%), Akastor ASA (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.

Share Capital of EUR 200 consist of 200 shares at par value EUR 1.00 In 2023 and 2024, there have been no change in number of shares issued or change in the Group's share capital.

Issued capital and reserves

Share capital	Number of shares authorized and fully paid	Par value per share EUR	Financial Position EUR
At January 1, 2023	200	1.00	200
At December 31, 2023	**200**	**1.00**	**200**
At December 31, 2024	**200**	**1.00**	**200**

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.

Pension remeasurement reserve

The pension remeasurement reserve includes the effect of remeasurement of pension obligations arising due to change in assumptions, such as discounts rates and experience adjustments.

Amounts in USD thousands	2024	2023
Balance as at January 1	**2,036**	**2,019**
Other comprehensive income, net of tax	453	17
Balance as at December 31	**2,489**	**2,036**

See note 2.5 for more information relating to pension obligations.

Other reserve

Amounts in USD thousands	Share-based payment	Paid in capital	Total
Balance as at January 1, 2024	9,967	-	**9,967**
Share-based payments	5,557		**5,557**
Sale ownership interest in Hydril Pressure Controlling Arabia Limited	0	8,891	**8,891**
Balance as at December 31, 2024	**15,524**	**8,891**	**24,415**

Amounts in USD thousands	Share-based payment	Paid in capital	Total
Balance as at January 1, 2023	-	-	**-**
Reclassification of share-based payment to equity settled	9,967	-	**9,967**
Balance as at December 31, 2023	**9,967**	-	**9,967**

Share-based payments

The Group has employee share-based payment programs and recognizes the resulting increase in equity as services are received from employees in a separate reserve known as the Share-based Payment Reserve within equity. In Q4 2023, the Group determined that the Phantom, LTI 2022, and LTI 2024 share-based programs are most likely to be settled in shares. See details in note 2.5.

Sale of ownership interest in Hydril Pressure Controlling Arabia Limited

On March 28, 2024, Hydril PCB Limited, a subsidiary of the Company, issued shares representing a 30% non-controlling interest in its subsidiary, Hydril Pressure Controlling Arabia Limited, to Tanajib Holding Company CJSC, in exchange for total consideration of USD 9.2 million, comprising USD 2.3 million of upfront consideration and USD 6.9 million of deferred consideration. The Company recognized cash of USD 2.3 million, related party note receivable—current of USD 2.2 million and related party notes receivable of USD 4.7 million.

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 4.5 Capital management.

4.7 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.

As at December 31, 2024

Amounts in thousands	Currency	Nominal currency value	Carrying amount (USD)	Interest rate margin	Fixed rate	Maturity date	Interest terms
Senior Secured Bonds (HMH02)	USD	200,000	196,837		9.88%	Nov 2026	Fixed rate
Shareholder loan	USD	131,910	131,910		8.00%	Oct 2027	Fixed rate
Revolving Credit Facility 2023 (USD 50 million)	USD	15,000	14,428	3.75%		May 2026	SOFR + Margin
Credit line China	RMB	-	-	-0.40%		Jul 2024	China LPR + Margin
Total borrowings		**346,910**	**343,175**				
Current borrowings			**14,428**				
Non-current borrowings			**328,747**				
Total borrowings			**343,175**				

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

Bank debt and bonds
The revolving credit facilities are provided by a bank syndicate consisting of high-quality Nordic and international banks, consisting of: DNB Markets, a part of DNB Bank ASA and Nordea Bank Abp, branch in Norway. 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.

On November 15, 2023, the Group issued USD 200.0 million aggregate principal amount of its senior secured bonds (ISIN code: NO0013063495) (the "Senior Secured Bonds"), which accrue interest at a fixed rate of 9.875% per annum and mature on November 16, 2026. The Group also incurs additional interest of 1% per annum until the Senior Secured Bonds are listed on the Oslo Stock Exchange. The Group intends to list the bond on the Oslo Stock Exchange during the first half of 2025. For information about financial covenants see note 4.5.

Fair values
The fair value of the bond loan HMH02 is based on quoted market values. The fair value of the Bond derived from Bloomberg amounts to 104.02%. For the loans with floating interest (all except for the shareholder loans) management assessed that the nominal amount is a good approximation of fair value as the interest expected back reflected through the floating interest. For the shareholder loans the carrying amount is approximately the fair value as this is based on paid in kind interest and what the Group would pay back to the owners at the maturity. The interest of 8% is reasonable and similar to other external borrowings. Lastly, management assessed that carrying amount of the financial assets is approximate the fair value as the interest derived from the market value. Therefore, management concluded that the fair values of financial assets and liabilities (long-term liabilities and receivables) carried at amortized cost are approximate their fair values since the effect of discounting is expected to be immaterial.

Reconciliation of liabilities arising from financing activities

Amounts in USD thousands	January 1, 2024	Cash flows	Deferred Interest[2]	Amortization	Capitalized borrowing costs [3]	December 31, 2024
Senior Secured Bonds (HMH02)	198,928	-2,469	-	1,559	-1,181	196,836
Shareholder loan[1]	119,587	-	12,323	-	-	131,910
Revolving Credit Facilities 2023	21,128	-7,000	-	299	-	14,427
Credit Line China	984	-984	-	-	-	-
Total liabilities arising from financing activities	**340,628**	**-10,453**	**12,323**	**1,858**	**-1,181**	**343,174**

[1] As part of the consideration paid to Akastor and Baker Hughes in relation to the creation of the joint venture, it was established a shareholder loan by Akastor and Baker Hughes. The total amount of the shareholder loan is USD 100 million and the Group will not settle the shareholder loan prior to external debt. Earliest maturity date is set to October 1, 2027. USD 20 million of the loan relates to Akastor, and remaining USD 80 million is a loan from 2021 from Baker Hughes to HMH.

[2] Includes addition of USD 2 359 thousand DTA from contingent consideration due to used DTA from pre HMH establishment

[3] Capitalized borrowing costs relate to the amortized costs calculation of the loans.

As at December 31, 2023

Amounts in thousands	Currency	Nominal currency value	Carrying amount (USD)	Interest rate margin	Fixed rate	Maturity date	Interest terms
Bond loan HMH01	USD	-	-	7.00%		Feb 2025	LIBOR + Margin
Senior Secured Bonds (HMH02)	USD	200,000	198,928		9.88%	Nov 2026	Fixed rate
Shareholder loan	USD	119,587	119,587		8.00%	Oct 2027	Fixed rate
Revolving Credit Facility (USD 80 million)	USD	-	-	4.00%		Feb 2024	LIBOR + Margin
Revolving Credit Facility 2023 (USD 50 million)	USD	22,000	21,128	3.75%		May 2026	SOFR + Margin
Credit line China	RMB	7,704	984	-0.40%		Jul 2024	China LPR + Margin
Total borrowings			**340,628**				
Current borrowings			**25,453**				
Non-current borrowings			**315,175**				
Total borrowings			**340,628**				

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

Reconciliation of liabilities arising from financing activities

Amounts in USD thousands	January 1, 2023	Non-cash effect	Cash flows	Deferred Interest	Amortization	Capitalized borrowing costs	December 31, 2023
Term loan facility	35,684	-	-39,226	-	3,542	-	-
Bond loan HMH01[1)]	147,858	-39,941	-110,059	-	2,142	-	-
Senior Secured Bonds (HMH02)	-	39,941	160,059	2,469	101	-3,642	198,928
Shareholder loan	110,266	-	-	9,321	-	-	119,587
Revolving Credit Facilities	8,035	-	-8,035	-	-	-	-
Revolving Credit Facilities 2023	-	-	22,000	-	25	-897	21,128
Credit Line China	-	-	984	-	-	-	984
Total liabilities arising from financing activities	**301,843**	**-**	**25,723**	**11,790**	**5,810**	**-4,539**	**340,628**

[1)] The bond loan of USD 150 million loan (ISIN code: NO0012428996) was refinanced by an issue of a new bond loan of USD 200 million (ISIN code: NO0013063495) in 2023. Amount of USD 39.9 million is total roll-over from previous bond to new bond.

The existing bond was repaid at 104.7% of the nominal amount (plus accrued and unpaid interest of the redeemed amount) on November 28, 2023.

Guarantee
Subsidiaries defined as material under the bond terms and facility agreement serve as guarantors for the fulfilment of payment of interest, principal and other specified costs for HMH Holding B.V. The security provided by each guarantor is limited to USD 900 million. The amount is a formality required under Norwegian law and covers outstanding debt, future interest payments, availability of taking on further debt, an also an additional buffer amount.

Section 5 - Tax

5.1 Income tax

Income tax expense

Amounts in USD thousands	**2024**	**2023**
Current year	-17,324	-16,656
Adjustments for prior years	-176	808
Total current tax expense(-) / income	**-17,500**	**-15,848**
Deferred tax expense		
Origination and reversal of temporary differences	-7,033	-808
Total deferred tax expense(-) / income	**-7,033**	**-808**
Total tax expense	**-24,532**	**-16,656**

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.

Amounts in USD thousands	**2024**		**2023**	
Profit / loss(-) before tax	**70,051**		**27,431**	
Tax rate (25.80%)	**-18,036**	-25.8 %	**-7,077**	-25.8 %
Tax effects of:				
Difference between local tax rate and Dutch tax rate	**2,783**	4.0 %	**2,619**	22.3 %
Non-deductible income / expenses(-)	**8,094**	11.6 %	**4,262**	2.8 %
Tax losses not recognized as deferred tax assets	**-13,621**	-19.4 %	**-13,238**	-48.3 %
Utilization of tax losses not recognized as deferred tax assets	**936**	1.3 %	**707**	2.6 %
Write down of deferred tax assets	**-205**	-0.3 %	**-524**	-1.9 %
Withholding taxes and other excise tax	**-2,356**	-3.4 %	**-3,356**	-12.2 %
Uncertain tax position	**-1,560**	-2.2 %	**-**	0.0 %
Other	**-567**	-0.8 %	**-47**	-0.2 %
Total tax expenses(-) / income [1)]	**-24,533**	**-35.0 %**	**-16,656**	**-60.7 %**

[1)] The increase in tax expense in 2024 resulted primarily from increased profits. The Group's effective tax rates for 2024 and 2023 were negatively impacted by the changes in valuation allowance related to losses in certain jurisdictions for which the Group cannot currently recognize a tax benefit. The effective tax rates were also impacted by the Group's US income and losses which are taxed to Baker Hughes and Akastor and certain withholding taxes.

Recognized deferred tax assets and liabilities

As at December 31,

	Assets		**Liabilities**		**Net**	
Amounts in USD thousands	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Property, plant and equipment	2,886	3,269	-4,092	-4,933	-1,206	-1,664
Intangible assets	-	-	-12,890	-12,898	-12,890	-12,898
Projects under construction	-	-	-836	-9,614	-836	-9,614
Pensions	3,490	4,001	-	-	3,490	4,001
Provisions	4,205	5,733	-	-	4,205	5,733
Derivatives	-	-	-3,049	-2,657	-3,049	-2,657
Other [1)]	5,678	11,254	606	-319	6,284	10,935
Tax loss carry-forwards	4,018	13,192	-	-	4,018	13,192
Total before set offs	**20,276**	**37,449**	**-20,261**	**-30,420**	**15**	**7,029**
Set off of tax	-1,136	-8,879	1,136	8,879	-	-
Total deferred tax assets / liabilities(-)	**19,139**	**28,570**	**-19,128**	**-21,541**	**15**	**7,029**

[1)] Includes inventory reserve and interest expense carry-forward.

5.1 Income tax (continued)

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 at January 1, 2023	**-2,345**	**-13,120**	**-9,245**	**3,941**	**14,134**	**-1,410**	**14,387**	**3,271**	**9,613**
Acquisition of subsidiaries	-	-251	-	-	-	-	-	-	-251
Recognized in profit and loss	1,006	232	-631	46	-9,253	-1,283	-1,555	10,277	-1,160
Recognized in other comprehensive income	-	-	-	-	-	-	-405	-	-405
Currency translation differences	-324	198	262	14	852	36	-1,449	-356	-768
Balance as at December 31, 2023	**-1,663**	**-12,941**	**-9,614**	**4,001**	**5,733**	**-2,657**	**10,978**	**13,192**	**7,029**
Acquisition of subsidiaries	-	-772	-	-	-	-	-	-	-772
Recognized in profit and loss	-19	341	7,279	-265	-2,100	-187	-5,227	-7,471	-7,649
Recognized in other comprehensive	-	-	-	-	-	-	27	-	27
Currency translation differences	477	482	1,498	-247	572	-205	502	-1,703	1,377
Balance as at December 31, 2024	**-1,205**	**-12,890**	**-836**	**3,489**	**4,205**	**-3,049**	**6,281**	**4,018**	**12**

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

Expiry date of unrecognized tax loss carry-forwards

As at December 31, 2024

Amounts in USD thousands	**2024**	**2023**
Expiry in 2026 and later	1,337	188
Indefinite	2,337	4,716
Total	3,674	4,904

As at December 31, 2024, the unrecognized other tax-reducing temporary differences amounted to USD 14,109 thousand (USD 20,157 thousand in 2023).

Global minimum top-up tax

The Organization for Economic Co-operation and Development has advanced reforms focused on global profit allocation and implementing a global minimum tax rate of at least 15% for large multinational corporations on a jurisdiction-by-jurisdiction basis, known as “Pillar Two.” On December 15, 2022, the European Council formally adopted a European Union directive on the implementation of the plan by January 1, 2024. This is not expected to materially increase the taxes the Company owes and for 2024 HMH is not in scope for implementation of Pillar Two.

Section 6 - Group structure

6.1 Business combinations

Business combinations in 2024
On July 17, 2024 HMH Holdings B.V. acquired 100% of the shares for Drillform Technical Services Ltd (“Drillform”) a Calgary, Canada based company with facilities in Tulsa, Oklahoma, USA and Abu Dhabi, UAE. Drillform holds a portfolio of patents and intellectual property related to equipment used in the handling of drill pipe during drilling operations. The company has a significant installed base of automated floor wrenches and catwalks. The purchase price was USD 24.7 million, consisting of USD 21.0 million in cash and USD 3.7 million in contingent consideration.

The contingent consideration consists of deferred payments by the Group to the acquiree’s prior equity and debt holders for three years, contingent on meeting the prescribed realized sales price and margin targets for certain types of units sold. The Group estimated the fair value of the contingent consideration using a probability-weighted discounted cash flow method under the income approach. The Group considered a range of outcomes, with the maximum being USD 12 million, and determined the most likely amount of undiscounted contingent consideration is USD 4.7 million.

Goodwill generated from this business combination is primarily attributable to expected synergies from the transaction and incremental revenue and profit to be derived from the Company’s expansion into global markets. The goodwill is not considered to be tax deductible.

Business combinations in 2023
For the fiscal year 2023, the Group did not engage in any business combinations.

Identifiable assets and liabilities acquired in 2024

Amounts in USD thousands	**DrillForm**
Developed technology	6,000
Customer relations	5,000
Machinery, equipment, software	439
Inventory	3,043
Trade and other receivable	836
Prepaid expenses	110
Cash and cash equivalents	1,377
Other long-term liability	-3,702
Account payable	-1,307
Other current liability	-3,885
Deferred tax liability	-1,036
Total identifiable net assets acquired	**6,875**
Purchase consideration transferred	21,000
Goodwill	**14,125**

Assets acquired and liabilities assumed
The acquisition date fair value of the trade receivables amounts to USD 836 thousands. The trade receivables comprise gross contractual amounts due of USD 836 thousands, of which USD 0 was expected to be uncollectable at the acquisition date.

The Group incurred acquisition-related costs of USD 3.650 thousands on diligence and consultant costs. These costs have been included in administrative expenses.
From the date of acquisition, Drillform contributed revenue of USD 7,906 thousands and profit of USD -2,760 thousands to the Group`s results. If the acquisition had occurred at the beginning of the year, management estimates that consolidated revenue would have been USD 849,860 thousands, and consolidated profit for the year would have been USD 49,753 thousands. In determining these amounts management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred at the beginning of the year.

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

Analysis of cash flows on acquisition in 2024

Amounts in USD thousands	**DrillForm**
Net cash acquired with the subsidiary	1,377
Cash paid	21,000
Net cash flow from acquisition	**-19,623**

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.

Group companies as at December 31, 2024 and 2023

Company	Location	Country	Ownership (%) 2024	Ownership (%) 2023
HMH Holding B.V.	Amsterdam	Netherlands		
MHWirth Pty Ltd	Argenton	Australia	**100**	**100**
MHWirth do Brasil Equipamentos Ltda	Rio de Janeiro	Brazil	**100**	**100**
MHWirth Canada Inc	Newfoundland	Canada	**100**	**100**
MHWirth Chile SpA	Santiago	Chile	**100**	**100**
MHWirth GmbH	Erkelenz	Germany	**100**	**100**
MHWirth (India) Pvt Ltd	Mumbai	India	**100**	**100**
MHWirth AS	Kristiansand	Norway	**100**	**100**
MHWirth HoldCo AS	Kristiansand	Norway	**100**	**100**
MHWirth (Singapore) Pte Ltd	Singapore	Singapore	**100**	**100**
MHWirth FZE	Dubai	UAE	**100**	**100**
MHWirth Gas & Oilfield Equipment & Services LLC 1)	Abu Dhabi	UAE	**49**	**49**
MHWirth UK Ltd	Aberdeen	UK	**100**	**100**
MHWirth LLC	Houston	USA	**100**	**100**
MHWirth Offshore Petroleum Engineering (Shanghai) Co Ltd	Shanghai	China	**100**	**100**
Bronco Manufacturing, LLC	Tulsa	USA	**100**	**100**
Electrical Subsea & Drilling AS	Straume	Norway	**100**	**100**
Hydril PCB Canada Inc	Newfoundland	Canada	**100**	**100**
HMH Drilling Engineering Services of India Pvt. Ltd	Chennai	India	**100**	**100**
Hydril Pressure Control S. de R.L de C.V.	Veracruz	Mexico	**100**	**100**
Hydril Pressure Controlling Arabia Limited 2)	Riyadh	Saudi Arabia	**70**	**100**
Hydril Pressure Control SASU	Dakar	Senegal	**100**	**100**
HMH Drilling Asia Pte Ltd	Singapore	Singapore	**100**	**100**
Hydril PCB Limited	Aberdeen	UK	**100**	**100**
Hydril USA Distribution LLC	Houston	USA	**100**	**100**
HMH Turkey Petrol ve Doğal Gaz Ekipmanları ve Hizmetleri Anonim Şirketi	Ankara	Turkey	**100**	**100**
Hydril Pressure Control (Ivory Coast) SASU	VGE	Cote d`Ivoire	**100**	**100**
Drillform Technical Services Ltd 3)	Calgary	Canada	**100**	**-**
HMH Holding (Netherlands) B.V. 4)	Amsterdam	Netherlands	**100**	**-**
HMH Holding Inc. 4)	Houston	USA	**100**	**-**
Roughneck Holding Inc. 3)	Calgary	Canada	**100**	**-**
Drillform Drilling Equipment Inc. 3)	Houston	USA	**100**	**-**
Drillform Oilfield Equipment Services LLC 3)	Abu Dhabi	UAE	**49**	**-**

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) In Q1 2024, The Group entered into a partnership with Tanajib Holding Company in Saudi Arabia and sold 30% of its interest in Hydril Pressure Controlling Arabia Limited. Refer to note 4.6 for more information.

3) On July 17, 2024 HMH Holdings B.V acquired 100% of the shares for Drillform Technical Services Ltd. Refer to note 6.1 for more information

4) These companies were established in 2024.

7.1 Other non-current assets and liabilities

Other non-current assets

As at December 31

Net book value	*Note*	**2024**	**2023**
Indemnification asset [1]	*7.3*	18,356	20,414
Non-current interest bearing receivables [2]	*7.3*	13,392	7,977
Other non-current assets		106	97
Total other non-current assets		**31,854**	**28,488**

[1] Non-current part of the indemnification asset.

[2] Consists of non-current receivables against Akastor and Baker-Hughes resulting from the settlement of the acquisition of MHWirth and Subsea Drilling Systems and the non-current part of the deferred consideration related to Tanajib Holding.

Other non-current liabilities

As at December 31

Amounts in USD thousands	**2024**	**2023**
Welfare and support fund	1,837	1,896
Liability to shareholders [1]	8,675	9,413
Other non-current liabilities	3,700	49
Total other non-current liabilities	**14,212**	**11,359**

[1] See note 7.3 for details

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

7.2 Provisions

As at December 31

Amounts in USD thousands	**2024**	**2023**
Provisions, current	16,109	17,829
Provisions, non-current	822	1,068
Total provisions	**16,931**	**18,897**

Development in significant provisions

Amounts in USD thousands	*Warranties*	*Restructuring*	*Other*	*Total*
Balance as at January 1, 2024	**8,556**	**1,641**	**8,699**	**18,896**
Reclassification	3,345	-	-3,345	-
Provision provided during the period	2,405	0	0	**2,405**
Provision utilized during the period	-959	-327	-417	**-1,703**
Provisions reversed during the period	-1,709	-102	-118	**-1,930**
Currency translation differences	-556	-171	-10	**-737**
Balance as at December 31, 2024	**11,082**	**1,041**	**4,808**	**16,931**
Expected timing of payment as at December 31, 2024				
Within the next twelve months	11,082	219	4,808	**16,109**
After the next twelve months	-	822	-	**822**
Total	**11,082**	**1,041**	**4,808**	**16,931**

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
The non-current provisions encompass a restructuring provision specific to MHWirth AS. The restructuring primarily pertains to substantial workforce decrease and reorganization within MHWirth, driven by the challenging rig market conditions. This provision incorporates unoccupied office premises subsequent to the decrease in workforce and is appraised based on the comprehensive restructuring plans for the affected businesses and locations. Due to more adverse market conditions, additional restructuring provision was provided in 2023. The decrease of the restructuring provision occurs on a monthly basis.

Other provisions
In 2024 provisions of USD 3.1 million (USD 3.9 million in 2023) in Hydril USA Distribution LLC relates to environmental reserve for estimated remediation costs for two plants.

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 which controls the companies listed in note 6.2 Group companies. Any transactions between the parent company and the subsidiaries are shown line by line in the separate financial statements of the parent company, and are eliminated in the consolidated financial statements.

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%). Akastor ASA fully owns Akastor AS and Mercury HoldCo Inc. For equity transaction with parents, see note 4.6.

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
As at December 31, 2024

Amounts in USD thousands	Baker Hughes Holding LLC	GE Drilling Services LLC	Akastor AS	Aker BP	Other Baker-Hughes companies	Tanajib Holding Company[3]	Other Akastor companies	**Total**
Period January 1, 2024 - December 31, 2024								
Income statement								
Revenue	-	-	3,406	-	132	-	77	**3,615**
Net financial items	-7,616	-	-1,686	-	-	-	-	**-9,303**
As at December 31, 2024								
Assets (liabilities)								
Related party note receivables current	-	-	1,500	-	-	2,179	-	**3,679**
Related party accounts receivables	-	-	1,136	-	974	222	-	**2,332**
Account payables - related party	-	-	-	-	-69	-358	-124	**-551**
Long term debt	-103,767	-	-28,143	-	-	-	-	**-131,910**
Indemnification asset [1]	-	-	18,355	-	-	-	-	**18,355**
Related party note receivable	4,299	-	4,339	-	-	4,754	-	**13,392**
Liability to shareholders [2]	-514	-	-8,162	-	-	-	-	**-8,676**

As at December 31, 2023

Amounts in USD thousands	Baker Hughes Holding LLC	GE Drilling Services LLC	Akastor AS	Aker BP	Other Baker-Hughes companies	Tanajib Holding Company	Other Akastor companies	**Total**
Period January 1, 2023 - December 31, 2023								
Income statement								
Revenue	-	339	5,941	1,733	123	-	594	**8,730**
Net financial items	-6,974	-	-1,517	-	-	-	-	**-8,491**
Balance as at December 31, 2023								
Assets (liabilities)								
Related-party note receivables - current	-	-	1,500		540	-	-	**2,040**
Related party accounts receivables	-	230	1,206	174	-	-	-	**1,609**
Accounts payable - related party	-	-	-	-17	-110	-	-	**-127**
Long term debt	-95,670	-	-23,917	-	-	-	-	**-119,587**
Indemnification asset [1]	-	-	20,414	-	-	-	-	**20,414**
Related party notes receivable	3,970	-	4,007	-	-	-	-	**7,977**
Liability to shareholders [2]	-666	-	-8,747	-	-	-	-	**-9,413**

[1] As part of the agreement between Akastor and Baker Hughes at the time of the formation of the Group, Akastor is responsible for all pension liabilities accrued and unsettled pension liabilities pre October 1, 2021. HMH have booked a receivable in HMH Holding B.V. towards Akastor for their part of the total pension liability of USD 18.4 million as a non-current assets and USD 1.5 million as a current assets as at December 31, 2024. (2023: USD 20.4 million as a non-current assets and USD 1.5 million as a current assets.)

[2] Contingent considerations related to its owners. HMH have booked USD 8.6 million as other non-current liabilities and USD 0 million as other payables as at December 31, 2024 (2023: USD 9.4 million as an other non-current liabilities).

[3] Deferred consideration related to subsidiary in Saudi Arabia. HMH have booked total current assets of USD 2.2 million and non-current assets of USD 4.8 million as at December 31, 2024.

Related party notes receivable is recorded as Other non-current assets as at December 31, 2024 and 2023. It consists of receivable against Akastor and Baker-Hughes resulting from the settlement of the acquisition of MHWirth and Subsea Drilling Systems, respectively.

7.3 Related party transactions (continued)

Related party transactions

Akastor

- Akastor has provided a shareholder loan to HMH of total USD 20 million in 2021. HMH B.V. also agreed to pay Akastor for certain deferred tax assets related to the contributed businesses in the amounts of approximately USD 2.2 million, respectively, with such payment made by way of an increase to the Shareholder Loans. Balance as at 31, December 2024 is USD 28.1 million includes interest and DTA from contingent consideration from pre HMH establishment of USD 8.1 million. This is a long-term loan provided to finance the Group's operating and financing activities (see note 4.7).
- In relation to the merger, there were performed a carve-out of pension liabilities in MHWirth AS - asset in HMH Holding B.V against Akastor AS.
- As part of the merger, Akastor is responsible for the pension liability from before the merger, so called carved-out pension. Hence, HMH has a receivable of USD 19.9 million due from Akastor Group as at December 31, 2024 (2023: USD 21.9 million), which is reduced in line with pension payments to former employees in 2023 and 2024.

Baker Hughes

- Baker Hughes has provided a shareholder loan to HMH of total USD 80 million in 2021. HMH B.V. also agreed to pay Baker Hughes for certain deferred tax assets related to the contributed businesses in the amounts of approximately USD 0.2 million, respectively, with such payment made by way of an increase to the Shareholder Loans. Balance as at 31, December 2024 is USD 103.8 million includes interest and DTA from contingent consideration from pre HMH establishment of USD 23.8 million. This is a long-term loan provided to finance the Group's operating and finance activities (see note 4.7).

Indemnification asset

Per IFRS 3.27-28 in line with the merger transaction deal, the Company obtained 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 recognized 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 as at December 31, 2024 comprises of directors Daniel Rabun, Georgia Magno, Lance T. Loeffler, Kathleen S. McAllister, Kristian Monsen Rokke, Judson Bailey and Karl Erik Kjelstad. All the directors are non-independent directors as a result of their nomination for appointment by Baker Hughes and Akastor, respectively.

As at December 31, 2024, the executive management of HMH Group comprised of CEO Eirik Bergsvik, CFO Thomas McGee, GC/CAO Dwight Rettig, CTO Pål Skogerbø, COO Eugene C. Chauviere and CCO Roy Dyrseth.

The Group has no Supervisory Board in 2024 or 2023. The Group has a separate Audit Committee which has comprised of Asbjørn Rødal since November 2022.

Board of Directors
Other than Mr. Rabun, the Board of Directors received no remuneration for being directors in 2024. In connection with his appointment as a member and Chairman of HMH Holding B.V.'s Board of Directors as of October 21, 2024, Mr. Rabun will receive from HMH Holding B.V. a cash retainer in the annualized amount of USD 75,000 for his service as a member of HMH Holding B.V.'s Board of Directors and an additional cash retainer in the annualized amount of USD 50,000 for his service as Chairman of HMH Holding B.V.'s Board of Directors (for an aggregate annualized retainer equal to USD 125,000), each of which will be paid in quarterly installments, based on calendar quarters, in arrears on a prorated basis for any partial portion of a quarter.

In addition, Mr. Rabun will receive a retainer equal to USD 175,000 (the "additional retainer"), which will become payable on the earliest of Mr. Rabun's resignation from HMH Holding B.V.'s Board of Directors prior to the listing of HMH Holding Inc.'s shares of Class A common stock, the consummation of the initial public offering of HMH Holding Inc. or October 21, 2025. In each case, the additional retainer will be paid within 30 days of the triggering event and will be prorated based on the number of days that have elapsed from October 21, 2024 through the date of such event, over 365. Subject to the requisite approvals by HMH Holding Inc. and an effective equity incentive plan being in place, if the payment of Mr. Rabun's additional retainer is triggered by the consummation of the initial public offering of HMH Holding Inc., the retainer will be satisfied upon consummation of the initial public offering of HMH Holding Inc. with a restricted stock unit award that will vest immediately following grant; otherwise, Mr. Rabun's additional retainer will be paid in cash. The other members of the Board of Directors have no agreements that entitle them to any extraordinary remuneration from the Group.

The Board of Directors comprises 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. 381.3 and Dutch law RJ 330.201, this represents related parties transactions not being at arm's length conditions.

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

Audit Committee
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 (Asbjørn Rødal), 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. The costs recognized for the services provided amounted to USD 54 thousand in 2024 (2023: USD 52 thousand). The Board of Directors constituted as the Audit Committee until the Audit Committee was established.

Policy on remuneration to the members of the executive management
All 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 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.

All members of the executive management are part of the Groups share-based payments program as further described in note 2.5 Employee benefits expenses. For the executive management the cost recognized under this program was USD 2,488 thousand in 2024 (2023: USD 2,393 thousand).

Directors' and executive management's shareholding
Directors and the members of the executive management have no shares in HMH Group as at December 31, 2024, or 2023. All members of the executive management are part of the Group's share-based payments program as further described in note 2.5 Employee benefits expenses.

Remuneration to executive management

Amounts in USD thousands	**2024**	**2023**
Short-term regular benefit	6,184	5,048
Pension	122	109
Share-based payments (accrued)	2,488	2,393
Total remuneration to executive management	**8,794**	**7,550**

The remuneration disclosed above represent expenses recognized in the consolidated income statements.

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

7.5 Subsequent events

The Group evaluated subsequent events through April 28, 2025, the date that the consolidated financial statements were available to be issued.

Adjusting events
No subsequent events are noted which require adjustments in the annual report.

Non-adjusting events
In January 2025, the Group announced a restructuring plan primarily focused on the reorganization of facilities in Horten and Fornebu, Norway and global workforce reductions. The restructuring will optimize the Group's global indirect headcount and rationalize its footprint.

On March 10, 2025, DNB Bank ASA agreed as agent under the Group's USD 50 million revolving credit facility (RCF) to amend certain terms of the RCF to permit implementation of the corporate reorganization and the listing of HMH Holding Inc.'s Class A common stock on Nasdaq, and the documentation formally implementing the same became effective as of March 11, 2025.

On March 6, 2025 Georgia Magno joined the Board of Directors as board member.

Company Financial Statements
2024
HMH Holding B.V.

Income statement
for the year ended December 31

Amount in USD thousands	*Note*	2024	2023
Revenue	2	**19,944**	**7,719**
Other operating expenses	2	-31,942	-17,847
Operating expenses		**-31,942**	**-17,847**
Operating profit / loss(-)		**-11,998**	**-10,128**
Finance income	3	6,430	7,329
Finance expenses	3	-37,686	-48,890
Net finance expenses		**-31,257**	**-41,561**
Profit / loss(-) before tax		**-43,255**	**-51,689**
Income tax expense/income (-)	4	-	-
Profit / loss(-) for the period		**-43,255**	**-51,689**

Statements of comprehensive income

Amounts in USD thousands	*Notes*	2024	2023
Profit / loss(-) for the period		**-43,255**	**-51,689**
Total items that will not be reclassified to profit or loss, net of tax		**-**	**-**
Total comprehensive income / loss(-)		**-43,255**	**-51,689**
Total comprehensive income / loss(-) attributable to:			
Equity holders of the parent		-43,255	-51,689

The accompanying notes are an integral part of the these Company Financial Statements on pages 87 to 103.

Statement of financial position

As at December 31

Amount in USD thousands	*Note*	**2024**	**2023**
Assets			
Non-current assets			
Investments in subsidiaries	5	795,416	795,416
Non-current non interest-bearing receivables to related parties	7	18,355	20,414
Non-current interest-bearing receivables to group companies and related parties	7	46,709	19,977
Total non-current assets		**860,480**	**835,806**
Current assets			
Other receivables to group companies and related parties	7	26,081	36,693
Cash and cash equivalents	7	-	410
Total current assets		**26,081**	**37,103**
Total assets		**886,560**	**872,910**
Equity and liabilities			
Share capital		0	0
Share premium		601,539	601,539
Other reserves		-82,213	-36,083
Unappropriated result		-43,255	-51,689
Total equity	**6**	**476,071**	**513,768**
Non-current liabilities			
Borrowings	8	196,836	195,587
Interest-bearing liabilities to shareholders	7,8	131,910	119,587
Liability to shareholders	12	8,676	9,413
Total non-current liabilities		**337,422**	**324,588**
Current liabilities			
Borrowings	8	14,427	22,000
Current borrowings from Group companies	7	-	2,553
Trade payables and other liabilities	10	17,040	10,001
Bank overdraft	7	41,601	-
Total current liabilities		**73,068**	**34,554**
Total liabilities		**410,490**	**359,142**
Total equity and liabilities		**886,560**	**872,910**

HMH Holding B.V. is a limited liability company that was incorporated and domiciled in the Netherlands on the April 28, 2021. The share capital is USD 0.003 thousand as at December 31, 2024 and 2023.

The accompanying notes are an integral part of these Company Financial Statements on pages 87 to 103.

Statement of cash flows
for the year ended December 31

Amount in USD thousands	*Note*	**2024**	**2023**
Profit / loss(-) before tax		-43,255	-51,689
Adjustments:			
Net finance income and expenses	3	31,257	41,561
Foreign exchange gain and loss (-)	3	-1,633	-210
Share-based payment expense		5,558	6,470
Profit / loss(-), net of adjustments		**-8,073**	**-3,868**
Changes in working capital:			
Decrease/Increase(-) in receivables from group companies and related parties		-14,620	12,723
Increase/Decrease(-) in trade payables and other liabilities		4,932	-3,358
Decrease/Increase(-) in indemnification assets		559	2,642
Other changes		443	625
Total changes in working capital		**-8,687**	**12,632**
Interest paid	3	-23,054	-23,992
Interest received	3	6,430	6,922
Net cash from operating activities		**-33,384**	**-8,307**
Payments on capital contributions to subsidiary	5	-	-3,500
Net cash from investing activities		**-**	**-3,500**
Proceeds from borrowings	8	90,000	182,059
Payment of borrowings	8	-97,000	-157,320
Payment of borrowing cost	8	-1,627	-11,243
Net cash from financing activities		**-8,627**	**13,496**
Effect of exchange rate changes on cash and cash equivalents		-	-
Net increase / decrease(-) in cash and cash equivalents		**-42,011**	**1,690**
Cash and cash equivalents at the beginning of the period		410	-1,280
Cash and cash equivalents at the end of the period	**7**	**-41,601**	**410**

The accompanying notes are an integral part of these Company Financial Statements on pages 87 to 103.

Statement of changes in equity

For the year ended December 31, 2024

Amounts in USD thousands	*Note*	Share capital [1)]	Share premium	Other reserves: Share-based payments	Other reserves: Accumulated losses	Unappropriated result	Total equity
Equity at January 1, 2024		**0**	**601,539**	**9,967**	**-46,049**	**-51,689**	**513,768**
Appropriation of previous year's loss		-	-	-	-51,689	51,689	**-**
Profit / loss(-) for the year		-	-	-	-	-43,255	**-43,255**
Share-based payments		-	-	5,558	-	-	**5,558**
Equity at December 31, 2024	*6*	**0**	**601,539**	**15,525**	**-97,738**	**-43,255**	**476,071**

[1)] Share capital is USD 0.003 thousand as at December 31, 2024.

For the year ended December 31, 2023

Amounts in USD thousands	*Note*	Share capital [1)]	Share premium	Other reserves: Share-based payments	Other reserves: Accumulated losses	Unappropriated result	Total equity
Equity at January 1, 2023		**0**	**601,539**	**-**	**-14,193**	**-31,856**	**555,490**
Appropriation of previous year's loss		-	-	-	-31,856	31,856	**-**
Profit / loss(-) for the year		-	-	-	-	-51,689	**-51,689**
Share-based payments		-	-	9,967	-	-	**9,967**
Equity at December 31, 2023	*6*	**0**	**601,539**	**9,967**	**-46,049**	**-51,689**	**513,768**

[1)] Share capital is USD 0.003 thousand as at December 31, 2023.

The accompanying notes are an integral part of these Company Financial Statements on pages 87 to 103.

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. was considered a public interest entity in the European Union (EU-PIE) as at December 31, 2022. On October 30, 2023, HMH Holding B.V. secured a successful placement of a new USD 200 million senior secured bond issue. Additionally, the Company exercised call options to redeem all of the outstanding bonds in accordance with the Bond Terms. The Company issued a new bond on October 30, 2023 and intends to list the bond on the Oslo Stock Exchange during the first half of 2025, and will become an EU-PIE at the moment of the bond listing in the second quarter 2025. See note 8 for additional information.

As at 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 preparation

Statement of compliance
The principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the separate financial statements of the Company have been prepared in accordance with IFRS Accounting Standards as adopted by the European Union (EU).

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 favorable 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.

Certain amounts in prior year periods have been reclassified to conform with current period presentation.

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. HMH 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.

HMH 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.

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 25.8 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

Amounts in USD thousands	*Note*	2024	2023
Other revenue		19,944	7,719
Total revenue		**19,944**	**7,719**

Revenue recognition
Other revenue consists of Global Service Charge fee invoiced to the subsidiaries.

Operating expenses

Amounts in USD thousand	*Note*	2024	2023
Share-based payments expenses		5,557	6,470
Management service		17,810	5,887
Legal and compliance cost		8,554	4,154
Other operating cost		20	1,336
Total operating expenses		**31,942**	**17,847**

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.

Management services
Management services consist of cost related to Group services performed by HMH Holding for subsidiaries.

Fees to the auditors
Fees to KPMG for statutory audit amounted to USD 520 thousand in 2024 (2023: USD 551 thousand). The fees were charged by KPMG Accountants N.V. to the Company, as referred to in Section 2:382a (1) and (2) of the Netherlands Civil Code.

Board of Directors
The members of the Board of Directors have no agreements that entitle them to any remuneration for 2024 or 2023.

Supervisory board and Audit committee
HMH Holding B.V. does not have a Supervisory board. The costs recognized for the services of the audit committee amounted to USD 54 thousand in 2024 (2023: USD 52 thousand) and the cost is presented as Legal and Compliance Cost.

Share-based payments
HMH Holding B.V. established award program to management and certain key employees. Refer to note 2.5 Employee benefit expenses in the Group's Consolidated Financial Statements for details.

Note 3 Net financial items

Amounts in USD thousands	*Note*	2024	2023
Interest income on intercompany loans		6,085	7,100
Other finance income		345	229
Finance income		**6,430**	**7,329**
Interest expense on external borrowings		24,150	31,988
Interest expense on related parties borrowings		10,075	9,165
Net foreign exchange loss		1,633	210
Other financial expenses [1)]		1,828	7,526
Finance expenses		**37,686**	**48,890**
Net finance expenses recognized in profit and loss		**31,257**	**41,561**

[1)] Includes Bank fees and amortization. In 2023, refinancing cost of USD 7,207 and bank fees.

Overview of the interest-bearing deposits, receivables and borrowings are included in note 7 and 8.

Note 4 Tax

Amounts in USD thousands	**2024**	**2023**
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	-43,255	-51,689
Permanent differences	39,165	49,475
Taxable income	**-4,090**	**-2,214**
Change in tax loss carry forward	**4,090**	**2,214**
Taxable profit	**-**	**-**
Specification of permanent differences:		
Non-deductible expenses	32,441	9,004
Non-deductible interest for which no deferred tax assets were recognized	6,724	40,471
Total permanent differences	**39,165**	**49,475**
Tax rate	25.8%	25.8%
Tax effects of permanent differences	**10,104**	**12,765**

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.

2024

Amounts in USD thousands	*Gross*	*Tax effect*
Profit / loss(-) before tax	-43,255	
Tax rate (25.8 %)		11,160
Non-deductible expenses	32,441	-8,370
Non-deductible interest for which no deferred tax assets were recognized	6,724	-1,735
Deferred tax assets(-) / liabilities (+), not recognized [1)]		**-1,055**
Tax expense (-) / income		**-**

[1)] A full valuation allowance has been established against all net deferred tax assets as it is more-likely-than-not that they will not be realized.

2023

Amounts in USD thousands	*Gross*	*Tax effect*
Profit / loss(-) before tax	-51,689	
Tax rate (25.8 %)		13,336
Non-deductible expenses	9,004	-2,323
Non-deductible interest for which no deferred tax assets were recognized	40,471	-10,442
Deferred tax assets(-) / liabilities (+), not recognized		**-571**
Tax expense (-) / income		**-**

Deferred tax assets on net losses carried forward amounting to USD 8,239 thousand and interest carried forward of USD 55,821 thousand were not recognized as at December 31, 2024. The respective unrecognized amounts are USD 9,499 thousand and USD 67,637 thousand as at December 31, 2023.

For details about the Pillar Two Model Rules refer to note 5.1 Income tax in the Group`s Consolidated Financial Statements.

Note 5 Investments in subsidiaries

Name of the subsidiary	*Location*	*Registered office*	2024 *Share capital (USD thousand)*	*Number of shares held*	*Percentage owner voting share*
HMH Holding (Netherlands) B.V. [1)]	NL	Weerdestein 97, 1083GG Amsterdam, the Netherlands	4	4	100%

[1)] HMH Holding (Netherlands) B.V. owns MHWirth AS, MHWirth LLC and Hydril USA Distribution LLC. Date of incorporation February 8, 2024.

In 2024, the Company underwent a demerger as part of a strategic reorganization to optimize the group's structure in order to meet current and future financing needs. This restructuring involved the incorporation of HMH Holding (Netherlands) B.V., a private limited liability company based in Amsterdam. During this legal demerger, certain assets were transferred from the Company to HMH Holding (Netherlands) B.V. under universal title of succession.

This transaction is considered a common control transaction and has been accounted for at book value in accordance with the group's accounting policies. Post-demerger, all shares in HMH Holding (Netherlands) B.V. have been transferred to the Company.

Name of the subsidiary

Amounts in USD thousands	Carrying amount as at December 31	Profit / loss(-) for the full year	Equity as at December 31
HMH Holding (Netherlands) B.V.	795,416	-	795,416

The Company performed a regular annual impairment assessment of its investments to determine whether there was any indication of impairment. The equity of the subsidiaries are below the carrying amount and so impairment trigger were noted. The Company conducted an impairment assessment by comparing the recoverable amount with carrying amount of the investment and concluded no impairment losses had to be recognized. This assessment was further supported by the high performance in the last period and the expectation of profitable development going forward, mitigating the impairment trigger.
There have been no instance where previously identified impairments have been reversed.

Name of the subsidiary	*Location*	*Registered office*	2023 *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 structured as companies without shares. Both companies are fully owned by HMH Holding B.V.

Name of the subsidiary

Amounts in USD thousands	Carrying amount as at December 31	Profit / loss(-) for the full year	Equity as at December 31
MHWirth AS	385,265	-19,214	165,056
MHWirth LLC	3,500	-3,037	5,375
Hydril USA Distribution LLC	406,651	16,672	313,256
Total	**795,416**	**-5,580**	**483,687**

Movements in investments in subsidiaries

Amounts in USD thousands	Total
Balance at December 31, 2022	791,915
Capital contributions [1)]	3,500
Balance at December 31, 2023	795,415
Balance at December 31, 2024	**795,415**

[1)] The amount relates to a capital contribution in MHWirth LLC made in June 2023.

Note 6 Shareholders' equity and shareholders

Share capital

HMH 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. As of October 1, 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.
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.

Share Capital of EUR 200 consist of 200 shares at par value EUR 1.00. In 2023 or 2024, there have been no change in number of shares issued or change in the Company's share capital.

Shareholders as at December 31, 2024 and 2023

Company	**Number of shares held**	**Ownership**
Baker Hughes Holding LLC	100	50%
Akastor AS	50	25%
Mercury HoldCo Inc.	50	25%

Other reserves Share-based payments
The other reserves comprises the effect of the equity-settled share-based payments in the Group. See note 2.4 in Group's consolidated financial statements for more information.

Unappropriated result
Appropriation of the result of 2023
The financial statements for the reporting year 2023 have been adopted by the General Meeting in April, 2024. The General Meeting has adopted the appropriation of profit after tax for the reporting year 2023 as proposed by the Board of Management.

Proposal for profit appropriation 2024
The Board of Management proposes to the General Meeting to appropriate the profit after tax for 2024 as follows: to pay out an amount of USD 0 thousand as dividend and to deduct the remaining amount of USD -43,255 thousand to retained earnings.

Reconciliation of shareholders’ equity and net result per the consolidated financial statements with shareholders’ equity and net result per the company financial statements.

As at December 31

Amounts in USD thousands	**2024**	**2023**
Shareholders’ equity according to the consolidated statement of financial position	**631,793**	**595,881**
Hedge reserve	2,250	-1,097
Pension remeasurement reserve in subsidiaries	-2,489	-2,036
Currency translation reserve in subsidiaries	19,516	-2,075
Accumulated losses from subsidiaries	-164,941	-76,906
Non-controlling interests	-1,170	-
Acquisition of NCI without a change in control	-8,891	-
Shareholders’ equity according to HMH Holding B.V. statement of financial position	**476,071**	**513,768**
Amount in Company financial statements	476,071	513,768
Net result according to the consolidated profit and loss account	**44,780**	**10,775**
Profit / loss(-) for the period from subsidiaries	-88,035	-62,464
Net result according to HMH Holding B.V. profit and loss account	**-43,255**	**-51,688**

Note 7 Receivables and borrowings from Group companies and related parties

As at December 31

Amounts in USD thousands	*Note*	**2024**	**2023**
Non-current interest-bearing receivables to Group companies		38,071	12,000
Non-current interest-bearing receivables to related parties		8,638	7,977
Total non-current interest-bearing receivables to Group companies and related parties		**46,709**	**19,977**
Indemnification asset		18,355	20,414
Total non-current non interest-bearing receivables to related parties		**18,355**	**20,414**
Other receivables to Group companies		12,428	11,337
Other receivables to related parties		12,140	-
Current interest-bearing receivables to Group companies		13	23,857
Indemnification asset		1,500	1,500
Total other receivables to Group companies and related parties		**26,081**	**36,693**
Non-current interest-bearing liabilities to related parties	*8*	131,910	119,587
Total interest-bearing liabilities to related parties		**131,910**	**119,587**
Current borrowings from Group companies		-	2,553
Total current borrowings from Group companies		**-**	**2,553**

Interest-bearing receivables to and borrowings from related parties and Group companies
On April 1, 2023, the Company agreed with the related parties to charge interest of 8 % p.a, the expected maturity date is November 2026.

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.

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.

The intercompany receivables are considered recoverable by management. The carrying values of the recognized 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
In connection with the merger transaction deal, the Company obtained 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 recognized 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, 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. Remeasurement is accounted for as finance income or finance expenses. For the accounting of the pension receivable please refer to note 7.3 in the Group's consolidated financial statements.

Other Receivables to Group companies
HMH Holding B.V. delivers Global Service Charge, Global IT Service fee and Division service to its subsidiaries and trade receivables to Group companies represent unpaid balances as at December 31, 2024 and 2023.

HMH Holding B.V. has accounting, legal and other costs which will be reimbursed by HMH Holding Inc. upon consummation of an initial public offering. This amount is included in Other receivables to Group Companies.

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 35 million including an undrawn overdraft limit amounting to USD 49 million that together with cash and cash equivalents gives a total liquidity reserve of USD 84 million as at December 31, 2024 (2023: USD 90.5 million). As at December 31, 2024 and 2023 no cash balances are restricted for use.

As at December 31

Amounts in USD thousands	*Note*	**2024**	**2023**
HMH Holding B.V. cash / net current borrowings (-) in the cash pool system		-41,601	410
Cash in cash pool system (owned by the Company)		**-41,601**	**410**

Note 8 Borrowings

As at December 31, 2024

Amounts in USD thousands	Currency	Nominal currency value	Carrying amount (USD)	Interest rate margin	Fixed rate	Maturity date	Interest Terms
Senior Secured Bonds (HMH02)	USD	200,000	196,836		9.88%	Nov 2026	Fixed rate
Shareholder loan	USD	131,910	131,910		8.00%	Oct 2027	Fixed rate
Revolving Credit Facility 2023 (USD 50 million)	USD	15,000	14,427	3.75%		May 2026	SOFR + Margin
Total borrowings			**343,173**				
Current borrowings			14,427				
Non-current borrowings			328,746				
Total			**343,173**				

Reconciliation of liabilities arising from financing activities

Amounts in USD thousands	January 1, 2024	Cash flows	Deferred interest	Amortization	Capitalized borrowing costs	December 31, 2024
Bridge loan facility	-	-	-	-	-	-
Bond loan HMH01	-	-	-	-	-	-
Senior Secured Bonds (HMH02)	198,928	-2,469	-	1,559	-1,181	196,836
Shareholder loan	119,587	-	12,323	-	-	131,910
Revolving credit facilities	-	-	-	-	-	-
Revolving credit facilities 2023	18,659	-7,000	-	299	-	14,427
	337,174	**-9,469**	**12,323**	**1,858**	**-1,181**	**343,173**

Refer to note 4.7 Borrowings in the Group's Consolidated Financial Statements for details

As at December 31, 2023

Amounts in thousands	Currency	Nominal currency value	Carrying amount (USD)	Interest rate margin	Fixed rate	Maturity	Interest Terms
Bond loan HMH01	USD	-	-	7.00%		Feb 2025	LIBOR + Margin
Senior Secured Bonds (HMH02)	USD	200,000	198,928		9.88%	Nov 2026	Fixed rate
Shareholder loan	USD	119,587	119,587		8.00%	Oct 2027	Fixed rate
Revolving Credit Facility (USD 80 million)	USD	-	-	4.00%		Feb 2024	LIBOR + Margin
Revolving Credit Facility 2023 (USD 50 million)	USD	22,000	18,659	3.75%		May 2026	SOFR + Margin
Total borrowings			**337,174**				
Current borrowings			22,000				
Non-current borrowings			315,175				
Total			**337,174**				

Reconciliation of liabilities arising from financing activities

Amounts in USD thousands	January 1, 2023	Non-cash effect	Cash flows	Deferred interest	Amortization	Capitalized borrowing costs	December 31, 2023
Term loan facility	35,684	-	-39,226	-	3,542	-	-
Bond loan HMH01	147,858	-39,941	-110,059	-	2,142	-	-
Senior Secured Bonds (HMH02)	-	39,941	160,059	2,469	101	-3,642	198,928
Shareholder loan	110,266	-	-	9,321	-	-	119,587
Revolving credit facilities	8,035	-	-8,035	-	-	-	-
Revolving credit facilities 2023	-	-	19,531	-	25	-897	18,659
Current liability to credit institutions	1,190	-	-1,280	-	90	-	-
	303,033	**0**	**20,990**	**11,790**	**5,900**	**-4,539**	**337,174**

Refer to note 4.7 Borrowings in the Group's Consolidated Financial Statements for details

Note 9 Guarantees

Loan guarantee
Subsidiaries defined as material under the bond terms and facility agreement serve as guarantors for the fulfilment of payment of interest, principal and other specified costs for HMH Holding B.V. The security provided by each guarantor is limited to USD 900 million. The amount is a formality required under Norwegian law and covers outstanding debt, future interest payments, availability of taking on further debt, an also an additional buffer amount.

Note 10 Trade and other payables

As at December 31 *Amounts in USD thousands*	**2024**	**2023**
Trade payables	12,234	5,655
Accrued interest	2,938	2,565
Accrual for group overhead costs [1)]	1,868	1,781
Total trade and other payables	**17,040**	**10,001**

[1)] The short-term liabilities are based on expected future invoices from group companies and 3rd parties.

Note 11 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 at December 31, 2024, HMH Holding B.V. had not entered into any foreign exchange derivative contracts. The majority of the monetary assets and liabilities are denominated in USD, hence the currency risk associated with the financial position is considered 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 Company 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. However, an impairment of USD 14 million was recognised in 2024. 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

As at December 31, 2024

Amounts in USD thousands	*Note*	Carrying amount as at December 31	Total cash flow	6 months and less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-current borrowings [1)]		328,746	403,052	9,880	9,880	218,113	165,179	-
Current borrowings		14,427	15,350	15,350	-	-	-	-
Trade payable and other current liabilities		17,040	17,040	17,040	-	-	-	-
Total financial liabilities		**360,213**	**435,441**	**42,269**	**9,880**	**218,113**	**165,179**	**-**

As at December 31, 2023

Amounts in USD thousands	*Note*	Carrying amount as at December 31	Total cash flow	6 months and less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-current borrowings [1)]		315,175	415,804	9,880	9,880	19,760	376,284	-
Current borrowings		22,000	22,121	-	-	-	-	-
Trade payable and other current liabilities		10,001	10,001	-	-	-	-	-
Current borrowings from Group companies		2,553	2,602	2,602	-	-	-	-
Total financial liabilities		**349,729**	**450,527**	**2,602**	**9,880**	**19,760**	**376,284**	**-**

[1)] The Group expects not to settle shareholder loan of USD 100 million (principal amount) is prior to external debt, earliest maturity date is set to October 1, 2026. The loan is subject to an 8% interest rate p.a. which is deferred. See note 8 for details.

Note 12 Related parties

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

Amounts in USD thousands	*Note*	**2024**	**2023**
Other revenue	2	19,943	7,719
Operating expenses	2	17,810	5,887
Finance income	3	6,085	7,100
Finance expenses	3	10,075	9,165

Statement of financial position

Amounts in USD thousands	*Note*	**December 31, 2024**	**December 31, 2023**
Investments	5	795,416	795,416
Receivables	7	91,146	77,084
Cash pool, cash / net current borrowings (-)	7	-41,601	410
Liabilities	7	131,910	122,140
Contingent considerations		8,676	9,413

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. For further details see note 7.3 in the Group consolidated financial statement.

Transactions with key management
Board of directors
The Board of directors received no remuneration for being directors, for their Directors roles. The members of the Board of directors have no agreements that entitle them to any other remuneration from HMH and neither they have loans, advanced payments, guarantees granted by the Company.

Policy for remuneration the Executive management
As at December 31, 2024, the executive management of HMH Holding B.V comprised of CEO Eirik Bergsvik, CFO Thomas McGee, GC/CAO Dwight Rettig, CTO Pål Skogerbø, COO Eugene C. Chauviere and CCO Roy Dyrseth. The Executive management receives remuneration on normal conditions from respective subsidiaries.

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

Directors' and Executive management's shareholding
Directors and the members of the executive management have no shares in HMH Holding B.V. as at December 31, 2024, or 2023. Refer to note 7.4 Commitments and contingencies in the Group's Consolidated Financial Statements for details.

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 which controls 32 companies around the world. Any transactions between the parent company and the subsidiaries are at arm's length, and is shown line by line in the parent company's financial statements of the parent company.

Associates are accounted for using the equity method. Transactions between the Company and these entities are shown in the table below. Refer to note 2

Summary of transactions and balances with related parties in 2024

Amounts in USD thousands	Akastor	Baker-Hughes	*Total*
Period January 1, 2024 - December 31, 2024			
Income statement			
Net financial items			**-**
Balance as at December 31, 2024			
Borrowings / shareholder loans	-28,143	-103,767	**-131,910**
Indemnification asset	19,855	-	**19,855**
Current interest-bearing receivables to related parties	4,338	4,299	**8,637**
Liability to shareholders	-8,162	-514	**-8,676**

Summary of transactions and balances with related parties in 2023

Amounts in USD thousands	Akastor	Baker-Hughes	*Total*
Period January 1, 2023 - December 31, 2023			
Income statement			
Net financial items	-1,517	-6,974	**-8,491**
Balance as at December 31, 2023			
Borrowings / shareholder loans	-23,917	-95,670	**-119,587**
Indemnification asset	21,914	-	**21,914**
Current non-interest-bearing receivables to related parties	4,007	3,970	**7,977**
Liability to shareholders	-8,747	-666	**9,413**

Note 13 Subsequent events

See note 7.5 in the Group's Consolidated Financial Statements.

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 statements
The Board of Directors have discussed and approved these financial statements for 2024 of HMH 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 statements give a true and fair view of HMH Holding B.V.'s financial position at December 31, 2024 and of the result of HMH Holding B.V.'s operations and the cash flows for the for the year ended December 31, 2024.

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 year ended December 31, 2024 of HMH Holding B.V. were authorized for issue by the Board of Directors on, April 28, 2025.

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 2024 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 2024 and of its result and its cash flows for the year then ended, in accordance with IFRS Accounting Standards as endorsed 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 2024 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 2024;
2. the following consolidated and company statements for the year ended 31 December 2024: the income statement, the statements of comprehensive income, changes in equity and cash flows; and
3. the notes comprising material accounting policy information 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. 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 7 million
- 0.8% of the Revenue

Company financial statements

- Materiality of USD 5.3 million
- 0.6% of Total assets

Group audit

- Performed substantive procedures for 88% of total assets
- Performed substantive procedures for 84% of revenue

Risk of material misstatements related to Fraud, NOCLAR and Going concern risks

- Fraud risks: presumed risk of management override of controls and presumed risk of revenue recognition. Identified and further described in the section 'Audit response to the risk of fraud and non-compliance with laws and regulations'.
- Non-compliance with laws and regulations (NOCLAR) risks: no reportable risk of material misstatements related to NOCLAR risks identified.
- Going concern risks: no going concern risks identified.

Key audit matters

- Revenue recognition – project and other manufacturing contracts
- Revenue recognition – sales of products, spare parts and rendering of services

Materiality

Based on our professional judgement we determined the materiality for the consolidated financial statements as a whole at USD 7 million (2023: USD 6.4 million) and for the company financial statements as a whole at USD 5.3 million (2023: USD 5.1 million).

The materiality for the consolidated financial statements is determined with reference to the relevant benchmark, being 0.8% of the revenue. We consider revenue as the most appropriate benchmark because it serves as the foremost metric utilized by stakeholders. The increase in materiality levels between the years is directly associated with the increase in revenues.

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 includes the investment in the subsidiary, 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 325,000 and USD 240,000 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

HMH Holding B.V. is at the head of a group of components (hereafter: 'Group'). The financial information of this Group is included in the financial statements of HMH Holding B.V.

This year, we applied the revised Group auditing standard in our audit of the financial statements. The revised standard emphasizes the role and responsibilities of the Group auditor. The revised standard contains new requirements for the identification and classification of components, scoping, and the design and performance of audit procedures across the Group. As a result, we determine coverage differently and comparisons to prior period coverage figures are not meaningful.

We performed risk assessment procedures throughout our audit to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements. To appropriately respond to those assessed risks, we planned and performed further audit procedures, either at component level or centrally. We identified nine components associated with a risk of material misstatement. For four out of these nine components we involved component auditors. We, as Group auditor, audited the remaining components. We set component performance materiality levels considering the component's size and risk profile.

We have performed substantive procedures for 88% of the Group revenue and 84% of the Group total assets. At Group level, we assessed the aggregation risk in the remaining financial information and concluded that there is a less than reasonable possibility of a material misstatement.

In supervising and directing our component auditors, we:

- held risk assessment discussions with the component auditors to obtain their input to identify matters relevant to the Group audit;
- issued Group audit instructions to component auditors on the scope, nature and timing of their work, and received written communication about the results of the work they performed;
- held meetings with component auditors in person and/or virtually to discuss relevant developments, and to understand and evaluate their work;
- inspected the work performed by component auditors and evaluated the appropriateness of audit procedures performed and conclusions drawn from the audit evidence obtained, and the relation between communicated findings and work performed. In our inspection we mainly focused on key audit matters, significant risks and key judgement areas.

We consider that the scope of our Group audit forms an appropriate basis for our audit opinion. By performing the procedures mentioned above, we obtained sufficient and appropriate audit evidence about the Group's financial information to provide an opinion on the financial statements as a whole.

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

In the chapter 'Significant risks and uncertainties' of the Management Board report, the Management Board describes its 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 Internal Audit, Legal Counsel and Compliance. We have also incorporated elements of unpredictability in our audit, such as integrating a new component into the scope involving Bronco Manufacturing LLC.

As a result from our risk assessment, we identified the following laws and regulations as those most likely to have a material effect on the financial statements in case of non-compliance:

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

Our procedures did not result in the identification of a reportable risk of material misstatement in respect of non-compliance with laws and regulations.

Based on the above and on the auditing standards, we identified the following fraud risks that are relevant to our audit, including the relevant presumed risks laid down in the auditing standards, 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 valuation of assets and liabilities.

Responses:

- We evaluated the design and the implementation of internal controls that mitigate fraud and non-compliance risks, 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 performed procedures for any identified risk, such as a screening of journal entries which contain specific words or unexpected journal entry bookings.
- We incorporated elements of unpredictability in our audit, integrating a new component into the scope involving Bronco Manufacturing LLC (USA).
- 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 business rationale for significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual.
- We identified and tested relevant controls over journal entries and post-closing adjustments.

- 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)

Risks:

There is a risk of inaccurate and premature revenue recognition in relation to project and other manufacturing contracts (over time revenue), as it is a complex area and it involves a high degree of judgement. The potential effects of these estimates could be material, increasing the risk of error. Moreover, there is a presumed risk of fraud linked to potential overstatement of revenue.

There is a presumed risk of fraud on revenue recognition concerning product sales, spare parts and rendering of services; this risk is increased due to the substantial volume of transactions involved. Product and spare parts revenue is recognized at the point of sale, whereas service revenue is recognized over time.

The risk of fraud extends to the revenue cut-off risk, specifically the intentional shifting of revenue between reporting periods. This applies across products, spare parts, and services revenue streams.

Response:

- We refer to our key audit matters: 'Revenue recognition – project and other manufacturing contracts' and 'Revenue recognition – sales of products, spare parts and rendering of services'.
- 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.

As mentioned above, our evaluation of procedures performed related to fraud did not result in an additional key audit matter.

We communicated our risk assessment, audit responses and results to management and the Audit Committee.

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 analysed the Group's financial position, result of the year and cashflow as at year-end 2024 and compared it to 31 December 2023 in terms of indicators that could identify going concern risks.

The outcome of our risk assessment procedures did not give reason to perform additional audit procedures on the 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.

Compared to last year, the key audit matter with respect to 'Impairment of Goodwill' is not included, since we concluded in our risk assessment procedures that the risk of impairment has been reduced compared to prior year due to the Company's financial performance.

Revenue recognition – project and other manufacturing contracts

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 project and other manufacturing contracts (over time revenue) as it is affected by subjective elements.

Key area of judgement applied is estimating costs to complete and projected revenue, whether impacted by change orders, project progress and/or (potential) disputes. Due to the aforementioned risk of inaccurate and premature revenue recognition and since project and other manufacturing 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 inspected the accounting policy to ensure the approach and methods for revenue recognition are appropriate and have been applied consistently in accordance with IFRS 15 'Revenue from Contracts with Customers'.
- We obtained an understanding of internal controls, including testing of design and implementation of 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 ‘Revenue from Contracts with Customers’, including verifying management’s input for the stage of completion calculation and reperformed it.
- We inspected and challenged project reports and other assessments made by management comparing 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.
- We assessed the adequacy of the presentation of revenue-related disclosures in the consolidated financial statements.

Our observation

The results of our procedures on revenue recognition were satisfactory. We consider the disclosures relating to revenue recognition, as included in note 2.1 in the consolidated financial statements, to be adequate.

Revenue recognition – sales of products, spare parts and rendering of services

Description

Products, spare parts and rendering of services revenue involve a high volume of transactions, while product revenue is recognized at a point in time and service revenue is recognized over time. There is a risk of fraud (risk of intentional shifting the revenue in a different period) related to the cut-off on the revenue stream for products, spare parts and rendering of services.

Our response

- We inspected the accounting policy to ensure the approach and methods for revenue recognition are appropriate and have been applied consistently in accordance with IFRS 15 ‘Revenue from sales of products and rendering of services’.
- We obtained an understanding of internal controls, including testing of design and implementation of control activities with respect to timely recognition of the products and services revenue.
- We challenged management’s assumptions in respect of satisfied performance obligations related to revenue recognized.
- We tested the revenue around year-end to ensure that the sales of products, spare parts and rendering of services are recognized in the correct accounting period.
- We performed substantive procedures over credit notes, rebates and discounts after the reporting date to ensure that revenue has been recognized in the appropriate accounting period.

- We assessed the adequacy of the presentation of revenue-related disclosures in the consolidated financial statements.

Our observation

The results of our procedures on revenue recognition were satisfactory. We consider the disclosures relating to revenue recognition, as included in note 2.1 in the consolidated 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.

Report on other legal and regulatory requirements

Engagement

We were initially appointed by the General Meeting of Shareholders as auditor of HMH Holding B.V. on 13 December 2022, for the audit of the financial year 2021, and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

We have not provided prohibited non-audit services during the statutory audit.

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 HMH Holding B.V.'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 HMH Holding B.V. or to 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 HMH Holding B.V.'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 included in Appendix 1 of this auditor's report. This description forms part of our auditor's report.

Amstelveen, 28 April 2025

KPMG Accountants N.V.

L.M.A. van Opzeeland RA

Appendix 1:
Description of our responsibilities for the audit of the financial statements

Appendix 1

Description of our responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the HMH Holding B.V.'s internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- concluding on the appropriateness of the Board of Directors' use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on HMH Holding B.V.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are responsible for planning and performing the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the financial statements. We are also responsible for the direction, supervision and review of the audit work performed for purposes of the Group audit. We bear the full responsibility for the auditor's report.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Appendix 14 - Unaudited Interim Financial Statements for the three-month period ended 31 March 2025 for HMH Holding B.V.

Interim condensed consolidated financial information

March 31, 2025

HMH Holding B.V. including subsidiaries

Unaudited

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Business Review Q1 2025

Business Summary

HMH reports revenues of USD 198 million for the three months ended March 31, 2025, with an adjusted EBITDA (adjusted for non-recurring expenses or costs defined as outside of normal company operations) of USD 33 million, corresponding to an EBITDA margin of approximately 16.5%. Unadjusted EBITDA was USD 29.3 million for the three months ended March 31, 2025. Revenues from Aftermarket Services were USD 84 million in the quarter, down 10%, compared to fourth quarter last year driven by overhaul and repair and down 19% quarter-on-quarter driven by prior quarter contract service agreement performance and digital technology volume. Order intake within this segment in period was up 22% year-on-year and up 12% quarter-on-quarter driven by overhaul and repair order intake. Revenues from Spares were 60 million in the quarter, flat compared to fourth quarter last year and up 8% quarter-on-quarter driven by improved convertibility of existing backlog. Revenues from Projects, Products & Other were USD 55 million in the quarter, up 34% year-on-year driven by project milestones and down 25% quarter-on-quarter driven by product volume.

Adjusted EBITDA and Cash Flow

Adjusted EBITDA was down 2% on a year over year driven by lower service volume, and down 31% on a quarter over quarter basis, driven by lower service volume and non-repeat of contract services agreements performance. Free cash flow (cash generated from operating activities less taxes paid and net investments, plus interest) was 15 million driven by significant improvement in past dues.

Capital Structure

In 1Q25 HMH ended the quarter with USD 200 million of gross interest-bearing debt, with RCF undrawn per 1Q25 and USD 15 million, net repaid during the quarter. With USD 47 million of cash on the balance sheet, we have USD 153 million of net debt. HMH stays well within all covenant requirements for Minimum Liquidity, Gearing Ratio and Interest Coverage Ratio.

Growth

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

Thomas McGee
(Chief Financial Officer)

Amsterdam April 30, 2025

Unaudited condensed consolidated interim income statement

Amounts in USD thousands	*Notes*	**31.03.2025**	**31.03.2024**	**31.12.2024**
Revenue and other income	*2.1*	198 430	193 377	843 268
Operating expenses		**-169 179**	**-161 867**	**-681 102**
Operating profit before depreciation, amortization and impairment	*2.2*	**29 251**	**31 510**	**162 166**
Depreciation and amortization	*3.1, 3.3*	-12 585	-11 022	-47 629
Impairment	*3.2*	-1 828	-	-
Operating profit / loss(-)		**14 838**	**20 488**	**114 537**
Finance income	*4.2*	10 690	2 602	19 019
Finance expenses	*4.2*	-15 977	-12 542	-63 505
Net finance expenses		**-5 287**	**-9 940**	**-44 486**
Profit / loss(-) before tax		**9 551**	**10 548**	**70 051**
Income tax expense	*5.4*	-4 918	-4 122	-24 532
Profit / loss(-) for the period		**4 633**	**6 426**	**45 519**
Profit / loss(-) attributable to:				
Equity holders of the parent		4 867	6 146	44 780
Non-controlling interests		-234	280	739

Unaudited condensed consolidated interim statement of comprehensive income

Amounts in USD thousands	*Notes*	**31.03.2025**	**31.03.2024**	**31.12.2024**
Profit / loss(-) for the period		**4 633**	**6 426**	**45 519**
Other comprehensive income				
Cash flow hedges, gross amount		3 916	-1 653	-4 314
Cash flow hedges, related tax		-783	-554	966
Total change in hedging reserve, net of tax		**3 133**	**-2 205**	**-3 348**
Currency translation differences - foreign operations		10 305	-4 581	-21 591
Total items that may be reclassified subsequently to profit or loss, net of tax		**13 438**	**-6 785**	**-24 939**
Remeasurement gain (loss) net defined benefit liability		-447	192	567
Deferred tax of remeasurement gain (loss) net defined benefit liability		89	64	-113
Total items that will not be reclassified to profit or loss, net of tax		**-357**	**256**	**454**
Total other comprehensive income / loss(-) for the period, net of tax		**13 081**	**-6 529**	**-24 485**
Total comprehensive income / loss(-)		**17 714**	**-103**	**21 034**
Total comprehensive income / loss(-) attributable to:				
Equity holders of the parent		17 948	-384	20 295
Non-controlling interests		-234	280	739

Unaudited condensed consolidated interim statement of financial position

Amounts in USD thousands	*Notes*	**31.03.2025**	**31.12.2024**	**31.03.2024**
ASSETS				
Non-current assets				
Deferred tax assets		19 044	19 139	27 255
Property, plant and equipment	*3.1*	201 453	198 684	212 675
Other intangible assets	*3.3*	131 356	136 324	142 779
Right-of-use assets	*3.2*	45 124	37 087	37 736
Goodwill	*3.3*	303 185	300 939	287 628
Other non-current assets	*5.3*	32 540	31 854	33 543
Total non-current assets		**732 702**	**724 026**	**741 616**
Current assets				
Prepaid income tax		808	682	971
Inventories		281 748	279 957	267 375
Trade receivables and other current assets	*4.1*	167 881	181 712	187 203
Derivative financial instruments	*4.1*	1 549	1 713	1 702
Current financial assets	*4.1*	3 784	3 679	1 500
Contract assets		154 798	143 360	121 876
Cash and cash equivalents	*4.1*	46 984	48 912	49 238
Total current assets		**657 553**	**660 015**	**629 865**
TOTAL ASSETS		**1 390 256**	**1 384 041**	**1 371 481**

Amounts in USD thousands	*Notes*	**31.03.2025**	**31.12.2024**	**31.03.2024**
EQUITY AND LIABILITIES				
Equity				
Share capital		0	0	0
Share premium		601 539	601 539	601 539
Reserves		19 314	5 137	10 345
Retained earnings		28 815	23 948	-14 707
Equity attributable to equity holders of the parent company		**649 668**	**630 624**	**597 177**
Non-controlling interests		924	1 170	9 567
Total equity		**650 592**	**631 794**	**606 744**
Non-current liabilities				
Non-current borrowings	*4.3*	332 063	328 747	325 506
Non-current lease liabilities	*3.2*	38 941	30 684	31 213
Employee benefit obligations		17 749	16 828	17 811
Deferred tax liabilities		17 478	19 128	19 955
Non-current provisions	*5.2*	1 894	822	1 002
Other non-current liabilities	*4.1*	14 072	14 212	11 160
Total non-current liabilities		**422 198**	**410 422**	**406 646**
Current liabilities				
Current borrowings	*4.3*	0	14 428	974
Current lease liabilities	*3.2*	9 917	8 688	9 540
Current tax liabilities		8 120	6 040	7 462
Current provisions	*5.2*	18 245	16 109	18 661
Trade payables and other current liabilities	*4.1*	218 941	236 322	236 910
Contract liabilities		61 832	55 627	81 435
Derivative financial instruments	*4.1*	410	4 612	3 109
Total current liabilities		**317 466**	**341 826**	**358 091**
Total liabilities		**739 664**	**752 247**	**764 737**
TOTAL EQUITY AND LIABILITIES		**1 390 256**	**1 384 041**	**1 371 481**

Amsterdam, April 30, 2025

Thomas McGee
(Chief Financial Officer)

Unaudited condensed consolidated interim statement of cash flows

Amounts in USD thousands	*Notes*	**31.03.2025**	**31.03.2024**	**31.12.2024**
Cash flow from operating activities				
Profit / loss(-) before tax		9 551	10 548	70 051
Adjustments for:				
Net finance income and expenses		5 287	9 940	44 486
Share-based payment expense		1 095	1 680	5 557
Foreign exchange gain and loss (-)		6 298	-2 373	-6 786
Other net finance cost / income (-)		-695	-1 042	-
Depreciation, amortization and impairment	*3.1*	14 413	11 022	47 629
Sum of adjustments		35 949	29 774	160 907
Changes in working capital:				
Decrease/increase(-) in trade receivables and other current assets		13 994	-5 650	-1 514
Decrease/increase(-) in inventories		-1 791	-25 971	-35 510
Increase/decrease(-) in trade payables and other liabilities		-27 569	-3 832	-11 431
Decrease/increase(-) in contract assets		-11 438	21 776	292
Increase/decrease(-) in contract liabilities		6 205	5 911	-19 898
Other changes		5 957	-3 449	-9 967
Sum of changes in working capital		-14 641	-11 215	-78 028
Interest paid		-1 633	-579	-21 127
Interest paid for leases		-664	-540	-2 158
Interest received		1 114	889	2 788
Income taxes paid		-4 519	-5 301	-17 218
Net cash from / used in (-) operating activities		**15 606**	**13 028**	**45 195**
Cash flow from investing activities				
Purchase of property, plant and equipment		-2 170	-4 730	-16 096
Payments for capitalized development expenses		-127	-590	-2 436
Proceeds from sale of property, plant and equipment		-	-	213
Acquisition of subsidiaries, net of cash acquired		-	-	-19 624
Net cash flow from / used in (-) investing activities		**-2 297**	**-5 320**	**-37 943**
Cash flow from financing activities				
Proceeds from sale to non-controlling interests		-	2 291	2 291
Proceeds from borrowings	*4.3*	40 000	-	90 000
Payment of borrowings	*4.3*	-55 000	-22 000	-97 984
Payment of borrowing cost	*4.3*	-	-	-1 627
Payment of lease liabilities	*3.2*	-2 129	-1 173	-10 320
Net cash flow from / used in (-) financing activities		**-17 129**	**-20 883**	**-17 641**
Effect of exchange rate changes on cash and cash equivalents		1 892	-111	-3 222
Net increase / decrease (-) in cash and cash equivalents		**-1 928**	**-13 286**	**-13 612**
Cash and cash equivalents at the beginning of the period		48 912	62 524	62 524
Cash and cash equivalents at the end of the period		**46 984**	**49 238**	**48 912**

Unaudited condensed consolidated interim statement of changes in equity

For the three months ended March 31, 2025

Amounts in USD thousands	Share capital[1]	Share premium	Hedging reserve	Pension remeasurement reserve	Other reserve[2]	Currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
	Attributable to owners of the Group									
Equity as of January 1, 2025	**0**	**601 539**	**-2 250**	**2 489**	**24 415**	**-19 516**	**23 948**	**630 624**	**1 170**	**631 794**
Profit / loss (-) for the period	-	-	-	-	-	-	4 867	**4 867**	-234	**4 633**
Other comprehensive income / loss (-)	-	-	3 133	-357	-	10 305	-	**13 081**	-12	**13 069**
Share-based payments	-	-	-	-	1 095	-	-	**1 095**	-	**1 095**
Total comprehensive income/loss(-)	**-**	**-**	**3 133**	**-357**	**1 095**	**10 305**	**4 867**	**19 043**	**-246**	**18 797**
Equity as of March 31, 2025	**0**	**601 539**	**883**	**2 132**	**25 510**	**-9 211**	**28 815**	**649 668**	**924**	**650 592**

[1] Share capital is USD 0.002 thousand at March 31, 2025
[2] Paid in capital, See note 5.6

For the three months ended March 31, 2024

Amounts in USD thousands	Share capital[1]	Share premium	Hedging reserve	Pension remeasurement reserve	Other reserves	Currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
	Attributable to owners of the Group									
Equity as of January 1, 2024	0	601 539	1 097	2 036	9 967	2 095	-20 852	**595 881**	-	595 881
Profit / loss (-) for the period	-	-	-	-	-	-	6 146	**6 146**	280	6 426
Other comprehensive income / loss (-)	-	-	-2 205	256	-	-4 581	-	**-6 529**	-	-6 529
Share-based payments	-	-	-	-	1 680	-	-	**1 680**	-	1 680
Non-controlling interest	-	-	-	-	-	-	-	**-**	9 287	9 287
Total comprehensive income / loss (-)	**-**	**-**	**-2 205**	**256**	**1 680**	**-4 581**	**6 146**	**1 296**	**9 567**	**10 863**
Equity as of March 31, 2024	**0**	**601 539**	**-1 107**	**2 292**	**11 647**	**-2 486**	**-14 707**	**597 177**	**9 567**	**606 744**

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

Section 1 - Background

Note 1 General information

1.1 Corporate information

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

The HMH Group was established with effect from October 1, 2021, HMH Holding B.V. acquired 100% of MHWirth and 100% of Subsea Drilling System. The shareholders are Baker Hughes Holdings LLC (50%), Akastor AS (25%), and Mercury HoldCo Inc (25%).

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

1.2 Basis of preparation

The interim condensed consolidated financial statements for the three months ended March 31, 2025 have been prepared in accordance with *IAS 34 Interim Financial Reporting*. The Group has prepared the financial statements on the basis that it will continue to operate as a going concern. The Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgment that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The interim condensed consolidated financial statements do not include all of the information and disclosure required for a complete set of annual consolidated financial statements and should be read in conjunction with HMH's Annual Report 2024.The accounting policies applied in this interim financial statements are the same as those applied in the Group's consolidated financial statement for the year ended December 31, 2024 which were prepared according to IFRS as approved by the EU.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The interim condensed consolidated financial statements for the three months ended March 31, 2025 are unaudited.

Section 2 - Operating performance

2.1 Revenue

Disaggregation of revenue from contracts with customers
Revenue from contract with customers is disaggregated in the following table by major contract and revenue types and timing of revenue recognition and by operating segments. HMH has two operating segments: Equipment and System Solutions (ESS) and Pressure Control Systems (PCS).

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

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

As at March 31, 2025

Amounts in USD thousands	ESS	PCS	Total
Major contract/revenue types			
Project and other manufacturing contracts revenue	19 174	5 443	24 617
Sale of products	16 937	13 173	30 110
Service revenue	41 398	42 131	83 529
Spare parts revenue	30 032	30 141	60 174
Revenue and other income	**107 542**	**90 888**	**198 430**
Timing of revenue recognition			
Transferred over time	72 883	47 553	120 436
Transferred at point in time	34 659	43 336	77 994
Revenue and other income	**107 542**	**90 888**	**198 430**

As at March 31, 2024

Amounts in USD thousands	ESS	PCS	Total
Major contracts/revenue types			
Project and other manufacturing contracts revenue	4 330	8 881	13 211
Sale of products	17 105	10 383	27 489
Service revenue	51 131	41 457	92 588
Spare parts revenue	26 253	33 836	60 089
Revenue and other income	**98 819**	**94 558**	**193 377**
Timing of revenue recognition			
Transferred over time	69 449	50 376	119 825
Transferred at point in time	29 370	44 181	73 551
Revenue and other income	**98 819**	**94 558**	**193 377**

Note 2.2 - Operating segments

HMH identifies its reportable segments and disclose segment information under IFRS 8 Operating Segments. See note 2.1 in this interim report for description of HMH's management model and operating segments as well as accounting principles used for segments reporting.

As at March 31, 2025

Amounts in USD thousands	**ESS**	**PCS**	**Total operating segments**	**Eliminations**	**Headquarters**	**Total HMH**
Income statement						
External revenue and other income	107 542	90 888	198 430	-	-	198 430
Inter-segment revenue	2 118	3 232	5 350	-5 350	-	-
Total revenue and other income	**109 660**	**94 120**	**203 780**	**-5 350**	**-**	**198 430**
Operating profit before depreciation, amortization and impairment	**14 664**	**17 508**	**32 173**	**-**	**-2 921**	**29 251**
Depreciation and amortization						-12 585
Impairment						-1 828
Operating profit / loss(-)	**14 664**	**17 508**	**32 173**	**-**	**-2 921**	**14 838**
Net finance income/expense						-5 287
Profit / loss(-) from joint ventures and associates	-	-	-	-	-	-
Profit / loss(-) before tax	**14 664**	**17 508**	**32 173**	**-**	**-2 921**	**9 551**

As at March 31, 2024

Amounts in USD thousands	**ESS**	**PCS**	**Total operating segments**	**Eliminations**	**Headquarters**	**Total HMH**
Income statement						
External revenue and other income	98 819	94 558	193 377	-	-	193 377
Inter-segment revenue	1 286	2 923	4 208	-4 208	-	-
Total revenue and other income	**100 105**	**97 480**	**197 585**	**-4 208**	**-**	**193 377**
Operating profit before depreciation, amortization and impairment	**9 784**	**24 833**	**34 617**	**-**	**-3 106**	**31 510**
Depreciation and amortization						-11 022
Impairment						-
Operating profit / loss(-)	**5 849**	**18 383**	**24 232**	**-**	**-3 744**	**20 488**
Net finance income/expense						-9 940
Profit / loss(-) from joint ventures and associates	-	-	-	-	-	-
Profit / loss(-) before tax	**2 958**	**18 335**	**21 293**	**-**	**-10 745**	**10 548**

Section 3 - Asset base

3.1 Property, plant and equipment

As at March 31, 2025

Amounts in USD thousands	*Note*	**Buildings and land**	**Machinery, equipment, software**	**Assets under construction**	**Total**
Historical cost					
Balance as at January 1, 2025		**151 638**	**85 212**	**3 125**	**239 975**
Additions		-	2 076	226	**2 303**
Acquisition through business combinations	*5.1*	-	-	-	**-**
Reclassifications		99	-99	-	**0**
Transfer from assets under construction		111	461	-572	**-**
Disposals and scrapping		-88	-673	-	**-762**
Currency translation differences		5 770	3 808	194	**9 772**
Balance as at March 31, 2025		**157 531**	**90 785**	**2 972**	**251 288**
Accumulated depreciation					
Balance as at January 1, 2025		**-21 716**	**-19 576**	**-**	**-41 292**
Depreciation for the period		-1 312	-3 473	-	**-4 785**
Reclassifications [1)]		-1	528	-	**526**
Disposals and scrapping		88	673	-	**762**
Currency translation differences		-2 206	-2 840	-	**-5 046**
Balance as at March 31, 2025		**-25 147**	**-24 687**	**-**	**-49 834**
Net book value as at January 1, 2025		**129 922**	**65 636**	**3 125**	**198 683**
Net book value as at March 31, 2025		**132 384**	**66 097**	**2 972**	**201 453**

[1)] Reclassification from Property, plant and equipment to Intangibles.

As at March 31, 2024

Amounts in USD thousands	**Buildings and land**	**Machinery, equipment, software**	**Assets under construction**	**Total**
Historical cost				
Balance as at January 1, 2024	**166 325**	**83 672**	**5 695**	**255 692**
Additions	-	3 942	788	**4 730**
Transfer from assets under construction	-	52	-52	**-**
Disposals and scrapping	-	-13	-	**-13**
Currency translation differences	-2 987	-2 228	-163	**-5 378**
Balance as at March 31, 2024	**163 338**	**85 425**	**6 267**	**255 031**
Accumulated depreciation				
Balance as at January 1, 2024	**-22 670**	**-18 188**	**-**	**-40 858**
Depreciation for the period	-1 463	-2 882	-	**-4 345**
Disposals and scrapping	-	13	-	**13**
Currency translation differences	1 138	1 697	-	**2 835**
Balance as at March 31, 2024	**-22 995**	**-19 361**	**-**	**-42 354**
Net book value as at January 1, 2024	**143 655**	**65 484**	**5 695**	**214 834**
Net book value as at March 31, 2024	**140 343**	**66 065**	**6 267**	**212 675**

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 extensions options. The Group also has 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.

As of March 2025, total right-of-use assets related to leases amounted to USD 45 million, with a related lease liability of USD 48 million. In Q1 there has been a net increase in the right-of-use (RoU) assets and lease liabilities primarily due toan extension of office leases in Kristiansand (10 years) and workshop leases in Saudi Arabia (4 years). These extensions have been partially offset by an impairment of the RoU assets for office leases in Horten and Fornebu, as well as a 3-year reduction in the lease period in Baku.

3.3 Intangible assets and goodwill

As at March 31, 2025

Amounts in USD thousands	*Note*	**Development costs [2)]**	**Goodwill**	**Patents and rights**	**Customer Relations**	**Total**
Historical cost						
Balance as at January 1, 2025		**67 219**	**300 940**	**20 107**	**112 893**	501 159
Additions		104	-	-	-	104
Acquisition through business combinations		-	1 873	-	-	1 873
Currency translation differences		4 498	373	154	-	5 024
Balance as at March 31, 2025		**71 820**	**303 186**	**20 261**	**112 893**	**508 160**
Accumulated amortization and impairment						
Balance as at January 1, 2025		**-15 133**	**-**	**-11 627**	**-37 135**	**-63 895**
Depreciation for the period		-2 456	-	-	-3 270	-5 726
Reclassifications [1)]		-2 292	-	1 777	-	-515
Currency translation differences		-3 365	-	-118	-	-3 483
Balance as at March 31, 2025		**-23 246**	**-**	**-9 968**	**-40 405**	**-73 618**
Net book value as at January 1, 2025		**52 086**	**300 940**	**8 480**	**75 758**	**437 263**
Net book value as at March 31, 2025		**48 575**	**303 186**	**10 293**	**72 488**	**434 541**
Useful life		**3-5**	**Indefinite**	**3-5**	**3-5**	

1) Reclassification from Property, plant and equipment to Intangibles and other changes within intangible assets.

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

- Development of a rotating control device along with associated equipment to enable open water, riserless drilling.
- Design and construction of a tested for the development of the electric BOP actuators, motors and controllers for use in offshore surface (platforms and jack-ups), subsea and land applications.
- Development of automation and digitalization solutions and digitally-powered services to improve customer efficiency, reduce emissions and improve customer competitiveness.

3.3 Intangible assets and goodwill (Continued)

As at March 31, 2024

Amounts in USD thousands	**Development costs[1)]**	**Goodwill**	**Patents and rights**	**Customer Relations**	**Total**
Historical cost					
Balance as at January 1, 2024	67 129	287 848	20 550	107 893	483 420
Additions	590	-	-	-	590
Reclassifications[1)]	44	-	35	-355	-275
Currency translation differences	-3 499	-219	-233	252	-3 699
Balance as at March 31, 2024	**64 264**	**287 629**	**20 353**	**107 790**	**480 036**
Accumulated amortization and impairment					
Balance as at January 1, 2024	**-13 131**	**-**	**-8 890**	**-25 081**	**-47 102**
Depreciation for the period	-1 588	-	-	-3 254	-4 842
Currency translation differences	2 521	-	56	-262	2 315
Balance as at March 31, 2024	**-12 198**	**-**	**-8 834**	**-28 597**	**-49 629**
Net book value as at January 1, 2024	**53 998**	**287 848**	**11 660**	**82 812**	**436 318**
Net book value as at March 31, 2024	**52 066**	**287 629**	**11 519**	**79 193**	**430 407**
Useful life	**3-5**	**Indefinite**	**3-5**	**3-5**	

1) Reclassification from Property, plant and equipment to Intangibles and other changes within intangible assets.

Section 4 - Financial instruments, risk and capital management

4.1 Financial instruments

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

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

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

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

As at March 31, 2025

Amounts in USD thousands	*Note*	**Carrying amount**	**Financial instruments measured at fair value**	**Level in fair value hierarchy**
Financial assets measured at fair value				
Fair value- hedging instruments				
Derivative financial instruments		1 549	1 549	Level 2
Financial assets not measured at fair value				
Financial assets at amortized cost				
Cash and cash equivalents		46 984		
Current financial assets		3 784		
Trade receivables and other current assets		167 881		
Other financial assets amortized at costs	*5.3*	6 763		
Financial assets		**226 961**	**1 549**	

As at March 31, 2025

Amounts in USD thousands	*Note*	**Carrying amount**	**Financial instruments measured at fair value**	**Level in fair value hierarchy**
Financial liabilities measured at fair value				
Fair value – hedging instruments				
Derivative financial instruments		410	410	Level 2
Financial liabilities not measured at fair value				
Financial liabilities at amortized cost				
Borrowings	*4.3*	332 064		
Other financial liabilities				
Other non-current liabilities		14 072		
Trade payables and other current liabilities		218 941		
Provisions	*5.2*	20 139		
Financial liabilities		**585 626**	**410**	

4.1 Financial instruments (continued)

As at March 31, 2024

Amounts in USD thousands	*Note*	**Carrying amount**	**Financial instruments measured at fair value**	**Level in fair value hierarchy**
Financial assets measured at fair value				
Fair value- hedging instruments				
Derivative financial instruments		1 702	1 702	Level 2
Financial assets not measured at fair value				
Financial assets at amortized cost				
Cash and cash equivalents		49 238	-	
Current financial assets		1 500	-	
Trade receivables and other current assets		187 203	-	
Other financial assets amortized at costs	*5.3*	6 933	-	
Financial assets		**246 575**	**1 702**	

As at March 31, 2024

Amounts in USD thousands	*Note*	**Carrying amount**	**Financial instruments measured at fair value**	**Level in fair value hierarchy**
Financial liabilities measured at fair value				
Fair value – hedging instruments				
Derivative financial instruments		3 109	3 109	Level 2
Financial liabilities not measured at fair value				
Financial liabilities at amortized cost				
Borrowings	*4.3*	326 479	-	
Other financial liabilities				
Other non-current liabilities		1 747	-	
Trade payables and other current liabilities		236 910	-	
Provisions	*5.2*	19 663	-	
Financial liabilities		**587 907**	**3 109**	

4.2 Finance income and finance expenses

Amounts in USD thousands	**31.03.2025**	**31.03.2024**
Interest income on bank deposits measured at amortized cost	1 122	874
Interest income on finance lease receivables	2	15
Foreign exchange gain	9 253	1 428
Other finance income	313	285
Finance income	**10 690**	**2 602**
Interest expense on financial liabilities measured at amortized cost	-9 299	-8 053
Interest expense on lease liabilities	-664	-540
Foreign exchange loss	-5 006	-3 030
Other financial expenses	-1 008	-919
Finance expenses	**-15 977**	**-12 542**
Net finance expenses recognized in profit and loss	**-5 287**	**-9 940**

4.3 Borrowings

Below are contractual terms of the Group's interest-bearing loans and borrowings which are measured at amortized cost. For more information about the Group's exposure to interest rates, foreign currency and liquidity risk, see note 4.1 Financial risk management and exposure in the Group's consolidated financial statement for the year ended December 31, 2024.

As at March 31, 2025

Amounts in USD thousands	Currency	Nominal currency value	Carrying amount (USD)	Interest rate margin	Fixed rate	Maturity date	Interest terms
Bond loan HMH02	USD	200 000	197 426		9,88 %	Nov 2026	Fixed rate
Shareholder loan	USD	132 027	134 638		8,00 %	Oct 2027	Fixed rate
Revolving credit facility 2023	USD	0	0	3,75 %		May 2026	SOFR + Margin
Total borrowings		**332 027**	**332 063**				
Current borrowings			**-**				
Non-current borrowings			**332 063**				
Total borrowings			**332 063**				

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

Bonds

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

On November 15, 2023, the Company issued $200.0 million aggregate principal amount of its senior secured bonds (ISIN code: NO0013063495) (the "Senior Secured Bonds"), which accrue interest at a fixed rate of 9.875% per annum and mature on November 16, 2026. The Company will also incur additional interest of 1% per annum until the Senior Secured Bonds are listed on the Oslo Stock Exchange. The Senior Secured Bonds are secured by liens.

The prior bond loan was repaid at 104.71562% of the nominal amount (plus accrued and unpaid interest of the redeemed amount) on November 22, 2023.

Reconciliation of liabilities arising from financing activities

Amounts in USD thousands	01.01.2025	Cash flows	Deferred Interest [2]	Amortization	Capitalized borrowing costs [3]	Currency translation	31.03.2025
Bond loan HMH02	196 836	-	-	589	-	-	197 425
Shareholder loan [1]	131 910	-	2 728	-	-	-	134 638
Revolving Credit Facilities	14 427	-15 000	-	75	498	-	-0
Total liabilities arising from financing activities	**343 174**	**-15 000**	**2 728**	**664**	**498**	**-**	**332 063**

[1] As part of the consideration paid to Akastor and Baker Hughes in relation to the creation of the joint venture, shareholder loans of USD 100 million was received comprising of USD 20 million from Akastor and USD 80 million from Baker Hughes, respectively.

[2] Includes addition of USD 117 thousand DTA from contingent consideration due to used DTA from pre HMH establishment.

[3] Capitalized borrowing cost related to the revolving credit facility is presented as prepaid expenses

As at March 31, 2024

Amounts in USD thousand	Currency	Nominal currency value	Carrying amount (USD)	Interest rate margin	Fixed rate	Maturity date	Interest terms
Bond loan HMH02	USD	200 000	203 527		9,88 %	Nov 2026	Fixed rate
Shareholder loan	USD	121 979	121 979		8,00 %	Oct 2027	Fixed rate
Revolving Credit Facility (USD 80 million)	USD	22 000	-797	3,75 %		May 2026	SOFR + Margin
Credit line China	RMB	7 704	974	-0,40 %		Jul 2024	China LPR + Margin
Total borrowings			**325 683**				
Current borrowings			**974**				
Non-current borrowings			**325 506**				
Non-current assets [1]			**-797**				
Total borrowings			**325 683**				

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

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

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

4.3 Borrowings (continued)

Reconciliation of liabilities arising from financing activities

Amounts in USD thousands	**01.01.2024**	**Cash flows**	**Deferred Interest**	**Amortization**	**Capitalized borrowing costs**	**Currency translation**	**31.03.2024**
Bond loan HMH02	198 928	-	5 082	328	-811	-	203 527
Shareholder loan [1)]	119 587	-	2 392	-	-	-	121 979
Revolving Credit Facilities	21 128	-22 000	-	75	-	-	-797
Credit Line China	984	-	-	-	-	-10	974
Total liabilities arising from financing activities	**340 628**	**-22 000**	**7 474**	**403**	**-811**	**-10**	**325 683**

[1)] As part of the consideration paid to Akastor and Baker Hughes in relation to the creation of the joint venture, shareholder loans of USD 100 million was received comprising of USD 20 million from Akastor and USD 80 million from Baker Hughes, respectively.

Section 5 - Other information
5.2 Provisions

Amounts in USD thousands	31.03.2025	31.12.2024	31.03.2024
Provisions, current	18 245	16 109	18 661
Provisions, non-current	1 894	822	1 002
Total provisions	**20 139**	**16 931**	**19 663**

Provisions mainly consist of warranties, restructuring provision and other provisions.

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

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

Other provisions
In Q1 2025 provisions of USD 3 million in Hydril USA Distribution LLC relates to environmental reserve for estimated remediation costs for two plants. The remaining part of other provisions is allocated among PCS entities and mainly relates to concession reserves and liquidated damages reserves.

5.3 Related party transactions

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

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

Amounts in USD thousands	Baker Hughes Holding LLC	GE Drilling Services LLC	Akastor AS	Aker BP	Other Baker-Hughes companies	Tanajib Holding Company[3]	Other Akastor companies	**Total**
Period January 1, 2025 - March 31, 2025								
Income statement								
Revenue	-	-	-	-	25	-	69	**94**
Net financial items	-1,970	-	-471	-	-	-	-	**-2,440**
Balance as at March 31, 2025								
Consolidated balance sheet								
Related party note receivables - non current [3][4]	4,384	-	4,424	-	-	4,479	-	**13,287**
Related party note receivables - current [3]	-	-	-	-	-	2,284	-	**2,284**
Related party accounts receivables	-	-	1,181	-	348	-	469	**1,997**
Account payable - related party	-	-	-	-	525	-	1	**525**
Long term debt	105,938	-	28,700	-	-	-	-	**134,638**
Indemnification asset [1]	-	-	20,602	-	-	-	-	**20,602**
Liability to shareholders [2]	393	-	8,166	-	-	-	-	**8,559**

Amounts in USD thousands	Baker Hughes Holding LLC	GE Drilling Services LLC	Akastor AS	Aker BP	Other Baker-Hughes companies	Tanajib Holding Company[3]	Other Akastor companies	**Total**
Period January 1, 2024 - March 31, 2024								
Income statement								
Revenue	-		130	2	21	-	-	**153**
Net financial items	-1,834		-398	-	-	-	-	**-2,232**
Balance as of March 31, 2024								
Consolidated balance sheet								
Related party note receivables non-current [3][4]	4,049	-	4,087	-	-	4,754	-	**12,890**
Related party note receivables - current [3]	-	-	-	-	-	2,179	-	**2,179**
Related party accounts receivables	-	-	-	786	321	-	-	**1,107**
Account payable - related party	-	-	-	-	110	-	-	**110**
Long term debt	97,583	-	24,396	-	-	-	-	**121,979**
Indemnification asset [1]	-	-	21,754	-	-	-	-	**21,754**
Liability to shareholders [2]	666	-	8,747	-	-	-	-	**9,413**

[1] As part of the agreement between Akastor and Baker Hughes at the time of the formation of the Group, Akastor is responsible for all pension liabilities accrued and unsettled pension liabilities pre October 1, 2021. HMH have booked a receivable in HMH Holding B.V. towards Akastor for their part of the total pension liability of USD 19.1 million as a non-current assets and USD 1.5 million as a current assets as of March 31, 2025.

[2] See note 5.5 in this interim condensed report for details.

[3] Related party note receivable from Tanajib Holding related to HMH subsidiary in Saudi Arabia. HMH have booked total current assets of USD 2.3 million and non-current assets of USD 4.5 million as at March 31, 2025.

[4] Related party notes receivable consists of receivables 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 in 2021. This is a long-term loan provided to finance the Groups operating and finance activities. The closing balance includes the initial loan amount and the capitalized interest, see Note 4.3 for details.
- As part of the merger, Akastor is responsible for the pension liability from before the merger. Hence, HMH has a receivable of USD 20.4 million receivable towards Akastor.
- HMH agreed to pay consideration to the shareholders upon utilization of the deferred tax assets that were acquired as part of the formation of HMH. See note 5.5 in this interim condensed report for details.

Bakes Hughes
- Baker Hughes has provided a shareholder loan to HMH of total USD 80 million in 2021. This is a long-term loan provided to finance the Groups operating and finance activities. The closing balance includes the initial loan amount and the capitalized interest, see Note 4.3 for details.
- HMH agreed to pay consideration to the shareholders upon utilization of the deferred tax assets that were acquired as part of the formation of HMH. See note 5.5 in this interim condensed report for details.

5.4 Income tax

The Group's effective tax rates for the three months ended March 31, 2025 and 2024 were negatively impacted by the changes in valuation allowance related to losses in certain jurisdictions for which the Company cannot currently recognize a tax benefit. The effective tax rates were also impacted by the Group's US income which is taxed to Baker Hughes and Akastor, certain withholding taxes, as well as differences in tax rates in the jurisdictions in which we operate. The effective tax rates for the periods ending March 31, 2025 and 2024 were also impacted by these same items.

5.5 Commitments and contingencies

Our contingent consideration as of March 31, 2025 include approximately USD 8.6 million associated with our deferred tax assets that were acquired as part of the formation of HMH and is payable to our shareholders upon utilization. Commitments and contingencies are liabilities recorded on the balance sheet.

5.6 Other reserves

Amounts in USD thousands	**Share-based payment**	**Paid in capital**	**Total**
Balance as at December 31, 2024	15 524	8 891	24 415
Share-based payments	1 095	-	1 095
Sale ownership interest in Hydril Pressure Controlling Arabia Limited	-	-	-
Balance as at March 31, 2025	**16 619**	**8 891**	**25 510**

Sale ownership interest in Hydril Pressure Controlling Arabia Limited

During 2024, HMH entered into a partnership with Tanajib Holding Company in Saudi Arabia. HMH sold 30% of their interest in Hydril Pressure Controlling Arabia Limited, decreasing their ownership from 100% to 70%. Tanajib has a strong and lengthy legacy in Saudi Arabia and in the greater Middle East region, providing drilling and maintenance solutions as well as manufacturing and process optimization services. Under the agreement Tanajib will own 30 % of non-controlling interest in Hydril Pressure Controlling Arabia Limited.

5.7 Subsequent events

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

Alternative Performance Measures (APM)

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

The Group uses adjusted EBITDA as an APM.

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

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

Appendix 15 - Unaudited Interim Financial
Statements for the nine-month period ended 30
September 2024 for HMH Holding (Netherlands) B.V.

Company Financial Statements
As of September

2024

HMH Holding (Netherlands) B.V.

Content

Income statement
as of September 30

Amounts in USD	2024	2023
Revenue	-	-
Other operating expenses	-	-
Operating expenses	-	-
Operating profit / loss(-)	-	-
Finance income	-	-
Finance expenses	-	-
Net finance expenses	-	-
Profit / loss(-) before tax	-	-
Income tax expense/income (-)	-	-
Profit / loss(-) for the period	-	-

Statement of financial position

as of September 30

USD	**2024**	**2023**
Assets		
Non-current assets		
Investments in subsidiaries	795,416	-
Non-current non interest-bearing receivables to related parties	-	-
Non-current interest-bearing receivables to group companies and related parties	-	-
Total non-current assets	**795,416**	**-**
Current assets		
Other receivables to group companies and related parties	-	-
Cash and cash equivalents	0	-
Total current assets	**0**	**-**
Total assets	**795,416**	**-**
Equity and liabilities		
Paid in capital	0	0
Share premium	795,416	-
Other reserves	-	-
Unappropriated result	-	-
Total equity	**795,416**	**0**
Non-current liabilities		
Other liabilities	-	-
Contingent considerations	-	-
Total non-current liabilities	**-**	**-**
Current liabilities		
Trade payables and other liabilities	-	-
Total current liabilities	**-**	**-**
Total liabilities	**-**	**-**
Total equity and liabilities	**795,416**	**0**

HMH Holding (Netherlands) B.V. is a limited liability company that was incorporated and domiciled in the Netherlands on the February 08, 2024. The paid in capital is USD 0.0047 as of September 30, 2024

Statement of cash flows
for the year ended September 30, 2024

USD thousands	*Note*	**2024**	**2023**
Profit / loss(-) before tax		-	-
Adjustments:			
Net finance income and expenses		-	-
Share-based payment expense		-	-
Profit / loss(-), net of adjustments		-	-
Changes in working capital:			
Decrease/increase in trade receivables and other current assets		-	-
Increase/decrease in trade payables and other liabilities		-	-
Decrease/increase in indemnification assets		-	-
Other changes		-	-
Total changes in working capital		-	-
Net cash from operating activities		-	-
Payments on capital contributions to subsidiary		-	-
Net cash from investing activities		-	-
Net cash from financing activities		-	-
Effect of exchange rate changes on cash and cash equivalents		-	-
Net increase / decrease(-) in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the period		-	
Cash and cash equivalents at the end of the period		-	-

Notes to the Company financial statements

Note 1 Investments in Subsidiaries

Name of the subsidiary	*Location*	*Registered office*	2024 *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 structured as companies without shares. Both companies are fully owned by HMH Holding B.V.

Name of the subsidiary	**Carrying amount as of 31.12.2023**	**Carrying amount as of 30.09.2024**
MHWirth AS	-	385,264
MHWirth LLC	-	3,500
Hydril USA Distribution LLC	-	406,651
Total	**-**	**795,415**

The Company performed a regular annual impairment assessment of its investments to determine whether there was any indication of impairment. The equity of the subsidiaries are below the carrying amount and so impairment trigger were noted. The Company conducted an impairment assessment by comparing the recoverable amount with carrying amount of the investment and concluded no impairment losses had to be recognized. This assessment was further supported by the high performance in the last period and the expectation of profitable development going forward, mitigating the impairment trigger.
There have been no instance where previously identified impairments have been reversed.

Section 2 – Background

1.1 General information

Corporate information

HMH Holding (Netherlands) B.V. is a limited liability company that was incorporated and domiciled in the Netherlands on the February 02, 2024.The registered office is located at Weerdestein 97, 1083GG Amsterdam, Netherlands.

The HMH Holding (Netherlands) BV is a subsidiary of HMH Holding BV. 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 from Akastor and the Subsea Drilling System business from Baker Hughes. 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 Holding (Netherlands) BV is engaged in conducting financial holding activities on behalf of HMH Group.

Basis of preparation

Statement of compliance
The financial statements have been prepared in accordance with the Generally Accepted Accounting Principles in the Netherlands (Dutch GAAP). These financial statements adhere to all applicable legal and regulatory requirements to provide a true and fair view of the financial position of the company.

Basis of measurement
The Statutory financial statements have been prepared on the historical cost basis on each reporting date: This approach ensures that all financial data presented accurately reflects the economic resources and obligations of the company as of the reporting date.

Functional and presentation currency
The consolidated financial statements are presented in USD, which is the Company'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 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 Dutch GAAP 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 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.

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 favorable 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

Appendix 16 - Audited Annual Financial Statements as of and for the financial year ended 31 December 2022 for MHWirth AS

MHWirth AS

Annual Accounts 2022

(Amounts in NOK 1 000)

MHWirth AS

Annual Accounts 2022

(Amounts in NOK 1 000)

Profit and loss statement

	Note	01/01–31/12 2022	2021
Sales revenues	2,3	**2 346 153**	**1 762 348**
Total revenues		2 346 153	1 762 348
Project expenses	3	**1 026 502**	**628 435**
Payroll expenses	5,6	**809 385**	**750 515**
Depreciation on tangible and intangible assets	7,8	**39 886**	**30 068**
Other operating expenses	5,7,8	**411 358**	**276 558**
Net operating income		59 022	76 772
Dividend from subsidiaries and associated companies	9	**54 227**	**284 302**
Other financial income	18	**106 985**	**66 163**
Write-down of fixed asset investments	9	**-9 401**	**-339 399**
Interest costs to group companies	13,18	**-18 392**	**-4 968**
Other financial expenses	18	**-58 366**	**-34 360**
Net profit before tax		134 075	48 510
Tax expenses	14	**-40 175**	**-56 462**
Net profit		93 900	-7 952
Attributable to			
Retained earnings	15	**93 900**	**7 952**
Total allocated		93 900	7 952

MHWirth AS

Annual Accounts 2022

(Amounts in NOK 1 000)

Balance sheet

	Note	31/12/2022	31/12/2021
Assets			
Fixed assets			
Intangible assets			
Research and development	8	**84 995**	**121 055**
Total intangible assets		**84 995**	**121 055**
Property, plant & equipment			
Land, buildings and other property	7	**10 101**	**10 559**
Machinery and equipment	7	**51 423**	**54 126**
Total property, plant & equipment		**61 524**	**64 685**
Deferred tax benefits			
Deferred tax	14	**131 218**	**156 654**
Long term financial assets			
Investments in subsidiaries	9,18	**1 315 233**	**1 288 537**
Investments in other shares	10	**75**	**4 727**
Long term group receivables	13	**400 141**	**653 869**
Total long term financial assets		**1 715 449**	**1 947 133**
Total fixed assets		**1 993 186**	**2 289 527**
Current assets			
Inventory	4	**87 578**	**64 945**
Receivables			
Accounts receivables	12	**284 521**	**129 718**
Current group receivables	13	**102 789**	**68 389**
Other short term receivables		**199 971**	**116 601**
Completed, not invoiced production	3	**711 566**	**134 026**
Total receivables		**1 298 847**	**448 734**
Bank deposits, cash, etc.	11	**0**	**0**
Total current assets		**1 386 425**	**513 679**
Total assets		**3 379 611**	**2 803 206**

MHWirth AS

Annual Accounts 2022

(Amounts in NOK 1 000)

Balance sheet

	Note	31/12/2022	31/12/2021
Equity and liabilities			
Equity			
Paid-in capital			
Share capital	15	100 200	100 200
Other paid-in capital	15	2 472 517	2 472 517
Total paid-in capital		2 572 717	2 572 717
Retained earnings			
Equity reserves	15	-848 457	-943 538
Total retained earnings		-848 457	-943 538
Total equity		1 724 260	1 629 179
Liabilities			
Provisions			
Pension obligations	6	93 245	96 071
Other non-current liabilities	20	8 045	10 855
Total provisions		101 290	106 926
Other long term liabilities			
Long term corporate debt	13	284 101	424 039
Total other long term liabilities		284 101	424 039
Current liabilities			
Acount payables		193 334	122 791
Account payables to group companies	13	63 386	2 468
Tax payable	14	2 001	4 822
Duties payable		51 030	53 057
Other current liabilities	3,12,20	960 209	459 924
Total current liabilities		1 269 960	643 062
Total liabilities		1 655 351	1 174 027
Total equity and liabilities		3 379 611	2 803 206

Kristiansand, 30 June 2023

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	Pål Skogerbø CEO/Board Member	

MHWirth AS

Annual Accounts 2022

(Amounts in NOK 1 000)

Cash flow statement

	Note	01/01–31/12 2022	2021
Cash flow from operations			
Net profit before tax		**134 075**	**48 510**
Tax paid in the period		**-3 974**	**76**
Ordinary depreciations	7,8	**39 886**	**30 068**
Write-down of financial assets		**0**	**339 399**
Reversed write-down of financial assets	9	**-8 154**	**0**
Loss of sale of shares	9	**9 092**	**0**
Change in inventories	4	**-22 633**	**25 389**
Change in accounts receivables		**-154 803**	**17 085**
Change in trade creditors		**70 543**	**20 834**
Payments received due to short term debt	13	**60 918**	**509 573**
Net capitalized interest		**-27 573**	**0**
Difference between pension cost and pension paid		**-1 645**	**-1 467**
Effect of exchange rate changes		**-132 622**	**4 839**
Change in other accrual items		**-57 794**	**-131 949**
Net cash flow from operations		**-94 684**	**862 357**
Cash flow from investment activities			
Payments received due to sale of research and development	8	**5 478**	**0**
capitalised research and development	7,8	**-6 862**	**-15 368**
Payments for purchase of shares in subsidiaries	9	**-38 895**	**-82 963**
Payments received due to other investments	9	**18 144**	**22 802**
Payments due to increased long term receivable from subsidiaries	13	**-8 000**	**0**
Payments received due to decreased long term receivables from subsidiaries	13	**171 007**	**-635 884**
Net cash flow from investment activities		**140 872**	**-711 413**
Cash flow from financing activities			
Payments received due to long term debt	13	**0**	**4 055**
Payments due to decreased long term debt		**-192 173**	**0**
Payments due to new short term debt	13	**0**	**-74 949**
Net cash pool		**145 985**	**-80 050**
Net cash flow from financing activities		**-46 188**	**-150 944**
Net change in cash and cash equivalents		**0**	**0**
Cash and cash equivalents as at 01/01		**0**	**0**
Cash and cash equivalents as at 31/12	11,13	**0**	**0**

MHWirth is part of a cash pool owned by HMH Holding B.V. Figures for 2021 are reclassified for comparison purposes.

1 Accounting principles

The annual accounts consist of the profit and loss account, balance sheet, cash flow statement and notes and have been presented in accordance with the Accounting Act and generally accepted accounting principles in Norway as at 31 December 2022. The annual accounts give a true view of assets and liabilities, financial position and profit and loss.

Income recognition
Income is recognised in the profit and loss account when it has been earned. For the sale of goods and services, income is usually recognised in the profit and loss account on the delivery date.

For construction contracts, the Percentage of completion method is used, refer to section "construction contracts" below.

Charging against income/grouping
Expenses are booked at the same time as the income to which the expenses can be referred. Expenses that cannot be referred directly to income, are booked as costs when they occur.

Principal rule for assessment and classification of assets and liabilities
Assets intended for permanent ownership or use have been classified as fixed assets. Other assets have been classified as current assets. Receivables to be repaid within a year are always classified as current assets. Analogous criteria are used for classification of liabilities.

Fixed assets are valued at purchase cost, but written down to fair value when the recoverable amount is lower than the book value. Fixed assets with a limited economic lifetime are depreciated according to plan. Non-current liabilities are presented in the balance sheet at the nominal value on the establishment date.

Current assets are valued at the lower of the purchase cost and the fair value. Current liabilities are presented in the balance sheet at the nominal value on the establishment date.

Certain items are subject to a special assessment in accordance with the Norwegian Accounting Act. These items are described below and elsewhere in the notes.

Currency
Transactions in foreign currency are usually converted using the exchange rate on the transaction date. Monetary items in foreign currency are converted at the exchange rate on the balance sheet date.

Currency hedging
The company has a policy to hedge all significant transactions in foreign currency using forward contracts. Hedge accounting is carried out in accordance with NRS 18 (F) Financial assets and liabilities alternative 2. Changes in value of the hedging instrument are therefore not reflected in the accounts until the instrument has been realised. Receivables and liabilities (including accruals associated with projects in progress) which have been hedged using forward exchange contracts are valued at the hedging rate.

Intangible assets
Intangible assets expected to give future income, such as goodwill, development costs and patents, are presented in the balance sheet. Depreciation is calculated on a straight-line basis over the remaining economic lifetime.

Research and development
Research expenses are expensed when they occur. Development costs are recognised in the balance sheet insofar as they form part of the acquisition cost for a known identifiable asset that is to be recognised in the balance sheet and a future benefit associated with the development of an identifiable intangible asset. Conversely, such expenses are expensed on an ongoing basis. Recognised development cost are depreciated on a straight line basis over economic lifetime.

Tangible assets
Tangible assets are depreciated on a straight-line basis over the anticipated economic lifetime.

Normal maintenance is expensed as it arises. Improvement costs are presented in the balance sheet as part of the cost price and are depreciated over the remaining economic lifetime of the asset.

Write-downs
In the event of indications of impairment associated with tangible and intangible assets, the company estimates the recoverable amount and tests this against the book value. The recoverable amount is the net sales value or the utility value, whichever is greater. The utility value is calculated as a discounted future cash flow based on the company's continued use of the asset/assessment unit. Fixed assets are written down to the recoverable amount in cases where the recoverable amount is less than the book value. The write-down is reversed insofar as the basis for the write-down is no longer present.

Leasing / lease agreements
Lease agreements are classified as financial or operational according to the actual content of the agreement at the time of signing the contract. The company has long-term lease agreements for office premises and operation buildings. Rental amounts are expensed on an ongoing basis.

Shares in subsidiaries and associated companies
Investments in subsidiaries are valued according to the cost method. The investments will be written down to fair value if the depreciation in value is not transitory. The same applies to investments in associated companies. Dividend received and other payments from the companies are recognised in the income statement as financial income. If the dividend exceeds MHWirth AS' share of retained profit after acquisition, the excess represents repayment of invested capital and is dealt with as reduced acquisition cost for the investment.

Group accounts
All of the company's shares are per 31.12.2022 owned by HMH Holding B.V. Pursuant to the exception provisions in Section 3-7 of the Accounting Act and associated regulations, the company has opted not to prepare sub-consolidated accounts. Group accounts may be obtained from HMH's head office: Weerdestein 97, 1083GG Amsterdam, Netherlands.

Other long-term shareholdings

Other long-term shareholdings in which MHWirth AS does not have a significant interest are recognised in the balance sheet at acquisition cost. The investments are written down to fair value if the impairment is not transitory. Dividend received and other payments from the companies are recognised in the income statement as other financial income. If the dividend exceeds MHWirth AS' share of retained profit after acquisition, the excess represents repayment of invested capital and is dealt with as reduced acquisition cost for the investment.

Inventories
Inventories are recognised at the average acquisition cost or net sales value, whichever is lower. The net sales value for raw materials and work in progress is calculated as the net sales value of the finished products less the remaining production and sales costs.

Construction contracts
Work in progress related to fixed price contracts with a long production period is valued according to the percentage of completion method. The percentage of completion is calculated based on incured costs compared to budgeted costs for each acitivty and product of the delivery. The current progress method is based on the best estimate of costs incurred to date, relative to the expected total costs for one project/performance obligation. This means that this is in substance a cost-to-cost measurement. Project costs include direct salary costs and materials, purchased goods and services from sub-contractors and attributable overhead costs.

General administrative costs are not included as project costs. The total costs are re-estimated on an ongoing basis.

The effect of changes to estimates of project profit will be recognised in the accounting period in which the revised estimate is made. If a project is expected to result in a loss, the full amount of the loss is recognised, regardless of the project's progress.

Receivables

Accounts receivable and other receivables are presented in the accounts at the nominal value less loss provisions. Loss provisions are made on the basis of an individual assessment of each receivable. In addition, a general loss provision is made for other trade debtors to cover anticipated loss.

Pensions
Defined contribution pension plans:
Obligations to provide contributions to defined contribution schemes are embedded as expenses in the profit and loss accounts when they occur.

Defined benefit-based pension schemes:
Net liability associated with a defined benefit-based pension schemes is calculated separately for each scheme by estimating the size of future benefits that employee has earned through his or her work in the present and previous periods. These future benefits are discounted to calculate current value. The scheme is unfuinded. Discount interest amounts to the interest on government bonds/bonds with high creditworthiness on balance sheet day with a maturity equal to the group's liabilities. Calculations are done by an accredited actuary and are based on a straight-line contribution model.

Taxes

Taxes are charged against income as they arise, i.e. the tax cost is linked to the accounting pre-tax profit or loss. Tax related to shareholders' equity transactions, such as group contributions, is charged against equity.

The tax cost consists of tax payable (tax on the year's taxable income) and changes in net deferred tax.
The tax cost in the income statement includes the tax payable for the period and changes in deferred tax. Deferred tax is calculated using the applicable tax rate based on temporary differences that exist between accounting and tax values, as well as any tax-related forwardable loss at the end of the fiscal year. Tax-increasing and tax-reducing temporary differences that reverse or can reverse in the same period are balanced. Recognition of deferred tax assets on net tax-reducing differences that have not been balanced and forwardable loss, is justified by assumed future earnings. Deferred tax and tax assets that can be capitalised are recognised net in the balance sheet.

Guarantees
Provisions for guarantee liability are calculated according to an assessment of actual and estimated guarantee costs on sold products.

Use of estimates
The preparation of the annual accounts in accordance with generally accepted accounting principles assumes that the management uses estimates and assumptions that affect the profit and loss accounts and the valuation of assets and liabilities, in addition to information regarding unsecured assets and liabilities on the balance sheet date. Contingent losses that are likely and quantifiable are expensed on an ongoing basis.

Cash flow statement
MHWirth is part of a cash pool owned by HMH Holding B.V. Figures for cash in 2021 are reclassified for comparison purposes.
The cash flow statement has been prepared according to the indirect method.

Presentation of figures
All amounts in the following tables are given in NOK 1 000. Figures for cash have been reclassified for 2021 figures for comparison purposes.

2 Sales revenues

Per business area	2022	2021
Project deliveries	**830 326**	241 171
Equipment deliveries	**109 332**	135 709
Digital technology	**80 596**	49 477
Life cycle services	**1 246 809**	1 259 139
Other	**79 090**	76 852
Total	2 346 153	1 762 348

Geographical distribution	2022	2021
Norway	**1 115 094**	706 817
Other European countries	**474 965**	275 250
Total Europe:	**1 590 059**	982 067
Asia	**532 747**	418 521
America	**218 864**	163 898
Africa	**3 101**	2 785
Oceania	**1 382**	195 077
Total other continents:	**756 094**	780 281
Total	2 346 153	1 762 348

The division is based on the direct customer's geographical location.

MHWirth AS

Annual Accounts 2022
(Amounts in NOK 1 000)

3 Construction contracts as at 31/12

	2022	2021
Carried to income from current projects	**2 289 291**	1 654 780
Direct costs associated with accrued income/loss provisions	**2 077 975**	1 513 009
Net ongoing projects	**211 316**	141 771
Completed, not invoiced production	**711 566**	134 026
Advances from clients regarding projects (included in other current liabilities)	**225 857**	256 368

The provision includes an onerous customer contract with expected losses upon completion. The loss in the said onerous contract is estimated based on risk estimates from project management as well as executive management. The project is close to be finalized.

4 Inventories

	2022	2021
Raw materials and finished products	**480 577**	468 303
Obsolescence provision	**(392 999)**	(403 359)
Total	**87 578**	64 944

5 Payroll expenses, no. of employees, remuneration, loans to employees, etc.

Payroll expenses	2022	2021
Wages	**596 773**	578 265
Social security cost	**90 809**	86 648
Pension costs	**47 154**	49 067
Other employee costs	**74 649**	32 726
Total	**809 385**	750 515
Average no. of full-time equivalents	**725**	706

Remuneration to Managing Director	2022	2021
Salaries/bonus	**4 021**	3 030
Other remuneration	**38**	22
Pension	**132**	107

Key personnel may be given six months' notice on termination of their employment contract.

NOK 290 was paid in remuneration to the members of the Board of Directors.

Auditor

Cost overview:	2022	2021
Statutory audit	**1 640**	1 668
Tax advice	**100**	197
Other services not covered by the audit	**822**	541
Total	**2 562**	2 406

All amounts are ex. VAT

6 Pensions

The company is subject to the Act relating to Obligatory Occupational Pensions; our pension schemes are provided in accordance with this. On 1 July 2008, the company changed from a defined benefit pension scheme to a defined contribution pension scheme, where the employer only contributes an agreed amount to a pension account for each employee.

A compensation scheme was established in connection with the transition to a defined contribution pension scheme and this ensures that the employees do not suffer any loss during transition to the new scheme. The size of the compensation has been based on the difference between the calculated pension capital from the defined benefit scheme and the value of the defined contribution scheme on reaching 67 years of age. The compensation is adjusted annually in accordance with the change in each member's pension basis and bears interest at market rates. If the employee retires voluntarily before reaching 67 years of age, the compensation will be reduced.

The company also participates together with other employers and the Norwegian State in a collective early retirement scheme called AFP. From 2010 the scheme has been changed, and no AFP liabilities has been presented in the accounts (other than the liability for pensioners already included in the scheme) as there are no reliable estimates for this. In addition, key personnel in the company have an additional pension over and above the collective pension scheme. This is financed through the company's operations.

Benefit pension will therefore include compensations scheme (251 employees and 17 pensioners per 31.12.22), special pension schemes covered through operations (2 employees and 1 pensioneer per 31.12.2022) and early retirement pension schemes (AFP).

Pension costs included in the profit and loss account

	2022	2021
Benefit plans		
Service cost of pension earnings for the year	-3 768	-5 024
Interest costs on pension liabilities	-820	-972
Anticipated return on pension assets		
Plan changes	-	-
Risk premium – disability pension	-	-
Administration costs		
Social security cost	-729	-845
Pension cost benefit plans including compensation scheme	-5 317	-6 841
Defined contribution pension plans	-48 400	-42 226
Total pension costs included in profit or loss for the year	-53 717	-49 067

Reconciliation of the pension scheme's financial status against amount shown in the company's balance sheet

	2022			2021		
	Fund-based schemes	Non fund-based schemes	Total	Fund-based schemes	Non fund-based schemes	Total
Benefit plans						
Accrued pension liabilities		-80 097	-80 097		84 198	84 198
Pension assets at market value		-	-		-	-
Pension assets greater than (+) / less than (-) liabilities	-	80 097	80 097	-	-84 198	-84 198
Accrued social security cost		-13 148	-13 148		-11 872	-11 872
Net pre-paid pension (+) / incurred liabilities (-)	-	-93 245	-93 245	-	-96 070	-96 070

Financial assumptions

	2022	2021
Financial assumptions		
Discount rate	3,20 %	1,50 %
Anticipated return	1,50 %	1,50 %
Anticipated wage adjustment	2,50 %	2,50 %
Anticipated increase in pensions	0,00/0,72%	0,00/0,72%
Iterest rate applied for compensation plan	0,68 %	0,68 %

Changes in gross liabilities and assets for defined benefit pension liabilities

	2022	2021
Incurred pension liabilities at the beginning of the year	96 070	96 358
Service cost of pension earnings for the year	3 768	5 182
Interest costs on pension liabilities	820	1 109
Payments	-5 899	-3 899
Actuarial profit/loss	-1 514	-2 680
Incurred pension liabilities at year-end	93 245	96 070

7 Property, plant & equipment

	Land/leisure cabins/parking areas	Buildings/added cost for premises	Plant and machinery*	Installations under construction	Total
Purchase cost as at 01/01	7 935	11 395	141 092	6 143	**166 565**
Additions – purchased assets	-	-	2 182	94	**2 276**
Disposals				(776)	**-776**
Reclassification of assets	-	-	11 772	(6 023)	**5 749**
Purchase cost as at 31/12	**7 935**	**11 395**	**155 046**	**(562)**	**173 814**
Accumulated deprec. and write-downs 01/01	-	8 772	92 349	-	**101 121**
Depreciation for the year	-	457	10 712	-	**11 169**
Reclassification	-	-	-	-	**0**
Accum. depreciation as at 31/12	**-**	**9 229**	**103 061**	**-**	**112 290**
Book value as at 31/12	**7 935**	**2 166**	**51 985**	**(562)**	**61 524**
Economic lifetime		10–20 years	3–7 years	Depreciated from	
Depreciation plan		Linear	Linear	completion	
Annual rent for leased assets not capitalised		41 482	4 812		

Lease agreements relating to premises have remaining lease terms of between 1 and 12 years.
* Purchase cost and accumulated depreciation as at 01.01 have been corrected

8 Intangible assets

	Development*	Development - in progress*	Goodwill	Total
Purchase cost as at 01/01	318 704	104 152	15 653	**438 509**
Additions – intangible assets	-	4 586	-	**4 586**
Reclassification of assets	70 859	-76 608		**-5 749**
Disposals	-8 920		-	**-8 920**
Purchase cost as at 31/12	**380 643**	**32 130**	**15 653**	**428 426**
Accumulated depreciations as at 01/01	299 061	-	15 653	**314 714**
Depreciation for the year	28 717	-	-	**28 717**
Reclassification	-	-		**0**
Accum. depreciation as at 31/12	**327 778**	**-**	**15 653**	**343 431**
Book value as at 31/12	**52 865**	**32 130**	**-**	**84 995**
Economic lifetime	3-5 years	Depreciated from	5 years	
Depreciation plan	Linear	completion	Linear	

A total of NOK 10 382 in research and development costs has been expensed in 2022. The corresponding amount for 2021 was NOK 8 275.
* Purchase cost and accumulated depreciation as at 01.01 have been corrected

9 Shares in subsidiaries

Subsidiaries	Registered address	Purchase date	Book value	Ownership interest	Voting %
MHWirth UK Ltd.	Aberdeen	1991	25 721	100 %	100 %
MHWirth Singapore Pte. Ltd.	Singapore	1991/2010/2018	-	100 %	100 %
MHWirth India Pvt. Ltd.	Mumbai, India	1998/2004	758	100 %	100 %
MHWirth FZE	Dubai	2008/2011	-	100 %	100 %
MHWirth Offshore Petroleum Engineering (Shanghai) Co. Ltd	China	2014/2021	20 895	100 %	100 %
MHWirth Canada Inc.	Canada	2014	599	100 %	100 %
MHWirth Pty Ltd.	Australia	2017	49 953	100 %	100 %
MHWirth do Brazil Equipamentos Ltda.	Brazil	2020	387 877	100 %	100 %
MHWirth HoldCo AS	Norway	2021	711 208	100 %	100 %
MHWirth LLC	USA	2015/2016/2019	-	100 %	100 %
Hydril Pressure Control S de RL de CV	Mexico	2021	57 743	100 %	100 %
Baker Hughes Drilling Eng. Services India	India	2021	8 775	100 %	100 %
MHWirth Chile SpA	Chile	2021	8	100 %	100 %
Electrical Subsea & Drilling AS	Norway	2017/2022	51 695	100 %	100 %
Total investments in subsidiaries			1 315 232		

Subsidiaries	Equity 2022	Profit before tax 2022
MHWirth UK Ltd.	91 493	-64 209
MHWirth Singapore Pte. Ltd.	36 107	-5 080
MHWirth India Pvt. Ltd.	8 832	2 870
MHWirth FZE	104 609	6 498
MHWirth Offshore Petroleum Engineering (Shanghai) Co. Ltd	47 120	26 506
MHWirth Canada Inc.	4 249	-3 177
MHWirth Pty Ltd.	34 307	14 701
MHWirth do Brazil Equipamentos Ltda.	370 362	53 081
MHWirth HoldCo AS	711 230	-
MHWirth LLC	48 590	-35 716
Hydril Pressure Control S de RL de CV	166 907	1 555
Baker Hughes Drilling Eng. Services India	25 130	13 388
MHWirth Chile SpA	-	-
Electrical Subsea & Drilling AS	25 023	-2 674

In 2022 MHWirth AS bought the remaining 80% of the the shares in Electrical Subsea & Drilling AS. By 31.12.2022 MHWirth AS own 100% of the shares.
The shares in Frontica Engineering AS was in 2022 sold to Aker Solutions AS. MHWirth AS booked a loss on sale of these shares of NOK 9 092.

10 Investments in associated companies and other shares

Company	Registered address	Purchase date	Book value	Ownership interest	Voting %
MHWirth O&G, Abu Dhabi	Abu Dhabi	2014	-	50,0 %	50,0 %
Agder Research Holding AS	Kristiansand	2017	-	2,6 %	2,6 %
Future Well Control AS	Kristiansand	2019/2020	75	10 %	10 %
Total investments in other shares			75		

11 Group account, security, guarantees, etc.

Cash and cash equivalents, NOK -43 585, is in presented as part of Other current liabilities. Corresponding figures for 2021 were 102 400 and was presented as other current receivables.

Bank guarantees provided by banks and other financial institutions as a customer guarantee for contract execution, constitute NOK 246 969.
Bank guarantees have also been provided for unpaid employee taxes.

12 Financial risk

MHWirth AS carries out major construction contracts for customers. This includes both purchase and sales contracts in different currencies. A significant part of the company's foreign currency exposure concerning contracts are subject to hedging. The company enters into forward contracts directly with banks in order to buy or sell currency for future delivery. At year-end, the company had entered into contracts with banks for purchase and sale of foreign currency as stated below in order to hedge the currency exposure of ongoing contracts.

Currency	Net sales (values in foreign currency)	Net purchases (values in foreign currency)
USD	122 356	186
EUR	8 059	6 496
GBP	2 344	1 513

The total negative market value of the hedging instruments at year-end amounts to NOK 50 502.

As described above, MHWirth AS has hedged contract-related currency exposure. Consequently, fluctuations in foreign currency will have little impact on the short-term result. As contracts may apply for shorter periods than the underlying exposure, it is normal practice to renew forward contracts to cover future periods. When renewing forward contracts, it is normal to pay or receive an amount that corresponds to the movement in the spot exchange rate up to renewal (rolling effect). This represents a liquidity risk that remains unhedged. At year-end, the accumulated rolling effect was net payments of NOK 85 153 in deferred loss on realized hedging instruments.

13 Group receivables and liabilities

Items in the balance sheet consist of:

	2022	2021
Long term group receivables	**400 141**	653 869
Total non-current group receivables	**400 141**	653 869

	2022	2021
Long term corporate debt	**284 101**	424 039
Total non-current liabilities	**284 101**	424 039

	2022	2021
Accounts Receivables	**102 789**	68 389
Cash pool	-	-
Total current group receivables	**102 789**	68 389
Trade creditors	-	-
Other current liabilities	**63 386**	2 468
Payables group contribution	-	-
Total current group liabilities	**63 386**	2 468

Liabilities with maturityover 5 years: **0** 0

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14 Taxes

Income tax expense	2022	2021
Deviation from last years' tax calculation	**-3 720**	-4 013
Changes in deferred tax	**-21 715**	-42 591
Withholding tax abroad	**-15 073**	-10 447
Tax on revenue / cost booked to equity	**333**	589
Total income tax expense	**-40 175**	-56 462

Tax base calculation		
Ordinary pre-tax profit or loss	**134 075**	48 510
SkatteFUNN tax deduction scheme	**0**	-194
Permanent differences	**-35 368**	22 660
Change in temporary differences	**-198 927**	-162 569
Limitation of deduction for interest between close parties	**0**	2 338
Taxable income	**-100 220**	-89 255
Paybable tax previous year	**2 001**	4 822
Tax payable	**2 001**	4 822

Temporary differences	2022	2021
Differences that have been assessed:		
Fixed assets	**-105 253**	-99 994
Current assets	**53 261**	-140 869
Liabilities	**-132 108**	-102 108
Forward contracts	**85 153**	47 923
Pension liabilities	**-93 245**	-96 071
Write-down of shares in NOKUS companies	**-9 014**	-9 014
Loss carried forward	**-172 564**	-89 255
Interest limitatation rule	**-222 674**	-222 674
Total	-596 444	-712 062
Deferred tax liability (asset)	**-131 218**	-156 654
Tax rate	**22 %**	22 %

The tax rate in Norway is 22 %. Deferred tax liability and deferred tax asset is calculated with a tax rate of 22 %.

Deferred tax assets is recognized based on the next five years forecasted future taxable income.

15 Equity

	Share capital	Other paid-in capital	Equity reserves	Total
Equity as at 31/12/2021	**100 200**	**2 472 517**	**-943 538**	**1 629 179**
Change in equity for the year:				
Deviations to estimates for the year in pension schemes			1 181	**1 181**
Retained earnings/loss			93 900	**93 900**
Equity as at 31/12/2022	**100 200**	**2 472 517**	**-848 457**	**1 724 260**

The share capital consists of 100 200 004 shares with a nominal value of NOK 1 and is owned by HMH Holding B.V.

MHWirth AS
Annual Accounts 2022
(Amounts in NOK 1 000)

16 Transactions with close partners

Purchases and sales between companies in the HMH Group have been carried out subject to the same terms as if they had taken place between independent parties based on OECD Guidelines for transfer pricing.

In total, MHWirth AS purchased goods and services from other HMH Group companies amounting to NOK 184 140 in 2022, whereof NOK 63 085 was from parent company. Correspondingly, MHWirth AS sold goods and services to other HMH Group companies amounting to NOK 192 793 in 2022, whereof NOK 21 431 was to parent company.

17 Project risk and uncertainties

MHWirth AS' large projects are mainly long-term contract deliveries at a fixed price which have been won through competitive tendering. Delays, quality non-conformance or an increase in project costs may result in costs that cannot be covered by the income from the project in question. The figures in the accounts have been based on the best estimate at the end of the accounting period. If a project has been identified as unprofitable, provisions are made for future losses. Circumstances and information may change in subsequent periods and therefore, the final outcome may be better or worse than the assessments made at the time of preparing the accounts suggested.

The importance of the company's policy, which states that payment terms should at least give a neutral cash flow in the projects, has been emphasised in the present market. At the same time, the company has challenges related to payment terms for contracts entered into in previous years.

18 Other financial Items

Other financial income consists of:	2022	2021
MPO settlement	0	32 114
Agio related to MPO receivables and debt	0	1 973
Agio related to loan and bank deposit	60 717	19 860
Interest on loan, group companies and related parties	35 631	0
Other interest income	585	9 479
Other financial income	1 903	2 737
Reversed impairment of financial assets	8 154	
Total other financial income	106 990	66 163
Other financial costs consist of:		
Disagio related to MPO receivables and debt	0	2 594
Disagio related to loan and bank deposit	43 326	17 089
Other interest cost	1 277	2 185
Loss on sale of shares	9 092	0
Other financial costs	4 671	12 762
Total other financial costs	58 366	34 630
Dividend from subsidiaries and associated companies consists of:		
Dividends from subsidiaries	31 444	284 302
Interest of equity	22 783	-
Total dividend from subsidiaries and associated companies	54 227	284 302

19 Share purchase scheme for employees

There was no share purchase programme for employees in 2022.

20 Provisions

	Guarantees	Restructuring	Provisions	Total
01.01.2022	40 213	14 023	0	**54 236**
Change for the year	-2 554	-4 700	0	**-7 254**
31.12.2022	**37 659**	**9 323**	**0**	**46 982**

Guarantees are mainly related to the possibility that MHWirth AS must do warranty work in accordance with agreements in connection with supplies of products or service to customers.

Restructuring is related to downsizing in connection with the global challenges in the rig market. The short term part includes wage costs of NOK 2 068. The long term part includes wage costs of NOK 5 100 and rental costs for premises of NOK 2 155, both included under other provisions for liabilities.

21 Events since the balance sheet date

No subsequent events are noted which require adjustments in the annual report or to be disclosed.

It is expected that both the COVID-19 virus and the current Ukraine conflict will have limited impact on the operational activities in MHWirth AS in 2023.

Kristiansand, 30 June 2023

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ANNUAL REPORT 2022

MHWirth AS

The business

MHWirth AS is a provider of drilling products, complete drilling solutions, digital technology solutions, project implementation and life cycle services to the international offshore and onshore market.

In 2022 the global organisation has been operating in Norway, Germany, the United States, the United Kingdom, Singapore, China, India, the United Arab Emirates, Australia, Brazil, Azerbaijan and Canada.

The headquarter is located in Kristiansand, and the company also has significant activities in Oslo, Horten, Lyngdal and Stavanger. MHWirth AS is organised based on business types as life cycle services, project deliveries, equipment deliveries and engineering services.

MHWirth does not compile consolidated accounts, as the sub-group is covered by the consolidated accounts of HMH Holding, hence the turnover and the profits from MHWirth AS' subsidiaries are not included or discussed in the financial statements for MHWirth AS.

In 2022, MHWirth AS still experienced challenges in the activity in most business streams due to the challenging market for companies that operate as suppliers to the oil and gas industry globally. No contract was signed for delivery of complete drilling packages in 2022. The principal activity for projects in 2022 consisted of work on drilling rigs and drillships constructed in Shanghai, China (GMGS) and at Keppel FELS Shipyard in Singapore (Awilco).

MHWirth's complete drilling packages has been installed on 70 rigs worldwide.

MHWirth AS has drawn Directors and Officers Liability and Company Reimbursement Insurance. The insurance is drawn through HMH Holding B.V. and has a solid rating. Within the limit, any claim against such persons will be covered.

HSSE & ESG

Health, Safety, Security and Environment (HSSE) and Environment, Social and Governance (ESG) are core values at MHWirth AS. Leadership and employees recognize and take their HSSE and ESG responsibilities seriously and have demonstrated positive attitudes towards HSSE and ESG matters throughout 2022. MHWirth employees work under challenging conditions worldwide, and the company therefore has a strong focus on recognizing and mitigating risk in all activities and operations globally.

At MHWirth, all employees are equally responsible and accountable for caring for the environment, safety and well-being of ourselves and others. HSSE forms an integral part of all operations through the HSSE management system, guidelines, procedures, skills, and business culture, and represents a core value and commitment to our customers, employees, business partners, and communities in which we operate.

MHWirth follows a zero-incident philosophy which is supported by the management group and board of directors and is implemented through ongoing and practical activities (e.g., through HSSE Must Win Battles) focused on MHWirth operations. Supporting activities include but are not limited to:

- Ensuring that HSSE regulations and procedures are known and followed
- Ensuring consistent reporting of all relevant HSSE incidents (this includes injuries, loss, near misses, risk observations and improvement proposals), as well as sharing experiences using the Lessons Learned system and HSSE Networks in the organization
- Providing clear communication to prevent accidents caused by cultural or language-based misunderstandings
- Focusing on safety for travelling personnel, particularly in high-risk areas
- Ensuring that everyone is familiar with and uses our tools to minimize risk
- Aligning and improving emergency, preparedness, and response plans
- Increasing and maintaining HSSE awareness throughout the organization to prevent future injury or loss by updating, improving, and rolling out our HSSE course portfolio/training
- Increasing the HSSE awareness at MHWirth sites (yards)
- Ensuring that Climate and Environment risks are identified and addressed
- Rolling out HSSE campaigns based on trends

Health & Safety

MHWirth's HSSE program involves systematic safety work, personal quality, attitudes, and behavior. The company's working environment committee (AMU) held regular meetings during 2021. This is a forum for presenting working environment issues, sharing HSSE status and ensuring that the company focuses on HSSE. Based on internal feedback, the working environment is currently viewed as good, and ongoing improvement measures are being implemented. Additionally, MHWirth's 2022 collaboration with employees' organizations has been constructive and resulted in positive contributions to our operations.

There were no incidents in 2022 in which MHWirth employees were seriously injured. A total of 3 Recordable Injuries were registered in 2022, resulting in a Total Recordable Injury Frequency (TRIF)* factor of 1,6for 2022, compared with 2,3 in 2021. Most of the HSSE cases originated in a workshop or related area, with the most used case categories being working environment, tools and equipment, , and lifting operations. In 2022, more than 32 lessons learned reports and almost 67 HSSE moments were released and shared throughout the organization. Additionally, incident trending output has been given as input for 2023 HSSE Process Review and HSSE Must Win Battles.

**Number of Total Recordable Injuries (TRIs) per million worked hours. The numbers have been updated for 2021 and 2022 valid for MHWirth AS.*

Additionally, the HSSE team conducted several other campaigns and initiatives throughout the year, e.g. First Aid training sessions, Lifting & Hoisting Safety campaign and several internal events to mark international HSSE-related "World Days," as also indicated in the MHWirth 2022 HSSE Annual Cycle.

Security
MHWirth's HSSE Policy covers security and states that we are "safeguarding personnel, technology, and assets throughout all our operations." Manage Security is a sub-process of the Manage HSSE processes in which relevant procedures, tools and documents are housed in our Operating System. In 2021 MHWirth established a Security forum to increase security awareness and ensure alignment regarding incident follow-up, actions, and tasks. Additionally, MHWirth conducted an annual Security Risk Assessment.

Environment, Social and Governance (ESG) & Sustainability
MHWirth is committed to continually reducing its impact on the environment. The company designs products and services which reduce undesirable environmental effects and ensure the safe and efficient utilization of energy and natural resources. MHWirth'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 company strives to ensure that products can be recycled or safely disposed of.
In 2022 MHWirth continuously worked to follow and adjust to the Policy and Strategy of Sustainability and ESG. The strategy covers in part establishing and tracking relevant environmental KPIs, strengthening measurements locally and globally within the company, enhancing and improving ESG reporting, and maintaining our management systems in accordance with the certifications.
MHWirth's Sustainability and ESG Governing Policy defines the company's commitment to the United Nations' Sustainable Development Goals (SDGs). While MHWirth recognizes and respects all 17 SDGs, we have identified and chosen to focus on 5 SDGs we can have a meaningful impact on:

- Goal 5: Gender Equality
- Goal 8: Decent Work and Economic Growth
- Goal 12: Responsible Consumption and Production
- Goal 13: Climate Action
- Goal 16: Peace, Justice and Strong Institutions

The company is focused on maintaining the certifications ISO 14001 (Environmental Management Systems) and ISO 45001 (Occupational Health and Safety Management Systems) 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.

CO2 Reduction
As part of its commitment to reduce our customer's environmental footprints, MHWirth 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, MHWirth provides software and smart technology solutions that increase efficiency, performance, and HSSE by requiring less personnel onboard drilling vessels. MHWirth has identified several potential business opportunities as part of addressing environmental and climate challenges. We look for "green" business opportunities that align well with MHWirth's existing competence and capabilities. As part of this work, we have identified specific opportunities and developed concepts related to power cable installation and anchor handling within the offshore wind industry, as well as an offshore wind management software suite.

MHWirth has also identified several business opportunities in the growing subsea mineral mining industry which are in part based on knowledge we 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 the green shift. Industry experts have therefore predicted that subsea mineral mining will be necessary to meet the demand for these minerals and enable to transition from fossil fuels to renewable energy.

Human Resources
Sick leave for MHWirth AS in 2022 was 4.7% evenly distributed between short term and long term sick leave. The company has a strong focus on preventing absence due to illness and has ongoing measures in place for this in collaboration with the HR department, occupational health service, the Norwegian Labor and Welfare Administration (NAV) and the employees' representatives. The company is a member of the Inclusive Workplace scheme.

The percentage of women in the company is 17%, 1% reduction compared to 2021. MHWirth has implemented a Diversity guideline with specific long-term goals. The aim is to ensure more diversity and inclusion in the Company, both with regards to sex, age, and ethnical background. We have focus on diversity during our recruitment processes.

Certification for Equity, Diversity and Inclusion
MHWirth received the certificate for LikestiltArbeidsliv in August 2022. This is a certification scheme for private and public companies that wish to work in a practical, systematic, and strategic way to promote equality, prevent discrimination and create diversity within their own organization.
The seven focus areas are:
-Ensuring equality
-Inclusive work environment
-Recruitment and career

-Universal design and individual accommodation
-Full-time employment culture
-Life stages
-Equal pay for work of equal value

MHWirth wants to further develop a culture and working environment where employees feel secure and encouraged to speak up against any acts of discrimination and promotes an equal rights culture. To raise awareness and embed it into the company's culture there is launched a e-learning course on the subject.

The Transparency Act
The Transparency Act entered into force in Norway on 1 July 2022. The Act shall promote enterprises' respect for fundamental human rights and decent working conditions in connection with the production of goods and the provision of services and ensure the general public access to information regarding how enterprises address adverse impacts on fundamental human rights and decent working conditions. MHWirth is committed to conducting due diligence in alignment with the Norwegian Transparency Act and the company is also committed to transparent disclosure of our policies and procedures and will monitor closely our complete supply chain.

Information about the Transparency Act is to be found at HMH`s homepage/Sustainability/Transparency Act.

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.

Significant improvements in environmental performance are important to MHWirth AS. MHWirth AS adhere to Norwegian and EU laws and regulations, including the EU Taxonomy. The company has considered if there are any products within the portfolio that have economic activities that are covered by the EU Taxonomy. Current situation shows that MHWirth AS has no economic activity that is covered by the Taxonomy nor make a substantial contribution to any of the environmental objectives within the Taxonomy.

Ethics
Ethics are an important part of the company's values, and MHWirth has a zero tolerance of corruption and other forms of irregularities or legal violations. The mandatory company training programmes ensure sufficient training of all employees. MHWirth uses a risk-based approach for the training. We conduct our courses relating to ethics and particularly complex regulatory areas. We ensure that all employees know what is expected of them, and at the same time we ensure that employees who are exposed to special regulatory risks receive relevant and adequate training. MHWirth has established a notification channel and encourages its employees to use this channel when it is difficult to notify through the usual channels or HR.

Future development

Continuous product development is under way within most product areas. Special comments should be made of a programme of continuous standardisation, cost reduction and improvement of the company's product range.

A number of development projects were initiated and further developed in 2022 to meet market demands for increased drilling efficiency, lower operating costs for drilling rigs, reduced pollution of the external environment and improved safety. Examples of this type of development project are drilling automation and condition-based maintenance. One of the company's aims is to continue with this type of development project in the years ahead in close cooperation with the company's customers.

The market utilization in 2022 has been 71% for floater rigs and 78% for jackup rigs. The number of active rigs with MHWirth's complete drilling package was stable at 53 rigs in Q3 and 52 in Q4 2022. The total order intake for 2022 was BNOK 1.9. The order backlog was BNOK 0.8 at year-end 2022, reduced from 1.1 at year-end 2021.

The oil and gas related industry has experienced a very demanding market in recent years. In 2022, the conditions have improved with increasing oil prices and higher demand for somewhat, with a slightly higher oil price and increased willingness to invest among key players in the market. The global fleet of offshore drilling rigs is still struggling with excessive capacity, but the situation has improved for rigs operating in geographies with a harsh environment.

The current economic situation as a consequence of the Ukraine conflict is monitored closely and so far MHWirth AS has not experienced any material financial effects of this conflict.

Results, investments, financing and liquidity for MHWirth AS

The annual accounts for MHWirth AS differ from the financial key figures presented for the HMH Group. This is due to the annual accounts for MHWirth AS do not represent the consolidated accounts for the HMH Group. MHWirth AS also presents its annual accounts in accordance with Norwegian accounting standards, while HMH Group uses IFRS.

The company's turnover increased from MNOK 1,762 in 2021 to MNOK 2,346 in 2022.

The 2022 accounts show an operating profit after depreciation (EBIT) of MNOK 59, compared with MNOK 77 in 2021. Pre-tax profit for 2022 amounts to MNOK 134, compared with MNOK 49 in 2021.

The company has received dividends from subsidiaries totalling MNOK 54.

At year-end, the net book value of stock amounted to MNOK 88, compared with MNOK 65 a year earlier. The stock obsolescence provision decreased by MNOK 10 in 2022. Fixed asset and capitalised development investments amounted to MNOK 7 in 2022. A total of MNOK 10 was expensed in development costs during 2022.

As at 31 December 2022, the company's liquid reserves amounted to MNOK -44, compared with MNOK 102 as at 31/12/2021.

As at 31/12/2022, the company has interest-bearing debt to group undertakings of NOK 284, compared with MNOK 424 at 31/12/2021.

At the year-end, total assets amounted to MNOK 3,380, compared with MNOK 2,803 in 2021. Finally, as at 31 December 2022, equity ratio is 51 %, compared with 58 % at year-end 2021.

In 2022, cash flow from operations was negative of MNOK 95. The corresponding figures for 2021 showed a positive cash flow of MNOK 862. The cash flow from investment activities for 2022 was positive of MNOK 141. The corresponding figures for 2021 showed a negative cash flow of MNOK 711. The cash flow from financing activities for 2022 was negative of NOK 46. The corresponding figures for 2021 showed a negative cash flow of NOK 151.

The company's position and the results of the business

In the opinion of the Board of Directors, the annual accounts that are presented for the 2022 financial year present a true and accurate picture of assets and liabilities, financial position and result. As at 31/12/2022, there were 704 employees in MHWirth AS, the corresponding number was 693 as at 31/12/2021.

Other than what is referred to in the annual accounts, the Board of Directors is unaware of other circumstances concerning market conditions and price trends that would impact on an assessment of the company's financial position other than what is referred to concerning the Corona virus under the "future development" comments above.

Financial risk

General remarks concerning objectives and strategy

The company is exposed to financial risk in a number of areas, particularly currency risk. The aim is to dampen financial risk as much as possible through use of financial instruments.

Market risk

The company's competitiveness is sensitive to fluctuations in exchange rates, particularly the US dollar (USD). A significant proportion of the company's income from contracts is in USD, while a substantial proportion of the company's purchases is in Euro and Norwegian kroner. However, the company has entered into forward contracts in order to reduce the company's currency risk and thereby the market risk linked to operations. Please see comments related to the Corona virus under "Future development" above.

Credit risk and liquidity risk
The risk of a counterparty not having the financial capacity to fulfil its obligations is considered to be moderate, as losses on receivables have historically been low. The situation in the global economy and the industry indicate that this risk is expected to be more present now and in the years ahead. In its contracts, the company has secured prepayments and milestone payments, while the company is finding it challenging to have these fulfilled and is working actively to secure payments. The company considers the liquidity within the company to be challenging, but still satisfactory.

Going concern
In 2023, MHWirth AS will continue to focus strongly on minimizing the spread of the virus and mitigate substantial disruptions to operations throughout the portfolio. MHWirth management is cautiously optimistic that market situation will improve through 2023. It is expected that both the COVID-19 virus and the current Ukraine conflict will have limited impact on the operational activities in MHWirth AS in 2023.

In accordance with the Norwegian Accounting Act, the board of directors confirms that the going concern assumption, on which the consolidated financial statements have been prepared, is appropriate.

Financial results for the year and allocations
Based on the company's capital structure, the Board of Directors recommends that the ordinary profit for the year of MNOK 93,9 be allocated as follows:

To other reserves	MNOK 93,9

Kristiansand, 30 June 2023

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To the General Meeting of MHWirth AS

Independent Auditor's Report

Opinion

We have audited the financial statements of MHWirth AS (the Company), which comprise the balance sheet as at 31 December 2022, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

KPMG

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Kristiansand, 4 July 2023
KPMG AS

Øystein A. Kvåse
State Authorised Public Accountant
(This document is signed electronically)

Øystein Andreas Kvåse
Partner
På vegne av: KPMG AS
Serienummer: 9578-5993-4-3700717
IP: 80.232.xxx.xxx
2023-07-04 13:09:38 UTC

bankID

Øystein Andreas Kvåse
Statsautorisert revisor
På vegne av: KPMG AS
Serienummer: 9578-5993-4-3700717
IP: 80.232.xxx.xxx
2023-07-04 13:09:38 UTC

bankID

Appendix 17 - Audited Annual Financial Statements as of and for the financial year ended 31 December 2023 for MHWirth AS

MHWirth AS

Annual Accounts 2023

(Amounts in NOK 1 000)

MHWirth AS

Annual Accounts 2023
(Amounts in NOK 1 000)

Profit and loss statement

	Note	01/01–31/12 2023	2022 restated*
Sales revenues	2,3	2,276,129	2,346,153
Total revenues		2,276,129	2,346,153
Cost of materials	3	994,839	1,026,502
Payroll expenses	5.6	913,701	809,385
Depreciation on tangible and intangible assets	7,8	40,075	39,886
Other operating expenses	5,7,8	316,872	411,358
Net operating income		10,642	59,022
Dividend from subsidiaries and associated companies	9,18	155,768	54,221
Interest income from group companies		18,226	35,631
Other interest income		2,674	586
Other financial income	18	73,890	70,774
Write-down of non-current financial assets	9,22	0	-177,389
Interest costs to group companies		-31,360	-18,392
Other interest cost		-3,421	0
Other financial expenses	18	-83,330	-58,366
Net profit before tax		143,089	-33,913
Tax expenses	14	-18,361	-40,175
Net profit		124,728	-74,088
Attributable to			
Retained earnings	15	124,728	-74,088
Total allocated		124,728	-74,088

* The comparative information is restated on account of corrections of error. See note 22.

MHWirth AS

Annual Accounts 2023

(Amounts in NOK 1 000)

Balance sheet

	Note	31/12/2023	31/12/2022 restated*
Assets			
Fixed assets			
Intangible assets			
Development	8	156,631	118,122
Deferred tax	14	131,551	131,218
Total intangible assets		288,182	249,340
Property, plant & equipment			
Land, buildings and other property	7	9,877	10,101
Machinery and equipment	7	14,323	9,370
Fixed assets, fixtures, tools, office machines	7	13,628	8,926
Total property, plant & equipment		37,828	28,397
Long term financial assets			
Investments in subsidiaries	9,18	1,366,179	1,315,233
Investments in other shares	10	75	75
Long term group receivables	13,22	217,324	232,153
Total long term financial assets		1,583,578	1,547,461
Total fixed assets		1,909,588	1,825,198
Current assets			
Inventory	1,4	155,384	258,392
Receivables			
Accounts receivables	12	164,993	284,521
Current group receivables	13	144,863	102,789
Other short term receivables		187,344	199,971
Work performed, not invoiced	1,3	507,985	540,752
Total receivables		1,005,185	1,128,033
Bank deposits, cash, etc.	11	0	0
Total current assets		1,160,569	1,386,425
Total assets		3,070,157	3,211,623

* The comparative information is restated on account of corrections of error. See note 22.

MHWirth AS

Annual Accounts 2023
(Amounts in NOK 1 000)

Balance sheet

	Note	31/12/2023	31/12/2022 restated*
Equity and liabilities			
Equity			
Paid-in capital			
Share capital	15	100,200	100,200
Other paid-in capital	15	2,472,517	2,472,517
Total paid-in capital		2,572,717	2,572,717
Retained earnings			
Equity reserves	15,22	-892,178	-1,016,445
Total retained earnings		-892,178	-1,016,445
Total equity		1,680,539	1,556,272
Liabilities			
Provisions			
Pension obligations	6	92,327	93,245
Total provisions		92,327	93,245
Other long term liabilities			
Long term liabilities to group companies	13	155,268	284,101
Other long term liabilities	20	11,362	8,045
Total other long term liabilities		166,630	292,146
Current liabilities			
Acount payables		261,965	193,334
Account payables to group companies	13	28,634	63,386
Tax payable	14	0	2,001
Duties payable		31,501	51,030
Other current liabilities	3,12,20	808,561	960,209
Total current liabilities		1,130,661	1,269,960
Total liabilities		1,389,618	1,655,351
Total equity and liabilities		3,070,157	3,211,623

* The comparative information is restated on account of corrections of error. See note 22.

Kristiansand, 26 November 2024

Dwight Rettig
Chairman of the Board
Dwight Rettig

Eirik Bergsvik
Board Member
Eirik Bergsvik

Stian Sjølund
Board Member
Stian Sjølund

Dag Arthur Stenevik
Board Member
Dag Stenevik

Asle Christian Halvorsen
Board Member
Asle Christian Halvorsen

Arne Albrektsen
Board Member
Arne Albrektsen

Pål Skogerbø
Managing Director/Board Member
Pål Skogerbø

MHWirth AS

Annual Accounts 2023
(Amounts in NOK 1 000)

Cash flow statement

	Note	01/01–31/12 2023	2022 restated*
Cash flow from operations			
Net profit before tax		143,089	-33,913
Tax paid in the period		-2,001	-3,974
Ordinary depreciations	7.8	40,075	39,886
Write-down of financial assets	9,22	0	159,834
Loss of sale of shares	9	0	9,092
Change in inventories	4	-67,806	-22,633
Change in accounts receivables		119,528	-154,803
Change in trade creditors		68,631	70,543
Change in other current liabilities	13	-34,752	60,918
Net capitalized interest		0	-27,573
Difference between pension cost and pension paid		-2,256	-1,645
Change in other accrual items		-142,377	-190,416
Net cash flow from operations		122,131	-94,684
Cash flow from investment activities			
Payments received due to sale of research and development	8	0	5,478
Payments for the acquisition of tangible assets and capitalised development	7.8	-92,369	-6,862
Payments for purchase of shares in subsidiaries	9	-50,946	-38,895
Payments received due to other investments	9	0	18,144
Net payments received due to decreased long term receivables from subsidiaries	13	182,817	163,007
Net cash flow from investment activities		39,502	140,872
Cash flow from financing activities			
Payments due to decreased long term debt	13	-126,434	-192,173
Net cash pool		-35,199	145,985
Net cash flow from financing activities		-161,633	-46,188
Net change in cash and cash equivalents		0	0
Cash and cash equivalents as at 01/01		0	0
Cash and cash equivalents as at 31/12	11.13	0	0

MHWirth is part of a cash pool owned by HMH Holding B.V.

* The comparative information is restated on account of corrections of error. See note 22.

- **Re-issue of the Annual Accounts 2023**
  The Board of Directors and the CEO originally approved the Annual Accounts 2023 for issue on 30 August 2024.
  Subsequently, some errors were detected and the company decided to correct these and re-issue the Annual Accounts 2023.
  Refer to Note 22 for further information.

  The corrections are:
  In the financial statement of 2022, a financial asset related to the seller's credit note, was incorrectly not impaired to fair value.
  The comparative figures for 2022 are changed accordingly.
  Note 13: Long term group receivables, subsidiaries have been corrected
  Note 14: Write-down of non-current financial assets have been corrected
  Note 15: Equity/Retained earnings/loss have been corrected

  These re-issued Annual Accounts 2023 were approved by the Board of Directors and the CEO on 26 November 2024.

1 Accounting principles

The annual accounts consist of the profit and loss account, balance sheet, cash flow statement and notes and have been presented in accordance with the Accounting Act and generally accepted accounting principles in Norway as at 31 December 2023. The annual accounts give a true view of assets and liabilities, financial position and profit and loss.

Split of accounting lines
Several accounting lines are split to get a better specification for 2023. Comparative figures for 2022 are correspondingly corrected.

Income recognition
Income is recognised in the profit and loss account when it has been earned. For the sale of goods and services, income is usually recognised in the profit and loss account on the delivery date.
For construction contracts, the Percentage of completion method is used, refer to section "construction contracts" below.

Charging against income/grouping
Expenses are booked at the same time as the income to which the expenses can be referred. Expenses that cannot be referred directly to income, are booked as costs when they occur.

Principal rule for assessment and classification of assets and liabilities
Assets intended for permanent ownership or use have been classified as fixed assets. Other assets have been classified as current assets. Receivables to be repaid within a year are always classified as current assets. Analogous criteria are used for classification of liabilities.
Fixed assets are valued at purchase cost, but written down to fair value when the recoverable amount is lower than the book value. Fixed assets with a limited economic lifetime are depreciated according to plan. Non-current liabilities are presented in the balance sheet at the nominal value on the establishment date.

Current assets are valued at the lower of the purchase cost and the fair value. Current liabilities are presented in the balance sheet at the nominal value on the establishment date.

Certain items are subject to a special assessment in accordance with the Norwegian Accounting Act. These items are described below and elsewhere in the notes.

Currency
Transactions in foreign currency are usually converted using the exchange rate on the transaction date. Monetary items in foreign currency are converted at the exchange rate on the balance sheet date.

Currency hedging
The company has a policy to hedge all significant transactions in foreign currency using forward contracts. Hedge accounting is carried out in accordance with NRS 18 Financial assets and liabilities alternative 2. Changes in value of the hedging instrument are therefore not reflected in the accounts until the instrument has been realised. Receivables and liabilities (including accruals associated with projects in progress) which have been hedged using forward exchange contracts are valued at the hedging rate

Intangible assets
Intangible assets expected to give future income, such as development costs and patents, are presented in the balance sheet. Depreciation is calculated on a straight-line basis over the remaining economic lifetime.

Research and development
Research expenses are expensed when they occur. Development costs are recognised in the balance sheet insofar as they form part of the acquisition cost for a known identifiable asset that is to be recognised in the balance sheet and a future benefit associated with the development of an identifiable intangible asset. Conversely, such expenses are expensed on an ongoing basis. Recognised development cost are depreciated on a straight line basis over economic lifetime.

Tangible assets
Tangible assets are depreciated on a straight-line basis over the anticipated economic lifetime.

Normal maintenance is expensed as it arises. Improvement costs are presented in the balance sheet as part of the cost price and are depreciated over the remaining economic lifetime of the asset.

Write-downs
In the event of indications of impairment associated with tangible and intangible assets, the company estimates the recoverable amount and tests this against the book value. The recoverable amount is the net sales value or the value in use, whichever is greater. The utility value is calculated as a discounted future cash flow based on the company's continued use of the asset/cash generating unit. Fixed assets are written down to the recoverable amount in cases where the recoverable amount is less than the book value. The write-down is reversed insofar as the basis for the write-down is no longer present.

Leasing / lease agreements
Lease agreements are classified as financial or operational according to the actual content of the agreement at the time of signing the contract. The company has long-term lease agreements for office premises and operation buildings. Rental amounts are expensed on an ongoing basis.

Shares in subsidiaries and associated companies
Investments in subsidiaries are valued according to the cost method. The investments will be written down to fair value if the decline in value is not transitory. The same applies to investments in associated companies. Dividend received and other payments from the companies are recognised in the income statement as financial income. If the dividend exceeds MHWirth AS' share of retained profit after acquisition, the excess represents repayment of invested capital and is dealt with as reduced acquisition cost for the investment.

Group accounts
All of the company's shares are per 31.12.2023 owned by HMH Holding B.V. Pursuant to the exception provisions in Section 3-7 of the Accounting Act and associated regulations, the company has opted not to prepare sub-consolidated accounts. Group accounts may be obtained from HMH's head office: Weerdestein 97, 1083GG Amsterdam, Netherlands.

Inventories
Inventories are recognised at the average acquisition cost or net sales value, whichever is lower. The net sales value for raw materials and work in progress is calculated as the net sales value of the finished products less the remaining production and sales costs.

Construction contracts
Work in progress related to fixed price contracts with a long production period is accounted for according to the percentage of completion method. The percentage of completion is calculated based on incured costs compared to budgeted costs for each acitivty and product of the delivery. The current progress method is based on the best estimate of costs incurred to date, relative to the expected total costs for one project/performance obligation. This means that this is in substance a cost-to-cost measurement. Project costs include direct salary costs and materials, purchased goods and services from sub-contractors and attributable overhead costs.

General administrative costs are not included as project costs. The total costs are re-estimated on an ongoing basis.

The effect of changes to estimates of project profit will be recognised in the accounting period in which the revised estimate is made. If a project is expected to result in a loss, the full amount of the loss is recognised, regardless of the project's progress.

Receivables
Accounts receivable and other receivables are presented in the accounts at the nominal value less loss provisions. Loss provisions are made on the basis of an individual assessment of each receivable. In addition, a general loss provision is made for other trade debtors to cover anticipated loss.

Pensions
Defined contribution pension plans:
Obligations to provide contributions to defined contribution schemes are embedded as expenses in the profit and loss accounts when they occur.

Defined benefit-based pension schemes:
Net liability associated with a defined benefit-based pension schemes is calculated separately for each scheme by estimating the size of future benefits that employee has earned through his or her work in the present and previous periods. These future benefits are discounted to calculate current value. Discount interest amounts to the interest on government bonds/bonds with high creditworthiness on balance sheet day with a maturity equal to the group's liabilities. Calculations are done by an accredited actuary and are based on a straight-line contribution model.

Taxes
Taxes are charged against income as they arise, i.e. the tax cost is linked to the accounting pre-tax profit or loss. Tax related to shareholders' equity transactions, such as group contributions, is charged against equity.

The tax cost consists of tax payable (tax on the year's taxable income) and changes in net deferred tax.
The tax cost in the income statement includes the tax payable for the period and changes in deferred tax. Deferred tax is calculated using the applicable tax rate based on temporary differences that exist between accounting and tax values, as well as any tax-related forwardable loss at the end of the fiscal year. Tax-increasing and tax-reducing temporary differences that reverse or can reverse in the same period are balanced. Recognition of deferred tax assets on net tax-reducing differences that have not been balanced and forwardable loss, is justified by assumed future earnings. Deferred tax and tax assets that can be capitalised are recognised net in the balance sheet.

Guarantees
Provisions for guarantee liability are calculated according to an assessment of actual and estimated guarantee costs on sold products.

Use of estimates
The preparation of the annual accounts in accordance with generally accepted accounting principles assumes that the management uses estimates and assumptions that affect the profit and loss accounts and the valuation of assets and liabilities, in addition to information regarding unsecured assets and liabilities on the balance sheet date. Contingent losses that are likely and quantifiable are expensed on an ongoing basis.

Changes of accounting principles
Project stock was in 2022 booked as part of Completed, not invoiced production. In 2023 Project stock is included as part of Inventory. 171 million is reclassified from Completed, not invoiced production to Inventory in 2022.

Cash flow statement
MHWirth is part of a cash pool owned by HMH Holding B.V.
The cash flow statement has been prepared according to the indirect method.

Corrections of error
The numbers for 2022 have been restated due to write down of Step Oiltools receivables. For more information, see details in Note 22.

Presentation of figures
All amounts in the following tables are given in NOK 1 000.

MHWirth AS

Annual Accounts 2023
(Amounts in NOK 1 000)

2 Sales revenues

Per business area	2023	2022
Project deliveries	**229,654**	830,326
Equipment deliveries	**193,858**	109,332
Digital technology	**126,196**	80,596
Life cycle services	**1,653,002**	1,246,809
Other	**73,419**	79,090
Total	**2,276,129**	2,346,153

Geographical distribution	2023	2022
Norway	**491,317**	1,115,094
Other European countries	**252,580**	474,965
Total Europe:	**743,897**	1,590,059
Asia	**967,572**	532,747
America	**542,201**	218,864
Africa	**21,660**	3,101
Oceania	**799**	1,382
Total other continents:	**1,532,232**	756,094
Total	**2,276,129**	2,346,153

The division is based on the direct customer's geographical location.

MHWirth AS
Annual Accounts 2023
(Amounts in NOK 1 000)

3 Construction contracts as at 31/12

	2023	2022
Carried to income from current projects	2,589,941	2,289,291
Direct costs associated with accrued income/loss provisions	1,999,952	2,077,975
Net ongoing projects	589,989	211,316
Completed, not invoiced production	507,985	540,752
Advances from clients regarding projects (included in other current liabilities)	129,347	225,857

The provision includes an onerous customer contract with expected losses upon completion. The loss in the said onerous contract is estimated based on risk estimates from project management as well as executive management. The project is close to be finalized.

4 Inventories

	2023	2022
Materials and finished products	431,146	472,137
Project stock/work in progress	109,827	179,254
Obsolescence provision	(385,589)	(392,999)
Total	155,384	258,392

5 Payroll expenses, no. of employees, remuneration, loans to employees, etc.

Payroll expenses	2023	2022
Wages	687,785	596,773
Social security cost	112,173	90,809
Pension costs	50,417	47,154
Other employee costs	63,326	74,649
Total	913,701	809,385
Average no. of full-time equivalents	664	725

Remuneration to Managing Director	2023	2022
Salaries/bonus	5,031	4,021
Other remuneration	46	38
Pension	131	132

Key personnel may be given six months' notice on termination of their employment contract

TNOK 116 was paid in remuneration to the members of the Board of Directors.

Auditor

Cost overview:	2023	2022
Statutory audit	2,500	1,640
Tax advice	115	100
Other services not covered by the audit	422	822
Total	3,037	2,562

All amounts are ex. VAT

6 Pensions

The company is subject to the Act relating to Obligatory Occupational Pensions; our pension schemes are provided in accordance with this. On 1 July 2008, the company changed from a defined benefit pension scheme to a defined contribution pension scheme, where the employer only contributes an agreed amount to a pension account for each employee.

A compensation scheme was established in connection with the transition to a defined contribution pension scheme and this ensures that the employees do not suffer any loss during transition to the new scheme. The size of the compensation has been based on the difference between the calculated pension capital from the defined benefit scheme and the value of the defined contribution scheme on reaching 67 years of age. The compensation is adjusted annually in accordance with the change in each member's pension basis and bears interest at market rates. If the employee retires voluntarily before reaching 67 years of age, the compensation will be reduced.
The company also participates together with other employers and the Norwegian State in a collective early retirement scheme called AFP. From 2010 the scheme has been changed, and no AFP liabilities has been presented in the accounts (other than the liability for pensioners already included in the scheme) as there are no reliable estimates for this. In addition, key personnel in the company have an additional pension over and above the collective pension scheme. This is financed through the company's operations.

Benefit pension will therefore include compensations scheme (228 employees and 17 pensioners per 31.12.23), special pension schemes covered through operations (2 employees and 1 pensioneer per 31.12.2023) and early retirement pension schemes (AFP).

Pension costs included in the profit and loss account

	2023	2022
Benefit plans		
Service cost of pension earnings for the year	-2 097	-3 768
Interest costs on pension liabilities	-1 889	- 820
Anticipated return on pension assets		
Plan changes	-	-
Risk premium – disability pension	-	-
Administration costs		
Social security cost	- 679	- 729
Pension cost benefit plans including compensation scheme	-4 665	-5 317
Defined contribution pension plans	-46 431	-48 400
Total pension costs included in profit or loss for the year	-51 096	-53 717

Reconciliation of the pension scheme's financial status against amount shown in the company's balance she

	2023	2022
Accrued pension liabilities	-79 309	-80 097
Pension assets at market value	-	-
Pension assets greater than (+) / less than (-) liabilities	79 309	80 097
Accrued social security cost	-13 018	-13 148
Net pre-paid pension (+) / incurred liabilities (-)	-92 327	-93 245

Financial assumptions

Financial assumptions		
Discount rate	4.41%	2.05%
Salary increase rate	3.75%	3.75%
Social security increase rate	0.51%	0.54%
Pensions-in-payment increase rate	4.53%	1.84%

Changes in gross liabilities and assets for defined benefit pension liabilities

	2023	2022
Incurred pension liabilities at the beginning of the year	93 245	96 070
Service cost of pension earnings for the year	2 097	3 768
Interest costs on pension liabilities	1 889	820
Payments	-5 495	-5 899
Actuarial profit/loss	591	-1 514
Incurred pension liabilities at year-end	92 327	93 245

MHWirth AS

Annual Accounts 2023
(Amounts in NOK 1 000)

7 Property, plant & equipment

	Land/leisure cabins/parking areas	Buildings/added cost for premises	Plant and machinery *	Installations under construction	Total
Purchase cost as at 01/01	7,935	11,395	121,919	(562)	140,687
Additions – purchased assets	-	-	11,745	7,020	18,765
Disposals					-
Reclassification of assets	-	-	-	-	-
Purchase cost as at 31/12	7,935	11,395	133,664	6,458	159,452
Accumulated deprec. and write-downs 01/01	-	9,229	103,061	-	112,290
Depreciation for the year	-	224	9,110	-	9,334
Reclassification	-	-		-	0
Accum. depreciation as at 31/12	-	9,453	112,171	-	121,624
Book value as at 31/12	7,935	1,942	21,493	6,458	37,828
Economic lifetime		10–20 years	3–7 years	Depreciated from	
Depreciation plan		Linear	Linear	completion	
Annual rent for leased assets not capitalised		53,623			

Lease agreements relating to premises have remaining lease terms of between 1 and 11 years.

* Purchase cost and accumulated deprectiation as at 01.01 have been corrected. TNOK 33 127 is reclassified from Purchase cost 31.12.2022 for Plant and machinery to Development under Intangible assets.

8 Intangible assets

	Development *	Development - in progress	Goodwill	Total
Purchase cost as at 01/01	413,770	32,130	15,653	461,553
Additions – intangible assets	-	69,250	-	69,250
Reclassification of assets	29,897	-29,897		0
Disposals			-	0
Purchase cost as at 31/12	443,667	71,483	15,653	530,803
Accumulated depreciations as at 01/01	327,778	-	15,653	343,431
Depreciation for the year	30,741	-	-	30,741
Reclassification	-	-		0
Accum. depreciation as at 31/12	358,519	-	15,653	374,172
Book value as at 31/12	85,148	71,483	-	156,631
Economic lifetime	3-5 years	Depreciated from	5 years	
Depreciation plan	Linear	completion	Linear	

A total of TNOK 3 965 in research and development costs has been expensed in 2023. The corresponding amount for 2022 was TNOK 10 382.
* Purchase cost and accumulated deprectiation as at 01.01 have been corrected, ref comment above under Property, plant & equipment.

MHWirth AS

Annual Accounts 2023
(Amounts in NOK 1 000)

9 Shares in subsidiaries

Subsidiaries	Registered address	Purchase date	Book value	Ownership interest	Voting %
MHWirth UK Ltd.	Aberdeen	1991	25,721	100%	100%
MHWirth Singapore Pte. Ltd.	Singapore	1991/2010/2018	-	100%	100%
MHWirth India Pvt Ltd	Mumbai, India	1998/2004	758	100%	100%
MHWirth FZE	Dubai	2008/2011	-	100%	100%
MHWirth Offshore Petroleum Engineering (Shanghai) Co. Ltd	China	2014/2021	20,895	100%	100%
MHWirth Canada Inc.	Canada	2014	599	100%	100%
MHWirth Pty Ltd.	Australia	2017	49,953	100%	100%
MHWirth do Brazil Equipamentos Ltda.	Brazil	2020	387,877	100%	100%
MHWirth HoldCo AS	Norway	2021	711,208	100%	100%
MHWirth LLC	USA	2015/2016/2019	-	100%	100%
Hydril Pressure Control S de RL de CV	Mexico	2021/2023	108,689	100%	100%
Baker Hughes Drilling Eng. Services India	India	2021	8,776	100%	100%
MHWirth Chile SpA	Chile	2021	8	100%	100%
Electrical Subsea & Drilling AS	Norway	2017/2022	51,695	100%	100%
HMH Turkey Petrol ve Doğal Gaz Ekipmanları ve Hizmetleri Anonim Şi	Turkey	2023	-	100%	100%
Total investments in subsidiaries			1,366,179		

Subsidiaries	Equity 2023	Profit before tax 2023
MHWirth UK Ltd.	243,465	3,291
MHWirth Singapore Pte. Ltd.	97,853	13,041
MHWirth India Pvt Ltd.	10,511	5,241
MHWirth FZE	121,749	29,104
MHWirth Offshore Petroleum Engineering (Shanghai) Co. Ltd	48,407	2,942
MHWirth Canada Inc.	13,025	-897
MHWirth Pty Ltd.	37,277	19,643
MHWirth do Brazil Equipamentos Ltda.	455,312	86,114
MHWirth HoldCo AS	711,230	-
MHWirth LLC	54,640	-31,887
Hydril Pressure Control S de RL de CV	265,614	63,093
Baker Hughes Drilling Eng. Services India	34,550	9,988
MHWirth Chile SpA	-	-
Electrical Subsea & Drilling AS	22,012	-3,780

In 2023 MHWirth AS paid TNOK 50 946 as capital injection in Hydril Pressure Control, S. de R.L. de C.V.

10 Investments in associated companies and other shares

Company	Registered address	Purchase date	Book value	Ownership interest	Voting %
MHWirth O&G, Abu Dhabi	Abu Dhabi	2014	-	50.0 %	50.0 %
Agder Research Holding AS	Kristiansand	2017	-	2.6 %	2.6 %
Future Well Control AS	Kristiansand	2019/2020	75	10%	10%
Total investments in other shares			75		

MHWirth AS

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11 Group account, security, guarantees, etc.

MHWirth As is part of the group cash pool system owned by HMH Holding B.V.

As of 31.12.2024, MHWirth AS has withdrawn TNOK -8 386 from the group cash pool system, which is presented as part of Other current liabilities. Corresponding figures for 2022 were TNOK -43 585.

Bank guarantees provided by banks and other financial institutions as a customer guarantee for contract execution, constitute TNOK 156 239

Bank guarantees have also been provided for unpaid employee taxes

12 Financial risk

Market risk

MHWirth AS carries out major construction contracts for customers. This includes both purchase and sales contracts in different currencies. A significant part of the company's foreign currency exposure concerning contracts are subject to hedging. The company enters into forward contracts directly with banks in order to buy or sell currency for future delivery. At year-end, the company had entered into contracts with banks for purchase and sale of foreign currency as stated below in order to hedge the currency exposure of ongoing contracts

Currency	Net sales (values in foreign currency)	Net purchases (values in foreign currency)
USD	95,771	987
EUR	8,596	2,525
GBP	3,800	1,068

The total positive market value of the hedging instruments at year-end amounts to TNOK 111 780

As described above, MHWirth AS has hedged contract-related currency exposure. Consequently, fluctuations in foreign currency will have little impact on the short-term result. As contracts may apply for shorter periods than the underlying exposure, it is normal practice to renew forward contracts to cover future periods. When renewing forward contracts, it is normal to pay or receive an amount that corresponds to the movement in the spot exchange rate up to renewal (rolling effect). This represents a liquidity risk that remains unhedged. At year-end, the accumulated rolling effect was net payments of TNOK 148 221 in deferred loss on realized hedging instruments

Credit risk and liquidity risk

The risk of a counterparty not having the financial capacity to fulfil its obligations is considered to be moderate, as losses on receivables have historically been low.
Based on the assessed risk of the accounts receivable balance, the allowance of doubtful receibables was TNOK 5 800 at year-end 2023 and 2022
Total loss related to accounts receivables recognised in the P&L was TNOK 450 in 2023 and TNOK 210 in 2022
The situation in the global economy and the industry indicate that this risk is expected to be more present now and in the years ahead. In its contracts, the company has secured prepayments and milestone payments, while the company is finding it challenging to have these fulfilled and is working actively to secure payments
The company considers the liquidity within the company to be challenging, but still satisfactory.
Recognised loss of receivable against Akastor AS at TNOK 167 988 in 2022 was a sellers credit and not related to ordinary operations and does thereby not reflect the general credit risk of receivables. Refer to note 22 for more information.

13 Group receivables and liabilities*

MHWirth As is part of the group cash pool system owned by HMH Holding B.V.

	2023	2022
Long term group receivables, subsidiaries	217,324	232,153
Long term receivables, shareholders*	-	-
Total non-current group receivables	**217,324**	**232,153**

	2023	2022
Long term corporate debt, parent group	136,825	284,101
Long term corporate debt, subsidiaries	18,443	-
Total non-current liabilities	**155,268**	**284,101**

	2023	2022
Accounts Receivables	144,863	102,789
Cash pool	-	-
Total current group receivables	**144,863**	**102,789**
Trade creditors	-	-
Other current liabilities	28,634	63,386
Payables group contribution	-	-
Total current group liabilities	**28,634**	**63,386**

Liabilities with maturityover 5 years: 0 0

* The comparative information is restated on account of corrections of error. See note 22.

MHWirth AS

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14 Taxes*

Income tax expense	**2023**	2022
Deviation from last years' tax calculation	**0**	-3,720
Changes in deferred tax	**333**	-21,715
Withholding tax abroad	**-18,694**	-15,073
Tax on revenue / cost booked to equity	**0**	333
Total income tax expense	**-18,361**	-40,175

Tax base calculation		
Ordinary pre-tax profit or loss*	**143,089**	-33,913
Permanent differences*	**-139,607**	-35,368
Change in temporary differences	**92,462**	-30,939
Taxable income	**95,944**	-100,220
Paybable tax previous year	**0**	2,001
Tax payable	0	2,001

Temporary differences	**2023**	2022
Differences that have been assessed:		
Fixed assets	**-110,594**	-105,253
Current assets	**-119,544**	53,261
Liabilities	**-115,405**	-132,108
Forward contracts	**148,221**	85,153
Pension liabilities	**-92,327**	-93,245
Write-down of shares in NOKUS companies	**-9,014**	-9,014
Loss carried forward	**-76,620**	-172,564
Interest limitatation rule	**-222,674**	-222,674
Total	-597,957	-596,444
Deferred tax liability (asset)	**-131,551**	-131,218
Tax rate	**22%**	22%

The tax rate in Norway is 22 %. Deferred tax liability and deferred tax asset is calculated with a tax rate of 22 %.

Deferred tax assets is recognized based on the next five years forecasted future taxable income.

* The comparative information is restated on account of corrections of error. See note 22.

15 Equity*

	Share capital	**Other paid-in capital**	**Equity reserves**	**Total**
Equity as at 31/12/2022	**100,200**	**2,472,517**	**-1,016,445**	**1,556,272**
Change in equity for the year:				
Deviations to estimates for the year in pension schemes			-461	**-461**
Retained earnings/loss*			124,728	**124,728**
Equity as at 31/12/2023	**100,200**	**2,472,517**	**-892,178**	**1,680,539**

The share capital consists of 100 200 004 shares with a nominal value of NOK 1 and is owned by HMH Holding B.V.

* The comparative information is restated on account of corrections of error. See note 22.

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16 Transactions with close partners

Purchases and sales between companies in the HMH Group have been carried out subject to the same terms as if they had taken place between independent parties based on OECD Guidelines for transfer pricing
In total, MHWirth AS purchased goods and services from other HMH Group companies amounting to TNOK 152 009 in 2023, whereof TNOK 13 060 was from parent company. Correspondingly, MHWirth AS sold goods and services to other HMH Group companies amounting to TNOK 336 042 in 2023, whereof TNOK 32 768 was to parent company.

17 Project risk and uncertainties

MHWirth AS' large projects are mainly long-term contract deliveries at a fixed price which have been won through competitive tendering. Delays, quality non-conformance or an increase in project costs may result in costs that cannot be covered by the income from the project in question. The figures in the accounts have been based on the best estimate at the end of the accounting period. If a project has been identified as unprofitable, provisions are made for future losses. Circumstances and information may change in subsequent periods and therefore, the final outcome may be better or worse than the assessments made at the time of preparing the accounts suggested

The importance of the company's policy, which states that payment terms should at least give a neutral cash flow in the projects, has been emphasised in the present market. At the same time, the company has challenges related to payment terms for contracts entered into in previous years

18 Other financial items

Other financial income consists of	2023	2022
Agio related to loan and bank deposit	73,835	62,620
Other financial income	55	0
Reversed impairment of financial assets	0	8,154
Total other financial income	73,890	70,774
Other financial costs consist of:		
Disagio related to loan and bank deposit	83,330	45,114
Loss on sale of shares	0	9,092
Other financial costs	0	4,160
Total other financial costs	83,330	58,366
Dividend from subsidiaries and associated companies consists of		
Dividends from subsidiaries	126,125	31,438
Interest of equity	29,643	22,783
Total dividend from subsidiaries and associated companies	155,768	54,221

19 Share purchase scheme for employees

There was no share purchase programme for employees in 2023

20 Provisions

	Guarantees	Restructuring	Provisions	Total
01/01/2023	37,659	9,323	0	**46,982**
Change for the year	1,340	6,223	0	**7,563**
31/12/2023	**38,999**	**15,546**	**0**	**54,545**

Guarantees are mainly related to the possibility that MHWirth AS must do warranty work in accordance with agreements in connection with supplies of products or service to customers.

Restructuring is related to downsizing in connection with the global challenges in the rig market. The short term part of restucturing is TNOK 4 687. The long term part, in total TNOK 10 858 includes rental costs for premises of TNOK 5 100.

21 Events since the balance sheet date

No subsequent events are noted which require adjustments in the annual report or to be disclosed.
It is expected that the current Ukraine conflict will have limited impact on the operational activities in MHWirth AS in 2024.

22 Corrections of error - Step Oiltools adjustments

Prior to the formation of the HMH Group, Step Oiltools B.V was sold from MHWirth AS to Akastor AS under which MHWirth AS has a seller's credit note against Akastor AS. The shareholders of the HMH Group have later agreed that the original carve-in-arrangement is no longer desirable and that the Step Oiltools B.V. group of companies should be sold or liquidated

At inception on October 1, 2021, the fair value of the contract was equal to the initial carrying amount based on an external Discounted Cash Flow measurement. Management has assessed the fair value of the contract as per December 31, 2021, and December 31, 2022, and concluded there was no significant fair value change as per December 31, 2021. However, due to the significant change in the business environment and subsequent impact on the financial/operational performance of the underlying asset, which was significantly caused by the trade sanction imposed to Russia following the Russian/Ukraine war, the fair value of financial asset as per December 31, 2022, is considered to be nil. In accordance with NGAAP, financial assets must be written down to their fair market value when a decline in their value is assessed as not being temporary.

Therefore, management concluded during the preparation of the 2023 financial statements, that a loss of TNOK 167 988 on this asset should have been recognized in 2022.This error has been corrected by restating each of the affected financial statements line items for prior periods.

Effect of correction of error:

Amounts in NOK 1000	As previously reported	Step Oiltools adjustments	As restated
Balance sheet pr 31.12.2022:			
Long term group receivables	400,141	-167,988	232,153
Equity reserves	-848,457	-167,988	-1,016,445
Profit and loss statement 2022			
Write-down of non-current financial assets	-9,401	-167,988	-177,389
Net profit	93,899	-167,988	-74,088

The correction have no net effects on cash flow

Kristiansand, 26 November 2024

ANNUAL REPORT 2023

MHWirth AS

The business

MHWirth AS is a provider of drilling products, complete drilling solutions, digital technology solutions, project implementation and life cycle services to the international offshore and onshore market.

In 2023 the global organisation has been operating in Norway, Germany, the United States, the United Kingdom, Singapore, China, India, the United Arab Emirates, Australia, Brazil, Azerbaijan and Canada.

The headquarter is in Kristiansand, and the company also has significant activities in Oslo, Horten, Lyngdal and Stavanger. MHWirth AS is organised based on business types as life cycle services, project deliveries, equipment deliveries and engineering services.

MHWirth does not compile consolidated accounts, as the sub-group is covered by the consolidated accounts of HMH Holding, hence the turnover and the profits from MHWirth AS' subsidiaries are not included or discussed in the financial statements for MHWirth AS.

In 2023, MHWirth AS still experienced challenges in the activity in most business streams due to the challenging market for companies that operate as suppliers to the oil and gas industry globally. No contract was signed for delivery of complete drilling packages in 2023. The principal activity for projects in 2023 consisted of work on drilling rigs and drill ships constructed in Shanghai, China (GMGS).
MHWirth's complete drilling packages has been installed on 70 rigs worldwide.

MHWirth AS has drawn Directors and Officers Liability and Company Reimbursement Insurance. The insurance is drawn through HMH Holding B.V. and has a solid rating. Within the limit, any claim against such persons will be covered.

HSSE & ESG

Health, Safety, Security and Environment (HSSE) and Environment, Social and Governance (ESG) are core values at MHWirth AS. Leadership and employees recognize and take their HSSE and ESG responsibilities seriously and have demonstrated positive attitudes towards HSSE and ESG matters throughout 2023. MHWirth employees work under challenging conditions worldwide, and the company therefore has a strong focus on recognizing and mitigating risk in all activities and operations globally.

At MHWirth, all employees are equally responsible and accountable for caring for the environment, safety and well-being of ourselves and others. HSSE forms an integral part of all operations through the HSSE management system, guidelines, procedures, skills, and business culture, and represents a core value and commitment to our customers, employees, business partners, and communities in which we operate.

MHWirth follows a zero-incident philosophy which is supported by the management group and board of directors and is implemented through ongoing and practical activities (e.g., through HSSE Must Win Battles) focused on MHWirth operations.

Health & Safety
MHWirth's HSSE program involves systematic safety work, personal quality, attitudes, and behaviour. The company's working environment committee (AMU) held regular meetings during 2023. This is a forum for presenting working environment issues, sharing HSSE status and ensuring that the company focuses on HSSE. Based on internal feedback, the working environment is currently viewed as good, and ongoing improvement measures are being implemented. Additionally, MHWirth's 2023 collaboration with employees' organizations has been constructive and resulted in positive contributions to our operations.

There were no incidents in 2023 in which MHWirth employees were seriously injured. A total of 4 Recordable Injuries were registered in 2023, compared with 3 in 2022.

Security
MHWirth's HSSE Policy covers security and states that we are "safeguarding personnel, technology, and assets throughout all our operations." Manage Security is a sub-process of the Manage HSSE processes in which relevant procedures, tools and documents are housed in our Operating System.

Environment, Social and Governance (ESG) & Sustainability

MHWirth is committed to continually reducing its impact on the environment. The company designs products and services which reduce undesirable environmental effects and ensure the safe and efficient utilization of energy and natural resources. MHWirth'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 company strives to ensure that products can be recycled or safely disposed of.

The company is focused on maintaining the certifications ISO 14001 (Environmental Management Systems) and ISO 45001 (Occupational Health and Safety Management Systems) 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.

CO2 Reduction
As part of its commitment to reduce our customer's environmental footprints, MHWirth has developed several solutions designed to reduce fuel consumption and emissions on offshore drilling rigs.

MHWirth has also identified several business opportunities in the growing subsea mineral mining industry which are in part based on knowledge we 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 the green shift. Industry experts have therefore predicted that subsea mineral mining will be necessary to meet the demand for these minerals and enable to transition from fossil fuels to renewable energy.

Human Resources

Sick leave for MHWirth AS in 2023 was 3,3% evenly distributed between short term and long term sick leave. The company has a strong focus on preventing absence due to illness and has ongoing measures in place for this in collaboration with the HR department, occupational health service, the Norwegian Labor and Welfare Administration (NAV) and the employees' representatives. The company is a member of the Inclusive Workplace scheme.

The percentage of women in the company is 17%, same as for 2022. MHWirth has implemented a Diversity guideline with specific long-term goals. The aim is to ensure more diversity and inclusion in the Company, both with regards to sex, age, and ethnical background. We have focus on diversity during our recruitment processes.

MHWirth wants to further develop a culture and working environment where employees feel secure and encouraged to speak up against any acts of discrimination and promotes an equal rights culture. To raise awareness and embed it into the company's culture there is launched a e-learning course on the subject.

The Transparency Act

The Transparency Act entered into force in Norway on 1 July 2022. The Act shall promote enterprises' respect for fundamental human rights and decent working conditions in connection with the production of goods and the provision of services and ensure the general public access to information regarding how enterprises address adverse impacts on fundamental human rights and decent working conditions. MHWirth is committed to conducting due diligence in alignment with the Norwegian Transparency Act and the company is also committed to transparent disclosure of our policies and procedures and will monitor closely our complete supply chain.

Information about the Transparency Act is to be found at HMH`s homepage/Sustainability/Transparency Act.

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.

Significant improvements in environmental performance are important to MHWirth AS. MHWirth AS adhere to Norwegian and EU laws and regulations, including the EU Taxonomy.

Ethics

Ethics are an important part of the company's values, and MHWirth has a zero tolerance of corruption and other forms of irregularities or legal violations. The mandatory company training programmes ensure sufficient training of all employees.

Future development

Continuous product development is under way within most product areas. Special comments should be made of a programme of continuous standardisation, cost reduction and improvement of the company's product range.

Various development projects were initiated and further developed in 2023 to meet market demands for increased drilling efficiency, lower operating costs for drilling rigs, reduced pollution of the external environment and improved safety. The company will continue with this type of development project in the years ahead in close cooperation with the company's customers.

The market utilization in 2023 has been 75% for floater rigs and 78% for jackup rigs. The number of active rigs with MHWirth' s complete drilling package was stable at 53 rigs in Q3 and 52 in Q4 2023. The total order intake for 2023 was BNOK 2.2. The order backlog was BNOK 1.3 at year-end 2023, increased from 0.8 at year-end 2022.

The oil and gas related industry has experienced a very demanding market in recent years. In 2023, the conditions have improved with increasing oil prices and higher demand for somewhat, with a slightly higher oil price and increased willingness to invest among key players in the market. The global fleet of offshore drilling rigs is still struggling with excessive capacity, but the situation has improved for rigs operating in geographies with a harsh environment.

Results, investments, financing and liquidity for MHWirth AS

The annual accounts for MHWirth AS is not consolidated figures and hence differ from the financial figures presented for the HMH Group. MHWirth AS presents its annual accounts in accordance with Norwegian accounting standards, while HMH Group uses IFRS.

The company's turnover decreased from MNOK 2,346 in 2022 to MNOK 2,276 in 2023.

The 2023 accounts show a net operating income of MNOK 11, compared with MNOK 59 in 2022. Net profit before tax for 2023 amounts to MNOK 143, compared with MNOK -34 in 2022.

The company has received dividends from subsidiaries totalling MNOK 156.

At year-end, the net book value of inventory amounted to MNOK 155, compared with MNOK 258 a year earlier. The stock obsolescence provision decreased by MNOK 7 in 2023. Fixed asset and capitalised development investments amounted to MNOK 7 in 2022. The company had MNOK 4 in development cost expensed in 2023, compared with a total of MNOK 10 expensed in 2022.

MHWirth As is part of the group cash pool system owned by HMH Holding B.V. As at 31 December 2023, the company has withdrawn MNOK -8 from the cash pool, compared with MNOK -44 as at 31/12/2022, included in Other current liabilities. Bank guarantees provided by banks and other financial institutions as a customer guarantee for contract execution, constitute MNOK 156. Bank guarantees have also been provided for unpaid employee taxes.

As at 31/12/2023, the company has interest-bearing debt to group undertakings of MNOK 155, compared with MNOK 284 at 31/12/2022.

At the year-end, total assets amounted to MNOK 3,070, compared with MNOK 3,212 in 2022. Finally, as at 31 December 2023, equity ratio is 55 %, compared with 48 % at year-end 2022.

In 2023, cash flow from operations was positive of MNOK 122. The corresponding figures for 2022 showed a negative cash flow of MNOK 95. The cash flow from investment activities for 2023 was positive of MNOK 40. The corresponding figures for 2022 showed a positive cash flow of MNOK 141. The cash flow from financing activities for 2023 was negative of NOK 162. The corresponding figures for 2022 showed a negative cash flow of NOK 46.

Restatement of Step Oiltool receivables in 2022 Balance sheet figures

Prior to the formation of the HMH Group, Step Oiltools B.V was sold from MHWirth AS to Akastor AS under which MHWirth AS has a seller's credit note against Akastor AS. The shareholders of the HMH Group have later agreed that the original carve-in-arrangement is no longer desirable and that the Step Oiltools B.V. group of companies should be sold or liquidated.

MHWirth has restated the impairment of the Step Oil tool receivable to 2022 balance sheet figures to align with HMH Group statutory accounts as reported for 2023. For more information, see details in Note 22.

Re-issue of the Annual Accounts 2023

The Board of Directors and the CEO originally approved the Annual Accounts 2023 for issue on 30 August 2024. Subsequently, some errors were detected and the company decided to correct these and re-issue the Annual Accounts 2023.

The corrections are:
In the financial statement of 2022, a financial asset related to the seller's credit note, was incorrectly not impaired to fair value.

The comparative figures for 2022 are changed accordingly.
Note 13: Long term group receivables, subsidiaries have been corrected
Note 14: Write-down of non-current financial assets have been corrected
Note 15: Equity/Retained earnings/loss have been corrected

These re-issued Annual Accounts 2023 were approved by the Board of Directors and the CEO on 26 November 2024.

The company's position and the results of the business

In the opinion of the Board of Directors, the annual accounts that are presented for the 2023 financial year present a true and accurate picture of assets and liabilities, financial position and result. As at 31/12/2023, there were 643 employees in MHWirth AS, the corresponding number was 704 as at 31/12/2022.

Other than what is referred to in the annual accounts, the Board of Directors is unaware of other circumstances concerning market conditions and price trends that would impact on an assessment of the company's financial position other than what is referred to concerning the Corona virus under the "future development" comments above.

Financial risk

General remarks concerning objectives and strategy

The company is exposed to financial risk in several areas, particularly currency risk. The aim is to dampen financial risk as much as possible through use of financial instruments.

Market risk

The company's competitiveness is sensitive to fluctuations in exchange rates, particularly the US dollar (USD). A significant proportion of the company's income from contracts is in USD, while a substantial proportion of the company's purchases is in Euro and Norwegian kroner. However, the company has entered into forward contracts in order to reduce the company's currency risk and thereby the market risk linked to operations. Please see comments related to the Corona virus under "Future development" above.

Credit risk and liquidity risk

The risk of a counterparty not having the financial capacity to fulfil its obligations is considered to be moderate, as losses on receivables have historically been low. Based on the assessed risk of the accounts receivable balance, the allowance of doubtful receivables was TNOK 5 800 at year-end 2023 and 2022. Total loss related to accounts receivables recognised in the P&L was TNOK 450 in 2023 and TNOK 210 in 2022. The situation in the global economy and the industry indicate that this risk is expected to be more present now and in the years ahead. In its contracts, the company has secured prepayments and milestone payments, while the company is finding it challenging to have these fulfilled and is working actively to secure payments. The company considers the liquidity within the company to be challenging, but still satisfactory. Recognised loss of receivable against Akastor AS at TNOK 167 988 in 2022 was a sellers credit and not related to ordinary operations and does thereby not reflect the general credit risk of receivables. Refer to note 22 for more information.

Going concern

In 2023, MHWirth AS will continue to focus strongly on minimizing the spread of the virus and mitigate substantial disruptions to operations throughout the portfolio. MHWirth management is cautiously optimistic that market situation will improve through 2023. It is expected that the current Ukraine conflict will have limited impact on the operational activities in MHWirth AS in 2024.

In accordance with the Norwegian Accounting Act, the board of directors confirms that the going concern assumption, on which the consolidated financial statements have been prepared, is appropriate.

Financial results for the year and allocations

Based on the company's capital structure, the Board of Directors recommends that the ordinary profit for the year of MNOK 124,7 be allocated as follows:

To other reserves	MNOK 124,7

Kristiansand, 26 November 2024

Dwight Rettig Chairman of the Board DocuSigned by: Dwight Rettig	Eirik Bergsvik Board Member Signed by: Eirik Bergsvik E69AF7E02C2D4C7...	Pål Skogerbø Managing Director/Board Member DocuSigned by: Pål Skogerbø
Dag Arthur Stenevik Board Member Signed by: Dag Stenevik	Stian Sjølund Board Member Signed by: Stian Sjølund	Arne Albrektsen Board Member DocuSigned by: Arne Albrektsen
Asle Christian Halvorsen Board Member DocuSigned by: Asle Christian Halvorsen		

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To the General Meeting of MHWirth AS

Independent Auditor's Report

Opinion

We have audited the financial statements of MHWirth AS (the Company), which comprise the balance sheet as at 31 December 2023, the profit and loss statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – reissuance of the financial statements

We draw attention to Note 0 the financial statements which states that the Board of Directors and the managing director has submitted new financial statements to replace the financial statements issued as at 30 August 2024. As stated in the note the comparative information presented as at and for the year ended 31 December 2022 has been restated, due to a correction of error. This audit report replaces our previous audit report as of 13 September 2024. Our opinion is not modified in respect of this matter.

Other Matters

The Company's financial statements have been submitted after the expiry of the statutory time limit for preparation of financial statements.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Oslo, 28 November 2024

KPMG AS

Stian Tørrestad
State Authorised Public Accountant
(This document is signed electronically)

MHWirth AS

Accounts 30.09.2024

(Amounts in NOK 1 000)

Profit and loss statement

	Note	30/09/2024	30/09/2023
Sales revenues		**1,905,534**	**1,656,928**
Total revenues		**1,905,534**	**1,656,928**
Cost of materials		**744,328**	**750,794**
Payroll expenses		**679,281**	**608,136**
Depreciation on tangible and intangible assets		**36,249**	**28,247**
Other operating expenses		**351,065**	**260,152**
Net operating income		**94,611**	**9,599**
Dividend from subsidiaries and associated companies		**16,259**	**59,469**
Interest income from group companies		**7,908**	**14,209**
Other interest income		**1,523**	**975**
Other financial income		**95,275**	**43,896**
Interest costs to group companies		**-19,746**	**-23,264**
Other interest cost		**-7,260**	**-3,244**
Other financial expenses		**-67,507**	**-47,602**
Net profit before tax		**121,063**	**54,038**
Tax expenses		**-1,876**	**-2,850**
Net profit		**119,187**	**51,188**
Attributable to			
Retained earnings		**119,187**	**51,188**
Total allocated		**119,187**	**51,188**

MHWirth AS

Accounts 30.09.2024

(Amounts in NOK 1 000)

Balance sheet

	Note	30/09/2024	31/12/2023
Assets			
Fixed assets			
Intangible assets			
Development		157,516	156,631
Deferred tax		104,105	131,551
Total intangible assets		261,621	288,182
Property, plant & equipment			
Land, buildings and other property		15,263	9,877
Machinery and equipment		16,853	14,323
Fixed assets, fixtures, tools, office machines		6,644	13,628
Total property, plant & equipment		38,760	37,828
Long term financial assets			
Investments in subsidiaries		1,592,765	1,366,179
Investments in other shares		75	75
Long term group receivables		308,738	217,324
Total long term financial assets		1,901,578	1,583,578
Total fixed assets		2,201,959	1,909,588
Current assets			
Inventory		207,043	155,384
Receivables			
Accounts receivables		321,382	164,993
Current group receivables		93,751	144,863
Other short term receivables		202,984	187,344
Work performed, not invoiced		635,866	507,985
Total receivables		1,253,983	1,005,185
Bank deposits, cash, etc.		0	0
Total current assets		1,461,026	1,160,569
Total assets		3,662,985	3,070,157

MHWirth AS

Accounts 30.09.2024

(Amounts in NOK 1 000)

Balance sheet

	Note	30/09/2024	31/12/2023
Equity and liabilities			
Equity			
Paid-in capital			
Share capital		**100,200**	**100,200**
Other paid-in capital		**2,472,517**	**2,472,517**
Total paid-in capital		**2,572,717**	**2,572,717**
Retained earnings			
Equity reserves		**-772,384**	**-892,178**
Total retained earnings		**-772,384**	**-892,178**
Total equity		**1,800,333**	**1,680,539**
Liabilities			
Provisions			
Pension obligations		**85,667**	**92,327**
Total provisions		**85,667**	**92,327**
Other long term liabilities			
Long term liabilities to group companies		**443,483**	**155,268**
Other long term liabilities		**10,858**	**11,362**
Total other long term liabilities		**454,341**	**166,630**
Current liabilities			
Acount payables		**196,003**	**261,965**
Account payables to group companies		**115,462**	**29,634**
Tax payable		**0**	**0**
Duties payable		**16,690**	**31,501**
Other current liabilities		**994,489**	**808,561**
Total current liabilities		**1,322,644**	**1,131,661**
Total liabilities		**1,862,652**	**1,390,618**
Total equity and liabilities		**3,662,985**	**3,071,157**

MHWirth AS

Accounts 30.09.2024

(Amounts in NOK 1 000)

Cash flow statement

	Note	30/09/2024	30/09/2023
Cash flow from operations			
Net profit before tax		**121,063**	**54,038**
Ordinary depreciations		**36,249**	**28,247**
Change in inventories		**51,659**	**-30,190**
Change in accounts receivables		**-156,389**	**-69,215**
Change in trade creditors		**-65,962**	**-108,047**
Change in other current liabilities and accrued items		**102,403**	**49,867**
Net cash flow from operations		**89,023**	**-75,300**
Cash flow from investment activities			
Payments for the acquisition of tangible assets and capitalised development		**-43,711**	**-18,839**
Payments for purchase of shares in subsidiaries		**-226,586**	**-50,946**
Payments received due to other investments		**0**	**0**
Net payments received due to decreased long term receivables from subsidiaries		**145,901**	**58,295**
Net cash flow from investment activities		**-124,396**	**-11,490**
Cash flow from financing activities			
Payments due to increases/decreased long term debt		**43,736**	**133,209**
Net cash pool		**-8,363**	**-46,419**
Net cash flow from financing activities		**35,373**	**86,790**
Net change in cash and cash equivalents		**0**	**0**
Cash and cash equivalents as at 01/01		**0**	**0**
Cash and cash equivalents as at 30/09		**0**	**0**

MHWirth is part of a cash pool owned by HMH Holding B.V.

1 Accounting principles

The accounts consist of the profit and loss account, balance sheet, cash flow statement and notes and have been presented in accordance with the Accounting Act and generally accepted accounting principles in Norway as at 30 September 2024. The accounts give a true view of assets and liabilities, financial position and profit and loss.

Income recognition
Income is recognised in the profit and loss account when it has been earned. For the sale of goods and services, income is usually recognised in the profit and loss account on the delivery date.
For construction contracts, the Percentage of completion method is used, refer to section "construction contracts" below.

Charging against income/grouping
Expenses are booked at the same time as the income to which the expenses can be referred. Expenses that cannot be referred directly to income, are booked as costs when they occur.

Principal rule for assessment and classification of assets and liabilities
Assets intended for permanent ownership or use have been classified as fixed assets. Other assets have been classified as current assets. Receivables to be repaid within a year are always classified as current assets. Analogous criteria are used for classification of liabilities.
Fixed assets are valued at purchase cost, but written down to fair value when the recoverable amount is lower than the book value. Fixed assets with a limited economic lifetime are depreciated according to plan. Non-current liabilities are presented in the balance sheet at the nominal value on the establishment date.

Current assets are valued at the lower of the purchase cost and the fair value. Current liabilities are presented in the balance sheet at the nominal value on the establishment date.

Certain items are subject to a special assessment in accordance with the Norwegian Accounting Act. These items are described below and elsewhere in the notes.

Currency
Transactions in foreign currency are usually converted using the exchange rate on the transaction date. Monetary items in foreign currency are converted at the exchange rate on the balance sheet date.

Currency hedging
The company has a policy to hedge all significant transactions in foreign currency using forward contracts. Hedge accounting is carried out in accordance with NRS 18 Financial assets and liabilities alternative 2. Changes in value of the hedging instrument are therefore not reflected in the accounts until the instrument has been realised. Receivables and liabilities (including accruals associated with projects in progress) which have been hedged using forward exchange contracts are valued at the hedging rate.

Intangible assets
Intangible assets expected to give future income, such as development costs and patents, are presented in the balance sheet. Depreciation is calculated on a straight-line basis over the remaining economic lifetime.

Research and development
Research expenses are expensed when they occur. Development costs are recognised in the balance sheet insofar as they form part of the acquisition cost for a known identifiable asset that is to be recognised in the balance sheet and a future benefit associated with the development of an identifiable intangible asset. Conversely, such expenses are expensed on an ongoing basis. Recognised development cost are depreciated on a straight line basis over economic lifetime.

Tangible assets
Tangible assets are depreciated on a straight-line basis over the anticipated economic lifetime.
Normal maintenance is expensed as it arises. Improvement costs are presented in the balance sheet as part of the cost price and are depreciated over the remaining economic lifetime of the asset.

Write-downs
In the event of indications of impairment associated with tangible and intangible assets, the company estimates the recoverable amount and tests this against the book value. The recoverable amount is the net sales value or the value in use, whichever is greater. The utility value is calculated as a discounted future cash flow based on the company's continued use of the asset/cash generating unit. Fixed assets are written down to the recoverable amount in cases where the recoverable amount is less than the book value. The write-down is reversed insofar as the basis for the write-down is no longer present.

Leasing / lease agreements
Lease agreements are classified as financial or operational according to the actual content of the agreement at the time of signing the contract. The company has long-term lease agreements for office premises and operation buildings. Rental amounts are expensed on an ongoing basis.

Shares in subsidiaries and associated companies
Investments in subsidiaries are valued according to the cost method. The investments will be written down to fair value if the decline in value is not transitory. The same applies to investments in associated companies. Dividend received and other payments from the companies are recognised in the income statement as financial income. If the dividend exceeds MHWirth AS' share of retained profit after acquisition, the excess represents repayment of invested capital and is dealt with as reduced acquisition cost for the investment.

Group accounts
All of the company's shares are per 30.09.2024 owned by HMH Holding B.V. Pursuant to the exception provisions in Section 3-7 of the Accounting Act and associated regulations, the company has opted not to prepare sub-consolidated accounts. Group accounts may be obtained from HMH`s head office: Weerdestein 97, 1083GG Amsterdam, Netherlands.

Inventories
Inventories are recognised at the average acquisition cost or net sales value, whichever is lower. The net sales value for raw materials and work in progress is calculated as the net sales value of the finished products less the remaining production and sales costs.

Construction contracts
Work in progress related to fixed price contracts with a long production period is accounted for according to the percentage of completion method. The percentage of completion is calculated based on incured costs compared to budgeted costs for each acitivty and product of the delivery. The current progress method is based on the best estimate of costs incurred to date, relative to the expected total costs for one project/performance obligation. This means that this is in substance a cost-to-cost measurement. Project costs include direct salary costs and materials, purchased goods and services from sub-contractors and attributable overhead costs.

General administrative costs are not included as project costs. The total costs are re-estimated on an ongoing basis.
The effect of changes to estimates of project profit will be recognised in the accounting period in which the revised estimate is made. If a project is expected to result in a loss, the full amount of the loss is recognised, regardless of the project's progress.

Receivables
Accounts receivable and other receivables are presented in the accounts at the nominal value less loss provisions. Loss provisions are made on the basis of an individual assessment of each receivable. In addition, a general loss provision is made for other trade debtors to cover anticipated loss.

Pensions
Defined contribution pension plans:
Obligations to provide contributions to defined contribution schemes are embedded as expenses in the profit and loss accounts when they occur.

Defined benefit-based pension schemes:
Net liability associated with a defined benefit-based pension schemes is calculated separately for each scheme by estimating the size of future benefits that employee has earned through his or her work in the present and previous periods. These future benefits are discounted to calculate current value. Discount interest amounts to the interest on government bonds/bonds with high creditworthiness on balance sheet day with a maturity equal to the group's liabilities. Calculations are done by an accredited actuary and are based on a straight-line contribution model.

Taxes
Taxes are charged against income as they arise, i.e. the tax cost is linked to the accounting pre-tax profit or loss. Tax related to shareholders' equity transactions, such as group contributions, is charged against equity.

The tax cost consists of tax payable (tax on the year's taxable income) and changes in net deferred tax.
The tax cost in the income statement includes the tax payable for the period and changes in deferred tax. Deferred tax is calculated using the applicable tax rate based on temporary differences that exist between accounting and tax values, as well as any tax-related forwardable loss at the end of the fiscal year. Tax-increasing and tax-reducing temporary differences that reverse or can reverse in the same period are balanced. Recognition of deferred tax assets on net tax-reducing differences that have not been balanced and forwardable loss, is justified by assumed future earnings. Deferred tax and tax assets that can be capitalised are recognised net in the balance sheet.

Guarantees
Provisions for guarantee liability are calculated according to an assessment of actual and estimated guarantee costs on sold products.

Use of estimates
The preparation of the annual accounts in accordance with generally accepted accounting principles assumes that the management uses estimates and assumptions that affect the profit and loss accounts and the valuation of assets and liabilities, in addition to information regarding unsecured assets and liabilities on the balance sheet date. Contingent losses that are likely and quantifiable are expensed on an ongoing basis.

Cash flow statement
MHWirth is part of a cash pool owned by HMH Holding B.V.
The cash flow statement has been prepared according to the indirect method.

Presentation of figures
All amounts in the following tables are given in NOK 1 000.

2 Sales revenues

Per business area	30/09/2024	30/09/2023
Project deliveries	**147,531**	165,693
Equipment deliveries	**357,136**	132,554
Digital technology	**88,169**	99,416
Life cycle services	**1,292,814**	1,209,557
Other	**19,884**	49,708
Total	**1,905,534**	1,656,928

3 Inventories

	30/09/2024	31/12/2023
Materials and finished products	**473,746**	431,146
Project stock/work in progress	**118,886**	109,827
Obsolescence provision	**(385,589)**	(385,589)
Total	**207,043**	155,384

4 Payroll expenses, no. of employees, remuneration, loans to employees, etc.

Payroll expenses	**30/09/2024**	30/09/2023
Wages	**526,527**	456,102
Social security cost	**87,313**	72,976
Pension costs	**40,291**	33,447
Other employee costs	**25,150**	45,611
Total	**679,281**	608,136
Average no. of full-time equivalents	**646**	660

5 Property, plant & equipment

	Land/leisure cabins/parking areas	Buildings/added cost for premises	Plant and machinery *	Installations under construction	**Total**
Purchase cost as at 01/01	7,935	11,395	133,664	6,458	**159,452**
Additions – purchased assets	4,320	1,276	12,945	2,772	**21,313**
Disposals			(2,414)	(9,112)	**-11,526**
Reclassification of assets	-	-	-	-	-
Purchase cost as at 30/09	**12,255**	**12,671**	**144,195**	**118**	**169,239**
Accumulated deprec. and write-downs 01/01	-	9,453	112,171	-	**121,624**
Depreciation for the year	-	209	8,646	-	**8,855**
Reclassification	-	-		-	**0**
Accum. depreciation as at 30/09	**-**	**9,662**	**120,817**	**-**	**130,479**
Book value as at 30/09	**12,255**	**3,009**	**23,378**	**118**	**38,760**
Economic lifetime		10–20 years	3–7 years	Depreciated from	
Depreciation plan		Linear	Linear	completion	
Annual rent for leased assets not capitalised		53,623			

Lease agreements relating to premises have remaining lease terms of between 1 and 11 years.

* Purchase cost and accumulated deprectiation as at 01.01 have been corrected. TNOK 33 127 is reclassified from Purchase cost 31.12.2022 for Plant and machinery to Development under Intangible assets.

6 Intangible assets

	Development *	Development - in progress	Goodwill	**Total**
Purchase cost as at 01/01	443,667	71,483	15,653	**530,803**
Additions – intangible assets	-	34,116	-	**34,116**
Reclassification of assets	94,756	-94,756		**0**
Disposals		-5,837	-	**-5,837**
Purchase cost as at 30/09	**538,423**	**5,006**	**15,653**	**559,082**
Accumulated depreciations as at 01/01	358,519	-	15,653	**374,172**
Depreciation for the year	27,394	-	-	**27,394**
Reclassification	-	-		**0**
Accum. depreciation as at 30/09	**385,913**	**-**	**15,653**	**401,566**
Book value as at 30/09	**152,510**	**5,006**	**-**	**157,516**
Economic lifetime	3-5 years	Depreciated from	5 years	
Depreciation plan	Linear	completion	Linear	

A total of TNOK 3 965 in research and development costs has been expensed in 2023. The corresponding amount for 2022 was TNOK 10 382.
* Purchase cost and accumulated deprectiation as at 01.01 have been corrected, ref comment above under Property, plant & equipment.

7 Financial risk

Market risk

MHWirth AS carries out major construction contracts for customers. This includes both purchase and sales contracts in different currencies. A significant part of the company's foreign currency exposure concerning contracts are subject to hedging. The company enters into forward contracts directly with banks in order to buy or sell currency for future delivery. At 30.09.2024, the company had entered into contracts with banks for purchase and sale of foreign currency as stated below in order to hedge the currency exposure of ongoing contracts.

Currency	Net sales (values in foreign currency)	Net purchases (values in foreign currency)
USD	102,404	492
EUR	5,430	6,092
GBP	2,643	610

The total positive market value of the hedging instruments at 30 September 2024 amounts to NOK 14 301.

As described above, MHWirth AS has hedged contract-related currency exposure. Consequently, fluctuations in foreign currency will have little impact on the short-term result. As contracts may apply for shorter periods than the underlying exposure, it is normal practice to renew forward contracts to cover future periods. When renewing forward contracts, it is normal to pay or receive an amount that corresponds to the movement in the spot exchange rate up to renewal (rolling effect). This represents a liquidity risk that remains unhedged. At 30 September 2024, the accumulated rolling effect was net payments of NOK 141 109 in deferred loss on realized hedging instruments.

Credit risk and liquidity risk

The risk of a counterparty not having the financial capacity to fulfil its obligations is considered to be moderate, as losses on receivables have historically been low.
Based on the assessed risk of the accounts receivable balance, the allowance of doubtful receibables was NOK 5 800 at 30 Sepember 2024 as well as at year-end 2023.
Total loss related to accounts receivables recognised in the P&L was NOK 259 at 30 September 2024 and NOK 450 in 2023.
The situation in the global economy and the industry indicate that this risk is expected to be more present now and in the years ahead. In its contracts, the company has secured prepayments and milestone payments, while the company is finding it challenging to have these fulfilled and is working actively to secure payments.
The company considers the liquidity within the company to be challenging, but still satisfactory.

MHWirth AS
Accounts 30.09.2024
(Amounts in NOK 1 000)

8 Other financial items

Other financial income consists of:	**30/09/2024**	30/09/2023
Agio related to loan and bank deposit	**95,248**	43,847
Other financial income	**27**	50
Total other financial income	**95,275**	43,897
Other financial costs consist of:		
Disagio related to loan and bank deposit	**67,507**	46,496
Other interest cost	**0**	1,106
Total other financial costs	**67,507**	47,602
Dividend from subsidiaries and associated companies consists of:		
Dividends from subsudiaries	**5,348**	59,469
Interest of equity	**10,911**	-
Total dividend from subsidiaries and associated companies	**16,259**	59,469

MHWirth AS

Accounts 30.09.2024

(Amounts in NOK 1 000)

Statement of changes in Equity

	Share capital	Other paid-in capital	Equity reserves	Total
Equity as at 31/12/2022	**100,200**	**2,472,517**	**-1,016,445**	**1,556,272**
Change in equity for the year:				
Deviations to estimates for the year in pension schemes			0	**0**
Retained earnings/loss			51,188	**51,188**
Equity as at 30/09/2023	**100,200**	**2,472,517**	**-965,257**	**1,607,460**

The share capital consists of 100 200 004 shares with a nominal value of NOK 1 and is owned by HMH Holding B.V.

	Share capital	Other paid-in capital	Equity reserves	Total
Equity as at 31/12/2023	**100,200**	**2,472,517**	**-892,178**	**1,680,539**
Change in equity for the year:				
Deviations to estimates for the year in pension schemes			607	**607**
Retained earnings/loss			119,187	**119,187**
Equity as at 30/09/2024	**100,200**	**2,472,517**	**-772,384**	**1,800,333**

The share capital consists of 100 200 004 shares with a nominal value of NOK 1 and is owned by HMH Holding B.V.

Hydril USA Distribution LLC

Financial Statements

December 31, 2023 and 2022

(With Independent Auditors' Report Thereon)

Hydril USA Distribution LLC

Financial Statements

December 31, 2023 and 2022

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KPMG LLP
811 Main Street
Houston, TX 77002

Independent Auditors' Report

The Board of Directors
Hydril USA Distribution LLC:

Opinion

We have audited the financial statements of Hydril USA Distribution LLC (the Company), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of operations, equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

Houston, Texas
November 13, 2024

Hydril USA Distribution LLC

STATEMENTS OF OPERATIONS

(Amounts in USD thousands)	Years ended December 31, 2023	2022
Revenue		
Service Revenue	$ 174,204	$ 142,696
Product Revenue	83,563	70,343
Related party service revenue	22,217	11,609
Related party product revenue	3,429	52
Total Revenue	**283,413**	**224,700**
Operating Expenses		
Cost of services sold (exclusive of depreciation and amortization)	72,023	52,985
Cost of goods sold (exclusive of depreciation and amortization)	106,228	82,376
Related party cost of services sold (exclusive of depreciation and amortization)	15,997	8,158
Related party cost of goods sold (exclusive of depreciation and amortization)	2,954	390
Total cost of sales	**197,202**	**143,909**
Selling, general and administrative expenses	36,056	58,874
Research and development expenses	2,138	1,079
Depreciation and amortization	24,991	26,581
Total operating expenses	**260,387**	**230,443**
Operating income (loss)	**23,026**	**(5,743)**
Foreign currency gain, net	99	326
Interest expense, net	(2,135)	(317)
Income (loss) before income taxes	**20,990**	**(5,734)**
Income tax expense	(1,188)	(405)
Net income (loss)	**$ 19,802**	**$ (6,139)**

See accompanying Notes to Financial Statements

Hydril USA Distribution LLC

STATEMENTS OF FINANCIAL POSITION

(Amounts in USD thousands)	As of December 31, 2023		As of December 31, 2022	
ASSETS				
Current assets				
Cash and cash equivalents	$	12,578	$	6,055
Current account receivables, net		43,366		44,178
Related party accounts receivable		32,665		11,916
Related party notes receivable, net		3,915		4,286
Contract assets		42,632		50,565
Inventories, net		132,949		96,275
Prepaids and other current assets		4,482		11,106
Total current assets		**272,587**		**224,381**
Property, plant and equipment, net		85,811		89,368
Intangible assets, net		76,262		94,169
Other assets		17		5,105
Total assets	**$**	**434,677**	**$**	**413,023**
LIABILITIES AND STOCKHOLDER'S EQUITY				
Current liabilities				
Accounts payable	$	55,023	$	45,947
Accounts payable - related party		13,406		24,880
Contract liabilities		7,717		21,497
Accrued expenses		28,372		19,294
Other current liabilities		5,019		8,067
Total current liabilities		**109,537**		**119,685**
Related party long-term debt		12,000		-
Total liabilities		**121,537**		**119,685**
Shareholder's Equity				
Capital in excess of par value		989,018		989,018
Accumulated deficit		(675,878)		(695,680)
Total shareholder's equity		**313,140**		**293,338**
Total liabilities and equity	**$**	**434,677**	**$**	**413,023**

See accompanying Notes to Financial Statements

Hydril USA Distribution LLC

STATEMENTS OF CASH FLOWS

(Amounts in USD thousands)	Years ended December 31, 2023	2022
Cash flows from operating activities:		
Net income (loss)	**$ 19,802**	**$ (6,139)**
Depreciation and amortization	24,991	26,581
Changes in operating assets and liabilities:		
Account receivables and related party accounts receivable	(19,566)	(33,141)
Contract assets	7,933	128
Inventories, net	(36,674)	(206)
Prepaid and other assets	6,624	(8,289)
Accounts payable and accounts payable related party	(2,398)	39,403
Accrued expenses	9,078	10,148
Contract liabilities	(13,780)	(2,512)
Other current liabilities	(3,048)	401
Other, net	5,288	(4,244)
Net cash flows (used in) provided by operating activities	**(1,750)**	**22,130**
Cash flows from investing activities:		
Additions to property, plant and equipment	(3,555)	(2,164)
Additions to intangible assets	(172)	(8,217)
Net cash flows used in investing activities	**(3,727)**	**(10,381)**
Cash flows from financing activities:		
Proceeds from debt with related party	17,000	-
Repayment of related party debt	(5,000)	(15,000)
Net cash flows (used in) provided by financing activities	**12,000**	**(15,000)**
Net Increase (decrease) in cash and cash equivalents	6,523	(3,251)
Cash and cash equivalents at beginning of period	6,055	9,305
Cash and cash equivalents at end of period	**$ 12,578**	**$ 6,055**
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 1,785	$ 368
Cash paid for income taxes	84	20

See accompanying Notes to Financial Statements

Hydril USA Distribution LLC

STATEMENTS OF EQUITY

(Amounts in USD thousands)		**Capital in excess of Par value**		**Accumulated Deficit**		**Total Equity**
Balance as of December 31, 2021	**$**	**989,018**	**$**	**(689,541)**	**$**	**299,477**
Net income (loss)				(6,139)		(6,139)
Equity as of December 31, 2022		**989,018**		**(695,680)**		**293,338**
Net income (loss)				19,802		19,802
Equity as of December 31, 2023	**$**	**989,018**	**$**	**(675,878)**	**$**	**313,140**

See accompanying Notes to Financial Statements

Hydril USA Distribution LLC

NOTES TO FINANCIAL STATEMENTS

NOTE 1: BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

Located in Houston, Texas, Hydril USA Distribution LLC (the “Business”, or the “Company”) is a subsidiary within the HMH Holding BV group. The Company provides integrated drilling products and services worldwide. Key product offerings include a portfolio of world-class blow out preventer (BOP) systems, controls and drilling riser equipment complimented by aftermarket services.

The Company’s customers are oil and gas operators, drilling contractors and engineering, procurement, and construction (EPC) contractors seeking to undertake new subsea projects, mid-life upgrades and maintenance, well interventions and workover campaigns. The Company provides leading technology solutions for customers operating 20 Kpsi subsea drilling systems, land drilling systems, large-bore gas fields, deepwater and ultra-deepwater oil and gas fields and fields with long tieback distances.

The Company believes that the principal competitive factors in the industries and markets it serves are product and service quality, reliability and on time delivery, health, safety and environmental standards, technical proficiency, availability of spare parts, and price. Its strong track record of innovation enables the Company to enter into long-term, performance-based service agreements with our customers.

HMH Holding BV (“HMH”) was formed on October 1, 2021 through the merger of Baker Hughes’ Subsea Drilling Systems business and Akastor ASA’s wholly owned subsidiary, MHWirth AS (MHWirth). As part of the formation of HMH, Baker Hughes and Akastor own equal equity in HMH.

Subsequent to the formation of HMH and Baker Hughes’ contribution of the SDS business to HMH, the Company is now a wholly-owned indirect subsidiary of HMH. The accompanying financial statements reflect the operations of the Company for the full periods presented.

BASIS OF PRESENTATION

The financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

The statement of financial position reflect the assets and liabilities that are directly attributable to the Company. The Company does not receive any allocation of costs from its parent, HMH Holding B.V, and operates on a standalone basis.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosure of any contingent assets or liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. We base our estimates and judgments on historical experience and on various other assumptions and information that we believe to be reasonable under the circumstances. Estimates and assumptions about future events and their effects cannot be perceived with certainty, and accordingly, these estimates may change as new events occur, as more experience is acquired, as additional information is obtained and as our operating environment changes. While we believe that the estimates and assumptions used in the preparation of the financial statements are appropriate, actual results could differ from those estimates. Estimates are used for, but are not limited to, determining the following: allowance for credit losses and inventory valuation reserves; recoverability of long-lived assets, including revenue recognition on long-term contracts, useful lives used in depreciation and amortization; accruals for contingencies and warranties; and expense allocations for certain corporate functions.

SUMMARY OF SIGNFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The Company has $12.6 million and $6.1 million of cash held in bank accounts as of December 31, 2023, and 2022, respectively.

Trade Account Receivable

Trade accounts receivable is recorded at the invoiced amount, net of any allowance for credit losses and do not bear interest. Amounts collected on trade accounts receivable are included in net cash provided by operating activities in the statements of cash flows The Company evaluates the expected credit losses of accounts receivable, considering historical credit losses and other relevant factors when determining the allowance. The Company monitors customer payment history and current credit worthiness to determine that collectability of the related financial assets is reasonably assured. The Company also considers the overall business climate in which customers operate. For accounts receivable, a loss allowance matrix is utilized to measure lifetime expected credit losses. The matrix contemplates historical credit losses by age of receivables, adjusted for any forward-looking information and management expectations. Bad debt allowances related to the external accounts receivables as of December 31, 2023 and 2022 were $2.2 million and $0.4 million, respectively. There are no bad debt allowances for the Company's related party accounts receivables as of December 31, 2023 and 2022. The Company does not have any off-balance-sheet credit exposure related to its customers.

Credit risk

The Company's current receivables are spread over a broad and diverse group of customers across many countries. The Company grants credit to customers and performs periodic credit evaluations of customers' financial conditions, including monitoring customers' payment history and current creditworthiness to manage this risk. The Company does not generally require collateral in support of its current receivables but may require payment in advance or security in the form of a letter of credit or a bank guarantee.

Having a concentration of customers in the energy industry may impact the Company's overall exposure to credit risk as its customers may be similarly affected by prolonged changes in economic and industry conditions. Some of the Company's customers may experience extreme financial distress as a result of falling commodity prices and may be forced to seek protection under applicable bankruptcy laws, which may affect the Company's ability to recover any amounts due from such customers. Furthermore, countries that rely heavily upon income from hydrocarbon exports have been and may in the future be negatively and significantly affected by a drop in oil prices, which could affect the Company's ability to collect, timely or at all, from its customers in these countries, particularly national oil companies. Laws in some jurisdictions in which the Company operates, or will operate, could make collection difficult or time consuming.

As of December 31, 2022, one customer accounted for approximately 16.9% of the external accounts receivables balance. No customer accounted for more than 10% as of December 31, 2023.

Inventories

Inventories are recognized at the average acquisition cost or net realizable value, whichever is lower. As necessary, we record provisions and maintain reserves for excess, slow moving and obsolete inventory. To determine these reserve amounts, we regularly review inventory quantities on hand and compare them to estimates of future product demand, market conditions, production requirements and technological developments.

Property, Plant and Equipment

Property, plant and equipment is initially stated at cost and is depreciated over its estimated economic life. Subsequently, property, plant and equipment are measured at cost less accumulated depreciation, which is provided by using the straight-line method over the estimated economic lives of the individual assets, and impairment losses. The estimated useful life of buildings is 16 to 33 years, while the estimated useful lives of machinery and equipment range from 3 to 16 years.

Most property, plant and equipment are related to purchased items with limited instances where the Business may manufacture its own test fixtures or build prototype equipment for testing purposes as part of a New Product Introduction or Research and Development program.

Other Intangible Assets

We amortize the cost of other intangible assets over their estimated useful lives unless such lives are deemed indefinite. The cost of intangible assets is amortized on a straight-line basis over the asset's estimated economic life.

Impairment of long-lived assets

The Company reviewed the recoverability of long-lived assets, including finite-lived acquired intangible assets and property, plant and equipment, when events or changes in circumstances occur that indicate the carrying value of the asset or asset group may not be recoverable. The assessment of possible impairment is based on the Company's ability to recover the carrying value of the asset or asset group from the expected future cash flows (undiscounted) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The Company concluded there were no indicators evident or other circumstances present that these assets were not recoverable and, accordingly, no impairment charges of long-lived assets were recognized during the years ended December 31, 2023 and 2022.

Income Taxes

The Company is subject to foreign withholding tax and Texas margin tax. For the years ended December 31, 2023 and 2022 the provision for income tax expense was $1.2 million and $0.4 million, respectively.

Revenue from Sale of Equipment

Performance Obligations Satisfied Over Time

We recognize revenue on agreements for sales of goods manufactured to unique customer specifications including long-term construction projects, on an over time basis utilizing cost inputs as the measurement criteria in assessing the progress toward completion if falling into certain product categories (e.g., Our estimate of costs to be incurred to fulfill our promise to a customer is based on our history of manufacturing similar assets for customers and is updated routinely to reflect changes in quantity or pricing of the inputs). We begin to recognize revenue on these contracts when it becomes customized for a customer (i.e. point of non-fungibility), which is reflective of our initial transfer of control of the incurred costs. We provide for potential losses on any of these agreements when it is probable that we will incur the loss.

Our billing terms for these over time contracts vary but are generally based on achieving specified milestones. The differences between the timing of our revenue recognized (based on costs incurred) and customer billings (based on contractual terms) results in changes to our contract asset or contract liability position (i.e. unbilled or deferred revenue position).

Performance Obligations Satisfied at a Point In Time

We recognize revenue for non-customized equipment at the point in time that the customer obtains control of the good. Equipment for which we recognize revenue at a point in time include goods we manufacture on a standardized basis for sale to the market.

Our billing terms for these point in time equipment contracts vary but are based on shipment of the goods to the customer, but milestone-based billing criteria is also common (e.g. 10% at PO acceptance, etc.)

Revenue from Sale of Services

Performance Obligations Satisfied Over Time

We sell product services under long-term product maintenance. These agreements require us to maintain the customers' assets over the service agreement contract terms, which generally range from 10 to 20 years. In general, these are contractual arrangements to provide services, repairs, and maintenance of a covered unit of equipment normally on drilling rigs. These services are performed at various times during the life of the contract, thus the Company allocates the transaction price based on the standalone selling price of each performance obligation. The Company determines the standalone selling price based on observable prices or will use an estimation method if observable prices are not available. We provide for any loss that we expect to incur on any of these agreements when that loss is probable. The Company utilizes historical customer data, prior product performance data, statistical analysis, third-party data, and internal management estimates to calculate contract-specific margins.

Performance Obligations Satisfied at a Point In Time

We sell certain tangible products, largely spare parts, which are normally non-customized and ready to sell off the shelf. These spare parts support the maintenance of larger Capital Equipment items purchased by customers. We recognize revenue for this spare parts equipment at the point in time that the customer obtains control of the good, which is at the point in time we deliver the spare part to the customer. Our billing terms for these point in time contracts vary but are generally based on shipment of the goods to the customer.

Research and Development

Research and development costs are expensed as incurred. Research and development costs amounted to approximately $2.1 million and $1.1 million for the years ended December 31, 2023 and 2022, respectively.

Contract Assets and Liabilities

Contract assets primarily represent revenue earnings over time that are not yet billable based on the terms of the contracts.

Contract liabilities consist of fees invoiced or paid by the Company's customers for which the associated performance obligations have not been satisfied and revenue has not been recognized based on the Company's revenue recognition criteria described above.

Contract assets and contract liabilities are reported in a net position on an individual contract basis at the end of each reporting period. Contract assets are classified as current in the statements of financial position when the Company expects to complete the related performance obligations and invoice the customers within one year of the statements of financial position date, and as long-term when the Company expects to complete the related performance obligations and invoice the customers more than one year out from the statements of financial position date. Contract liabilities are classified as current in the statements of financial position when the revenue recognition associated with the related customer payments and invoicing is expected to occur within one year of the statements of financial position date and as long-term when the revenue recognition associated with the related customer payments and invoicing is expected to occur in more than one year from the statements of financial position date.

Environmental Liabilities

We are involved in numerous remediation actions to clean up hazardous waste as required by federal and state laws. Liabilities for remediation costs exclude possible insurance recoveries and, when dates and amounts of such costs are not known, are not discounted. When there appears to be a range of possible costs with equal likelihood, liabilities are based on the low end of such range. It is reasonably possible that our environmental remediation exposure will exceed amounts accrued. However, due to uncertainties about the status of laws, regulations, technology, and information related to individual sites, such amounts are not reasonably estimable. The determination of the required accruals for remediation costs is subject to uncertainty, including the evolving nature of environmental regulations and the difficulty in estimating the extent and type of remediation activity that is necessary. The reserve for the environmental liability as of December 31, 2023 and 2022 is $3.9 million and $4.1 million, respectively.

Fair Value Measurement

The determination of the fair value and the useful lives of the assets and liabilities acquired is performed, which requires 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 which technique 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 judgment has been exercised.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair value 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: Quoted prices for similar instruments in active markets; quoted prices of identical or similar instruments in markets that are not active; and ode-derived valuations whose inputs are observable whose significant value drivers are observable
- Level 3: Significant inputs to the valuation model are unobservable.

If the inputs used to measure the fair value of an asset or 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 Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties and other sources are recorded when it is probable that a liability has been incurred and that the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. From time to time, the Company is subject to various litigation and other claims in the normal course of business.

New Accounting Standards Adopted

The Company adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-13, *Financial Instruments, Credit Losses (Topic 326)* effective January 1, 2022. Adoption of the standard did not have a material impact to the financial statements.

New Accounting Standards To Be Adopted

In December 2023, FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ("ASU 2023-09"), which is intended to enhance the transparency and decision usefulness of income tax disclosures. The amendments in ASU 2023-09 provide for enhanced income tax information primarily through changes to the rate reconciliation and income taxes paid information. ASU 2023-09 is effective for the Company prospectively to all annual periods beginning after December 15, 2025. Early adoption is permitted. The Company is currently evaluating the impact of this standard on its disclosures.

All other new accounting pronouncements that have been issued but not yet effective are currently being evaluated and at this time are not expected to have a material impact on our financial position or results of operations.

NOTE 2: REVENUE RELATED TO CONTRACT WITH CUSTOMERS

The Company has established commercial organizations, including a sales force, to support sales directly. The following table disaggregates total net sales from customers by geographic location. Net sales by geographic region are based on the location to where the product was shipped for the years ended December 31, 2023 and 2022.

The Company depends on a limited number of significant customers. Our top five customers accounted for approximately 62.0% and 49.2% of our total revenues for the years ended December 31, 2023 and 2022, respectively. During the year ended December 31, 2023, our top two customers accounted for 15.95% and 14.72% of total revenues. During the year ended December 31, 2022, our top three customers accounted for 22.2%, 17.01%, and 11.48% of total revenues.

Disaggregated Revenue

We disaggregate our revenue from contracts with customers by primary geographic markets for the years ended December 31, 2023 and 2022:

(in USD thousands)		December 31, 2023		December 31, 2022
U.S.	$	120,738	$	101,675
Non-U.S.		162,675		123,025
Total	**$**	**283,413**	**$**	**224,700**

Contract Assets

Contract assets consisted of the following as of December 31, 2023 and 2022:

(in USD thousands)		December 31, 2023		December 31, 2022
Balance as of the beginning of the year	$	50,565	$	50,693
Additions		145,792		105,960
Transfers to accounts receivables		(153,726)		(106,088)
Balance as of the end of the year	**$**	**42,632**	**$**	**50,565**

Contract Liabilities

Contract liabilities consisted of the following as of December 31, 2023 and 2022:

(in USD thousands)		December 31, 2023		December 31, 2022
Balance as of the beginning of the year	$	21,497	$	24,009
Additions		22,329		37,639
Transfers to revenue		(36,110)		(40,150)
Balance as of the end of the year	**$**	**7,717**	**$**	**21,497**

Revenue recognized during the twelve months ended December 31, 2023 that was included in the contract liabilities balance at the beginning of the period was $21.5 million.

NOTE 3: INVENTORIES, NET

Inventories consisted of the following as of December 31, 2023 and 2022:

(in USD thousands)		December 31, 2023		December 31, 2022
Stock of raw materials	$	4,176	$	2,350
Goods under production (work in progress)		5,920		8,882
Finished Goods[1]		122,853		85,043
Inventories, net	**$**	**132,949**	**$**	**96,275**

1. The Company purchases parts that are to be modified and used in projects. These modified parts are classified as finished goods until they are sold as part of the projects. There are limited amounts of parts that are sold as unmodified products to customers.

No inventory write-down is recorded for the years ended December 31, 2023 and 2022.

NOTE 4: CURRENT ACCOUNT RECEIVABLES, NET

Current receivables are comprised of the following as of December 31, 2023 and 2022:

(in USD thousands)		December 31, 2023		December 31, 2022
Customer receivables	$	44,650	$	44,281
Other		880		254
Total current account receivables		**45,530**		**44,535**
Less: Allowance for credit losses		(2,164)		(357)
Total current account receivables, net	**$**	**43,366**	**$**	**44,178**

Customer receivables are recorded at the invoiced amount and do not bear interest. The "Other" category consists primarily of indirect taxes, advance payments to suppliers, other tax receivables and customer retentions.

NOTE 5: PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment are comprised of the following as of December 31, 2023 and 2022:

(in USD thousands)	**Useful Life**		**December 31,2023**		**December 31,2022**
Land and improvement		$	15,068	$	$15,068
Buildings, structure and related equipment	16-33 years		75,709		72,756
Machinery, equipment and other	3-16 years		122,416		120,891
Gross Property, plant and equipment			**213,193**		**208,715**
Less: Accumulated Depreciation			(127,382)		(119,347)
Total Property, plant and equipment, net		**$**	**85,811**	**$**	**89,368**

Depreciation expense for the years ended December 31, 2023 and 2022, was $7.9 million and $8.3 million, respectively.

The Company capitalizes costs associated with the acquisition or development of major software for internal use in other assets in the statements of financial position and amortizes the assets over the expected life of the software, between 3 and 5 years. The Company only capitalizes subsequent additions, modifications, or upgrades to internal-use software to the extent that such changes allow the software to perform a task it previously did not perform. The Company expenses software maintenance and training costs as incurred.

NOTE 6: INTANGIBLE ASSETS

Intangible assets are comprised of the following as of December 31, 2023 and 2022:

		December 31, 2023							**December 31, 2022**			
(in USD thousands)		**Gross Carrying Amount**		**Accumulated Depreciation**		**Net**		**Gross Carrying Amount**		**Accumulated Depreciation**		**Net**
Customer relationships	$	290,000	$	(227,994)	$	62,006	$	290,000	$	(213,684)	$	76,316
Trade names and trademarks		65,000		(57,730)		7,270		65,000		(55,407)		9,593
Capitalized software		39,586		(32,600)		6,986		39,440		(31,179)		8,260
Other		26,842		(26,842)		-		26,842		(26,842)		-
Total intangible assets	**$**	**421,428**	**$**	**(345,166)**	**$**	**76,262**	**$**	**421,282**	**$**	**(327,112)**	**$**	**94,169**

Intangible assets are generally amortized on a straight-line basis with estimated useful lives ranging from three to 20 years. Amortization expense was $17.1 million and $18.3 million for the years ended December 31, 2023 and 2022, respectively.

Estimated amortization expense for each subsequent five fiscal years is expected to be as follows:

Year		**Estimated Amortization Expense**
2024	$	17,398
2025		17,398
2026		17,398
2027		17,395
2028		6,672

NOTE 7: LONG-TERM DEBT

The Company entered into a $17.0 million loan agreement with HMH Holding B.V, effective as of January 19, 2023, bearing interest at a rate of LIBOR plus a margin of 6.48%, subject to adjustment semi-annually. In the third quarter of 2023, the agreement was amended to convert the reference rate from LIBOR to the compounded daily Secured Overnight Financing Rate (“SOFR”). The loan has a 3-year term, with the full principal amount maturing on January 19, 2026. As of December 31, 2023, the outstanding principal is $12 million. The interest rate as of December 31, 2023 was 12.02%.

NOTE 8: INCOME TAXES

The Company is not liable for any federal or state income taxes. The Company is, however, subject to foreign withholding tax, Texas margin tax, and other state de minimis taxes applicable to limited liability companies. The provision for income tax expense for the years ended December 31, 2023 and 2022 was $1.2 million and $0.4 million, respectively.

NOTE 9: RELATED PARTY TRANSACTIONS

Related Party Notes Receivable

The Company purchases parts manufactured by Hydril Pressure Control, S. de R.L. de C.V. (“Hydril Mexico”) on an ongoing basis. The Company enters into short-term loans agreements with Hydril Mexico to provide Hydril Mexico the capital necessary to purchase materials for the manufacturing process. When Hydril Mexico bills the Company for parts purchased, the invoice amount is reduced by the outstanding notes receivable balance. As of December 31, 2023 and 2022, the related party notes receivable balance was $3.9 million, and $4.3 million, respectively.

Related Party Accounts Receivables

Baker Hughes provided certain services, such as legal, accounting, information technology, human resources and other infrastructure support, on behalf of the Company. The charges have been allocated to the Company based on headcount, revenue and number of transactions or other reasonable measures. This is through a transactional service agreement (TSA), which is billed monthly. The TSA continued until September 30, 2022, at which point the Company was no longer reliant on certain activities provided by Baker Hughes, which were predominately related to information technology. The Company and Baker Hughes consider the allocations to be a reasonable reflection of the benefits received by the Company. Billings for management costs and corporate support services were zero and $12.6 million for years ended December 31, 2023 and 2022, respectively.

Related party sales to Baker Hughes would be recorded in “Related party revenues and related party cost of sales” in the combined statements of income. All related party receivables and payables due from or due to Baker Hughes are included as a component of “All other current assets” or “All other current liabilities” in the combined statements of financial position. The related party net payable balances between the Company and Baker Hughes are $0.8 million and $2.7 million as of December 31, 2023 and 2022, respectively.

NOTE 10: ENVIROMENTAL LIABILITIES

The Business records Health Safety and Environment (HSE) reserve related to two on-going projects at the Humble Hydril plant: 1) contaminated soils have been removed and reports submitted to the EPA and TCEQ and 2) investigation of the chlorinated hydrocarbon plume. The reserve for the environmental liability as of December 31, 2023 and 2022 is $3.9 million and $4.1 million, respectively.

NOTE 11: PRODUCT WARRANTIES

The Company provides for estimated product warranty expenses when we sell the related products. Because warranty estimates are forecasts that are based on the best available information, primarily historical claims experience, claims costs may differ from amounts provided. A provision is made for expected warranty expenditures. The warranty period is normally 12 to 30 months depending on the specific customer contract and terms.

In 2023, the Company became aware of an issue related to the GX Annular and recorded additional $5.0 million accrual related to warranty expense. As a result, overall product warranties as of December 31, 2023 and 2022 were $5.5 million and $0.5 million, respectively.

The following table describes the changes to the Company's warranty liability for the years ended December 31, 2023 and 2022:

(in USD thousands)		**December 31, 2023**		**December 31,2022**
Balance as of the beginning of the year	$	545	$	529
Accrued expense		4,999		16
Balance as of end of the year	**$**	**5,544**	**$**	**545**

NOTE 12: GUARANTEE OF DEBT

On November 2023, HMH partially refinanced its existing $150.0 million Senior Secured Floating Rate Bond and replaced it with $200.0 million Senior Secured Bonds, which the Company was a guarantor of, with another loan. As of December 31, 2023, the Company, together with other related parties, jointly and severally guaranteed to repay a debt of HMH, the Company's ultimate holding company, in the event that timely payments of the loan by HMH are not made. The guarantee is limited to $150 million to replace the $200 million bridge facility. The Company's ordinary shares were pledged under this new arrangement in addition to the pledge existing as of December 31, 2023. In accordance with an intercreditor agreement, the ordinary shares pledged shall rank and secure the liabilities pari passu and without any preference between them. The Company does not consider it probable that a claim will be made against the Company under the intra-group financial guarantee. As such, the guarantee issued is not expected to have a material effect on the amount, timing and uncertainty of the Company's future cashflows.

In addition to the above, the Company's ordinary shares are pledged HMH as financial guarantees for its liabilities to a financial institution.

NOTE 13: SUBSEQUENT EVENTS

In January 2024, the Company repaid the outstanding balance of $12.0 million on its related party loan with HMH Holding B.V. Refer to Note 7 Long-term Debt above.

The Company has evaluated subsequent events from the Statements of financial position date through November 13, 2024 the date at which the financial statements were available to be issued and determined there are no other items to disclose.

Hydril USA Distribution LLC

Financial Statements

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DRAFT

Hydril USA Distribution LLC

Financial Statements

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Hydril USA Distribution LLC

STATEMENTS OF OPERATIONS

(Amounts in USD thousands)		Years ended September 30, 2024		2023
Revenue				
Service Revenue	$	142,696	$	43,249
Product Revenue		49,400		162,344
Related party service revenue		24,228		(9)
Related party product revenue		104		178
Total Revenue		**216,428**		**205,762**
Operating Expenses				
Cost of services sold (exclusive of depreciation and amortization)		53,404		-
Cost of goods sold (exclusive of depreciation and amortization)		87,706		152,714
Related party cost of services sold (exclusive of depreciation and amortization)		-		-
Related party cost of goods sold (exclusive of depreciation and amortization)		-		-
Total cost of sales		**141,110**		**152,714**
Selling, general and administrative expenses		25,187		19,319
Research and development expenses		4,212		1,348
Depreciation and amortization		18,463		18,566
Total operating expenses		**188,972**		**191,947**
Operating income (loss)		**27,456**		**13,815**
Foreign currency gain, net		12		278
Interest expense, net		194		(1,825)
Income (loss) before income taxes		**27,662**		**12,268**
Income tax expense		(173)		(1,056)
Net income (loss)	**$**	**27,489**	**$**	**11,212**

See accompanying Notes to Financial Statements

Hydril USA Distribution LLC

STATEMENTS OF FINANCIAL POSITION

(Amounts in USD thousands)		As of September 30, 2024		As of December 31, 2023
ASSETS				
Current assets				
Cash and cash equivalents	$	27,005	$	12,578
Current account receivables, net		32,699		43,366
Related party accounts receivable		24,548		32,665
Related party notes receivable, net		300		3,915
Contract assets		37,550		42,632
Inventories, net		147,203		132,949
Prepaids and other current assets		3,484		4,482
Total current assets		**272,789**		**272,587**
Property, plant and equipment, net		84,329		85,811
Intangible assets, net		63,360		76,262
Other assets		17		17
Total assets	**$**	**420,495**	**$**	**434,677**
LIABILITIES AND STOCKHOLDER'S EQUITY				
Current liabilities				
Accounts payable	$	40,425	$	55,023
Accounts payable - related party		5,181		13,406
Contract liabilities		5,702		7,717
Accrued expenses		25,420		28,372
Other current liabilities		3,138		5,019
Total current liabilities		**79,866**		**109,537**
Related party long-term debt		-		12,000
Total liabilities		**79,866**		**121,537**
Shareholder's Equity				
Capital in excess of par value		989,018		989,018
Accumulated deficit		(648,389)		(675,878)
Total shareholder's equity		**340,629**		**313,140**
Total liabilities and equity	**$**	**420,495**	**$**	**434,677**

See accompanying Notes to Financial Statements

Hydril USA Distribution LLC

STATEMENTS OF CASH FLOWS

	Years ended September 30,			
(Amounts in USD thousands)		**2024**		**2023**
Cash flows from operating activities:				
Net income (loss)	**$**	**27,489**	**$**	**11,212**
Depreciation and amortization		18,463		18,567
Changes in operating assets and liabilities:				
Account receivables and related party accounts receivable		22,399		(5,565)
Contract assets		5,082		(4,566)
Inventories, net		(14,254)		(33,458)
Prepaid and other assets		998		5,286
Accounts payable and accounts payable related party		(22,823)		2,522
Accrued expenses		(2,952)		4,471
Contract liabilities		(2,015)		(7,854)
Other current liabilities		(1,881)		(1,481)
Other, net		-		5,087
Net cash flows provided by operating activities	**$**	**30,506**	**$**	**(5,779)**
Cash flows from investing activities:				
Additions to property, plant and equipment		(3,620)		147
Additions to intangible assets		(459)		(6,273)
Disposal to property, plant, and equipment		-		2,012
Net cash flows used in investing activities	**$**	**(4,079)**	**$**	**4,114**
Cash flows from financing activities:				
Proceeds from debt with related party		-		17,000
Repayment of related party debt		(12,000)		(5,000)
Net cash flows provided by (used in) financing activities	$	**(12,000)**	$	**12,000**
Increase in cash and cash equivalents	**$**	**14,427**	**$**	**2,107**
Cash and cash equivalents at beginning of period	$	12,578	$	6,055
Cash and cash equivalents at end of period	**$**	**27,005**	**$**	**8,162**

Supplemental disclosure of cash flow information				
Cash paid for interest	$	-		-
Cash paid for income taxes	$	-	$	-

See accompanying Notes to Financial Statements

Hydril USA Distribution LLC

STATEMENTS OF EQUITY

(Amounts in USD thousands)	Capital in excess of Par value	Retained Earnings (loss)	Total Equity
Balance as of January 1, 2023	**$ 989,018**	**$ (695,680)**	**$ 293,338**
Net income (loss)		11,212	11,212
Equity as of September 30, 2023	**$ 989,018**	**$ (684,468)**	**$ 304,550**

(Amounts in USD thousands)	Capital in excess of Par value	Retained Earnings (loss)	Total Equity
Balance as of January 1, 2024	**$ 989,018**	**$ (675,878)**	**$ 313,140**
Net income (loss)		27,489	27,489
Equity as of September 30, 2024	**$ 989,018**	**$ (648,389)**	**$ 340,629**

See accompanying Notes to Financial Statements

Hydril USA Distribution LLC

NOTES TO FINANCIAL STATEMENTS

NOTE 1: BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

Located in Houston, Texas, Hydril USA Distribution LLC (the "Business", or the "Company") is a subsidiary within the HMH Holding BV group. The Company provides integrated drilling products and services worldwide. Key product offerings include a portfolio of world-class blow out preventer (BOP) systems, controls and drilling riser equipment complimented by aftermarket services.

The Company's customers are oil and gas operators, drilling contractors and engineering, procurement, and construction (EPC) contractors seeking to undertake new subsea projects, mid-life upgrades and maintenance, well interventions and workover campaigns. The Company provides leading technology solutions for customers operating 20 Kpsi subsea drilling systems, land drilling systems, large-bore gas fields, deepwater and ultra-deepwater oil and gas fields and fields with long tieback distances.

The Company believes that the principal competitive factors in the industries and markets it serves are product and service quality, reliability and on time delivery, health, safety and environmental standards, technical proficiency, availability of spare parts, and price. Its strong track record of innovation enables the Company to enter into long-term, performance-based service agreements with our customers.

HMH Holding BV ("HMH") was formed on October 1, 2021 through the merger of Baker Hughes' Subsea Drilling Systems business and Akastor ASA's wholly owned subsidiary, MHWirth AS (MHWirth). As part of the formation of HMH, Baker Hughes and Akastor own equal equity in HMH.

Subsequent to the formation of HMH and Baker Hughes' contribution of the SDS business to HMH, the Company is now a wholly-owned indirect subsidiary of HMH. The accompanying financial statements reflect the operations of the Company for the full periods presented.

BASIS OF PRESENTATION

The financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

The statement of financial position reflect the assets and liabilities that are directly attributable to the Company. The Company does not receive any allocation of costs from its parent, HMH Holding B.V, and operates on a standalone basis.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosure of any contingent assets or liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. We base our estimates and judgments on historical experience and on various other assumptions and information that we believe to be reasonable under the circumstances. Estimates and assumptions about future events and their effects cannot be perceived with certainty, and accordingly, these estimates may change as new events occur, as more experience is acquired, as additional information is obtained and as our operating environment changes. While we believe that the estimates and assumptions used in the preparation of the financial statements are appropriate, actual results could differ from those estimates. Estimates are used for, but are not limited to, determining the following: allowance for credit losses and inventory valuation reserves; recoverability of long-lived assets, including revenue recognition on long-term contracts, useful lives used in depreciation and amortization; accruals for contingencies and warranties; and expense allocations for certain corporate functions.

SUMMARY OF SIGNFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The Company has $27 million and $12.6 million of cash held in bank accounts as of September 30, 2024, and December 31, 2023, respectively.

Trade Account Receivable

Trade accounts receivable is recorded at the invoiced amount, net of any allowance for credit losses and do not bear interest. Amounts collected on trade accounts receivable are included in net cash provided by operating activities in the statements of cash flows. The Company evaluates the expected credit losses of accounts receivable, considering historical credit losses and other relevant factors when determining the allowance. The Company monitors customer payment history and current credit worthiness to determine that collectability of the related financial assets is reasonably assured. The Company also considers the overall business climate in which customers operate. For accounts receivable, a loss allowance matrix is utilized to measure lifetime expected credit losses. The matrix contemplates historical credit losses by age of receivables, adjusted for any forward-looking information and management expectations. Bad debt allowances related to the external accounts receivables as of September 30, 2024 and December 31, 2023 were $2.23 and $2.16 million, respectively. There are no bad debt allowances for the Company's related party accounts receivables as of September 30, 2024 and December 31, 2023. The Company does not have any off-balance-sheet credit exposure related to its customers.

Credit risk

The Company's current receivables are spread over a broad and diverse group of customers across many countries. The Company grants credit to customers and performs periodic credit evaluations of customers' financial conditions, including monitoring customers' payment history and current creditworthiness to manage this risk. The Company does not generally require collateral in support of its current receivables but may require payment in advance or security in the form of a letter of credit or a bank guarantee.

Having a concentration of customers in the energy industry may impact the Company's overall exposure to credit risk as its customers may be similarly affected by prolonged changes in economic and industry conditions. Some of the Company's customers may experience extreme financial distress as a result of falling commodity prices and may be forced to seek protection under applicable bankruptcy laws, which may affect the Company's ability to recover any amounts due from such customers. Furthermore, countries that rely heavily upon income from hydrocarbon exports have been and may in the future be negatively and significantly affected by a drop in oil prices, which could affect the Company's ability to collect, timely or at all, from its customers in these countries, particularly national oil companies. Laws in some jurisdictions in which the Company operates, or will operate, could make collection difficult or time consuming.

As of September 30, 2024, one customer accounted for approximately 19.6% of the external accounts receivables balance, one customer accounted for approximately 15.7%, one customer accounted for approximately 10.8%, and one customer accounted for approximately 10.6% of the external accounts receivables balance. No customer accounted for more than 10% as of December 31, 2023.

Inventories

Inventories are recognized at the average acquisition cost or net realizable value, whichever is lower. As necessary, we record provisions and maintain reserves for excess, slow moving and obsolete inventory. To determine these reserve amounts, we regularly review inventory quantities on hand and compare them to estimates of future product demand, market conditions, production requirements and technological developments.

Property, Plant and Equipment

Property, plant and equipment is initially stated at cost and is depreciated over its estimated economic life. Subsequently, property, plant and equipment are measured at cost less accumulated depreciation, which is provided by using the straight-line method over the estimated economic lives of the individual assets, and impairment losses. The estimated useful life of buildings is 16 to 33 years, while the estimated useful lives of machinery and equipment range from 3 to 16 years.

Most property, plant and equipment are related to purchased items with limited instances where the Business may manufacture its own test fixtures or build prototype equipment for testing purposes as part of a New Product Introduction or Research and Development program.

Other Intangible Assets

We amortize the cost of other intangible assets over their estimated useful lives unless such lives are deemed indefinite. The cost of intangible assets is amortized on a straight-line basis over the asset's estimated economic life.

Impairment of long-lived assets

The Company reviewed the recoverability of long-lived assets, including finite-lived acquired intangible assets and property, plant and equipment, when events or changes in circumstances occur that indicate the carrying value of the asset or asset group may not be recoverable. The assessment of possible impairment is based on the Company's ability to recover the carrying value of the asset or asset group from the expected future cash flows (undiscounted) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The Company concluded there were no indicators evident or other circumstances present that these assets were not recoverable and, accordingly, no impairment charges of long-lived assets were recognized during the years ended September 30, 2024, and 2023, respectively.

Income Taxes

The Company is subject to foreign withholding tax and Texas margin tax. For the years ended September 30, 2024, and 2023, the provision for income tax expense was $0.2 million and $1.1 million, respectively.

Revenue from Sale of Equipment

Performance Obligations Satisfied Over Time

We recognize revenue on agreements for sales of goods manufactured to unique customer specifications including long-term construction projects, on an over time basis utilizing cost inputs as the measurement criteria in assessing the progress toward completion if falling into certain product categories (e.g., Our estimate of costs to be incurred to fulfill our promise to a customer is based on our history of manufacturing similar assets for customers and is updated routinely to reflect changes in quantity or pricing of the inputs). We begin to recognize revenue on these contracts when it becomes customized for a customer (i.e. point of non-fungibility), which is reflective of our initial transfer of control of the incurred costs. We provide for potential losses on any of these agreements when it is probable that we will incur the loss.

Our billing terms for these over time contracts vary but are generally based on achieving specified milestones. The differences between the timing of our revenue recognized (based on costs incurred) and customer billings (based on contractual terms) results in changes to our contract asset or contract liability position (i.e. unbilled or deferred revenue position).

Performance Obligations Satisfied at a Point In Time

We recognize revenue for non-customized equipment at the point in time that the customer obtains control of the good. Equipment for which we recognize revenue at a point in time include goods we manufacture on a standardized basis for sale to the market.

Our billing terms for these point in time equipment contracts vary but are based on shipment of the goods to the customer, but milestone-based billing criteria is also common (e.g. 10% at PO acceptance, etc.)

Revenue from Sale of Services

Performance Obligations Satisfied Over Time

We sell product services under long-term product maintenance. These agreements require us to maintain the customers' assets over the service agreement contract terms, which generally range from 10 to 20 years. In general, these are contractual arrangements to provide services, repairs, and maintenance of a covered unit of equipment normally on drilling rigs. These services are performed at various times during the life of the contract, thus the Company allocates the transaction price based on the standalone selling price of each performance obligation. The Company determines the standalone selling price based on observable prices or will use an estimation method if observable prices are not available. We provide for any loss that we expect to incur on any of these agreements when that loss is probable. The Company utilizes historical customer data, prior product performance data, statistical analysis, third-party data, and internal management estimates to calculate contract-specific margins.

Performance Obligations Satisfied at a Point In Time

We sell certain tangible products, largely spare parts, which are normally non-customized and ready to sell off the shelf. These spare parts support the maintenance of larger Capital Equipment items purchased by customers. We recognize revenue for this spare parts equipment at the point in time that the customer obtains control of the good, which is at the point in time we deliver the spare part to the customer. Our billing terms for these point in time contracts vary but are generally based on shipment of the goods to the customer.

Research and Development

Research and development costs are expensed as incurred. Research and development costs amounted to approximately $4.2 million and $1.3 million for the years ended September 30, 2024, and 2023, respectively.

Contract Assets and Liabilities

Contract assets primarily represent revenue earnings over time that are not yet billable based on the terms of the contracts.

Contract liabilities consist of fees invoiced or paid by the Company's customers for which the associated performance obligations have not been satisfied and revenue has not been recognized based on the Company's revenue recognition criteria described above.

Contract assets and contract liabilities are reported in a net position on an individual contract basis at the end of each reporting period. Contract assets are classified as current in the statements of financial position when the Company expects to complete the related performance obligations and invoice the customers within one year of the statements of financial position date, and as long-term when the Company expects to complete the related performance obligations and invoice the customers more than one year out from the statements of financial position date. Contract liabilities are classified as current in the statements of financial position when the revenue recognition associated with the related customer payments and invoicing is expected to occur within one year of the statements of financial position date and as long-term when the revenue recognition associated with the related customer payments and invoicing is expected to occur in more than one year from the statements of financial position date.

Environmental Liabilities

We are involved in numerous remediation actions to clean up hazardous waste as required by federal and state laws. Liabilities for remediation costs exclude possible insurance recoveries and, when dates and amounts of such costs are not known, are not discounted. When there appears to be a range of possible costs with equal likelihood, liabilities are based on the low end of such range. It is reasonably possible that our environmental remediation exposure will exceed amounts accrued. However, due to uncertainties about the status of laws, regulations, technology, and information related to individual sites, such amounts are not reasonably estimable. The determination of the required accruals for remediation costs is subject to uncertainty, including the evolving nature of environmental regulations and the difficulty in estimating the extent and type of remediation activity that is necessary. The reserve for the environmental liability as of September 30, 2024 and December 31, 2023 is $3.1 million and $3.9 million, respectively.

Fair Value Measurement

The determination of the fair value and the useful lives of the assets and liabilities acquired is performed, which requires 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 which technique 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 judgment has been exercised.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair value 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: Quoted prices for similar instruments in active markets; quoted prices of identical or similar instruments in markets that are not active; and ode-derived valuations whose inputs are observable whose significant value drivers are observable
- Level 3: Significant inputs to the valuation model are unobservable.

If the inputs used to measure the fair value of an asset or 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 Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties and other sources are recorded when it is probable that a liability has been incurred and that the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. From time to time, the Company is subject to various litigation and other claims in the normal course of business.

New Accounting Standards Adopted

The Company adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-13, *Financial Instruments, Credit Losses (Topic 326)* effective January 1, 2022. Adoption of the standard did not have a material impact to the financial statements.

New Accounting Standards To Be Adopted

In December 2023, FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ("ASU 2023-09"), which is intended to enhance the transparency and decision usefulness of income tax disclosures. The amendments in ASU 2023-09 provide for enhanced income tax information primarily through changes to the rate reconciliation and income taxes paid information. ASU 2023-09 is effective for the Company prospectively to all annual periods beginning after December 15, 2025. Early adoption is permitted. The Company is currently evaluating the impact of this standard on its disclosures.

All other new accounting pronouncements that have been issued but not yet effective are currently being evaluated and at this time are not expected to have a material impact on our financial position or results of operations.

NOTE 2: REVENUE RELATED TO CONTRACT WITH CUSTOMERS

The Company has established commercial organizations, including a sales force, to support sales directly. The following table disaggregates total net sales from customers by geographic location. Net sales by geographic region are based on the location to where the product was shipped for the years ended September 30, 2024 and December 31, 2023.

The Company depends on a limited number of significant customers. Our top five customers accounted for approximately 62.5% and 49.2% of our total revenues for the years ended September 30, 2024 and December 31, 2023, respectively. During the year ended September 30,2024, our top two customers accounted for 23.3% and 18.3% of total revenues. During the year ended December 31, 2023, our top three customers accounted for 15.95%, 14.7%, and 6.89% of total revenues.

Disaggregated Revenue

We disaggregate our revenue from contracts with customers by primary geographic markets for the years ended September 30, 2024 and September 30, 2023:

(in USD thousands)		**September 30, 2024**		**September 30, 2023**
U.S.	$	104,833	$	101,846
Non-U.S.		111,595		103,916
Total	**$**	**216,428**	**$**	**205,762**

Contract Assets

Contract assets consisted of the following as of September 30, 2024 and September 30, 2023:

(in USD thousands)		September 30, 2024		September 30, 2023
Balance as of the beginning of the year	$	42,632	$	50,565
Additions		64,878.71		119,861
Transfers to accounts receivables		(69,959.98)		(115,294)
Balance as of the end of the year	**$**	**37,550**	**$**	**55,131**

Contract Liabilities

Contract liabilities consisted of the following as of September 30, 2024 and September 30, 2023:

(in USD thousands)		September 30, 2024		September 30, 2023
Balance as of the beginning of the year	$	7,717	$	21,497
Additions		10,812.24		19,228
Transfers to revenue		(12,826.54)		(27,082)
Balance as of the end of the year	**$**	**5,702**	**$**	**13,643**

Revenue recognized during the nine months ended September 30, 2024 that was included in the contract liabilities balance at the beginning of the period was $7.7 million.

NOTE 3: INVENTORIES, NET

Inventories consisted of the following as of September 30, 2024, and December 31, 2023:

(in USD thousands)		September 30, 2024		December 31, 2023
Stock of raw materials	$	4,388.67	$	4,176
Goods under production (work in progress)		15,400.71		5,920
Finished Goods[1]		127,413.20		122,853
Inventories, net	**$**	**147,203**	**$**	**$132,949**

1. The Company purchases parts that are to be modified and used in projects. These modified parts are classified as finished goods until they are sold as part of the projects. There are limited amounts of parts that are sold as unmodified products to customers.

No inventory write-down is recorded for the years ended September 30, 2024, and December 31, 2023.

NOTE 4: CURRENT ACCOUNT RECEIVABLES, NET

Current receivables are comprised of the following as of September 30, 2024 and December 31, 2023:

(in USD thousands)		September 30, 2024		December 31, 2023
Customer receivables	$	34,854	$	44,650
Other		77		880
Total current account receivables		**34,931**		**45,530**
Less: Allowance for credit losses		(2,232)		(2,164)
Total current account receivables, net	**$**	**32,699**	**$**	**43,366**

Customer receivables are recorded at the invoiced amount and do not bear interest. The "Other" category consists primarily of indirect taxes, advance payments to suppliers, other tax receivables and customer retentions.

NOTE 5: PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment are comprised of the following as of September 30, 2024 and December 31, 2023:

(in USD thousands)	Useful Life		September 30, 2024		December 31,2023
Land and improvement		$	15,068	$	15,068
Buildings, structure and related equipment	16-33 years		74,804		75,709
Machinery, equipment and other	3-16 years		125,512		122,416
Gross Property, plant and equipment			**215,384**		**213,193**
Less: Accumulated Depreciation			(131,055)		(127,382)
Total Property, plant and equipment, net		**$**	**84,329**	**$**	**85,811**

Depreciation expense for the years ended September 30, 2024 and December 31, 2023, was $6.3 million and $7.9 million, respectively.

The Company capitalizes costs associated with the acquisition or development of major software for internal use in other assets in the statements of financial position and amortizes the assets over the expected life of the software, between 3 and 5 years. The Company only capitalizes subsequent additions, modifications, or upgrades to internal-use software to the extent that such changes allow the software to perform a task it previously did not perform. The Company expenses software maintenance and training costs as incurred.

NOTE 6: INTANGIBLE ASSETS

Intangible assets are comprised of the following as of September 30, 2024 and December 31, 2023:

	September 30, 2024			December 31, 2023		
(in USD thousands)	**Gross Carrying Amount**	**Accumulated Depreciation**	**Net**	**Gross Carrying Amount**	**Accumulated Depreciation**	**Net**
Customer relationships	$ 290,000	$ (238,725)	$ 51,275	$ 290,000	$ (227,994)	$ 62,006
Trade names and trademarks	65,000	(58,988)	6,012	65,000	(57,730)	7,270
Capitalized software	40,178	(34,105)	6,073	39,586	(32,600)	6,986
Other	26,842	(26,842)	-	26,842	(26,842)	-
Total intangible assets	**$ 422,020**	**$ (358,660)**	**$ 63,360**	**$ 421,428**	**$ (345,166)**	**$ 76,262**

Intangible assets are generally amortized on a straight-line basis with estimated useful lives ranging from three to 20 years. Amortization expense was $12.2 million for the years ended September 30, 2024 and December 31, 2023.

Estimated amortization expense for each subsequent five fiscal years is expected to be as follows:

Year	Estimated Amortization Expense
2024	$ 13,495
2025	13,495
2026	13,495
2027	13,495
2028	9,429

NOTE 7: LONG-TERM DEBT

The Company entered into a $17.0 million loan agreement with HMH Holding B.V, effective as of January 19, 2023, bearing interest at a rate of LIBOR plus a margin of 6.48%, subject to adjustment semi-annually. In the third quarter of 2023, the agreement was amended to convert the reference rate from LIBOR to the compounded daily Secured Overnight Financing Rate (“SOFR”). The loan had a 3-year term, with the full principal amount maturing on January 19, 2026. As of December 31, 2023, the outstanding principal was $12 million. The interest rate as of December 31, 2023 was 12.02%.

The Company repaid the principal amount of $12 million on January 5, 2024.

NOTE 8: INCOME TAXES

The Company is not liable for any federal or state income taxes. The Company is, however, subject to foreign withholding tax, Texas margin tax, and other state de minimis taxes applicable to limited liability companies. The provision for income tax expense for the years ended September 30, 2024 and 2023 was $0.2 million and $1.1 million, respectively.

NOTE 9: RELATED PARTY TRANSACTIONS

Related Party Notes Receivable

The Company purchases parts manufactured by Hydril Pressure Control, S. de R.L. de C.V. (“Hydril Mexico”) on an ongoing basis. The Company enters into short-term loans agreements with Hydril Mexico to provide Hydril Mexico the capital necessary to purchase materials for the manufacturing process. When Hydril Mexico bills the Company for parts purchased, the invoice amount is reduced by the outstanding notes receivable balance. As of September 30, 2024 and December 31, 2023 and the related party notes receivable balance was $0.3 million, and $3.9 million, respectively.

Related Party Accounts Receivables

Related party sales to Baker Hughes would be recorded in “Related party revenues and related party cost of sales” in the combined statements of income. All related party receivables and payables due from or due to Baker Hughes are included as a component of “All other current assets” or “All other current liabilities” in the combined statements of financial position. The related party net payable balances between the Company and Baker Hughes are $0.3 million and $0.8 million as of September 30, 2024, and December 31, 2023, respectively.

NOTE 10: ENVIROMENTAL LIABILITIES

The Business records Health Safety and Environment (HSE) reserve related to two on-going projects at the Humble Hydril plant: 1) contaminated soils have been removed and reports submitted to the EPA and TCEQ and 2) investigation of the chlorinated hydrocarbon plume. The reserve for the environmental liability as of September 30, 2024 and December 31, 2023 is $3.1 million and $3.9 million, respectively.

NOTE 11: PRODUCT WARRANTIES

The Company provides for estimated product warranty expenses when we sell the related products. Because warranty estimates are forecasts that are based on the best available information, primarily historical claims experience, claims costs may differ from amounts provided. A provision is made for expected warranty expenditures. The warranty period is normally 12 to 30 months depending on the specific customer contract and terms.

In 2023, the Company became aware of an issue related to the GX Annular and recorded additional $5.0 million accrual related to warranty expense. As a result, overall product warranties as of September 30, 2024 and December 31, 2023 were $5.8 million and $5.5 million, respectively.

The following table describes the changes to the Company's warranty liability for the years ended September 30, 2024 and December 31, 2023:

(in USD thousands)		**September 30, 2024**		**December 31, 2023**
Balance as of the beginning of the year	$	5,544	$	545
Accrued expense		226		4,999
Balance as of end of the year	**$**	**5,770**	**$**	**5,544**

NOTE 12: GUARANTEE OF DEBT

On November 2023, HMH partially refinanced its existing $150.0 million Senior Secured Floating Rate Bond and replaced it with $200.0 million Senior Secured Bonds, which the Company was a guarantor of, with another loan. As of September 30, 2024, the Company, together with other related parties, jointly and severally guaranteed to repay a debt of HMH, the Company's ultimate holding company, in the event that timely payments of the loan by HMH are not made. The guarantee is limited to $150 million to replace the $200 million bridge facility. The Company's ordinary shares were pledged under this new arrangement in addition to the pledge existing as of September 30, 2024. In accordance with an intercreditor agreement, the ordinary shares pledged shall rank and secure the liabilities pari passu and without any preference between them. The Company does not consider it probable that a claim will be made against the Company under the intra-group financial guarantee. As such, the guarantee issued is not expected to have a material effect on the amount, timing and uncertainty of the Company's future cashflows.

In addition to the above, the Company's ordinary shares are pledged HMH as financial guarantees for its liabilities to a financial institution.

Company registration number 01418491 (England and Wales)

Appendix 21 - Audited Annual Financial Statements as of and for the financial year ended 31 December 2022 for Hydril PCB Limited

HYDRIL PCB LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

HYDRIL PCB LIMITED

COMPANY INFORMATION

Directors	D E Bratton E C Chauviere III J D Connelly
Secretary	TMF Corporate Administration Services Limited
Company number	01418491
Registered office	C/O Tmf Group 8th Floor 20 Farringdon Street London EC4A 4AB United Kingdom
Auditor	RSM UK Audit LLP Chartered Accountants 52-54 Queen's Road Aberdeen AB15 4YE

HYDRIL PCB LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present the strategic report for the year ended 31 December 2022.

Review of the business

The profit for the year, after taxation, amounted to £13,431,000, (2021: £10,619,000) on turnover of £28,529,000 (2021: £26,338,000) in the year.

Market leading product development ensures that the company is involved in new and emerging programs in its chosen fields of expertise of repair and rectification of original equipment manufacturer (OEM) supplied drilling and well control equipment and sale of component parts. The future economic outlook for the oil & gas sector is mixed with fluctuations in the oil price expected, as a result of increased supply and reduced demand which will have a knock on effect on the demand for the company's products and services in the coming years.

Principal risks and uncertainties

The key risks faced by the company include:

General economic environment

The general economic environment influences the sales of our products to customers. Reductions in demand for oil and gas as a result of changes in the economy have a knock on effect on demand for the company's products and services.

Actions of competitors

The company operates in highly competitive markets. Product innovations or technical advances by competitors could adversely affect the company. The diversity of operations reduces the possible effect of action by any single competitor.

Foreign currency risk

The company deals in multiple currencies which can cause foreign exchange risk. There is a risk that there may be an adverse movement in exchange rate of the transaction currency in relation to the functional currency before the date when the transaction is completed.

Effect of legislation or other regulatory action

The company is subject to a broad range of laws, regulations and standards in each of the jurisdictions in which it operates. Unexpected changes in these laws or regulations could significantly impair performance; equally, a failure to comply with these laws, regulations or standards could damage the reputation of the company.

Raw material prices

The company's products contain various raw materials or purchased components. Any increases or volatility in process and shortages in supply can affect the company's performance. The diversity of operations reduces the dependence on any single item or supplier. Purchasing policies take into account and seek to mitigate such risks where practicable.

Credit

Credit risk is derived from cash, extension of credit and liquidity of the company which are solely managed by the ultimate parent company.

Economic risk

At the date of signing this report, the UK is experiencing, and expected to continue to experience, high inflation as a consequence of the global impact of the situation in Ukraine. The directors continue to closely monitor and review potential risk to the company from the longer term effects of increased costs.

Climate change

The company has proactively worked to reduce greenhouse gas emissions over the last decade and continues efforts to reduce its overall environmental footprint by using materials wisely and preserving land, water and air quality.

Going concern
The company has been profitable and cash generative. This has continued in 2023 up to the date of these financial statements. The company is in a net asset position and a net current asset position. The company's forecast indicate that it will remain cash generative over the going concern forecast period, and will be able to meet its financial obligation as they fall due without requiring finance.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Financial key performance indicators

Performance during the year is set out in the table below:

	2022 £'000	2021 £'000
Turnover	28,529	26,338
Gross profit percentage	54.52%	57.44%

The company has seen an increase in turnover during the year, due to an increase in sale of spares within the United Kingdom. Turnover relating to services has increased marginally compared to the prior year. The increase in turnover, year on year, can be attributed to the company's strategic focus and expansion of the business. Overall the company continues to deliver a strong gross profit margin and profit for the year.

On behalf of the board

DocuSigned by:
David Ewing Bratton
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D E Bratton
Director

Date: 2023-Dec-19 | 4:52 PM CST

HYDRIL PCB LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and financial statements for the year ended 31 December 2022.

Principal activities

The principal activity of the company continued to be that of the repair and rectification of OEM supplied drilling and well control equipment, sale of component parts and provision of service technicians to customer site.

Results and dividends

The results for the year are set out on page 8.

Ordinary dividends were paid amounting to £11,000,000 (2021: £75,000,000). The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

D E Bratton
E C Chauviere III
J D Connelly

Qualifying third party indemnity provisions

One or more of the directors have benefited from qualifying third party indemnity provisions in place during the financial year and subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provisions remain in force as at the date of approving the directors' report.

Auditor

RSM UK Audit LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

DocuSigned by:

David Ewing Bratton

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D E Bratton
Director

Date: 2023-Dec-19 | 4:52 PM CST

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101: Reduced Disclosure Framework ("FRS 101"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the or of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company’s transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HYDRIL PCB LIMITED

Opinion

We have audited the financial statements of Hydril PCB Limited (the 'company') for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HYDRIL PCB LIMITED (CONTINUED)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. 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 extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the company operates in and how the company is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from external tax advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to health and safety. We performed audit procedures to inquire of management whether the company is in compliance with these laws and regulations and inspected correspondence with licensing or regulatory authorities.

The audit engagement team identified the risk of management override of controls and revenue cut-off as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and testing revenue recognition around year-end.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Morrison

Grant Morrison CA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants

21/12/23
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HYDRIL PCB LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £000	2021 £000
Revenue	3	28,529	26,338
Cost of sales		(12,972)	(11,209)
Gross profit		15,557	15,129
Distribution costs		(88)	(9)
Administrative expenses		(338)	(700)
Operating profit	6	15,131	14,420
Interest income	8	314	58
Finance costs	9	-	(2)
Profit before taxation		15,445	14,476
Tax on profit	10	(2,014)	(3,857)
Profit for the financial year	23	13,431	10,619

The company has no other comprehensive income, other than the results from the financial period as set out above.

The above results were derived from continuing operations.

The notes on pages 12 to 25 form part of these financial statements.

Company Registration No. 01418491

HYDRIL PCB LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Notes	2022 £000	2022 £000	2021 Restated £000	2021 Restated £000
Non-current assets					
Property, plant and equipment	**12**		-		11
Investments	**13**		98		98
Deferred tax asset *	**18**		-		6
			98		115
Current assets					
Inventories	**15**	2,783		2,667	
Debtors: amounts falling due within one year	**16**	18,970		11,676	
Debtors: amounts falling due after more than one year	**16**	-		2,234	
Cash and cash equivalents		549		7,162	
		22,302		23,739	
Current liabilities	**17**	(8,848)		(12,734)	
Net current assets			13,454		11,005
Total assets less current liabilities			13,552		11,120
Provisions for liabilities					
Deferred tax liabilities	**18**		(1)		-
Net assets			13,551		11,120
Equity					
Called up share capital	**20**		6,057		6,057
Equity reserve	**21**		1		1
Merger reserve	**22**		(3,286)		(3,286)
Retained earnings	**23**		10,779		8,348
Total equity			13,551		11,120

The notes on pages 12 to 25 form part of these financial statements.

* The 2021 comparative has been reclassifised to correctly represent an amount in respect of deferred taxation of £6,000 which was presented within current assets in 2021.

HYDRIL PCB LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2022

The financial statements were approved by the board of directors and authorised for issue on 2023-Dec-19 | 4:52 PM CST and are signed on its behalf by:

DocuSigned by:
David Ewing Bratton
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D E Bratton
Director

HYDRIL PCB LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Share capital £000	Equity reserve £000	Merger reserve £000	Retained earnings £000	Total £000
Balance at 1 January 2021		6,057	1	(3,286)	72,729	75,501
Year ended 31 December 2021:						
Proft for the year		-	-	-	10,619	10,619
Transactions with owners in their capacity as owners:						
Dividends	**11**	-	-	-	(75,000)	(75,000)
Balance at 31 December 2021		6,057	1	(3,286)	8,348	11,120
Year ended 31 December 2022:						
Profit for the year		-	-	-	13,431	13,431
Transactions with owners in their capacity as owners:						
Dividends	**11**	-	-	-	(11,000)	(11,000)
Balance at 31 December 2022		6,057	1	(3,286)	10,779	13,551

HYDRIL PCB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

Hydril PCB Limited is a private company limited by shares incorporated in England and Wales. The registered office is C/O Tmf Group 8th Floor, 20 Farringdon Street, London, United Kingdom, EC4A 4AB. The company's principal activities and nature of its operations are disclosed in the directors' report.

Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1,000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

As permitted by FRS 101, the company has taken advantage of the following disclosure exemptions from the requirements of IFRS:

- Presentation of a Statement of Cash Flows and related notes;
- The requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment;
- The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- The requirements of the second sentence of paragraph 110 and paragraphs II3(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph l 18(e) of IAS 38 Intangible Assets; and
  - paragraphs 76 and 79(d) of lAS 40 Investment Property;
- The requirements of paragraphs l0(d), l0(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 400, 111 and 134-136 of IAS I Presentation of Financial Statements;
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- The requirements of paragraph 17 of lAS 24 Related Party Disclosures;
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transactions wholly owned by such a member; and
- The requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Exemption from preparing group financial statements

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 401 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The results of the company are included in the consolidated financial statements of HMH Holding B.V. which are available from Weerdestein 97, 1083 GG Amsterdam, The Netherlands.

Going concern

The company has been profitable and cash generative. This has continued in 2023 up to the date of these financial statements. The company is in a net asset position and a net current asset position. The company's forecast indicate that it will remain cash generative over the going concern forecast period, and will be able to meet its financial obligation as they fall due without requiring finance.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1 Accounting policies (Continued)

Revenue

Recognition

The company earns revenue from the sale of component parts for OEM supplied drilling and well control equipment. This revenue is recognised at a point in time, in the accounting period when control of the product has been transferred, at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance.

The company also earns revenue from the provision of on-site field service engineers. The revenue is recognised once the work has been completed, at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

The company also earns revenue from the provision of services relating to repairs and recertification of drilling and well control equipment. This can take between one to six months and revenue is recognised over time, in the accounting period when the services are rendered at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

The principles in IFRS 15 are applied to revenue recognition criteria using the following 5 step model:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when or as the entity satisfies its performance obligations

Performance obligations

The main performance obligations to customers are satisfied when the supply of goods and services have transferred to the customer and the customer has control of these.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and any accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and equipment	10 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the statement of comprehensive income.

Non-current investments

Investments in group undertakings are shown at cost less provision for any impairment.

At each balance sheet date the company reviews the carrying amount of its investments to determine whether there is any indication that those investments have suffered an impairment loss. If such indication exists, the recoverable amount of the investment estimated based on its fair value less costs of disposal (for which its net asset value may be used as a reasonable proxy) and value in use. Where the recoverable amount of the investment is less than carrying value, an impairment loss is recognised in profit and loss account in the period.

Impairment of tangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1 Accounting policies (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving items. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

Financial instruments

Initial recognition

The company recognises financial assets and financial liabilities in the statement of financial position when, and only when, the company becomes party to the contractual provisions of the financial instrument.

A financial asset (unless it is a trade debtor without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade debtor without a significant financing component is initially measured at the transaction price.

Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

Classification and subsequent measurement

Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology:

Financial assets are classified into one of the following two categories:

- financial assets at amortised cost; or
- financial assets at fair value through the profit or loss.

Financial liabilities are classified into one of the following two categories:

- financial liabilities at amortised cost; or
- financial liabilities at fair value through the profit or loss.

The classification and the basis for measurement are subject to the company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:

1 Accounting policies (Continued)

Financial assets at amortised cost
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of the above two criteria is not met, the financial assets are classified and measured at fair value through the profit or loss (FVTPL).

If a financial asset meets the amortised cost criteria, the company may choose to designate the financial asset at FVTPL.

Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

Cash and cash equivalents comprise cash balances and call deposits.

Financial assets at fair value through the profit or loss
Financial assets not otherwise classified above are classified and measured as FVTPL.

Financial liabilities at amortised cost
All financial liabilities, other than those classified as financial liabilities at FVTPL, are measured at amortised cost using the effective interest rate method.

Financial liabilities at fair value through the profit or loss
Financial liabilities not measured at amortised cost are classified and measured at FVTPL. This classification includes derivative liabilities.

1 Accounting policies (Continued)

Impairment of financial assets

The company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost and contract assets (as defined in IFRS 15).

The company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

The company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due,

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company’s obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

1 Accounting policies (Continued)

Current tax

Tax is recognised in the profit and loss account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax

Full provision is made for deferred tax liabilities arising from all temporary differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the temporary differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee’s services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Share-based payments

Until 30 September 2021, Baker Hughes Company granted share options and restricted stock units to certain employees and executives of the company. The fair value of options and units granted were recognised as an employee expense with a corresponding increase in equity, 'other reserve account'.

The fair value was measured at grant date using the Black-Scholes option pricing model, and was recognised as an expense over the period the employees become unconditionally entitled to the options/units. The amount recognised as an expense was adjusted to reflect the actual number of options/units expected to vest. Any recharges by Baker Hughes Company are offset against the 'other reserve account'.

In addition, up until 30 September 2021, the company had established an employee share ownership scheme under which employees were able to acquire a number of shares in the Baker Hughes Company with the company matching the employee's purchases. The company's costs of these purchases were charged to the profit and loss account as incurred.

As at 31 December 2022 all share options have been exercised.

HYDRIL PCB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Foreign exchange

The accounts are presented in sterling which is the company's functional and presentational currency.

Transactions in foreign currencies are recorded using a monthly average operating exchange rate. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate ruling at the balance sheet date. The gains or losses arising are included in the profit and loss account.

2 Critical accounting estimates and judgements

In the application of the company’s accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Key sources of estimation uncertainty

Impairment of trade debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the credit rating of the debtor, the ageing profile of the debtors and historical experiences. As at 31 December 2022 the provision for doubtful debts was £18,504 (2021 - £nil).

Inventory provisioning

The company designs, manufactures and sells advanced technical products and is subject to changing consumer demands and technological advances. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. As at 31 December 2022 the stock provision was £986,081 (2021 - £1,421,618).

3 Revenue

	2022	2021
	£000	£000
Revenue analysed by class of business		
Sale of goods	17,034	10,139
Provision of services	11,495	16,199
	28,529	26,338

3 Revenue (Continued)

	2022 £000	2021 £000
Revenue analysed by geographical market		
United Kingdom	11,652	5,586
European Union	6,993	12,209
United States of America	329	278
Rest of world	9,555	8,265
	28,529	26,338

4 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2022 Number	2021 Number
Selling, service and distribution	37	30

Their aggregate remuneration comprised:

	2022 £000	2021 £000
Wages and salaries	2,105	1,659
Social security costs	275	190
Pension costs	309	213
Share-based payment expense	-	2
	2,689	2,064

5 Directors' remuneration

The directors are employees remunerated by another company within the group. They received no fees or remuneration for services as a director of Hydril PCB Limited during the financial year (2021: £2,000) and it is not possible to make an accurate apportionment of the directors' emoluments in respect of each of the companies.

6 Operating profit

Operating profit for the year is stated after charging/(crediting):	2022 £000	2021 £000
Exchange losses/(gains)	140	(392)
Depreciation of property, plant and equipment	6	2
Historical adjustment reversal	(2,079)	-

During the year, the company completed an exercise to reconcile, agree and adjust certain historic balances including amounts due to group undertakings, other taxes and social security, inventories, trade creditors, accruals and corporation tax. As a result of the completion of this exercise, a net credit of £2,079,258 has been recognised in operating profit in the year

7 Auditor's remuneration

Fees payable to the company's auditor and its associates:	2022 £000	2021 £000
For audit services		
Audit of the financial statements of the company	62	68

8 Interest income

	2022 £000	2021 £000
Interest receivable from group companies	314	58

9 Finance costs

	2022 £000	2021 £000
Interest on financial liabilities measured at amortised cost:		
Interest due to group companies	-	2

10 Taxation

	2022 £000	2021 £000
Current tax		
UK corporation tax on profits for the current period	1,907	2,745
Adjustments in respect of prior periods	105	1,096
Total UK current tax	2,012	3,841
Foreign taxes and reliefs	-	11
	2,012	3,852

10 Taxation

	2022 £000	2021 £000 (Continued)
Deferred tax		
Origination and reversal of temporary differences	2	7
Adjustment in respect of prior periods	-	(2)
	2	5
Total tax charge	2,014	3,857

The total tax charge for the year included in the statement of comprehensive income can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2022 £000	2021 £000
Profit before taxation	15,445	14,476
Expected tax charge based on a corporation tax rate of 19.00% (2021: 19.00%)	2,935	2,750
Effect of expenses not deductible in determining taxable profit	-	2
Adjustment in respect of prior years	107	1,096
Effect of change in UK corporation tax rate	-	(2)
Group relief	(1,028)	-
Effect of overseas tax rates	-	11
Taxation charge for the year	2,014	3,857

11 Dividends

Amounts recognised as distributions:	2022 per share £	2021 per share £	2022 Total £000	2021 Total £000
Ordinary shares				
Final dividend paid	1.81	12.38	11,000	75,000

HYDRIL PCB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

12 Property, plant and equipment

	Plant and equipment £000
Cost	
At 1 January 2022	26
Additions	70
Disposals	(96)
At 31 December 2022	-
Accumulated depreciation	
At 1 January 2022	15
Charge for the year	6
Eliminated on disposal	(21)
At 31 December 2022	-
Carrying amount	
At 31 December 2022	-
At 31 December 2021	11

13 Investments

	Investments in subsidiaries £000
Cost at 1 January 2022 and 31 December 2022	98
	98

14 Subsidiaries

Details of the company's subsidiaries at 31 December 2022 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
Hydril Pressure Controlling Arabia Limited	P.O Box 3265, Dammam, Saudi Arabia 33210	Ordinary	100.00

HYDRIL PCB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

15 Inventories

	2022	2021
	£000	£000
Raw materials	2	185
Work in progress	1,914	51
Finished goods	867	2,431
	2,783	2,667

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £8,468,000 (2021: £8,312,000).

16 Trade and other receivables

	Current		Non-current	
	2022	2021	2022	2021
	£000	£000	£000	£000
Trade receivables	10,245	5,007	-	-
Amounts owed by fellow group undertakings	7,344	5,930	-	2,234
Amounts owed by related parties	94	-	-	-
Other receivables	72	153	-	-
Prepayments and accrued income	1,215	586	-	-
	18,970	11,676	-	2,234

Amounts owed from group companies are subject to interest at 5%.

17 Liabilities

	Current	
	2022	2021
	£000	£000
Trade payables	4,264	1,943
Amounts owed to fellow group undertakings	2,132	8,611
Amounts owed to related parties	60	-
Accruals and deferred income	166	32
Other payables	788	389
Corporation tax	874	880
Other taxation and social security	564	879
	8,848	12,734

HYDRIL PCB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

18 Deferred taxation

	2022	2021
	£000	£000
Deferred tax liabilities	(1)	-
Deferred tax assets	-	6
	(1)	6

Deferred tax assets are expected to be recovered after more than one year.
The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	ACAs	Total
	£000	£000
Asset at 1 January 2021	11	11
Deferred tax movements in prior year		
Charge to profit or loss	(5)	(5)
Asset at 1 January 2022	6	6
Deferred tax movements in current year		
Charge to profit or loss	(7)	(7)
Liability at 31 December 2022	(1)	(1)

Deferred tax assets and liabilities are offset in the financial statements only where the company has a legally enforceable right to do so.

19 Retirement benefit schemes

	2022	2021
Defined contribution schemes	£000	£000
Charge to profit or loss in respect of defined contribution schemes	298	213

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

20 Share capital

	2022	2021	2022	2021
Ordinary share capital	Number	Number	£000	£000
Issued and fully paid				
Ordinary shares of £1 each	6,056,550	6,056,550	6,057	6,057

HYDRIL PCB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

20 Share capital (Continued)

The ordinary shares have attached to them full voting and dividend rights. They do not confer any rights of redemption or capital reduction.

21 Equity reserve

	2022	2021
	£000	£000
At the beginning and end of the year	1	1

Equity reserve represents the premium arising on issue of equity shares net of issue expenses.

22 Merger reserve

	2022	2021
	£000	£000
At the beginning and end of the year	(3,286)	(3,286)

Merger reserve represents the difference between the consideration and the net assets acquired during a merger acquisition.

23 Retained earnings

Retained earnings represents the accumulated retained profits and losses less payment of dividends.

24 Contingent liabilities

On 24th November 2021, as a consequence of the funding requirements required to fund the joint venture within the group, the company agreed to guarantee up to £4,002,000 in liabilities owed by the group to DNB Bank ASA in the form of loans and revolving credit facilities.

As at 31 December 2022 the company, together with other related parties, jointly and severely guaranteed to repay a debt of its ultimate holding company in the event that timely payments of the loan by the ultimate holding company are not made. The guarantee is limited to £266,036,063 (2021: £272,386,800). At the reporting date, the company does not consider it probable that a claim will be made against the company under the intra-group financial guarantee. As such, the guarantee issued would not have a material effect on the amount, timing and uncertainty of the company's future cashflows.

In addition to the above, the company's ordinary shares are pledged by the ultimate holding company as financial guarantees for its liabilities to a financial institution.

As at 31 December 2022 there was also a duty deferment guarantee amounting to £200,000 (2021: £200,000) issued on behalf of the company.

25 Controlling party

The company is a subsidiary of MH Wirth UK Limited, incorporated in the United Kingdom.

The ultimate parent company - HMH Holding B.V., was incorporated in the Netherlands and is part of a joint venture between Akastor ASA and Baker Hughes Holdings LLC.

Company registration number 01418491 (England and Wales)

Appendix 22 - Audited Annual Financial Statements as of and for the financial year ended 31 December 2023 for Hydril PCB Limited

HYDRIL PCB LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

HYDRIL PCB LIMITED

COMPANY INFORMATION

Directors	D E Bratton E C Chauviere III J D Connelly H Qureshi
Secretary	TMF Corporate Administration Services Limited
Company number	01418491
Registered office	C/O Tmf Group 13th Floor One Angel Court London EC2R 7HJ United Kingdom
Auditor	RSM UK Audit LLP Chartered Accountants 4th Floor The Capitol 431 Union Street Aberdeen AB11 6DA United Kingdom

HYDRIL PCB LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

The directors present the strategic report for the year ended 31 December 2023.

Review of the business

The profit for the year, after taxation, amounted to £15,830,000 (2022: £13,431,000) on turnover of £48,132,000 (2022: £28,529,000) in the year.

Market leading product development ensures that the company is involved in new and emerging programs in its chosen fields of expertise of repair and rectification of original equipment manufacturer (OEM) supplied drilling and well control equipment and sale of component parts. The future economic outlook for the oil & gas sector is mixed with fluctuations in the oil price expected, as a result of increased supply and reduced demand which will have a knock on effect on the demand for the company's products and services in the coming years.

Principal risks and uncertainties

The key risks faced by the company include:

General economic environment

The general economic environment influences the sales of our products to customers. Reductions in demand for oil and gas as a result of changes in the economy have a knock on effect on demand for the company's products and services.

Actions of competitors

The company operates in highly competitive markets. Product innovations or technical advances by competitors could adversely affect the company. The diversity of operations reduces the possible effect of action by any single competitor.

Foreign currency risk

The company deals in multiple currencies which can cause foreign exchange risk. There is a risk that there may be an adverse movement in exchange rate of the transaction currency in relation to the functional currency before the date when the transaction is completed.

Effect of legislation or other regulatory action

The company is subject to a broad range of laws, regulations and standards in each of the jurisdictions in which it operates. Unexpected changes in these laws or regulations could significantly impair performance; equally, a failure to comply with these laws, regulations or standards could damage the reputation of the company.

Raw material prices

The company's products contain various raw materials or purchased components. Any increases or volatility in process and shortages in supply can affect the company's performance. The diversity of operations reduces the dependence on any single item or supplier. Purchasing policies take into account and seek to mitigate such risks where practicable.

Credit

Credit risk is derived from cash, extension of credit and liquidity of the company which are solely managed by the ultimate parent company.

Economic risk

The directors continue to closely monitor and review potential risk to the company from fluctuation of inflation.

Climate change

The company has proactively worked to reduce greenhouse gas emissions over the last decade and continues efforts to reduce its overall environmental footprint by using materials wisely and preserving land, water and air quality.

Going concern
The company has been profitable and cash generative. This has continued in 2024 up to the date of these financial statements. The company is in a net asset position and a net current asset position. The company's forecast indicate that it will remain cash generative over the going concern forecast period, and will be able to meet its financial obligation as they fall due without requiring finance.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Financial key performance indicators

Performance during the year is set out in the table below:

	2023 £'000	2022 £'000
Turnover	48,132	28,529
Gross profit percentage	48.67%	54.53%

The company has seen an increase in turnover during the year with a 77.20% increase in sale of goods and 56.00% increase in revenue from provision of services. Increase in sale of goods relates to increase in sale of spares within the United Kingdom. The increase in turnover, year on year, can be attributed to the company's strategic focus and expansion of the business. Overall the company continues to deliver a strong gross profit margin and profit for the year.

On behalf of the board

DocuSigned by:
David Ewing Bratton
....
D E Bratton
Director

Date: 2024-Sep-26 | 1:34 PM CDT

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

The directors present their annual report and financial statements for the year ended 31 December 2023.

Principal activities
The principal activity of the company continued to be that of the repair and rectification of OEM supplied drilling and well control equipment, sale of component parts and provision of service technicians to customer site.

Results and dividends
The results for the year are set out on page 8.

Ordinary dividends were paid amounting to £11,000,000 (2022: £11,000,000). The directors do not recommend payment of a final dividend.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

D E Bratton
E C Chauviere III
J D Connelly
H Qureshi (Appointed 23 April 2024)

Qualifying third party indemnity provisions
One or more of the directors have benefited from qualifying third party indemnity provisions in place during the financial year and subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provisions remain in force as at the date of approving the directors' report.

Auditor
RSM UK Audit LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

DocuSigned by:
David Ewing Bratton
....
D E Bratton
Director

Date: 2024-Sep-26 | 1:34 PM CDT

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101: Reduced Disclosure Framework ("FRS 101"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the or of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Opinion

We have audited the financial statements of Hydril PCB Limited (the 'company') for the year ended 31 December 2023 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. 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 extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the company operates in and how the company is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 101, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from external tax advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to health and safety. We performed audit procedures to inquire of management whether the company is in compliance with these laws and regulations and inspected correspondence with licensing or regulatory authorities.

The audit engagement team identified the risk of management override of controls and revenue cut-off as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and testing revenue recognition around year-end.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Morrison

(Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
4th Floor The Capitol
431 Union Street Aberdeen
AB11 6DA
United Kingdom

Date: 27/09/24

HYDRIL PCB LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £000	2022 £000
Revenue	3	48,132	28,529
Cost of sales		(24,706)	(12,972)
Gross profit		23,426	15,557
Distribution costs		(332)	(88)
Administrative expenses		(2,879)	(338)
Operating profit	6	20,215	15,131
Interest income	8	554	314
Finance costs	9	(21)	-
Profit before taxation		20,748	15,445
Tax on profit	10	(4,918)	(2,014)
Profit for the financial year		15,830	13,431

The company has no other comprehensive income, other than the results from the financial period as set out above.

The above results were derived from continuing operations.

The notes on pages 11 to 25 form part of these financial statements.

HYDRIL PCB LIMITED

Company Registration No. 01418491

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Notes	2023 £000	2023 £000	2022 £000	2022 £000
Non-current assets					
Right-of-use asset	**12**		336		-
Investments	**13**		98		98
Deferred tax asset	**19**		3		-
			437		98
Current assets					
Inventories	**15**	9,173		2,783	
Trade and other receivables	**16**	19,618		18,970	
Cash and cash equivalents		4,735		549	
		33,526		22,302	
Current liabilities	**17**	(15,309)		(8,848)	
Net current assets			18,217		13,454
Total assets less current liabilities			18,654		13,552
Non-current liabilities	**18**		(273)		-
Provisions for liabilities					
Deferred tax liabilities	**19**		-		(1)
Net assets			18,381		13,551
Equity					
Called up share capital	**21**		6,057		6,057
Equity reserve	**22**		1		1
Merger reserve	**23**		(3,286)		(3,286)
Retained earnings	**24**		15,609		10,779
Total equity			18,381		13,551

The notes on pages 11 to 25 form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 2024-Sep-26 | 1:34 PM CDT and are signed on its behalf by:

DocuSigned by:

David Ewing Bratton

D E Bratton
Director

HYDRIL PCB LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Share capital £000	Equity reserve £000	Merger reserve £000	Retained earnings £000	Total £000
Balance at 1 January 2022		6,057	1	(3,286)	8,348	11,120
Year ended 31 December 2022:						
Proft for the year		-	-	-	13,431	13,431
Transactions with owners in their capacity as owners:						
Dividends	**11**	-	-	-	(11,000)	(11,000)
Balance at 31 December 2022		6,057	1	(3,286)	10,779	13,551
Year ended 31 December 2023:						
Profit for the year		-	-	-	15,830	15,830
Transactions with owners in their capacity as owners:						
Dividends	**11**	-	-	-	(11,000)	(11,000)
Balance at 31 December 2023		6,057	1	(3,286)	15,609	18,381

1 Accounting policies

Company information

Hydril PCB Limited is a private company limited by shares incorporated in England and Wales. The registered office is C/O Tmf Group 13th Floor, One Angel Court, London, United Kingdom, EC2R 7HJ. The company's principal activities and nature of its operations are disclosed in the directors' report.

Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1,000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

As permitted by FRS 101, the company has taken advantage of the following disclosure exemptions from the requirements of IFRS:

- Presentation of a Statement of Cash Flows and related notes;
- The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- The requirements of the second sentence of paragraph 110 and paragraphs Il3(a), 114, 115, 118, 119 (a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph l 18(e) of IAS 38 Intangible Assets; and
  - paragraphs 76 and 79(d) of IAS 40 Investment Property;
- The requirements of paragraphs l0(d), l0(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 400, 111 and 134-136 of IAS l Presentation of Financial Statements;
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- The requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transactions wholly owned by such a member; and
- The requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Exemption from preparing group financial statements

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 401 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The results of the company are included in the consolidated financial statements of HMH Holding B.V. which are available from Weerdestein 97, 1083 GG Amsterdam, The Netherlands.

Going concern

The company has been profitable and cash generative. This has continued in 2024 up to the date of these financial statements. The company is in a net asset position and a net current asset position. The company’s forecast indicate that it will remain cash generative over the going concern forecast period, and will be able to meet its financial obligation as they fall due without requiring finance.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1 Accounting policies (Continued)

Revenue

Recognition

The company earns revenue from the sale of component parts for OEM supplied drilling and well control equipment. This revenue is recognised at a point in time, in the accounting period when control of the product has been transferred, at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance.

The company also earns revenue from the provision of on-site field service engineers. The revenue is recognised once the work has been completed, at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

The company also earns revenue from the provision of services relating to repairs and recertification of drilling and well control equipment. This can take between one to six months and revenue is recognised over time, in the accounting period when the services are rendered at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

The principles in IFRS 15 are applied to revenue recognition criteria using the following 5 step model:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when or as the entity satisfies its performance obligations

Performance obligations

The main performance obligations to customers are satisfied when the supply of goods and services have transferred to the customer and the customer has control of these.

Non-current investments

Investments in group undertakings are shown at cost less provision for any impairment.

At each balance sheet date the company reviews the carrying amount of its investments to determine whether there is any indication that those investments have suffered an impairment loss. If such indication exists, the recoverable amount of the investment estimated based on its fair value less costs of disposal (for which its net asset value may be used as a reasonable proxy) and value in use. Where the recoverable amount of the investment is less than carrying value, an impairment loss is recognised in profit and loss account in the period.

Impairment of tangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving items. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1 Accounting policies (Continued)

Financial instruments

Initial recognition
The company recognises financial assets and financial liabilities in the statement of financial position when, and only when, the company becomes party to the contractual provisions of the financial instrument.

A financial asset (unless it is a trade debtor without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade debtor without a significant financing component is initially measured at the transaction price.

Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

Classification and subsequent measurement
Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology:

Financial assets are classified into one of the following two categories:
- financial assets at amortised cost; or
- financial assets at fair value through the profit or loss.

Financial liabilities are classified into one of the following two categories:
- financial liabilities at amortised cost; or
- financial liabilities at fair value through the profit or loss.

The classification and the basis for measurement are subject to the company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:

1 **Accounting policies (Continued)**

Financial assets at amortised cost
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of the above two criteria is not met, the financial assets are classified and measured at fair value through the profit or loss (FVTPL).

If a financial asset meets the amortised cost criteria, the company may choose to designate the financial asset at FVTPL.

Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

Cash and cash equivalents comprise cash balances and call deposits.

Financial assets at fair value through the profit or loss
Financial assets not otherwise classified above are classified and measured as FVTPL.

Financial liabilities at amortised cost
All financial liabilities, other than those classified as financial liabilities at FVTPL, are measured at amortised cost using the effective interest rate method.

Financial liabilities at fair value through the profit or loss
Financial liabilities not measured at amortised cost are classified and measured at FVTPL. This classification includes derivative liabilities.

1 Accounting policies (Continued)

Impairment of financial assets
The company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost and contract assets (as defined in IFRS 15).

The company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

The company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due,

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

Measurement of ECLs
ECLs are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Derecognition of financial liabilities
Financial liabilities are derecognised when, and only when, the company’s obligations are discharged, cancelled, or they expire.

Equity instruments
Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

1 Accounting policies (Continued)

Current tax

Tax is recognised in the profit and loss account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax

Full provision is made for deferred tax liabilities arising from all temporary differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the temporary differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee’s services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Leases

At inception, the company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the company recognises a right-of-use asset and a lease liability 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 lease payments made at or before the commencement date plus any initial direct costs and and estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life or the right-of-use asset or the end of the lease term. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

1 Accounting policies (Continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the company's estimate of the amount expected to be payable under a residual value guarantee; or the company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

Foreign exchange

The accounts are presented in sterling which is the company's functional and presentational currency.

Transactions in foreign currencies are recorded using a monthly average operating exchange rate. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate ruling at the balance sheet date. The gains or losses arising are included in the profit and loss account.

2 Critical accounting estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Key sources of estimation uncertainty

Impairment of trade debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the credit rating of the debtor, the ageing profile of the debtors and historical experiences. As at 31 December 2023 the provision for doubtful debts was £180,768 (2022 - £18,504).

Inventory provisioning

The company designs, manufactures and sells advanced technical products and is subject to changing consumer demands and technological advances. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. As at 31 December 2023 the expected credit loss was £910,011 (2022 - £986,081).

3 Revenue

	2023	2022
	£000	£000
Revenue analysed by class of business		
Sale of goods	30,194	17,034
Provision of services	17,938	11,495
	48,132	28,529

	2023	2022
	£000	£000
Revenue analysed by geographical market		
United Kingdom	22,520	11,652
European Union	12,575	6,993
United States of America	368	329
Rest of world	12,669	9,555
	48,132	28,529

4 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2023	2022
	Number	Number
Selling, service and distribution	40	37

Their aggregate remuneration comprised:

	2023	2022
	£000	£000
Wages and salaries	2,720	2,105
Social security costs	301	275
Pension costs	283	309
	3,304	2,689

5 Directors' remuneration

The directors are employees remunerated by another company within the group. They received no fees or remuneration for services as a director of Hydril PCB Limited during the financial year (2022: £nil) and it is not possible to make an accurate apportionment of the directors' emoluments in respect of each of the companies.

6 Operating profit

Operating profit for the year is stated after charging/(crediting):	2023 £000	2022 £000
Exchange (gains)/losses	(1)	140
Depreciation of right-of-use asset	81	6
Historical adjustment reversal	-	(2,079)

During the prior year, the company completed an exercise to reconcile, agree and adjust certain historical balances including amounts due to group undertakings, other taxes and social security, inventories, trade creditors, accruals and corporation tax. As a result of the completion of the exercise, a net credit of £2,079,258 was recognised in operating profit.

7 Auditor's remuneration

Fees payable to the company's auditor and its associates:	2023 £000	2022 £000
For audit services		
Audit of the financial statements of the company	59	62

8 Investment income

	2023 £000	2022 £000
Interest income		
Interest receivable from group companies	554	314

9 Finance costs

	2023 £000	2022 £000
Interest on financial liabilities measured at amortised cost:		
Interest on lease liabilities	21	-

10 Taxation

	2023 £000	2022 £000
Current tax		
UK corporation tax on profits for the current period	4,880	1,907
Adjustments in respect of prior periods	(4)	105
Total UK current tax	4,876	2,012
Foreign taxes and reliefs	46	-
	4,922	2,012
Deferred tax		
Origination and reversal of temporary differences	(4)	2
Total tax charge	4,918	2,014

The total tax charge for the year included in the statement of comprehensive income can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2023 £000	2022 £000
Profit before taxation	20,748	15,445
Expected tax charge based on a corporation tax rate of 23.50% (2022: 19.00%)	4,876	2,935
Adjustment in respect of prior years	(4)	107
Group relief	-	(1,028)
Effect of overseas tax rates	46	-
Taxation charge for the year	4,918	2,014

In the March 2021 Budget it was announced that the standard rate of corporation tax would remain at 19.00%, until increasing to 25.00% from 1 April 2023.

Deferred tax is measured at 25.00% in these financial statements as the temporary differences giving rise to deferred tax are expected to reverse after 1 April 2023.

11 Dividends

Amounts recognised as distributions:	2023 per share £	2022 per share £	2023 Total £000	2022 Total £000
Ordinary shares				
Dividend paid	1.81	1.81	11,000	11,000

12 Right-of-use asset

	Right-of-use asset £000
Cost	
At 1 January 2023	-
Additions	417
At 31 December 2023	417
Accumulated depreciation	
At 1 January 2023	-
Charge for the year	81
At 31 December 2023	81
Carrying amount	
At 31 December 2023	336

Right-of-use asset relates to property.

13 Investments

	Investments in subsidiaries £000
Cost at 1 January 2023 and 31 December 2023	98
	98

14 Subsidiaries

Details of the company's subsidiaries at 31 December 2023 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
Hydril Pressure Controlling Arabia Limited	P.O Box 3265, Dammam, Saudi Arabia 33210	Ordinary	100.00

15 Inventories

	2023 £000	2022 £000
Raw materials	11	2
Work in progress	8,574	1,914
Finished goods	588	867
	9,173	2,783

15 Inventories (Continued)

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £21,186,000 (2022: £8,468,000).

16 Trade and other receivables

	2023 £000	2022 £000
Trade receivables	10,177	10,245
VAT recoverable	8	-
Amounts owed by fellow group undertakings	7,169	7,344
Amounts owed by related parties	74	94
Other receivables	309	72
Prepayments and accrued income	1,881	1,215
	19,618	18,970

Amounts owed by fellow group undertakings include £6,806,569 in intercompany loans, which are subject to interest at 5.00%. The remaining balances due from fellow group undertakings are non interest bearing and unsecured.

17 Liabilities

		Current	
		2023 £000	2022 £000
Trade payables		4,946	4,264
Amounts owed to fellow group undertakings		6,385	2,132
Amounts owed to related parties		-	60
Accruals and deferred income		341	166
Other payables		31	788
Corporation tax		3,227	874
Other taxation and social security		314	564
Lease liabilities	**18**	65	-
		15,309	8,848

Amounts owed to fellow group undertakings are non interest bearing and unsecured.

18 Lease liabilities

Maturity analysis	2023 £000	2022 £000
Within one year	80	-
Over one year but within five years	298	-
Total undiscounted liabilities	378	-
Future finance charges and other adjustments	(40)	-
Lease liabilities in the financial statements	338	-

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2023 £000	2022 £000
Current liabilities	65	-
Non-current liabilities	273	-
	338	-

Amounts recognised in profit or loss include the following:	2023 £000	2022 £000
Interest on lease liabilities	21	-

The company's lease agreement is in relation to property lease. The lease has termination date of 19 November 2027.

The rate of interest implicit in the lease arrangement is not readily determinable and management have determined that the incremental borrowing rate to be applied in calculating the lease liability is 4.79%. The fair value of the company's lease obligation is approximately equal to their carrying value.

Company did not have short-term, low-value leases during the current nor prior year.

19 Deferred taxation

	2023 £000	2022 £000
Deferred tax liabilities	-	(1)
Deferred tax assets	3	-
	3	(1)

19 Deferred taxation (Continued)

The following are the major deferred tax liabilities recognised by the company and movements thereon during the current and prior reporting period.

	ACAs £000	Total £000
Asset at 1 January 2022	6	6
Deferred tax movements in prior year		
Charge to profit or loss	(7)	(7)
Liability at 1 January 2022	(1)	(1)
Deferred tax movements in current year		
Charge to profit or loss	4	4
Asset at 31 December 2023	3	3

Deferred tax assets and liabilities are offset in the financial statements only where the company has a legally enforceable right to do so.

20 Retirement benefit schemes

Defined contribution schemes	2023 £000	2022 £000
Charge to profit or loss in respect of defined contribution schemes	230	298

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

21 Share capital

Ordinary share capital	2023 Number	2022 Number	2023 £000	2022 £000
Issued and fully paid				
Ordinary shares of £1 each	6,056,550	6,056,550	6,057	6,057

The ordinary shares have attached to them full voting and dividend rights. They do not confer any rights of redemption or capital reduction.

22 Equity reserve

	2023	2022
	£000	£000
At the beginning and end of the year	1	1

Equity reserve represents the premium arising on issue of equity shares net of issue expenses.

23 Merger reserve

	2023	2022
	£000	£000
At the beginning and end of the year	(3,286)	(3,286)

Merger reserve represents the difference between the consideration and the net assets acquired during a merger acquisition.

24 Retained earnings

Retained earnings represents the accumulated retained profits and losses less payment of dividends.

25 Contingent liabilities

As a consequence of the funding requirements required to fund the joint venture within the group, the company has signed a participation agreement where they, together with other participants, guarantee jointly and severally for up to $5,000,000 (excluding interest and expenses) for any amount outstanding under the Facility Agreement with DNB Bank ASA.

As at 31 December 2023 the company, together with other related parties, jointly and severely guaranteed to repay a debt of its ultimate holding company in the event that timely payments of the loan by the ultimate holding company are not made. During refinancing in November 2023 the guarantee was increased to a limit of £706,935,826 (2022: £266,036,063) (excluding interest and expenses). At the reporting date, the company does not consider it probable that a claim will be made against the company under the intra-group financial guarantee. As such, the guarantee issued would not have a material effect on the amount, timing and uncertainty of the company's future cashflows.

In addition to the above, the company's ordinary shares are pledged by the ultimate holding company as financial guarantees for its liabilities to a financial institution.

As at 31 December 2023 there was also a duty deferment guarantee amounting to £200,000 (2022: £200,000) issued on behalf of the company.

26 Controlling party

The company is a subsidiary of MH Wirth UK Limited, incorporated in the United Kingdom.

The ultimate parent company - HMH Holding B.V., was incorporated in the Netherlands and is part of a joint venture between Akastor ASA and Baker Hughes Holdings LLC.

Company registration number 01418491 (England and Wales)

Appendix 23 - Unaudited Interim Financial Statements for the nine-month period ended 30 September 2024 for Hydril PCB Limited

HYDRIL PCB LIMITED

UNAUDITED MANAGEMENT ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2024

HYDRIL PCB LIMITED

COMPANY INFORMATION

Directors	D E Bratton E C Chauviere III J D Connelly D G Forsyth H Qureshi
Secretary	TMF Corporate Administration Services Limited
Company number	01418491
Registered office	C/O Tmf Group 13th Floor One Angel Court London EC2R 7HJ United Kingdom
Accountants	RSM UK Tax and Accounting Limited Chartered Accountants 4th Floor The Capitol 431 Union Street Aberdeen AB11 6DA

STRATEGIC REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2024

The directors present the strategic report for the period ended 30 September 2024.

The directors present their management accounts for the 9 month period ended 30 September 2024. The comparative figures have been taken from the audited financial statements for the year ended 31 December 2023 for the Statement of Financial Position and Statement of Changes in Equity and the 9 month period ended 30 September 2023 management accounts for the Income Statement, so may not be comparable.

Review of the business
The unaudited profit for the period, after taxation, amounted to £11,881,000 (September 2023: £11,720,000 (unaudited)) on unaudited turnover of £40,236,000 (September 2023: £33,616,000 (unaudited)).

Market leading product development ensures that the company is involved in new and emerging programs in its chosen fields of expertise of repair and rectification of original equipment manufacturer (OEM) supplied drilling and well control equipment and sale of component parts. The future economic outlook for the oil & gas sector is mixed with fluctuations in the oil price expected, as a result of increased supply and reduced demand which will have a knock on effect on the demand for the company's products and services in the coming years.

Principal risks and uncertainties
The key risks faced by the company include:

General economic environment
The general economic environment influences the sales of our products to customers. Reductions in demand for oil and gas as a result of changes in the economy have a knock on effect on demand for the company's products and services.

Actions of competitors
The company operates in highly competitive markets. Product innovations or technical advances by competitors could adversely affect the company. The diversity of operations reduces the possible effect of action by any single competitor.

Foreign currency risk
The company deals in multiple currencies which can cause foreign exchange risk. There is a risk that there may be an adverse movement in exchange rate of the transaction currency in relation to the functional currency before the date when the transaction is completed.

Effect of legislation or other regulatory action
The company is subject to a broad range of laws, regulations and standards in each of the jurisdictions in which it operates. Unexpected changes in these laws or regulations could significantly impair performance; equally, a failure to comply with these laws, regulations or standards could damage the reputation of the company.

Raw material prices
The company's products contain various raw materials or purchased components. Any increases or volatility in process and shortages in supply can affect the company's performance. The diversity of operations reduces the dependence on any single item or supplier. Purchasing policies take into account and seek to mitigate such risks where practicable.

Credit
Credit risk is derived from cash, extension of credit and liquidity of the company which are solely managed by the ultimate parent company.

Economic risk
The directors continue to closely monitor and review potential risk to the company from fluctuation of inflation.

Climate change
The company has proactively worked to reduce greenhouse gas emissions over the last decade and continues efforts to reduce its overall environmental footprint by using materials wisely and preserving land, water and air quality.

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 30 SEPTEMBER 2024

Going concern
The company has been profitable and cash generative. The company is in a net asset position and a net current asset position. The company's forecast indicate that it will remain cash generative over the going concern forecast period, and will be able to meet its financial obligation as they fall due without requiring finance.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months and therefore have prepared the management accounts on a going concern basis.

Financial key performance indicators

Performance during the period is set out in the table below:

	September 2024 £'000 (Unaudited)	**September 2023 £'000 (Unaudited)**
Turnover	40,236	33,616
Gross profit percentage	42.00%	50.81%

On behalf of the board

....
D E Bratton
Director

Date: ....

DIRECTORS' REPORT

FOR THE PERIOD ENDED 30 SEPTEMBER 2024

The directors present their management accounts for the 9 month period ended 30 September 2024. The comparative figures have been taken from the audited financial statements for the year ended 31 December 2023 for the Statement of Financial Position and Statement of Changes in Equity and the 9 month period ended 30 September 2023 management accounts for the Income Statement, so may not be comparable.

Principal activities

The principal activity of the company continued to be that of the repair and rectification of OEM supplied drilling and well control equipment, sale of component parts and provision of service technicians to customer site.

Results and dividends

The results for the period are set out on page 4.

Ordinary dividends were paid amounting to £nil (December 2023: £11,000,000).

Directors

The directors who held office during the period and up to the date of signature of the management accounts were as follows:

D E Bratton	
E C Chauviere III	
J D Connelly	
D G Forsyth	(Appointed 31 October 2024)
H Qureshi	(Appointed 23 April 2024)

Qualifying third party indemnity provisions

One or more of the directors have benefited from qualifying third party indemnity provisions in place during the period and subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provisions remain in force as at the date of approving the directors' report.

On behalf of the board

....
D E Bratton
Director

Date: ....

INCOME STATEMENT

FOR THE PERIOD ENDED 30 SEPTEMBER 2024

	Note	Period ended 1 January 2024 to 30 September 2024 £000 (Unaudited)	Period ended 1 January 2023 to 30 September 2023 £000 (Unaudited)
Revenue	**3**	40,236	33,616
Cost of sales		(23,338)	(16,537)
Gross profit		16,898	17,079
Distribution costs		(66)	(262)
Administrative expenses		(3,691)	(1,825)
Operating profit		13,141	14,992
Investment income	**4**	2,024	380
Finance costs		(59)	-
Profit before taxation		15,106	15,372
Tax on profit		(3,225)	(3,652)
Profit and total comprehensive income for the financial period		11,881	11,720

The company has no other comprehensive income, other than the results from the period as set out above.

The above results were derived from continuing operations.

Company Registration No. 01418491

HYDRIL PCB LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2024

	Notes	2024		31 December 2023	
		£000 (Unaudited)	£000	£000	£000
Non-current assets					
Property, plant and equipment			480		-
Right-of-use assets			1,806		336
Investments			4,304		98
Deferred tax asset			3		3
			6,593		437
Current assets					
Inventories	**5**	8,511		9,173	
Trade and other receivables	**6**	16,810		19,618	
Cash and cash equivalents		10,317		4,735	
		35,638		33,526	
Current liabilities	**7**	(10,676)		(15,309)	
Net current assets			24,962		18,217
Total assets less current liabilities			31,555		18,654
Non-current liabilities	**7**		(1,293)		(273)
Net assets			30,262		18,381
Equity					
Called up share capital			6,057		6,057
Equity reserve			1		1
Merger reserve			(3,286)		(3,286)
Retained earnings			27,490		15,609
Total equity			30,262		18,381

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of management accounts.

The management accounts were approved by the board of directors on .... and are signed on its behalf by:

....
D E Bratton
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 SEPTEMBER 2024

	Share capital £000	Equity reserve £000	Merger reserve £000	Retained earnings £000	Total £000
Balance at 1 January 2023	6,057	1	(3,286)	10,779	13,551
Year ended 31 December 2023:					
Profit and total comprehensive income for the year	-	-	-	15,830	15,830
Transactions with owners in their capacity as owners:					
Dividends	-	-	-	(11,000)	(11,000)
Balance at 31 December 2023	6,057	1	(3,286)	15,609	18,381
Period ended 30 September 2024 (unaudited):					
Profit and total comprehensive income for the period	-	-	-	11,881	11,881
Balance at 30 September 2024	6,057	1	(3,286)	27,490	30,262

NOTES TO THE MANAGEMENT ACCOUNTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2024

1 Accounting policies

Company information
Hydril PCB Limited is a private company limited by shares incorporated in England and Wales. The registered office is C/O Tmf Group 13th Floor, One Angel Court, London, United Kingdom, EC2R 7HJ. The company's principal activities and nature of its operations are disclosed in the directors' report.

Accounting convention
The management accounts have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards, with the exception of some notes removed in the management accounts which are not required by management.

The management accounts are prepared in sterling, which is the functional currency of the company. Monetary amounts in these management accounts are rounded to the nearest £1'000.

The management accounts have been prepared under the historical cost convention, other than certain financial instruments which are measured at fair value. The principal accounting policies adopted are set out below.

Going concern
The company has been profitable and cash generative. The company is in a net asset position and a net current asset position. The company’s forecast indicate that it will remain cash generative over the going concern forecast period, and will be able to meet its financial obligation as they fall due without requiring finance.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due and therefore have prepared the management accounts on a going concern basis.

Revenue
Recognition
The company earns revenue from the sale of component parts for OEM supplied drilling and well control equipment. This revenue is recognised at a point in time, in the accounting period when control of the product has been transferred, at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance.

The company also earns revenue from the provision of on-site field service engineers. The revenue is recognised once the work has been completed, at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

The company also earns revenue from the provision of services relating to repairs and recertification of drilling and well control equipment. This can take between one to six months and revenue is recognised over time, in the accounting period when the services are rendered at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

The principles in IFRS 15 are applied to revenue recognition criteria using the following 5 step model:
- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when or as the entity satisfies its performance obligations

Performance obligations
The main performance obligations to customers are satisfied when the supply of goods and services have transferred to the customer and the customer has control of these.

1 Accounting policies (Continued)

Property, plant and equipment
Property, plant and equipment are stated at cost less depreciation and any accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and equipment	10 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the statement of comprehensive income.

Non-current investments
Investments in group undertakings are shown at cost less provision for any impairment.

At each balance sheet date the company reviews the carrying amount of its investments to determine whether there is any indication that those investments have suffered an impairment loss. If such indication exists, the recoverable amount of the investment estimated based on its fair value less costs of disposal (for which its net asset value may be used as a reasonable proxy) and value in use. Where the recoverable amount of the investment is less than carrying value, an impairment loss is recognised in profit and loss account in the period.

Impairment of tangible assets
At each reporting end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Inventories
Inventories are stated at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving items. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

Financial instruments

Initial recognition
The company recognises financial assets and financial liabilities in the statement of financial position when, and only when, the company becomes party to the contractual provisions of the financial instrument.

A financial asset (unless it is a trade debtor without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade debtor without a significant financing component is initially measured at the transaction price.

Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

1 Accounting policies (Continued)

Classification and subsequent measurement
Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology:

Financial assets are classified into one of the following two categories:
- financial assets at amortised cost; or
- financial assets at fair value through the profit or loss.

Financial liabilities are classified into one of the following two categories:
- financial liabilities at amortised cost; or
- financial liabilities at fair value through the profit or loss.

The classification and the basis for measurement are subject to the company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:

Financial assets at amortised cost
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of the above two criteria is not met, the financial assets are classified and measured at fair value through the profit or loss (FVTPL).

If a financial asset meets the amortised cost criteria, the company may choose to designate the financial asset at FVTPL.

Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

Cash and cash equivalents comprise cash balances and call deposits.

Financial assets at fair value through the profit or loss
Financial assets not otherwise classified above are classified and measured as FVTPL.

Financial liabilities at amortised cost
All financial liabilities, other than those classified as financial liabilities at FVTPL, are measured at amortised cost using the effective interest rate method.

Financial liabilities at fair value through the profit or loss
Financial liabilities not measured at amortised cost are classified and measured at FVTPL. This classification includes derivative liabilities.

1 Accounting policies (Continued)

Impairment of financial assets
The company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost and contract assets (as defined in IFRS 15).

The company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

The company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due,

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

Measurement of ECLs
ECLs are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Derecognition of financial liabilities
Financial liabilities are derecognised when, and only when, the company’s obligations are discharged, cancelled, or they expire.

Equity instruments
Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

1 Accounting policies (Continued)

Current tax
Tax is recognised in the profit and loss account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax
Full provision is made for deferred tax liabilities arising from all temporary differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the temporary differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

Employee benefits
The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Leases
At inception, the company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the company recognises a right-of-use asset and a lease liability 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 lease payments made at or before the commencement date plus any initial direct costs and estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life or the right-of-use asset or the end of the lease term. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

1 Accounting policies (Continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the company's estimate of the amount expected to be payable under a residual value guarantee; or the company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

Foreign exchange
The accounts are presented in sterling which is the company's functional and presentational currency.

Transactions in foreign currencies are recorded using a monthly average operating exchange rate. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate ruling at the balance sheet date. The gains or losses arising are included in the profit and loss account.

2 Critical accounting estimates and judgements

In the application of the company’s accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Key sources of estimation uncertainty
Impairment of trade debtors
The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the credit rating of the debtor, the ageing profile of the debtors and historical experiences. As at 30 September 2024 the expected credit loss was £236,000 (December 2023 - £181,000).

Inventory provisioning
The company designs, manufactures and sells advanced technical products and is subject to changing consumer demands and technological advances. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. As at 30 September 2024 the provision for impairment of inventories was £745,000 (December 2023 - £910,000).

NOTES TO THE MANAGEMENT ACCOUNTS (CONTINUED)

FOR THE PERIOD ENDED 30 SEPTEMBER 2024

3 Revenue

	2024 £000 (Unaudited)	2023 £000 (Unaudited)
Revenue analysed by class of business		
Sale of goods	23,378	20,913
Provision of services	16,858	12,703
	40,236	33,616

4 Investment income

	2024 £000 (Unaudited)	2023 £000 (Unaudited)
Interest income		
Interest receivable from group companies	587	380
Other income from investments		
Dividends received	1,437	-
Total income	2,024	380

5 Inventories

	2024 £000 (Unaudited)	2023 £000
Raw materials	2	11
Work in progress	8,053	8,574
Finished goods	456	588
	8,511	9,173

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £20,642,000 (31 December 2023: £21,186,000).

NOTES TO THE MANAGEMENT ACCOUNTS (CONTINUED)

FOR THE PERIOD ENDED 30 SEPTEMBER 2024

6 Trade and other receivables

	2024 £000 (Unaudited)	2023 £000
Trade receivables	7,971	10,177
VAT recoverable	-	8
Amounts owed by fellow group undertakings	5,164	7,169
Amounts owed by related parties	-	74
Other receivables	18	309
Prepayments and accrued income	3,657	1,881
	16,810	19,618

Amounts owed by fellow group undertakings include £5,000,000 in intercompany loans, which are subject to interest at 5.00%. The remaining balances due from fellow group undertakings are non interest bearing and unsecured.

7 Liabilities

Current

	2024 £000 (Unaudited)	2023 £000
Trade payables	4,348	4,946
Amounts owed to fellow group undertakings	2,785	6,385
Amounts owed to related parties	5	-
Accruals and deferred income	426	341
Other payables	355	31
Corporation tax	1,435	3,227
Other taxation and social security	746	314
Lease liabilities	576	65
	10,676	15,309

Amounts owed to fellow group undertakings are non interest bearing and unsecured.

Non-current

	2024 £000 (Unaudited)	2023 £000
Lease liabilities	1,293	273
	1,293	273

8 Contingent liabilities

As a consequence of the funding requirements required to fund the joint venture within the group, the company has signed a participation agreement where they, together with other participants, guarantee jointly and severally for up to $5,000,000 (excluding interest and expenses) for any amount outstanding under the Facility Agreement with DNB Bank ASA.

As at 30 September 2024 the company, together with other related parties, jointly and severely guaranteed to repay a debt of its ultimate holding company in the event that timely payments of the loan by the ultimate holding company are not made. The guarantee has a limit of £671,641,791 (2023: £706,935,826) (excluding interest and expenses). At the reporting date, the company does not consider it probable that a claim will be made against the company under the intra-group financial guarantee. As such, the guarantee issued would not have a material effect on the amount, timing and uncertainty of the company's future cashflows.

In addition to the above, the company's ordinary shares are pledged by the ultimate holding company as financial guarantees for its liabilities to a financial institution.

As at 30 September 2024 there was also a duty deferment guarantee amounting to £200,000 (2023: £200,000) issued on behalf of the company.

9 Controlling party

The company is a subsidiary of MH Wirth UK Limited, incorporated in the United Kingdom.

The ultimate parent company - HMH Holding B.V., was incorporated in the Netherlands and is part of a joint venture between Akastor ASA and Baker Hughes Holdings LLC.

ACCOUNTANT'S REPORT TO THE BOARD OF DIRECTORS OF HYDRIL PCB LIMITED ON THE UNAUDITED MANAGEMENT ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2024

In order to assist you to fulfil your duties under the Companies Act 2006 ("the Act"), we prepared for your approval the management accounts of Hydril PCB Limited which comprise the income statement, the statement of financial position, the statement of changes in equity in accordance with the financial reporting framework set out therein from the company's accounting records and from information and explanations you have given us.

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at http://www.icaew.com/en/members/regulations-standards-and-guidance.

This report is made solely to the Board of Directors of Hydril PCB Limited, as a body, in accordance with the terms of our engagement letter dated 17 February 2025. Our work has been undertaken solely to prepare for your approval the management accounts of Hydril PCB Limited and state those matters that we have agreed to state to them in accordance with ICAEW Technical Release 07/16 AAF. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights against RSM UK Tax and Accounting Limited for any purpose or in any context. Any party other than the Board of Directors which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM UK Tax and Accounting Limited will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

It is your duty to ensure that Hydril PCB Limited has kept adequate accounting records and to prepare management accounts that give a true and fair view of the assets, liabilities, financial position and of Hydril PCB Limited under the Act.

We have not been instructed to carry out an audit or a review of the management accounts of Hydril PCB Limited. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the management accounts.

RSM UK Tax and Accounting Limited
Chartered Accountants
4th Floor
The Capitol
431 Union Street
Aberdeen
AB11 6DA

....

Appendix 24 - Audited Annual Financial Statements as of and for the financial year ended 31 December 2022 for HMH Drilling Asia Pte. Ltd.

HMH Drilling Asia Pte. Ltd.
(formerly known as Baker Hughes Drilling Asia Pte. Ltd.)

Registration Number: 200720201Z

Annual Report
Year ended 31 December 2022

Directors' statement

We are pleased to submit this annual report to the member of the Company together with the audited financial statements for the financial year ended 31 December 2022.

In our opinion:

(a) the financial statements set out on pages FS1 to FS30 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2022 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date in accordance with the provisions of the Companies Act 1967 and Singapore Financial Reporting Standards (International) and International Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

The directors in office at the date of this statement are as follows:

James Daniel Connelly
Eugene Charles Chauviere
David Ewing Bratton
Mirji Dhananjay Pandurang – Resigned on 30 December 2022
Mary-Lord Mesa Alejandro – Appointed on 30 December 2022
Hunain Qureshi – Appointed on 16 May 2024

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act 1967 (the Act), no director who held office at the end of the financial year (including those held by their spouses and infant children) had interests in shares, debentures, warrants or share options of the Company, or of related companies, either at the beginning of the financial year or at the end of the financial year.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Share options

During the financial year, there were:

(i) no options granted by the Company to any person to take up unissued shares in the Company; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under options.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

DocuSigned by:
David Ewing Bratton

David Ewing Bratton
Director

DocuSigned by:
Mary-Lord Alejandro

Mary-Lord Mesa Alejandro
Director

25 September 2024

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Independent auditors' report

Members of the Company
HMH Drilling Asia Pte. Ltd.
(formerly known as Baker Hughes Drilling Asia Pte. Ltd.)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of HMH Drilling Asia Pte. Ltd. ('the Company'), which comprise the statement of financial position as at 31 December 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages FS1 to FS30.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act 1967 ('the Act'), Singapore Financial Reporting Standards (International) ("SFRS(I)s") and IFRS Accounting Standards as issued by the International Accounting Standards Board ('IFRS Accounting Standards') so as to give a true and fair view of the financial position of the Company as at 31 December 2022 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ('SSAs'). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ('ACRA Code') together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information contained in the annual report. Other information comprises the Director's statement.

We have obtained the Directors' statement prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act, SFRS(I)s and IFRS Accounting Standards , and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. 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.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
25 September 2024

Statement of financial position
As at 31 December 2022

	Note	2022 US$	2021 US$
Non-current assets			
Plant and equipment	4	462,886	828,164
Intangible assets	5	–	30,744
Deferred tax assets	6	312,760	538,620
Equity investments – at FVOCI	21	17,576	17,576
		793,222	1,415,104
Current assets			
Inventories	7	4,425,017	6,579,366
Trade and other receivables	8	6,332,411	6,650,137
Cash and cash equivalents	9	10,995,344	9,012,698
		21,752,772	22,242,201
Total assets		22,545,994	23,657,305
Equity			
Share capital	10	8,321,394	8,321,394
Capital reserve	11	(3,699,937)	(3,699,937)
Accumulated profits		9,244,644	3,949,043
Total equity		13,866,101	8,570,500
Current liabilities			
Trade and other payables	12	7,115,916	13,232,542
Current tax liabilities		1,563,977	1,854,263
Total liabilities		8,679,893	15,086,805
Total equity and liabilities		22,545,994	23,657,305

The accompanying notes form an integral part of these financial statements.

Statement of comprehensive income
Year ended 31 December 2022

	Note	2022 US$	2021 US$
Revenue	13	26,020,138	21,671,392
Cost of sales		(10,106,114)	(8,646,306)
Gross profit		15,914,024	13,025,086
Sales and administrative expenses		(5,001,674)	(3,494,450)
Impairment loss on trade receivables due from related parties		–	(1,998,829)
Impairment loss on trade and other receivables		(21,627)	–
Other operating expenses		(12,083)	–
Results from operating activities		10,878,640	7,531,807
Finance income	14	188,430	61,699
Finance expense	14	(21,137)	(2,768)
Net finance income		167,293	58,931
Profit before tax	15	11,045,933	7,590,738
Tax expense	16	(1,800,332)	(1,673,854)
Total comprehensive income for the year		9,245,601	5,916,884

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity
Year ended 31 December 2022

	Note	Share capital US$	Capital reserve US$	Accumulated profits US$	Total US$
As at 1 January 2021		8,321,394	(3,699,937)	37,032,159	41,653,616
Total comprehensive income for the year					
Profit for the year		–	–	5,916,884	5,916,884
Transactions with owner, recorded directly in equity					
Tax-exempt dividend declared and paid of US$4.69 per share		–	–	(39,000,000)	(39,000,000)
As at 31 December 2021		8,321,394	(3,699,937)	3,949,043	8,570,500
As at 1 January 2022		8,321,394	(3,699,937)	3,949,043	8,570,500
Total comprehensive income for the year					
Profit for the year		–	–	9,245,601	9,245,601
Transactions with owner, recorded directly in equity					
Tax-exempt dividend declared and paid of US$0.475 per share	10	–	–	(3,950,000)	(3,950,000)
As at 31 December 2022		8,321,394	(3,699,937)	9,244,644	13,866,101

The accompanying notes form an integral part of these financial statements.

Statement of cash flows
Year ended 31 December 2022

	Note	2022 US$	2021 US$
Cash flows from operating activities			
Profit before tax		11,045,933	7,590,738
Adjustments for:			
(Reversal of) allowance for inventory obsolescence	7	(1,444,465)	376,426
Depreciation of plant and equipment	4	417,857	186,928
Amortisation of intangible assets	5	–	61,487
Impairment loss on trade receivables due from related parties		–	1,998,829
Disposals of plant and equipment	4	256,376	–
Disposals of intangible assets	5	30,744	–
Impairment loss on trade and other receivables		21,627	–
Finance cost	14	21,137	–
Interest income	14	(188,430)	–
		10,160,779	10,214,408
Changes in:			
Inventories		3,598,814	(889,757)
Trade and other receivables		296,099	458,958
Trade and other payables		(2,566,085)	5,070,917
Cash generated from operations		11,489,607	14,854,526
Tax paid		(1,864,758)	(2,508,364)
Net cash from operating activities		9,624,849	12,346,162
Cash flows from investing activity			
Interest received		188,430	–
Purchases of plant and equipment		(308,955)	–
Amounts due from a related company (non-trade)		–	32,744,404
Net cash from investing activity		(120,525)	32,744,404
Cash flows from financing activities			
Dividend paid		(3,950,000)	(39,000,000)
Finance cost paid		(21,137)	–
Amounts due to related companies (non-trade)	12	(3,550,541)	2,920,103
Net cash used in financing activities		(7,521,678)	(36,079,897)
Net increase in cash and cash equivalents		1,982,646	9,010,669
Cash and cash equivalents at beginning of year		9,012,698	2,029
Cash and cash equivalents at end of year	9	10,995,344	9,012,698

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 25 September 2024.

1 Domicile and activities

HMH Drilling Asia Pte. Ltd. (the "Company") is incorporated in Singapore and has its principal place of business at 25 Benoi Lane Singapore 627800.

The principal activities of the Company are those relating to the manufacture and repairs of industrial process control equipment.

The parent company of the Group is HMH Holding B.V. and it is incorporated in the Netherlands.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") and International Financial Reporting Standards ("IFRS").

SFRS(I)s are issued by the Accounting Standards Council, which comprise standards and interpretations that are equivalent to IFRSs issued by the International Accounting Standards Board.

All references to SFRS(I) and IFRS are subsequently referred to as IFRS in these financial statements unless otherwise specified.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except as otherwise described in the notes below.

2.3 Functional and presentation currency

The financial statements are presented in United States ("US") dollars which is the Company's functional currency.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Management is of the opinion that there are no critical judgements made in applying the entity's accounting policies.

There is no information about assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Measurement of fair values

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

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised 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 that the Company can access at the measurement date;
- 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); and
- Level 3: Inputs for the asset or liability that are not based on observable market data.

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

2.5 Changes in material accounting policies and estimates

New standards and amendments

The Company has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2022:

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

Other than the amendment relating to SFRS(I)1-1 and SFRS(I) Practice Statement 2: *Disclosure of Accounting Policies*, the application of these amendments to standards and interpretations does not have a material effect on the financial statements.

Material accounting policy information

The Company early adopted Amendments to SFRS(I)1-1 and SFRS(I) Practice Statement 2: *Disclosure of Accounting Policies* for the first time in 2022. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements. Management reviewed the accounting policies and made updates to the information disclosed in note 3 Material accounting policies (2021: Significant accounting policies) in certain instances in line with the amendments.

3 Material accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the financial statements except as explained in note 2.5, which addresses changes in material accounting policies and estimates.

3.1 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables and debt investments issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments at FVOCI

On initial recognition of an equity investment that is not held-for-trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

Financial assets: Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets:

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost.

Financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprised trade and other payables.

(iii) Derecognition

Financial assets

The Company derecognises 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

- the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Transferred assets are not derecognised when the Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises 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 recognised 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 recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

(vi) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effect. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

(vii) Intra-group financial guarantees

Financial guarantees are financial instruments issued by the Company that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

Expected credit losses ("ECLs") are a probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Company expects to recover.

3.2 Impairment of financial assets

(i) Non-derivative financial assets

The Company recognises loss allowances for ECLs on financial assets measured at amortised cost.

Loss allowances of the Company are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Company applies the simplified approach to provide for ECLs for all its receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise; or
- it is probable that the debtor will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amounts are estimated.

The recoverable amount of an asset or cash-generating unit ("CGU") is the greater of its value-in-use and its fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of the impairment testing, assets that cannot be tested individually are grouped together into the smallest group of the assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

An impairment loss is recognised if the carrying amount of an assets or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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, if no impairment loss had been recognised.

3.3 Inventories

Inventories are measured at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a weighted average cost basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average cost basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

3.4 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.5 Revenue

Sale of goods and services

Revenue from sale of goods and services in the ordinary course of business is recognised when the Company satisfies a performance obligation ("PO") by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

The transaction price is the amount of consideration in the contract to which the Company expects to be entitled in exchange for transferring the promised goods or services. The transaction price is fixed and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Company does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

The Company recognises revenue at the point in time that the customer obtains control of the goods, which is no earlier than when the customer has physical possession of the product.

Rendering of services

Revenue from the sale of services may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is related to long-term services or extended agreements satisfied over time, revenue is recognised on an over time basis using output method to measure progress toward completion at the estimated margin rate of the contract. The differences between the timing of revenue recognized (based on costs incurred) and customer billings (based on contractual terms) result in changes to contract asset or contract liability positions.

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs incurred to fulfil a contract are capitalised only if the costs relate directly to the contract, generate or enhance resources used in satisfying future performance obligations, and are expected to be recovered. These costs would be amortised consistently with the pattern of revenue for the related contract. Other costs are expensed as incurred. The Company has applied the practical expedient and recognised the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Company otherwise would have recognised is one year or less.

3.6 Income tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date, and reflects uncertainty related to income taxes, if any.

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 taxes levied by the same tax authority on the same taxable entity and the Company intends to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, unused 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 used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.7 New standards and interpretations not adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

- Amendments to SFRS(I) 1-12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to SFRS(I)1-1: *Classification of Liabilities as Current or Non-Current*
- SFRS(I) 17 Insurance Contracts and Amendments to SFRS(I) 17 Insurance Contracts
- Amendments to SFRS(I) 1-8: *Definition of Accounting Estimates*

4 Plant and equipment

	Plant and equipment US$	Furniture, fixtures and office equipment US$	Total US$
Cost			
At 1 January 2021	1,282,112	29,118	1,311,230
Additions	624,325	–	624,325
At 31 December 2021	1,906,437	29,118	1,935,555
Additions	308,955	–	308,955
Disposals	(1,533,118)	(29,118)	(1,562,236)
At 31 December 2022	682,274	–	682,274
Accumulated depreciation			
At 1 January 2021	891,345	29,118	920,463
Depreciation for the year	186,928	–	186,928
At 31 December 2021	1,078,273	29,118	1,107,391
Depreciation for the year	417,857	–	417,857
Disposals	(1,276,742)	(29,118)	(1,305,860)
At 31 December 2022	219,388	–	219,388
Carrying amounts			
At 1 January 2021	390,767	–	390,767
At 31 December 2021	828,164	–	828,164
At 31 December 2022	462,886	–	462,886

5 Intangible assets

	Computer software US$
Cost	
At 1 January 2021 and 31 December 2021	1,844,617
Disposals	(1,844,617)
At 31 December 2022	–
Accumulated amortisation	
At 1 January 2021	1,752,386
Amortisation	61,487
At 31 December 2021	1,813,873
Disposals	(1,813,873)
At 31 December 2022	–
Carrying amounts	
At 1 January 2021	92,231
At 31 December 2021	30,744
At 31 December 2022	–

6 Deferred tax assets

Deferred tax assets as at 31 December 2022 relates to the following:

	At 1 January 2021 US$	Recognised in profit or loss (Note 16) US$	At 31 December 2021 US$	Recognised in profit or loss (Note 16) US$	At 31 December 2022 US$
Deferred tax assets					
Inventories	549,885	63,992	613,877	(245,558)	368,319
Deferred tax liabilities					
Plant and equipment	(66,430)	(3,601)	(70,031)	14,472	(55,559)
Intangible assets	(15,679)	10,453	(5,226)	5,226	–
	(82,109)	6,852	(75,257)	19,698	(55,559)
Total deferred tax assets	467,776	70,844	538,620	(225,860)	312,760

7 Inventories

	2022 US$	2021 US$
Finished goods	6,525,502	10,032,167
Goods-in-transit	66,095	158,244
Allowance for inventory obsolescence	(2,166,580)	(3,611,045)
	4,425,017	6,579,366

In 2022, inventories of US$8,617,174 (2021: US$7,529,893) were recognised as expense and included in cost of sales.

Source of estimation uncertainty

Inventories have been written down to net realisable value to be consistent with the view that assets should not be carried in excess of amounts expected to be realised from their sale or use. Estimates of net realisable value are based on the most reliable evidence available at the balance sheet date. These estimates take into consideration the future product demand, market conditions, production requirements and technological developments directly relating to events occurring after the end of the financial year to the extent that such events confirm conditions existing at the end of the financial year.

Movements in allowance for inventory obsolescence

The movement in the allowance for inventory obsolescence during the year was as follows.

	2022 US$	2021 US$
Balance as at 1 January	3,611,045	3,234,619
Allowance made during the year	–	932,829
Reversal of allowance during the year	(1,444,465)	(556,403)
Balance as at 31 December	2,166,580	3,611,045

8 Trade and other receivables

	2022 US$	2021 US$
Trade receivables	3,806,857	5,734,802
Contract assets	2,243,395	555,835
Amounts due from related companies (trade)	166,998	329,378
Other receivables	115,161	30,122
	6,332,411	6,650,137

The contract assets primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date in respect of its rights to consideration for services transferred to date. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Company invoices the customer.

The Company's exposure to credit risks related to trade and other receivables are disclosed in note 18.

9 Cash and cash equivalents

	2022 US$	2021 US$
Cash at bank	10,995,344	9,012,698

10 Share capital

	2022		2021	
	No. of shares	US$	No. of shares	US$
Fully paid ordinary shares, with no par value:				
At 1 January and 31 December	8,310,992	8,321,394	8,310,992	8,321,394

The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

The Company's ordinary shares are pledged by the intermediate holding company, HMH Holding B.V., as financial guarantees for its liabilities to a financial institution.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2022 and 31 December 2021.

In the year ending 31 December 2022, the Company declared tax-exempt dividends to its immediate holding company, MHWirth (Singapore) Pte Ltd, amounting to US$3,950,000 (2021: US$39,000,000). It was paid within the respective years.

The Company is not subject to externally imposed capital requirements.

11 Capital reserve

This represents the excess of consideration over the fair value of the assets and liabilities acquired upon the transfer of business and certain assets and liabilities from a related company to the Company in 2008.

12 Trade and other payables

	2022 US$	2021 US$
Trade payables	1,673,255	2,077,636
Amounts due to related companies (trade)	1,981,573	1,802,429
Amounts due to related companies (non-trade)	–	3,550,541
Contract liabilities	1,420,036	5,111,857
Other payables and accrued expenses	2,041,052	690,079
Total trade and other payables	7,115,916	13,232,542

The contract liabilities primarily relate to the advance consideration received from customers amounting to US$455,605 (2021: US$1,687,591) for which revenue is recognised over time, and US$964,431 (2021: US$3,424,266) for which revenue is recognised at a point in time.

Amounts due to related companies are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Amounts due to related companies (non-trade) US$
Balance as at 1 January 2021	519,773
Change from financing cash flows	
Proceeds from non-trade amount from a related company	2,920,103
Total changes from financing cash flows	2,920,103
Other changes	
Liability-related	
Payment on behalf/service fees charged by related companies	110,665
Total other changes	110,665
Balance as at 31 December 2021	3,550,541
Balance as at 1 January 2022	3,550,541
Change from financing cash flows	
Proceeds from non-trade amount from a related company	–
Total changes from financing cash flows	–
Other changes	
Liability-related	
Payment on behalf/service fees charged by related companies	(3,550,541)
Total other changes	(3,550,541)
Balance as at 31 December 2022	–

The company's exposure to liquidity and currency risk related to trade and other payables are disclosed in note 18.

13 Revenue

	2022 US$	**2021 US$**
Revenue from contracts with customers – sales of goods	18,797,783	13,965,355
Revenue from contracts with customers – rendering of services	7,222,355	7,706,037
	26,020,138	21,671,392
Revenue recognised:		
At a point in time	18,797,783	13,965,355
Over time	7,222,355	7,706,037
	26,020,138	21,671,392

The following tables provide information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Sales of goods

Nature of goods	Manufacture and sale of industrial process control equipment.
When revenue is recognised	The Company recognises revenue at the point in time that the customer obtains control of the goods, which is no earlier than when the customer has physical possession of the product
Significant payment terms	30 days from invoice date.
Obligations for warranties	The Company is obliged to a 12 months warranties to the customers based on shipment date from, or from the date of notice that the goods are ready for shipment.

Rendering of services

Nature of goods or services	Repairs of industrial process control equipment.
When revenue is recognised	Revenue from the sale of services may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO related to long-term services or extended agreements is satisfied over time, revenue is recognised over time using output method (FY2021: input method) to measure progress toward completion at the estimated margin rate of the contract.
Significant payment terms	30 days from invoice date.
Obligations for warranties	The Company is obliged to a warranty to customers ranging 6 to 18 months for the services rendered depending on the nature of repair, replaced or re-performed products parts or services.

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	2022	**2021**
	US$	**US$**
Trade receivables	3,806,857	5,734,802
Contract assets	2,243,395	555,835
Contract liabilities	(1,420,036)	(5,111,857)

Significant changes in the contract assets and the contract liabilities balances during the period are as follows.

	Contract assets		Contract liabilities	
	2022	**2021**	**2022**	**2021**
	US$	**US$**	**US$**	**US$**
Revenue recognised that was included in the contract liability balance at the beginning of the year	–	–	5,111,857	599,147
Increases due to cash received, excluding amounts recognised as revenue during the year	–	–	(1,420,036)	(5,089,577)
Contract asset reclassified to trade receivables	(555,835)	(527,139)	–	–
Revenue recognised that was included in contract asset balance during the year	2,243,395	555,835	–	–

The Company applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about its remaining performance obligations if:

- the performance obligation is part of a contract that has an original expected duration of one year or less; or
- the Company has a right to invoice a customer in an amount that corresponds directly with its performance to date, then it recognises revenue in that amount.

The Company's exposure to impairment losses for contract assets is disclosed in note 18.

14 Finance income and finance expense

	2022	2021
	US$	**US$**
Foreign exchange gain, net	–	61,663
Interest income	188,430	36
Finance income	188,430	61,699
Foreign exchange loss, net	(16,799)	–
Interest expense	–	(2,768)
Bank charges	(4,338)	–
Finance expense	(21,137)	(2,768)
Net finance income recognised in profit or loss	167,293	58,931

15 Profit before tax

The following items have been included in arriving at profit before tax:

	Note	2022 US$	2021 US$
Staff costs		2,221,778	1,939,424
Contribution to defined contribution plans, included in staff costs		238,060	122,693
Depreciation of plant and equipment	4	417,857	186,928
Amortisation of intangible assets	5	–	61,487
Management fees charged by related companies		1,363,068	44,401
Impairment loss on trade receivables due from related parties		–	1,998,829
Impairment loss on trade and other receivables		21,627	–

16 Tax expense

	2022 US$	2021 US$
Current tax expense		
Current year	1,550,549	1,774,134
Under/(Over) provision in prior years	23,923	(29,436)
	1,574,472	1,744,698
Deferred tax expense		
Origination and reversal of temporary differences	225,860	(70,844)
	225,860	(70,844)
Total tax expense	1,800,332	1,673,854

Reconciliation of effective tax rate	2022 US$	2021 US$
Profit before income tax	11,045,933	7,590,738
Tax calculated using Singapore tax rate of 17% (2021: 17%)	1,877,809	1,290,425
Expenses not deductible for tax purposes	152,786	425,833
Income not subject to tax	(254,186)	(12,968)
Under/(Over) provision in prior years	23,923	(29,436)
	1,800,332	1,673,854

17 Related parties

Key management personnel compensation

Key management personnel of the Company are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company. The directors are considered as key management personnel of the Company.

Key management personnel compensation comprised:

	2022 US$	2021 US$
Short-term employee benefits	109,017	1,216,123

The significant reduction in short-term employee benefits is due to the company restructuring, which has led to a change in the number of directors. Certain directors were not paid directly by the Company but received remuneration from the Company's holding corporation, in respect of their services to the respective larger group which includes the Company. No apportionment had been made as the services provided by these directors to the Company were incidental to their responsibilities to the respective larger group.

Other related party transactions

During the financial year, other than those disclosed elsewhere in the financial statements, the following significant related party transactions between the Company and its related parties took place at terms agreed between the parties:

	2022 US$	2021 US$
Sales to related companies	103,574	159,789
Purchases from related companies	(4,762,149)	(5,042,728)
Management fees charged by related companies	(1,363,068)	(44,401)

18 Financial instruments

Financial risk management

Overview

The Company has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Management is responsible for developing and monitoring the Company's risk management policies. Management reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises from the Company's trade and other receivables, and cash and cash equivalents.

The carrying amounts of financial assets and contract assets represent the Company's maximum exposures to credit risk, before taking into account any collateral held. The Company does not require any collateral in respect of their financial assets.

As at 31 December 2022, the carrying amount of receivables from the Company's most significant three customers was US$2,380,847 (2021: US$1,374,506).

Counterparty credit risk

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer, its financial position and past experience with the customer. However, management also considers the demographics of the Company's customer base, including the default risk associated with the industry and country in which customers operate, as these factors may have an influence on credit risk.

Amount due from related companies

The Company performs regular reconsolidations and assessment of recoverability of trade and non-trade amounts due from related companies that is based on an assessment of qualitative and quantitative factors that are indicative of the risk of default of each counterparty (including but not limited to audited financial statements, management accounts and cash flow projections, and applying experienced credit judgement). Impairment on these balances has been measured on the 12-month expected credit loss basis unless there is significant increase in credit risk for these exposures. Impairment loss recognised in profit or loss for the financial year ended 31 December 2022 amounted to US$nil (2021: US$1,998,829). Based on the Company's further assessment, the Company believes that, apart from the above, related parties have sufficient resources to settle their liabilities due to the Company as and when due.

Guarantees

As at 31 December 2022, the Company, together with other related parties, jointly guaranteed to repay a debt of the intermediate holding company, HMH Holding B.V., in the event that timely payments of the loan are not made. These guarantees are subject to impairment assessment under IFRS 9. The Company has assessed that the intermediate holding company has strong financial capacity to meet the contractual cash flow obligations in the near future and hence, does not expect significant credit losses from these guarantees.

The Company's assessment is based on qualitative and quantitative factors that are indicative of the risk of default (including but not limited to external ratings and management accounts, if available, and applying experienced credit judgement).

Expected credit loss assessment for customers

The Company uses an allowance matrix to measure the expected credit losses of trade receivables, which comprises a large number of small balances.

Expected credit loss are based on actual credit loss experience over the past three years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets for third-party customers:

	Weighted average loss rate %	Gross carrying amount US$	Impairment loss allowance US$
31 December 2022			
Not past due	0	4,901,730	–
Past due 1 – 30 days	0	379,465	–
Past due 31 – 60 days	0	153,379	–
Past due 61 – 90 days	0	220,215	–
Past due 91 – 180 days	0	116,255	–
Past due more than 180 days	1	282,320	3,112
		6,053,364	3,112

	Weighted average loss rate %	Gross carrying amount US$	Impairment loss allowance US$
31 December 2021			
Not past due	0	4,725,793	–
Past due 1 – 30 days	0	1,029,347	–
Past due 31 – 60 days	0	430,606	–
Past due 61 – 90 days	0	15,958	–
Past due 91 – 180 days	0	44,251	–
Past due more than 180 days	0	44,682	–
		6,290,637	–

Movements in allowance for impairment loss
The movement in the allowance for impairment loss during the year was as follows.

	2022 US$	2021 US$
Balance as at 1 January	–	–
Impairment loss recognised during the year	21,627	–
Write-offs during the year	(18,515)	–
Balance as at 31 December	3,112	–

Cash and cash equivalents

The Company held cash and cash equivalents of US$10,995,344 as at 31 December 2022 (2021: US$9,012,698). The cash and cash equivalents are held with banks which are regulated and are rated Aa1 and A1, based on Moody's ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit rating of the banks, which meet the appropriate credit criteria.

The amount of the allowance on cash and cash equivalents is negligible.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Exposure to liquidity risk

The following are the contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements:

	Note	2022 One year or less US$	2021 One year or less US$
Non-derivative financial liabilities			
Trade and other payables#	12	(5,695,880)	(8,120,685)

excludes contract liabilities

The maturity analyses show the contractual undiscounted cash flows of the Company's financial liabilities on the basis of their earliest possible contractual maturity. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Information on the maturity of the issued financial guarantee is disclosed in note 19.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Company's income and operating cash flows are substantially independent of changes in market interest rates. Therefore, at the reporting date, the Company did not have any significant interest rate exposure.

Currency risk

The Company has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the functional currency of the Company.

The Company's exposure to Singapore dollar ("SGD") expressed in the Company's functional currency is as follows:

	SGD expressed in US$
31 December 2022	
Trade and other receivables	–
Cash and cash equivalents	401,256
Trade and other payables	(1,327,230)
Total exposure	(925,974)

	SGD expressed in US$
31 December 2021	
Trade and other receivables	17,786
Cash and cash equivalents	232,087
Trade and other payables	(1,468,368)
Total exposure	(1,218,495)

Sensitivity analysis

The following table demonstrates the sensitivity of the Company's profit before tax to a reasonably possible change in the SGD exchange rate against the functional currency of the Company, with all other variables held constant.

	2022 Profit before tax US$	2021 Profit before tax US$
USD/SGD (10% strengthening)	(92,597)	(121,850)
(10% weakening)	92,597	121,850

Accounting classifications and fair values

The carrying amounts of financial assets and liabilities are as follows. No separate disclosure on their fair values have been made as the carrying amounts of the financial assets and financial liabilities are reasonable approximations of their fair values.

	Note	Financial assets at amortised cost $	FVOCI – equity instruments $	Other financial liabilities $	Total $
31 December 2022					
Financial assets measured at fair value					
Equity investments – at FVOCI		–	17,576	–	17,576
		–	17,576	–	17,576
Financial assets not measured at fair value					
Trade and other receivables	8	6,332,411	–	–	6,332,411
Cash and cash equivalents	9	10,995,344	–	–	10,995,344
		17,327,755	–	–	17,327,755
Financial liabilities not measured at fair value					
Trade and other payables	12	–	–	(7,115,916)	(7,115,916)
31 December 2021					
Financial assets measured at fair value					
Equity investments – at FVOCI		–	17,576	–	17,576
		–	17,576	–	17,576
Financial assets not measured at fair value					
Trade and other receivables	8	6,650,137	–	–	6,650,137
Cash and cash equivalents	9	9,012,698	–	–	9,012,698
		15,662,835	–	–	15,662,835
Financial liabilities not measured at fair value					
Trade and other payables	12	–	–	(13,232,542)	(13,232,542)

Determination of fair values

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents and trade and other payables) approximate their fair values because of the short period to maturity.

19 Contingencies

As at 31 December 2022, the Company, together with other related parties, jointly and severely guaranteed to repay a debt of its intermediate holding company, HMH Holding B.V., in the event that timely payments of the loan by the intermediate holding company are not made. The guarantee is limited to US$400 million (2021: US$360 million). At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the intra-group financial guarantee. As such, the guarantee issued would not have a material effect on the amount, timing and uncertainty of the Company's future cashflows.

In addition to the above, the Company's ordinary shares are pledged by the intermediate holding company as financial guarantees for its liabilities to a financial institution, as disclosed in note 10. For issued financial guarantee contracts, IFRS 7 requires the Company to disclose the earliest period in which the guarantee could be called and maximum amount of the guarantee which could be called. In this respect, the earliest period when the guarantee could be called was 1st quarter of 2023 amounting to US$400 million.

20 Subsequent events

On 1 June 2023, the Company declared tax-exempt dividend to its immediate holding company, MHWirth (Singapore) Pte Ltd, of US$0.84 per ordinary share, followed by another tax-exempt dividend of US$0.84 per ordinary share on 18 December 2023. The total amount of dividend declared was US$14,000,000. It was paid in cash in June and December 2023 respectively.

21 Comparative information

The Company modified the presentation of balance sheet captions in the current year. The comparative amounts have been restated to conform to the current year's presentation format. The impact of this modification is not material.

	As previously reported $	Adjustments $	As restated $
31 December 2021			
Trade and other receivables	6,667,713	(17,576)	6,650,137
Equity investments – at FVOCI	–	17,576	17,576

Appendix 25 - Audited Annual Financial Statements as of and for the financial year ended 31 December 2023 for HMH Drilling Asia Pte. Ltd.

HMH Drilling Asia Pte. Ltd.
Registration Number: 200720201Z
Annual Report
Year ended 31 December 2023

Directors' statement

We are pleased to submit this annual report to the member of the Company together with the audited financial statements for the financial year ended 31 December 2023.

In our opinion:

(a) the financial statements set out on pages FS1 to FS28 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2023 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date in accordance with the provisions of the Companies Act 1967 and Singapore Financial Reporting Standards (International) and International Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

The directors in office at the date of this statement are as follows:

James Daniel Connelly
Eugene Charles Chauviere
David Ewing Bratton
Mary-Lord Mesa Alejandro
Hunain Qureshi – Appointed on 16 May 2024

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act 1967 (the Act), no director who held office at the end of the financial year (including those held by their spouses and infant children) had interests in shares, debentures, warrants or share options of the Company, or of related companies, either at the beginning of the financial year or at the end of the financial year.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Share options

During the financial year, there were:

(i) no options granted by the Company to any person to take up unissued shares in the Company; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under options.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

DocuSigned by:
David Ewing Bratton

David Ewing Bratton
Director

DocuSigned by:
Mary-Lord Alejandro

Mary-Lord Mesa Alejandro
Director

25 September 2024

KPMG LLP
12 Marina View #15-01
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Singapore 018961

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Internet www.kpmg.com.sg

Independent auditors' report

Members of the Company
HMH Drilling Asia Pte. Ltd.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of HMH Drilling Asia Pte. Ltd. ('the Company'), which comprise the statement of financial position as at 31 December 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages FS1 to FS28.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act 1967 ('the Act'), Singapore Financial Reporting Standards (International) ("SFRS(I)s") and IFRS Accounting Standards as issued by the International Accounting Standards Board ('IFRS Accounting Standards') so as to give a true and fair view of the financial position of the Company as at 31 December 2023 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ('SSAs'). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements'* section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ('ACRA Code') together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information contained in the annual report. Other information comprises the Director's statement.

We have obtained the Directors' statement prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act, SFRS(I)s and IFRS Accounting Standards , and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. 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.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
25 September 2024

Statement of financial position
As at 31 December 2023

	Note	2023 US$	2022 US$
Non-current assets			
Plant and equipment	4	388,311	462,886
Deferred tax assets	5	205,480	312,760
Equity investments – at FVOCI		17,576	17,576
		611,367	793,222
Current assets			
Inventories	6	7,709,490	4,425,017
Trade and other receivables	7	12,201,078	6,332,411
Cash and cash equivalents	8	7,387,575	10,995,344
		27,298,143	21,752,772
Total assets		27,909,510	22,545,994
Equity			
Share capital	9	8,321,394	8,321,394
Capital reserve	10	(3,699,937)	(3,699,937)
Accumulated profits		6,238,999	9,244,644
Total equity		10,860,456	13,866,101
Current liabilities			
Trade and other payables	11	14,240,537	7,115,916
Current tax liabilities		2,808,517	1,563,977
Total liabilities		17,049,054	8,679,893
Total equity and liabilities		27,909,510	22,545,994

The accompanying notes form an integral part of these financial statements.

Statement of comprehensive income
Year ended 31 December 2023

	Note	2023 US$	2022 US$
Revenue	12	40,889,151	26,020,138
Cost of sales		(17,061,828)	(10,106,114)
Gross profit		23,827,323	15,914,024
Sales and administrative expenses		(10,232,612)	(5,001,674)
Impairment loss on trade and other receivables		(10,085)	(21,627)
Other operating expenses		(4,142)	(12,083)
Results from operating activities		13,580,484	10,878,640
Finance income	13	549,588	188,430
Finance expense	13	(65,875)	(21,137)
Net finance income		483,713	167,293
Profit before tax	14	14,064,197	11,045,933
Tax expense	15	(3,069,842)	(1,800,332)
Total comprehensive income for the year		10,994,355	9,245,601

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity
31 December 2023

	Note	Share capital US$	Capital reserve US$	Accumulated profits US$	Total US$
As at 1 January 2022		8,321,394	(3,699,937)	3,949,043	8,570,500
Total comprehensive income for the year					
Profit for the year		–	–	9,245,601	9,245,601
Transactions with owner, recorded directly in equity					
Tax-exempt dividend declared and paid of US$0.475 per share		–	–	(3,950,000)	(3,950,000)
As at 31 December 2022		8,321,394	(3,699,937)	9,244,644	13,866,101
As at 1 January 2023		8,321,394	(3,699,937)	9,244,644	13,866,101
Total comprehensive income for the year					
Profit for the year		–	–	10,994,355	10,994,355
Transactions with owner, recorded directly in equity					
Tax-exempt dividends declared and paid of US$1.68 per share		–	–	(14,000,000)	(14,000,000)
As at 31 December 2023	9	8,321,394	(3,699,937)	6,238,999	10,860,456

The accompanying notes form an integral part of these financial statements.

Statement of cash flows
Year ended 31 December 2023

	Note	2023 US$	2022 US$
Cash flows from operating activities			
Profit before tax		14,064,197	11,045,933
Adjustments for:			
Reversal of allowance for inventory obsolescence	6	(640,560)	(1,444,465)
Depreciation of plant and equipment	4	74,575	417,857
Disposals of plant and equipment	4	–	256,376
Disposals of intangible assets		–	30,744
Impairment loss on trade and other receivables		10,085	21,627
Finance cost	13	65,875	21,137
Interest income	13	(549,588)	(188,430)
		13,024,584	10,160,779
Changes in:			
Inventories		(2,643,913)	3,598,814
Trade and other receivables		(5,878,752)	296,099
Trade and other payables		7,124,621	(2,566,085)
Cash generated from operations		11,626,540	11,489,607
Tax paid		(1,718,022)	(1,864,758)
Net cash from operating activities		9,908,518	9,624,849
Cash flows from investing activity			
Interest received		549,588	188,430
Purchases of plant and equipment		–	(308,955)
Net cash from investing activity		549,588	(120,525)
Cash flows from financing activities			
Dividend paid		(14,000,000)	(3,950,000)
Finance cost paid		(65,875)	(21,137)
Amounts due to related companies (non-trade)		–	(3,550,541)
Net cash used in financing activities		(14,065,875)	(7,521,678)
Net increase in cash and cash equivalents		(3,607,769)	1,982,646
Cash and cash equivalents at beginning of year		10,995,344	9,012,698
Cash and cash equivalents at end of year	8	7,387,575	10,995,344

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 25 September 2024.

1 Domicile and activities

HMH Drilling Asia Pte. Ltd. (the "Company") is incorporated in Singapore and has its principal place of business at 25 Benoi Lane Singapore 627800.

The principal activities of the Company are those relating to the manufacture and repairs of industrial process control equipment.

The parent company of the Group is HMH Holding B.V., and it is incorporated in the Netherlands.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") and International Financial Reporting Standards ("IFRS").

SFRS(I)s are issued by the Accounting Standards Council, which comprise standards and interpretations that are equivalent to IFRSs issued by the International Accounting Standards Board.

All references to SFRS(I) and IFRS are subsequently referred to as IFRS in these financial statements unless otherwise specified.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except as otherwise described in the notes below.

2.3 Functional and presentation currency

The financial statements are presented in United States ("US") dollars which is the Company's functional currency.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Management is of the opinion that there are no critical judgements made in applying the entity's accounting policies.

There is no information about assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Measurement of fair values

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

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised 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 that the Company can access at the measurement date;
- 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); and
- Level 3: Inputs for the asset or liability that are not based on observable market data.

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

2.5 Changes in material accounting policies and estimates

New standards and amendments

The Company has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2023:

- SFRS(I) 17: *Insurance Contracts*
- Amendments to SFRS(I) 1-12: *Deferred tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to SFRS(I) 1-12: *International Tax Reform – Pillar Two Model Rules*
- Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: *Disclosure of Accounting Policies*
- Amendments to SFRS(I) 1-8: *Definition of Accounting Estimates*

The application of these amendments to standards and interpretations does not have a material effect on the financial statements.

3 Material accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the financial statements except as explained in note 2.5, which addresses changes in material accounting policies and estimates.

3.1 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables and debt investments issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss (“FVTPL”), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments at FVOCI

On initial recognition of an equity investment that is not held-for-trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income (“OCI”). This election is made on an investment-by-investment basis.

Financial assets: Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets:

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost.

Financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprised trade and other payables.

(iii) Derecognition

Financial assets

The Company derecognises 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
  - the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Transferred assets are not derecognised when the Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises 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 recognised 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 recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

(vi) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effect. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

(vii) Intra-group financial guarantees

Financial guarantees are financial instruments issued by the Company that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

Estimated credit losses (“ECLs”) are a probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Company expects to recover.

3.2 Impairment of financial assets

(i) Non-derivative financial assets

The Company recognises loss allowances for ECLs on financial assets measured at amortised cost.

Loss allowances of the Company are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Company applies the simplified approach to provide for ECLs for all its receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise; or
- it is probable that the debtor will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amounts are estimated.

The recoverable amount of an asset or cash-generating unit ("CGU") is the greater of its value-in-use and its fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of the impairment testing, assets that cannot be tested individually are grouped together into the smallest group of the assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

An impairment loss is recognised if the carrying amount of an assets or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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, if no impairment loss had been recognised.

3.3 Inventories

Inventories are measured at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a weighted average cost basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average cost basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

3.4 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.5 Revenue

Sale of goods and services

Revenue from sale of goods and services in the ordinary course of business is recognised when the Company satisfies a performance obligation ("PO") by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

The transaction price is the amount of consideration in the contract to which the Company expects to be entitled in exchange for transferring the promised goods or services. The transaction price is fixed and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Company does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

The Company recognises revenue at the point in time that the customer obtains control of the goods, which is no earlier than when the customer has physical possession of the product.

Rendering of services

Revenue from the sale of services may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is related to long-term services or extended agreements satisfied over time, revenue is recognised on an over time basis using output method to measure progress toward completion at the estimated margin rate of the contract. The differences between the timing of revenue recognized (based on costs incurred) and customer billings (based on contractual terms) result in changes to contract asset or contract liability positions.

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs incurred to fulfil a contract are capitalised only if the costs relate directly to the contract, generate or enhance resources used in satisfying future performance obligations, and are expected to be recovered. These costs would be amortised consistently with the pattern of revenue for the related contract. Other costs are expensed as incurred. The Company has applied the practical expedient and recognised the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Company otherwise would have recognised is one year or less.

3.6 Income tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date, and reflects uncertainty related to income taxes, if any.

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 taxes levied by the same tax authority on the same taxable entity and the Company intends to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, unused 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 used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.7 New standards and interpretations not adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

- Amendments to SFRS(I)1-1: *Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants*
- Amendments to SFRS(I) 1-7 and SFRS(I) 7: *Supplier Finance Arrangements*
- Amendments to SFRS(I) 16: *Lease liability in a Sale and Leaseback*
- Amendments to SFRS(I) 1-21: *Lack of Exchangeability*

4 Plant and equipment

	Plant and equipment US$	Furniture, fixtures and office equipment US$	Total US$
Cost			
At 1 January 2022	1,906,437	29,118	1,935,555
Additions	308,955	–	308,955
Disposals	(1,533,118)	(29,118)	(1,562,236)
At 31 December 2022	682,274	–	682,274
Additions	–	–	–
Disposals	–	–	–
At 31 December 2023	682,274	–	682,274
Accumulated depreciation			
At 1 January 2022	1,078,273	29,118	1,107,391
Depreciation for the year	417,857	–	417,857
Disposals	(1,276,742)	(29,118)	(1,305,860)
At 31 December 2022	219,388	–	219,388
Depreciation for the year	74,575	–	74,575
Disposals	–	–	–
At 31 December 2023	293,963	–	293,963
Carrying amounts			
At 31 December 2022	462,886	–	462,886
At 31 December 2023	388,311	–	388,311

5 Deferred tax assets

Deferred tax assets as at 31 December 2023 relates to the following:

	At 1 January 2022 US$	Recognised in profit or loss (Note 15) US$	At 31 December 2022 US$	Recognised in profit or loss (Note 15) US$	At 31 December 2023 US$
Deferred tax assets					
Inventories	613,877	(245,558)	368,319	(108,895)	259,424
Deferred tax liabilities					
Plant and equipment	(70,031)	14,472	(55,559)	1,615	(53,944)
Intangible assets	(5,226)	5,226	–	–	–
	(75,257)	19,698	(55,559)	1,615	(53,944)
Total deferred tax assets	538,620	(225,860)	312,760	(107,280)	205,480

6 Inventories

	2023 US$	2022 US$
Finished goods	8,588,417	6,525,502
Goods-in-transit	647,093	66,095
Allowance for inventory obsolescence	(1,526,020)	(2,166,580)
	7,709,490	4,425,017

In 2023, inventories of US$10,666,963 (2022: US$8,617,174) were recognised as expense and included in cost of sales.

Source of estimation uncertainty

Inventories have been written down to net realisable value to be consistent with the view that assets should not be carried in excess of amounts expected to be realised from their sale or use. Estimates of net realisable value are based on the most reliable evidence available at the balance sheet date. These estimates take into consideration the future product demand, market conditions, production requirements and technological developments directly relating to events occurring after the end of the financial year to the extent that such events confirm conditions existing at the end of the financial year.

Movements in allowance for inventory obsolescence

The movement in the allowance for inventory obsolescence during the year was as follows.

	2023 US$	2022 US$
Balance as at 1 January	2,166,580	3,611,045
Reversal of allowance during the year	(640,560)	(1,444,465)
Balance as at 31 December	1,526,020	2,166,580

7 Trade and other receivables

	2023 US$	2022 US$
Trade receivables	8,506,548	3,806,857
Contract assets	1,260,344	2,243,395
Amounts due from related companies (trade)	1,635,298	166,998
Other receivables	798,888	115,161
	12,201,078	6,332,411

The contract assets primarily relate to the Company’s rights to consideration for work completed but not billed at the reporting date in respect of its rights to consideration for services transferred to date. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Company invoices the customer.

The Company's exposure to credit risks related to trade and other receivables are disclosed in note 17.

8 Cash and cash equivalents

	2023 US$	2022 US$
Cash at bank	7,387,575	10,995,344

9 Share capital

	2023		2022	
	No. of shares	US$	No. of shares	US$
Fully paid ordinary shares, with no par value:				
At 1 January and 31 December	8,310,992	8,321,394	8,310,992	8,321,394

The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

As at 31 December 2023, the Company is no longer a guarantor of the intermediate holding company, HMH Holding B.V.'s debt, and its ordinary shares are no longer pledged as financial guarantees for its liabilities to a financial institution.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2023 and 31 December 2022.

In the year ending 31 December 2023, the Company declared tax-exempt dividends to its immediate holding company, MHWirth (Singapore) Pte Ltd, amounting to US$14,000,000 (2022: US$3,950,000). It was paid within the respective years.

The Company is not subject to externally imposed capital requirements.

10 Capital reserve

This represents the excess of consideration over the fair value of the assets and liabilities acquired upon the transfer of business and certain assets and liabilities from a related company to the Company in 2008.

11 Trade and other payables

	2023 US$	2022 US$
Trade payables	6,870,254	1,673,255
Amounts due to related companies (trade)	4,809,142	1,981,573
Contract liabilities	415,687	1,420,036
Other payables and accrued expenses	2,145,454	2,041,052
Total trade and other payables	14,240,537	7,115,916

The contract liabilities primarily relate to the advance consideration received from customers amounting to US$415,687 (2022: US$455,605) for which revenue is recognised over time, and US$ nil (2022: US$964,431) for which revenue is recognised at a point in time.

Amounts due to related companies are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

The company's exposure to liquidity and currency risk related to trade and other payables are disclosed in note 17.

12 Revenue

	2023 US$	2022 US$
Revenue from contracts with customers – sales of goods	25,768,962	18,797,783
Revenue from contracts with customers – rendering of services	15,120,189	7,222,355
	40,889,151	26,020,138
Revenue recognised:		
At a point in time	25,768,962	18,797,783
Over time	15,120,189	7,222,355
	40,889,151	26,020,138

The following tables provide information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Sales of goods

Nature of goods	Manufacture and sale of industrial process control equipment.
When revenue is recognised	The Company recognises revenue at the point in time that the customer obtains control of the goods, which is no earlier than when the customer has physical possession of the product
Significant payment terms	30 days from invoice date.

Obligations for warranties	The Company is obliged to a 12 months warranties to the customers based on shipment date from, or from the date of notice that the goods are ready for shipment.

Rendering of services

Nature of goods or services	Repairs of industrial process control equipment.
When revenue is recognised	Revenue from the sale of services may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO related to long-term services or extended agreements is satisfied over time, revenue is recognised over time using output method to measure progress toward completion at the estimated margin rate of the contract.
Significant payment terms	30 days from invoice date.
Obligations for warranties	The Company is obliged to a warranty to customers ranging 6 to 18 months for the services rendered depending on the nature of repair, replaced or re-performed products parts or services.

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	2023 **US$**	**2022** **US$**
Trade receivables	8,506,548	3,806,857
Contract assets	1,260,344	2,243,395
Contract liabilities	(415,687)	(1,420,036)

Significant changes in the contract assets and the contract liabilities balances during the period are as follows.

	Contract assets		**Contract liabilities**	
	2023	**2022**	**2023**	**2022**
	US$	**US$**	**US$**	**US$**
Revenue recognised that was included in the contract liability balance at the beginning of the year	–	–	1,420,036	5,111,857
Increases due to cash received, excluding amounts recognised as revenue during the year	–	–	(415,687)	(1,420,036)
Contract asset reclassified to trade receivables	(2,243,395)	(555,835)	–	–
Revenue recognised that was included in contract asset balance during the year	1,260,344	2,243,395	–	–

The Company applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about its remaining performance obligations if:

- the performance obligation is part of a contract that has an original expected duration of one year or less; or
- the Company has a right to invoice a customer in an amount that corresponds directly with its performance to date, then it recognises revenue in that amount.

The Company's exposure to impairment losses for contract assets is disclosed in note 17.

13 Finance income and finance expense

	2023	**2022**
	US$	**US$**
Interest income	549,588	188,430
Finance income	549,588	188,430
Foreign exchange loss, net	(53,033)	(16,799)
Bank charges	(12,842)	(4,338)
Finance expense	(65,875)	(21,137)
Net finance income recognised in profit or loss	483,713	167,293

14 Profit before tax

The following items have been included in arriving at profit before tax:

	Note	2023 US$	2022 US$
Staff costs		2,061,210	2,221,778
Contribution to defined contribution plans, included in staff costs		207,824	238,060
Depreciation of plant and equipment	4	74,575	417,857
Management fees charged by related companies		6,263,034	1,363,068
Impairment loss on trade and other receivables		10,085	21,627

15 Tax expense

	2023 US$	2022 US$
Current tax expense		
Current year	2,958,420	1,550,549
Under/(Over) provision in prior years	4,142	23,923
	2,962,562	1,574,472
Deferred tax expense		
Origination and reversal of temporary differences	107,280	225,860
	107,280	225,860
Total tax expense	3,069,842	1,800,332

	2023 US$	2022 US$
Reconciliation of effective tax rate		
Profit before income tax	14,064,197	11,045,933
Tax calculated using Singapore tax rate of 17% (2022: 17%)	2,390,913	1,877,809
Expenses not deductible for tax purposes	804,774	152,786
Income not subject to tax	(129,987)	(254,186)
Under/(Over) provision in prior years	4,142	23,923
	3,069,842	1,800,332

16 Related parties

Key management personnel compensation

Key management personnel of the Company are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company. The directors are considered as key management personnel of the Company.

Key management personnel compensation comprised:

	2023 US$	2022 US$
Short-term employee benefits	141,536	109,017

Certain directors were not paid directly by the Company but received remuneration from the Company's holding corporation, in respect of their services to the respective larger group which includes the Company. No apportionment had been made as the services provided by these directors to the Company were incidental to their responsibilities to the respective larger group.

Other related party transactions

During the financial year, other than those disclosed elsewhere in the financial statements, the following significant related party transactions between the Company and its related parties took place at terms agreed between the parties:

	2023 US$	2022 US$
Sales to related companies	1,751,611	103,574
Purchases from related companies	(6,998,415)	(4,762,149)
Management fees charged by related companies	(6,263,034)	(1,363,068)

17 Financial instruments

Financial risk management

Overview

The Company has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Management is responsible for developing and monitoring the Company's risk management policies. Management reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises from the Company's trade and other receivables, and cash and cash equivalents.

The carrying amounts of financial assets and contract assets represent the Company's maximum exposures to credit risk, before taking into account any collateral held. The Company does not require any collateral in respect of their financial assets.

Impairment loss recognised in profit or loss for the financial year ended 31 December 2023 amounted to US$10,085 (2022: US$21,627). As at 31 December 2023, the carrying amount of receivables from the Company's most significant three customers was US$5,141,331 (2022: US$2,380,847).

Counterparty credit risk

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer, its financial position and past experience with the customer. However, management also considers the demographics of the Company's customer base, including the default risk associated with the industry and country in which customers operate, as these factors may have an influence on credit risk.

Guarantees

As at 31 December 2022, the Company, together with other related parties, jointly guaranteed to repay a debt of the intermediate holding company in the event that timely payments of the loan are not made. As of the reporting date, 31 December 2023, the Company is no longer a guarantor of the intermediate holding company's debt.

Expected credit loss assessment for customers

The Company uses an allowance matrix to measure the expected credit losses of trade receivables, which comprises a large number of small balances.

Expected credit loss are based on actual credit loss experience over the past three years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets for third-party customers:

	Weighted average loss rate %	Gross carrying amount US$	Impairment loss allowance US$
31 December 2023			
Not past due	0	8,924,979	–
Past due 1 – 30 days	0	411,411	–
Past due 31 – 60 days	0	86,000	–
Past due 61 – 90 days	0	164,565	–
Past due 91 – 180 days	0	151,484	–
Past due more than 180 days	0	28,453	–
		9,766,892	–

	Weighted average loss rate %	Gross carrying amount US$	Impairment loss allowance US$
31 December 2022			
Not past due	0	4,901,730	–
Past due 1 – 30 days	0	379,465	–
Past due 31 – 60 days	0	153,379	–
Past due 61 – 90 days	0	220,215	–
Past due 91 – 180 days	0	116,255	–
Past due more than 180 days	1	282,320	3,112
		6,053,364	3,112

Movements in allowance for impairment loss
The movement in the allowance for impairment loss during the year was as follows.

	2023 US$	2022 US$
Balance as at 1 January	3,112	–
Impairment loss recognised during the year	10,085	21,627
Write-offs during the year	(13,197)	(18,515)
Balance as at 31 December	–	3,112

Cash and cash equivalents

The Company held cash and cash equivalents of US$7,387,575 as at 31 December 2023 (2022: US$10,995,344). The cash and cash equivalents are held with banks which are regulated and are rated Aa1 and A1, based on Moody's ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit rating of the banks, which meet the appropriate credit criteria.

The amount of the allowance on cash and cash equivalents is negligible.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Exposure to liquidity risk

The following are the contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements:

	Note	2023 One year or less US$	2022 One year or less US$
Non-derivative financial liabilities			
Trade and other payables#	11	(13,824,850)	(5,695,880)

excludes contract liabilities

The maturity analyses show the contractual undiscounted cash flows of the Company's financial liabilities on the basis of their earliest possible contractual maturity. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Company's income and operating cash flows are substantially independent of changes in market interest rates. Therefore, at the reporting date, the Company did not have any significant interest rate exposure.

Currency risk

The Company has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the functional currency of the Company.

The Company's exposure to Singapore dollar ("SGD") expressed in the Company's functional currency is as follows:

	SGD expressed in US$
31 December 2023	
Trade and other receivables	224,505
Cash and cash equivalents	1,215,062
Trade and other payables	(1,329,596)
Total exposure	109,971

	SGD expressed in US$
31 December 2022	
Trade and other receivables	–
Cash and cash equivalents	401,256
Trade and other payables	(1,327,230)
Total exposure	(925,974)

Sensitivity analysis

The following table demonstrates the sensitivity of the Company's profit before tax to a reasonably possible change in the SGD exchange rate against the functional currency of the Company, with all other variables held constant.

	2023 Profit before tax US$	2022 Profit before tax US$
USD/SGD (10% strengthening)	10,997	(92,597)
(10% weakening)	(10,997)	92,597

Accounting classifications and fair values

The carrying amounts of financial assets and liabilities are as follows. No separate disclosure on their fair values have been made as the carrying amounts of the financial assets and financial liabilities are reasonable approximations of their fair values.

	Note	Financial assets at amortised cost $	FVOCI – equity instruments $	Other financial liabilities $	Total $
31 December 2023					
Financial assets measured at fair value					
Equity investments – at FVOCI		–	17,576	–	17,576
		–	17,576	–	17,576

	Note	Financial assets at amortised cost $	FVOCI – equity instruments $	Other financial liabilities $	Total $
31 December 2023					
Financial assets not measured at fair value					
Trade and other receivables	7	12,201,078	–	–	12,201,078
Cash and cash equivalents	8	7,387,575	–	–	7,387,575
		19,588,653	–	–	19,588,653
Financial liabilities not measured at fair value					
Trade and other payables	11	–	–	(14,240,537)	(14,240,537)
31 December 2022					
Financial assets measured at fair value					
Equity investments – at FVOCI		–	17,576	–	17,576
		–	17,576	–	17,576
Financial assets not measured at fair value					
Trade and other receivables	7	6,332,411	–	–	6,332,411
Cash and cash equivalents	8	10,995,344	–	–	10,995,344
		17,327,755	–	–	17,327,755
Financial liabilities not measured at fair value					
Trade and other payables	11	–	–	(7,115,916)	(7,115,916)

Determination of fair values

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents and trade and other payables) approximate their fair values because of the short period to maturity.

18 Contingencies

As at 31 December 2022, the Company, together with other related parties, jointly and severely guaranteed to repay a debt of its intermediate holding company, HMH Holding B.V., in the event that timely payments of the loan by the intermediate holding company are not made. The guarantee was limited to US$400 million then, and the Company's ordinary shares are pledged by the intermediate holding company as financial guarantees for its liabilities to a financial institution.

As of the reporting date, 31 December 2023, the Company is no longer a guarantor of the intermediate holding company's debt.

HMH Drilling Asia Pte. Ltd.
Registration Number: 200720201Z

Annual Report

Year ended 30 September 2024

Statement of financial position
As at 30 September 2024

	Note	Sep 2024 US$	Dec 2023 US$
Non-current assets			
Plant and equipment	4	315,320	388,311
Deferred tax assets	5	275,466	205,480
Equity investments – at FVOCI		17,576	17,576
		608,362	611,367
Current assets			
Inventories	6	7,794,163	7,709,490
Trade and other receivables	7	9,076,940	12,201,078
Cash and cash equivalents	8	11,972,853	7,387,575
		28,843,956	27,298,143
Total assets		29,452,318	27,909,510
Equity			
Share capital	9	8,321,394	8,321,394
Capital reserve	10	(3,699,937)	(3,699,937)
Accumulated profits		13,350,238	6,238,999
Total equity		17,971,695	10,860,456
Current liabilities			
Trade and other payables	11	9,818,428	14,240,537
Current tax liabilities		1,662,195	2,808,517
Total liabilities		11,480,623	17,049,054
Total equity and liabilities		29,452,318	27,909,510

The accompanying notes form an integral part of these financial statements.

Statement of comprehensive income
Year ended 30 September 2024

	Note	Sep 24 US$	Sep 23 US$
Revenue	12	25,193,410	30,752,425
Cost of sales		(8,883,814)	(15,305,855)
Gross profit		16,309,596	15,446,570
Sales and administrative expenses		(7,581,717)	(6,196,110)
Impairment loss on trade and other receivables		(12,621)	(154,574)
Other operating expenses		(94,752)	(4,142)
Results from operating activities		8,620,506	9,091,744
Finance income	13	309,395	454,617
Finance expense	13	(118,882)	(11,629)
Net finance income		190,513	442,988
Profit before tax	14	8,811,019	9,534,732
Tax expense		(1,699,780)	(2,237,638)
Total comprehensive income for the year		7,111,239	7,297,094

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity
30 September 2024

	Note	Share capital US$	Capital reserve US$	Accumulated profits US$	Total US$
As at 1 January 2023		8,321,394	9,244,644	(3,699,937)	13,866,101
Total comprehensive income for the year					
Profit for the year		-	7,297,094	-	7,297,094
Transactions with owner, recorded directly in equity					
Tax-exempt dividend declared and paid of US$1.68 per share		-	(7,000,000)	-	(7,000,000)
As at 31 December 2023		8,321,394	9,541,738	(3,699,937)	14,163,195
As at 1 January 2024		8,321,394	6,238,999	(3,699,937)	10,860,456
Total comprehensive income for the year					
Profit for the year		-	7,111,239	-	7,111,239
Transactions with owner, recorded directly in equity					
Tax-exempt dividend declared and paid of US$____ per share		-	-	-	-
As at 30 September 2024	9	8,321,394	13,350,238	(3,699,937)	17,971,695

The accompanying notes form an integral part of these financial statements.

Statement of cash flows
Year ended 30 September 2024

	Note	Sep 2024 US$	Sep 2023 US$
Cash flows from operating activities			
Profit before tax		8,811,019	9,534,732
Adjustments for:			
(Reversal of) Allowance for inventory obsolescence	6	403,048	252,739
Depreciation of plant and equipment	4	72,991	61,894
Impairment loss on trade and other receivables		12,621	154,574
Finance cost	13	118,882	11,629
Interest income	13	(309,395)	(423,701)
		9,109,166	9,591,867
Changes in:			
Inventories		(487,721)	(1,852,478)
Trade and other receivables		3,111,517	(10,357,035)
Trade and other payables		(4,422,109)	8,690,494
Cash generated from operations		7,310,853	6,072,848
Tax paid		(2,916,088)	(1,717,092)
Net cash from operating activities		4,394,765	4,355,756
Cash flows from investing activity			
Interest received		309,395	423,701
Purchases of plant and equipment		–	–
Net cash from investing activity		309,395	423,701
Cash flows from financing activities			
Dividend paid		–	(7,000,000)
Finance cost paid		(118,882)	(11,629)
Amounts due to related companies (non-trade)		–	–
Net cash used in financing activities		(118,882)	(7,011,629)
Net increase in cash and cash equivalents		4,585,278	(2,232,172)
Cash and cash equivalents at beginning of year		7,387,575	10,995,344
Cash and cash equivalents at end of year	8	11,972,853	8,763,172

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 30 September 2024.

1 Domicile and activities

HMH Drilling Asia Pte. Ltd. (the "Company") is incorporated in Singapore and has its principal place of business at 25 Benoi Lane Singapore 627800.

The principal activities of the Company are those relating to the manufacture and repairs of industrial process control equipment.

The parent company of the Group is HMH Holding B.V., and it is incorporated in the Netherlands.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") and International Financial Reporting Standards ("IFRS").

SFRS(I)s are issued by the Accounting Standards Council, which comprise standards and interpretations that are equivalent to IFRSs issued by the International Accounting Standards Board.

All references to SFRS(I) and IFRS are subsequently referred to as IFRS in these financial statements unless otherwise specified.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except as otherwise described in the notes below.

2.3 Functional and presentation currency

The financial statements are presented in United States ("US") dollars which is the Company's functional currency.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Management is of the opinion that there are no critical judgements made in applying the entity's accounting policies.

There is no information about assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Measurement of fair values

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

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised 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 that the Company can access at the measurement date;
- 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); and
- Level 3: Inputs for the asset or liability that are not based on observable market data.

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

2.5 Changes in material accounting policies and estimates

New standards and amendments

The Company has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2023:

- SFRS(I) 17: *Insurance Contracts*
- Amendments to SFRS(I) 1-12: *Deferred tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to SFRS(I) 1-12: *International Tax Reform – Pillar Two Model Rules*
- Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: *Disclosure of Accounting Policies*
- Amendments to SFRS(I) 1-8: *Definition of Accounting Estimates*

The application of these amendments to standards and interpretations does not have a material effect on the financial statements.

3 Material accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the financial statements except as explained in note 2.5, which addresses changes in material accounting policies and estimates.

3.1 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables and debt investments issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments at FVOCI

On initial recognition of an equity investment that is not held-for-trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

Financial assets: Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets:

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost.

Financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprised trade and other payables.

(iii) Derecognition

Financial assets

The Company derecognises 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
    - the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Transferred assets are not derecognised when the Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises 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 recognised 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 recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

(vi) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effect. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

(vii) Intra-group financial guarantees

Financial guarantees are financial instruments issued by the Company that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

Estimated credit losses ("ECLs") are a probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Company expects to recover.

3.2 Impairment of financial assets

(i) Non-derivative financial assets

The Company recognises loss allowances for ECLs on financial assets measured at amortised cost.

Loss allowances of the Company are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Company applies the simplified approach to provide for ECLs for all its receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise; or
- it is probable that the debtor will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amounts are estimated.

The recoverable amount of an asset or cash-generating unit ("CGU") is the greater of its value-in-use and its fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of the impairment testing, assets that cannot be tested individually are grouped together into the smallest group of the assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

An impairment loss is recognised if the carrying amount of an assets or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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, if no impairment loss had been recognised.

3.3 Inventories

Inventories are measured at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a weighted average cost basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average cost basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

3.4 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.5 Revenue

Sale of goods and services

Revenue from sale of goods and services in the ordinary course of business is recognised when the Company satisfies a performance obligation ("PO") by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

The transaction price is the amount of consideration in the contract to which the Company expects to be entitled in exchange for transferring the promised goods or services. The transaction price is fixed and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Company does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

The Company recognises revenue at the point in time that the customer obtains control of the goods, which is no earlier than when the customer has physical possession of the product.

Rendering of services

Revenue from the sale of services may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is related to long-term services or extended agreements satisfied over time, revenue is recognised on an over time basis using output method to measure progress toward completion at the estimated margin rate of the contract. The differences between the timing of revenue recognized (based on costs incurred) and customer billings (based on contractual terms) result in changes to contract asset or contract liability positions.

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs incurred to fulfil a contract are capitalised only if the costs relate directly to the contract, generate or enhance resources used in satisfying future performance obligations, and are expected to be recovered. These costs would be amortised consistently with the pattern of revenue for the related contract. Other costs are expensed as incurred. The Company has applied the practical expedient and recognised the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Company otherwise would have recognised is one year or less.

3.6 Income tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date, and reflects uncertainty related to income taxes, if any.

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 taxes levied by the same tax authority on the same taxable entity and the Company intends to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, unused 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 used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.7 New standards and interpretations not adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

- Amendments to SFRS(I)1-1: *Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants*
- Amendments to SFRS(I) 1-7 and SFRS(I) 7: *Supplier Finance Arrangements*
- Amendments to SFRS(I) 16: *Lease liability in a Sale and Leaseback*
- Amendments to SFRS(I) 1-21: *Lack of Exchangeability*

4 Plant and equipment

	Plant and equipment US$	Furniture, fixtures and office equipment US$	Total US$
Cost			
At 1 January 2023	682,274	-	682,274
Additions	-	-	-
Disposals	-	-	-
At 31 December 2023	682,274	-	682,274
Additions	-	-	-
Write down	-	-	-
At 30 September 2024	682,274	-	682,274
Accumulated depreciation			
At 1 January 2023	219,388	-	219,388
Depreciation for the year	74,575	-	74,575
Disposals	-	-	-
At 31 December 2023	293,963	-	293,963
Depreciation for the year	72,992	-	72,992
At 30 September 2024	366,955	-	366,955
Carrying amounts			
At 31 December 2022	388,311	-	388,311
At 31 December 2023	315,320	-	315,320

5 Deferred tax assets

Deferred tax assets as at 30 September 2024 relates to the following:

	At 1 January 2023 US$	Recognised in profit or loss (Note 15) US$	At 31 December 2023 US$	Recognised in profit or loss (Note 15) US$	At 30 September 2024 US$
Deferred tax assets					
Inventories	368,319	(108,895)	259,424	207,037	466,461
Deferred tax liabilities					
Plant and equipment	(55,559)	1,615	(53,944)	(137,051)	(190,995)
Intangible assets	-	-	-	-	-
	(55,559)	1,615	(53,944)	(137,051)	(190,995)
Total deferred tax assets	312,760	(107,280)	205,480	69,986	275,466

6 Inventories

	Sep 2024 US$	Dec 2023 US$
Finished goods	9,361,129	8,588,417
Goods-in-transit	138,811	647,093
Allowance for inventory obsolescence	(1,705,777)	(1,526,020)
	7,794,163	7,709,490

In 2023, inventories of US$10,666,963 (2022: US$8,617,174) were recognised as expense and included in cost of sales.

Source of estimation uncertainty

Inventories have been written down to net realisable value to be consistent with the view that assets should not be carried in excess of amounts expected to be realised from their sale or use. Estimates of net realisable value are based on the most reliable evidence available at the balance sheet date. These estimates take into consideration the future product demand, market conditions, production requirements and technological developments directly relating to events occurring after the end of the financial year to the extent that such events confirm conditions existing at the end of the financial year.

Movements in allowance for inventory obsolescence

The movement in the allowance for inventory obsolescence during the year was as follows.

	Sep 2024 US$	Dec 2023 US$
Balance as at 1 January	1,526,020	2,166,580
Reversal of allowance during the year	179,757	(640,560)
Balance as at 31 December	1,705,777	1,526,020

7 Trade and other receivables

	Sep 2024 US$	Dec 2023 US$
Trade receivables	5,034,963	8,506,548
Contract assets	2,480,169	1,260,344
Amounts due from related companies (trade)	53,903	1,635,298
Other receivables	1,507,905	798,888
	9,076,940	12,201,078

The contract assets primarily relate to the Company’s rights to consideration for work completed but not billed at the reporting date in respect of its rights to consideration for services transferred to date. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Company invoices the customer.

The Company's exposure to credit risks related to trade and other receivables are disclosed in note 17.

8 Cash and cash equivalents

	Sep 2024 US$	Dec 2023 US$
Cash at bank	11,972,853	7,387,575

9 Share capital

	Sep 2024		Dec 2023	
	No. of shares	US$	No. of shares	US$
Fully paid ordinary shares, with no par value:				
At 1 January and 31 December	8,310,992	8,321,394	8,310,992	8,321,394

The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company’s residual assets.

As at 30 September 2024, the Company is no longer a guarantor of the intermediate holding company, HMH Holding B.V.’s debt, and its ordinary shares are no longer pledged as financial guarantees for its liabilities to a financial institution.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 September 2024 and 31 December 2023.

The Company is not subject to externally imposed capital requirements.

10 Capital reserve

This represents the excess of consideration over the fair value of the assets and liabilities acquired upon the transfer of business and certain assets and liabilities from a related company to the Company in 2008.

11 Trade and other payables

	Sep 2024 US$	Dec 2023 US$
Trade payables	2,768,459	6,870,254
Amounts due to related companies (trade)	2,439,521	4,809,142
Contract liabilities	3,449,494	415,687
Other payables and accrued expenses	1,160,954	2,145,454
Total trade and other payables	9,818,428	14,240,537

The contract liabilities primarily relate to the advance consideration received from customers amounting to US$2,422,001 (Dec 2023: US$415,687) for which revenue is recognised over time, and US$1,027,493 (Dec 2023: NIL) for which revenue is recognised at a point in time.

Amounts due to related companies are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

The company's exposure to liquidity and currency risk related to trade and other payables are disclosed in note 17.

12 Revenue

	Sep 2024 US$	Sep 2023 US$
Revenue from contracts with customers – sales of goods	17,543,726	20,107,876
Revenue from contracts with customers – rendering of services	7,649,684	10,644,549
	25,193,410	30,752,425
Revenue recognised:		
At a point in time	17,543,726	20,107,876
Over time	7,649,684	10,644,549
	25,193,410	30,752,425

The following tables provide information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Sales of goods

Nature of goods	Manufacture and sale of industrial process control equipment.
When revenue is recognised	The Company recognises revenue at the point in time that the customer obtains control of the goods, which is no earlier than when the customer has physical possession of the product
Significant payment terms	30 days from invoice date.

Obligations for warranties	The Company is obliged to a 12 months warranties to the customers based on shipment date from, or from the date of notice that the goods are ready for shipment.

Rendering of services

Nature of goods or services	Repairs of industrial process control equipment.
When revenue is recognised	Revenue from the sale of services may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO related to long-term services or extended agreements is satisfied over time, revenue is recognised over time using output method to measure progress toward completion at the estimated margin rate of the contract.
Significant payment terms	30 days from invoice date.
Obligations for warranties	The Company is obliged to a warranty to customers ranging 6 to 18 months for the services rendered depending on the nature of repair, replaced or re-performed products parts or services.

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	Sep 2024 US$	Dec 2023 US$
Trade receivables	5,034,963	8,506,548
Contract assets	2,480,169	1,260,344
Contract liabilities	(3,449,494)	(415,687)

Significant changes in the contract assets and the contract liabilities balances during the period are as follows.

	Contract assets		**Contract liabilities**	
	Sep 2024 US$	**Dec 2023 US$**	**Sep 2024 US$**	**Dec 2023 US$**
Revenue recognised that was included in the contract liability balance at the beginning of the year	-	-	415,687	1,420,036
Increases due to cash received, excluding amounts recognised as revenue during the year	-	-	(3,449,494)	(415,687)
Contract asset reclassified to trade receivables	(1,260,344)	(2,243,395)	-	-
Revenue recognised that was included in contract asset balance during the year	2,480,169	1,260,344	-	-

The Company applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about its remaining performance obligations if:

- the performance obligation is part of a contract that has an original expected duration of one year or less; or
- the Company has a right to invoice a customer in an amount that corresponds directly with its performance to date, then it recognises revenue in that amount.

The Company's exposure to impairment losses for contract assets is disclosed in note 17.

13 Finance income and finance expense

	Sep 2024 US$	**Sep 2023 US$**
Foreign exchange gain	-	30,916
Interest income	309,395	423,701
Finance income	309,395	454,617
Foreign exchange loss	(110,421)	-
Bank charges	(8,461)	(11,629)
Finance expense	(118,882)	(11,629)
Net finance income recognised in profit or loss	190,513	442,988

14 Profit before tax

The following items have been included in arriving at profit before tax:

	Note	Sep 2024 US$	Sep 2023 US$
Staff costs		1,866,157	1,507,406
Contribution to defined contribution plans, included in staff costs		45,604	174,294
Depreciation of plant and equipment	4	72,991	61,894
Management fees charged by related companies		-	-
Impairment loss on trade and other receivables		12,621	154,574

15 Contingencies

As at 31 December 2022, the Company, together with other related parties, jointly and severely guaranteed to repay a debt of its intermediate holding company, HMH Holding B.V., in the event that timely payments of the loan by the intermediate holding company are not made. The guarantee was limited to US$400 million then, and the Company's ordinary shares are pledged by the intermediate holding company as financial guarantees for its liabilities to a financial institution.

As of the reporting date, 30 September 2024, the Company is no longer a guarantor of the intermediate holding company's debt.

Appendix 27 and 28 - Unaudited Annual Financial Statements as of and for the financial year ended 31 December 2022 for MHWirth LLC

MHWirth LLC

Financial Statements

December 31, 2023 and 2022

MHWirth LLC

Financial Statements

December 31, 2023 and 2022

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MHWirth LLC

STATEMENT OF OPERATIONS

Amounts in USD thousands, except for per share data)		Years ended December 31, 2023		2022
Revenue				
Service Revenue	$	10,086	$	11,130
Product Revenue				
Spare Parts Service Revenue		2,766		3,013
Related party product revenue				
Total Revenue		**12,852**		**14,143**
Operating Expenses				
Cost of services sold		9,515		11,175
Cost of goods sold				
Cost of spare parts sold		3,029		3,025
Total cost of sales		**12,544**		**14,200**
Selling, general and administrative expenses		1,924		1,929
Research and development expenses				
Other Operating expenses (income), net				-
Total operating expenses		**14,468**		**16,129**
Operating Income		**(1,616)**		**(1,987)**
Foreign currency gain (loss), net		12		(24)
Other non-operating income, net		248		(86)
Interest (expense) income , net		(1,681)		(1,662)
Income (loss) before income taxes		**(3,037)**		**(3,758)**
Income tax expense				
Net income (loss)	**$**	**(3,037)**	**$**	**(3,758)**

MHWirth LLC

STATEMENT OF FINANCIAL POSITION

(Amounts in USD thousands)	As of December 31, 2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	$ (1,196)	$ (3,144)
Current accounts receivables, net	1,057	1,916
Related party accounts receivable	442	486
Related party notes receivable - current	-	-
Contract assets	3,561	3,786
Inventories, net	1,113	956
Prepaids and other current assets	(66)	1,009
Total current assets	**4,911**	**5,009**
Property, plant and equipment, net	403	240
Other intangible assets, net	-	-
Other assets	31,124	31,124
Total Assets	$ **36,439**	**$ 36,373**
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current Liabilities		
Accounts payable	$ 259	$ 614
Accounts payable - related party	1,795	915
Contract liabilities	(697)	(837)
Accrued expenses	987	3,125
Other current liabilities	2,717	1,249
Total current liabilities	**5,061**	**5,066**
Long-term debt, net	26,003	26,396
Total liabilities	**31,064**	**31,462**
Shareholder's Equity:		
Capital in excess of par value	32,086	28,584
Retained earnings (loss)	(26,711)	(23,673)
Total shareholders' equity	**5,375**	**4,911**
Total liabilities and equity	**$ 36,439**	**$ 36,373**

MHWirth LLC

STATEMENT OF CASH FLOWS

(Amounts in USD thousands)		For the year ended December 31 2023		2022
Cash flows from operating activities				
Net income (loss)	$	(3,037)	$	(3,758)
Adjustments to reconcile net loss to net cash provided by / (used) in operating activities:				
Depreciation and amortization		106		(98)
Changes in operating assets and liabilities				
Account receivable and related party accounts receivable		903		1,429
Contract assets		225		(1,151)
Inventories, net		(157)		697
Prepaid and other assets		1,075		172
Accounts payable and accounts payable related party		526		858
Accrued expenses		(2,138)		277
Contract liabilities		140		(576)
Other current liabilities		1,469		987
Other, net		-		-
Net cash provided by operating activities	$	**(888)**	$	**(1,163)**
Cash flows from investing activities:				
Additions to property, plant and equipment		(270)		-
Additions to Intangibles Assets		-		-
Disposal to property, plant and equipment		-		67
Net cash flows (used in) / provided by investing activities	$	**(270)**	$	**67**
Cash flows from financing activities:				
Proceeds from debt with related party		-		-
Capital Contribution		3,501		199
Repayment of related party debt		(393)		199
Net cash flows from financing activities	$	**3,108**		**398**
Increase in cash and cash equivalents	$	**1,950**	$	**(698)**
Cash and cash equivalents at beginning of period		(3,144)		(2,309)
Cash and cash equivalents at end of period	$	**(1,194)**	**$**	**(3,006)**
Supplemental disclosure of cash flow information				
Cash paid for interest		-		-
Cash paid for income taxes		-		-

MHWirth LLC

STATEMENT OF EQUITY

(Amounts in USD thousands)		**Capital in excess of Par value**		**Retained Earnings (loss)**		**Total Equity**
Balance as of December 31, 2021	$	28,585	$	(19,915)	$	8,670
Net income (loss)				(3,758)		(3,758)
Equity as of December 31, 2022		**28,585**		**(23,673)**		**4,912**
Capital Contribution		3,500		-		-
Net income (loss)		-		(3,037)		(3,037)
Equity as of December 31, 2023	**$**	**32,085**	**$**	**(26,710)**	**$**	**1,875**

MHWirth LLC

NOTES TO FINANCIAL STATEMENTS

NOTE 1: Basis of presentation and summary of significant account policies

Basis of presentation

The Company's balance sheet has been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP"). The Company's year-end is December 31.

In the notes to the consolidated financial statements, all dollar amounts in tables are in thousands of dollars unless otherwise indicated. Certain columns and rows in the financial statements and notes thereto may not add due to the use of rounded numbers.

Summary of significant accounting policies

The preparation of financial statements in accordance with GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, related revenues and expenses and the disclosure of gain and loss contingencies at the date of the financial statements and during the periods presented. The Company bases these estimates on historical results and various other assumptions believed to be reasonable, all of which form the basis for making estimates concerning the carrying values of assets and liabilities that are not readily available from other sources. Actual results could differ materially from those estimates.

NOTE 2: Other Assets

Other assets was comprised of the following as of December 31, 2023 and 2022:

(in USD thousands)		**2023**		**2022**
Investment in Bronco Manufacturing LLC	$	31,124	$	31,124
Other Assets	**$**	**31,124**	**$**	**31,124**

NOTE 3: LONG-TERM DEBT

Long-term debt was comprised of the following as of December 31, 2023 and 2022:

(in USD thousands)		**2023**		**2022**
Bronco Manufacturing, LLC	$	1,000	$	1,000
HMH Holding B.V.	$	24,397	$	24,789
MHWirth Canada Inc.	$	606	$	606
Total Long-Term Debt	**$**	**26,003**	**$**	**26,396**

NOTE 4: REVENUE

(in USD thousands)

Revenue type		2023		2022
Service revenue		10,086		11,130
Spare parts revenue		2,766		3,013
Total revenue	**$**	**12,852**	**$**	**14,143**

Revenue recognition pattern		2023		2022
Transferred over time		10,086		11,130
Transferred at point in time		2,766		3,013
Total revenue	**$**	**12,852**	**$**	**14,143**

Revenue by Geography		2023		2022
US Revenue		10,114		5,182
Non-US		2,738		8,961
Total revenue	**$**	**12,852**	**$**	**14,143**

MHWirth LLC

Financial Statements

September 30, 2024, and 2023

MHWirth LLC

Financial Statements

September 30, 2024, and 2023

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MHWirth LLC

STATEMENT OF OPERATIONS

Amounts in USD thousands, except for per share data)	Nine months ended September 30, 2024	2023
Revenue		
Service Revenue	$ 9,603	$ 7,280
Product Revenue		
Spare Parts Service Revenue	2,801	1,598
Related party product revenue		
Total Revenue	**12,404**	**8,878**
Operating Expenses		
Cost of services sold	5,823	5,170
Cost of goods sold		
Cost of spare parts sold	3,047	2,689
Total cost of sales	**8,870**	**7,859**
Selling, general and administrative expenses	1,971	1,496
Research and development expenses		
Other Operating expenses (income), net		
Total operating expenses	**10,841**	**9,355**
Operating Income	**1,563**	**(477)**
Foreign currency gain (loss), net	17	2
Other non-operating income, net	163	630
Interest (expense) income, net	(3,307)	(2,234)
Income (loss) before income taxes	**$ (1,565)**	**$ (2,079)**
Income tax expense		
Net income (loss)	**$ (1,565)**	**$ (2,079)**

MHWirth LLC

STATEMENT OF FINANCIAL POSITION

(Amounts in USD thousands)		**September 30, 2024**		**December 31, 2023**
ASSETS				
Current Assets				
Cash and cash equivalents	$	(5,091)	$	(1,196)
Current accounts receivables, net		2,726		1,057
Related party accounts receivable		985		442
Related party notes receivable - current		-		-
Contract assets		5,103		3,561
Inventories, net		2,736		1,113
Prepaids and other current assets		478		(66)
Total current assets		**6,937**		**4,911**
Property, plant and equipment, net		339		403
Other intangible assets, net		-		-
Other assets		31,124		31,124
Total Assets	**$**	**38,400**	**$**	**36,439**
LIABILITIES AND SHAREHOLDER'S EQUITY				
Current Liabilities				
Accounts payable		790		259
Accounts payable - related party		1,788		1,795
Contract liabilities		(0)		(697)
Accrued expenses		1,609		987
Other current liabilities		617		2,717
Total current liabilities		**4,804**		**5,061**
Long-term debt, net		29,776		26,003
Total liabilities	**$**	**34,590**	**$**	**31,064**
Shareholder's Equity:				
Capital in excess of par value		32,085		32,085
Retained earnings (loss)		(28,276)		(26,711)
Total shareholders' equity		**3,810**		**5,375**
Total liabilities and equity	**$**	**38,400**	**$**	**36,439**

MHWirth LLC

STATEMENT OF CASH FLOWS

(Amounts in USD thousands)	For the nine months ended September 30, 2024		For the nine months ended September 30, 2023	
Cash flows from operating activities				
Net income (loss)	$	(1,565)	$	(2,079)
Adjustments to reconcile net loss to net cash provided by / (used) in operating activities:		-		
Depreciation and amortization		64		75
Changes in operating assets and liabilities		-		-
Account receivable and related party accounts receivable		-		-
Contract assets		(2,212)		118
Inventories, net		(1,542)		3,102
Prepaid and other assets		(1,623)		(1)
Accounts payable and accounts payable related party		(544)		779
Accrued expenses		524		(627)
Contract liabilities		634		(1,458)
Other current liabilities		697		444
Other, net		(2,101)		(907)
Net cash outflow from operating activities	$	**(7,668)**	$	**(554)**
Cash flows from investing activities:				
Additions to property, plant and equipment		-		(270)
Additions to Intangibles Assets		-		-
Disposal to property, plant and equipment		-		-
Net cash flows (used in) / provided by investing activities	$	**-**	$	**(270)**
Cash flows from financing activities:				
Proceeds from debt with related party		3,773		-
Capital Contribution		-		3,501
Repayment of related party debt		-		(796)
Net cash flows from financing activities	$	**3,773**		**2,705**
Increase in cash and cash equivalents	$	**(3,895)**	$	**1,881**
Cash and cash equivalents at beginning of period		(1,196)		(3,144)
Cash and cash equivalents at end of period	$	**(5,091)**	**$**	**(1,263)**
Supplemental disclosure of cash flow information				
Cash paid for interest		-		-
Cash paid for income taxes		-		-

MHWirth LLC

STATEMENT OF EQUITY

(Amounts in USD thousands)	Capital in excess of Par value	Retained Earnings (loss)	Total Equity
Balance as of January 1, 2023	**$ 28,585**	**$ (23,673)**	**$ 4,912**
Capital Contribution	3,500	-	3,500
Net income (loss)	-	(2,079)	(2,079)
Equity as of September 30, 2023	**$ 32,085**	**$ (25,752)**	**$ 6,333**

(Amounts in USD thousands)	Capital in excess of Par value	Retained Earnings (loss)	Total Equity
Balance as of January 1, 2024	**$ 32,085**	**$ (26,711)**	**$ 5,375**
Capital Contribution	-	-	-
Net income (loss)		(1,565)	(1,565)
Equity as of September 30, 2024	**$ 32,085**	**$ (28,276)**	**$ 3,810**

MHWirth LLC

NOTES TO FINANCIAL STATEMENTS

NOTE 1: Basis of presentation and summary of significant account policies

Basis of presentation

The Company's balance sheet has been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP"). The Company's year-end is September 30.

In the notes to the consolidated financial statements, all dollar amounts in tables are in thousands of dollars unless otherwise indicated. Certain columns and rows in the financial statements and notes thereto may not add due to the use of rounded numbers.

Summary of significant accounting policies

The preparation of financial statements in accordance with GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, related revenues and expenses and the disclosure of gain and loss contingencies at the date of the financial statements and during the periods presented. The Company bases these estimates on historical results and various other assumptions believed to be reasonable, all of which form the basis for making estimates concerning the carrying values of assets and liabilities that are not readily available from other sources. Actual results could differ materially from those estimates.

NOTE 2: Other Assets

Other assets was comprised of the following as of September 30, 2024, and December 31, 2023:

(in USD thousands)		**2024**		**2023**
Investment in Bronco Manufacturing LLC	$	31,124	$	31,124
Other Assets	**$**	**31,124**	**$**	**31,124**

NOTE 3: LONG-TERM DEBT

Long-term debt was comprised of the following as of September 30, 2024, and December 31, 2023:

(in USD thousands)		**2024**		**2023**
Bronco Manufacturing, LLC	$	1,000	$	1,000
HMH Holding B.V.	$	26,170	$	24,397
MHWirth Canada Inc.	$	606	$	606
Total Long-Term Debt	**$**	**29,776**	**$**	**26,003**

NOTE 4: REVENUE

(in USD thousands)	For the nine months ended September 30,			
Revenue type		**2024**		**2023**
Service revenue		9,603		7,280
Spare parts revenue		2,801		1,598
Total revenue	**$**	**12,404**	**$**	**8,878**

Revenue recognition pattern		**2024**		**2023**
Transferred over time		9,603		7,280
Transferred at point in time		2,801		1,598
Total revenue	**$**	**12,404**	**$**	**8,878**

KPMG

Jahresabschluss zum 31. Dezember 2022 und Lagebericht

BESTÄTIGUNGSVERMERK

MHWirth GmbH
Erkelenz

KPMG AG
Wirtschaftsprüfungsgesellschaft

MHWirth GmbH

Bilanz zum 31. Dezember 2022

A k t i v a

	31.12.2022	31.12.2021
	Euro	Euro
A. Anlagevermögen		
I. Immaterielle Vermögensgegenstände		
1. Selbst geschaffene Rechte und Werte		
a) Eigene Entwicklungen	782.203,00	911.600,00
b) Eigene Entwicklungen in Arbeit	416.480,85	484.004,72
	1.198.683,85	1.395.604,72
2. Entgeltlich erworbene EDV-Software, gewerbliche Schutzrechte	91.294,00	169.449,00
	1.289.977,85	**1.565.053,72**
II. Sachanlagen		
1. Bauten auf fremden Grundstücken	9.343.275,00	9.741.551,00
2. Technische Anlagen und Maschinen	4.489.937,60	4.543.685,51
3. Andere Anlagen, Betriebs- und Geschäftsausstattung	177.737,00	241.920,00
4. Geleistete Anzahlungen und Anlagen im Bau	234.279,11	20.248,22
	14.245.228,71	**14.547.404,73**
III. Finanzanlagen		
Beteiligungen	1,00	1,00
	1,00	**1,00**
	15.535.207,56	**16.112.459,45**
B. Umlaufvermögen		
I. Vorräte		
1. Roh-, Hilfs- und Betriebsstoffe	1.391.722,95	1.533.887,21
2. Unfertige Erzeugnisse	8.959.205,54	15.364.588,89
3. Fertige Erzeugnisse	17.925.152,89	17.038.650,51
4. Geleistete Anzahlungen	1.095.049,58	1.724.475,99
5. Erhaltene Anzahlungen auf Bestellungen	-1.314.211,51	-9.656.683,97
	28.056.919,45	**26.004.918,63**
II. Forderungen und sonstige Vermögensgegenstände		
1. Forderungen aus Lieferungen und Leistungen	5.359.267,75	5.515.943,08
2. Forderungen gegen verbundene Unternehmen	4.298.632,60	3.129.516,80
3. Sonstige Vermögensgegenstände	2.450.189,80	2.949.782,18
	12.108.090,15	**11.595.242,06**
III. Kassenbestand und Guthaben bei Kreditinstituten	**2.447.222,12**	**2.352.492,60**
	42.612.231,72	**39.952.653,29**
C. Rechnungsabgrenzungsposten	**354.109,36**	**213.201,61**
	58.501.548,64	**56.278.314,35**

P a s s i v a

	31.12.2022	31.12.2020
	Euro	Euro
A. Eigenkapital		
I. Gezeichnetes Kapital	9.328.700,00	9.328.700,00
II. Kapitalrücklagen	2.666.256,28	2.666.256,28
III. Andere Gewinnrücklage	914.378,00	914.378,00
IV. Gewinnvortrag	488.910,09	5.692.000,57
V. Jahresfehlbetrag	-2.895.032,33	-5.203.090,48
	10.503.212,04	**13.398.244,37**
B. Rückstellungen		
1. Rückstellungen für Pensionen und ähnliche Verpflichtungen	10.171.528,00	9.600.378,00
2. Steuerrückstellungen	1.092.000,00	1.331.689,00
3. Sonstige Rückstellungen	9.824.954,00	11.431.864,58
	21.088.482,00	**22.363.931,58**
C. Verbindlichkeiten		
1. Erhaltene Anzahlungen auf Bestellungen	2.511.501,77	291.093,77
2. Verbindlichkeiten aus Lieferungen und Leistungen	7.776.387,26	5.025.439,98
3. Verbindlichkeiten gegen verbundene Unternehmen	12.185.909,68	11.540.100,01
4. Sonstige Verbindlichkeiten	4.436.055,89	3.659.504,64
davon aus Steuern:		
EUR 1.152.429,32 (Vj EUR 1.189.493,86)		
davon im Rahmen der sozialen Sicherheit:		
EUR 1.912.370,09 (Vj EUR 2.061.318,71)		
	26.909.854,60	**20.516.138,40**
	58.501.548,64	**56.278.314,35**

MHWirth GmbH
Gewinn- und Verlustrechnung für die Zeit vom
01. Januar 2022 bis 31. Dezember 2022

		01.01.2022 bis 31.12.2022		01.01.2021 bis 31.12.2021	
		Euro	Euro	Euro	Euro
1.	Umsatzerlöse		76.987.442,72		47.533.011,11
2.	Veränderung des Bestandes an fertigen und unfertigen Erzeugnissen		-5.518.880,97		6.258.046,71
3.	Andere aktivierte Eigenleistungen		0,00		93,00
4.	Sonstige betrieblichen Erträge		1.830.264,82		2.844.980,82
5.	Materialaufwand				
	a) Aufwendungen für Roh-, Hilfs-, und Betriebsstoffe	30.706.359,97		22.723.556,99	
	b) Aufwendungen für bezogene Leistungen	5.550.136,35	36.256.496,32	3.648.778,39	26.372.335,38
6.	Personalaufwand				
	a) Löhne und Gehälter	17.332.390,97		17.148.048,81	
	b) Soziale Abgaben und Aufwendungen für Altersversorgung - davon für Altersversorgung EUR 11.204,53 (Vj EUR 3.897,88)	3.998.057,39	21.330.448,36	4.348.199,69	21.496.248,50
7.	Abschreibungen				
	a) auf immaterielle Vermögensgegenstände des Anlagevermögens und Sachanlagen	1.982.411,85		1.998.430,32	
	b) auf Vermögensgegenstände des Umlaufvermögens, soweit diese die in der Kapitalgesellschaft üblichen Abschreibungen überschreiten	1.462.875,00	3.445.286,85	0,00	1.998.430,32
8.	Sonstige betrieblichen Aufwendungen		14.241.949,48		9.821.681,49
9.	Sonstige Zinsen und ähnliche Erträge		24.269,18		5.648,53
10.	Zinsen und ähnliche Aufwendungen		943.693,07		946.885,84
11.	Steuern vom Einkommen und vom Ertrag (Vj: Erstattung)		0,00		-302.509,58
12.	**Ergebnis nach Steuern**		-2.894.778,33		-3.691.291,78
13.	Sonstige Steuern		254,00		1.511.798,70
14.	**Jahresfehlbetrag**		**-2.895.032,33**		**-5.203.090,48**

MHWirth GmbH, Erkelenz

Anhang
für das Geschäftsjahr 2022

Bilanzierungs- und Bewertungsgrundsätze

Die MHWirth GmbH (Sitz der Gesellschaft: Erkelenz; eingetragen im Handelsregister des Amtsgerichts Mönchengladbach; HRB 8471) ist eine große Kapitalgesellschaft gemäß § 267 Abs. 3 HGB. Der Jahresabschluss zum 31. Dezember 2022 wurde nach den Regeln des HGB und des GmbHG aufgestellt. Die MHWirth GmbH ist Teil der HMH-Unternehmensgruppe. HMH ist ein in 2021 gegründeter Unternehmensverbund, dessen Anteile zu jeweils 50% auf den Akastor-Konzern (Norwegen) als auch auf Baker Hughes (USA) fallen.

Die immateriellen Vermögensgegenstände und das Sachanlagevermögen sind zu Anschaffungs- bzw. Herstellungskosten, vermindert um planmäßige und außerplanmäßige Abschreibungen, bewertet. Das Wahlrecht zur Aktivierung selbst geschaffener immaterieller Vermögensgegenstände des § 248 Abs. 2 HGB wird ausgeübt. Es werden nutzungsbedingte Abschreibungen, bezogen auf die betriebsgewöhnliche Nutzungsdauer, vorgenommen. Die voraussichtliche Nutzungsdauer der immateriellen Vermögensgegenstände liegen zwischen 3 und 8 Jahren. Die Sachanlagen werden linear abgeschrieben. Die voraussichtliche Nutzungsdauer der materiellen Vermögensgegenstände des Anlagevermögens liegen in der Regel zwischen 3 und 13 Jahren; bei Gebäuden beträgt diese 33 Jahre. Geringwertige Anlagegüter wurden bis 2017 in einen Sammelposten eingestellt, der linear über eine Nutzungsdauer von fünf Jahren abgeschrieben wurde. Seit 2018 erfolgt eine direkte Abschreibung am Jahresende von geringwertigen Anlagegütern bis 800 €. Die Finanzanlagen werden zu Anschaffungskosten abzüglich außerplanmäßiger Abschreibungen gemäß § 253 Abs. 3 Satz 4 HGB bewertet.

Die Vorräte werden zu Anschaffungs- oder Herstellungskosten unter Beachtung des Niederstwertprinzips bilanziert. Die Herstellungskosten umfassen neben den Einzelkosten auch angemessene Teile der Gemeinkosten. Bestandsrisiken werden durch ausreichende Wertabschläge berücksichtigt. Es werden Abschreibungen auf den beizulegenden Wert gemäß § 253 Abs. 4 Satz 2 HGB vorgenommen. Im Rahmen der Gängigkeitsabwertung der Fertigerzeugnisse werden in Abhängigkeit vom letzten Zugang und Verbrauch sowie der prognostizierten Reichweite festgelegte Abschläge angewandt, sofern nicht aufgrund von Einzelsachverhalten höhere Abschläge zu berücksichtigen sind.

Fremdkapitalzinsen werden weder bei der Bewertung des Anlage- noch des Umlaufvermögens berücksichtigt.

Erhaltene Anzahlungen werden bis zu der Höhe von den Vorräten abgesetzt, in der ihnen angearbeitete Leistungen gegenüberstehen. Übersteigende Anzahlungsbeträge werden unter den Verbindlichkeiten bilanziert.

Die Forderungen und sonstigen Vermögensgegenstände werden grundsätzlich zum Nennwert angesetzt. Ausfall- und allgemeine Kreditrisiken werden durch Abschreibungen und Wertberichtigungen berücksichtigt.

Die Pauschalwertberichtigung auf Forderungen aus Lieferungen und Leistungen wurde im Berichtsjahr unverändert mit 1,0% auf die nicht einzelwertberichtigten Forderungen vorgenommen. Auf zweifelhafte Forderungen werden angemessene Einzelwertberichtigungen entsprechend dem erwarteten Zahlungseingang gebildet.

Die Guthaben bei Kreditinstituten werden zum Nennbetrag angesetzt. Bestände in fremder Währung werden mit dem Devisenkassamittelkurs am Bilanzstichtag in Euro umgerechnet.

Aktive Rechnungsabgrenzungsposten betreffen Ausgaben im Berichtsjahr, die Aufwand für eine bestimmte Zeit nach dem Bilanzstichtag darstellen.

Ein aus unterschiedlichen Wertansätzen der Handels- und der Steuerbilanz resultierender und mit dem unternehmensindividuellen Steuersatz bewerteter Passivüberhang an latenten Steuern wird gemäß § 274 HGB saldiert als passive latente Steuern angesetzt. Falls sich ein Aktivüberhang ergibt, wird von dem Wahlrecht des § 274 Abs. 1 S. 2 HGB zum Ansatz aktiver latenter Steuern kein Gebrauch gemacht. Aktive latente Steuern auf Verlustvorträge werden nicht angesetzt.

Die Bewertung der Pensionsrückstellungen erfolgte nach dem Anwartschaftsbarwertverfahren. Vom Wahlrecht des § 253 Abs. 2 HGB, die Abzinsung pauschal mit dem durchschnittlichen, von der Deutschen Bundesbank veröffentlichten Marktzinssatz für Restlaufzeiten von 15 Jahren vorzunehmen, wird Gebrauch gemacht.

Die Abzinsung erfolgt mit dem durchschnittlichen, von der Deutschen Bundesbank veröffentlichten Marktzinssatz der vergangenen zehn Jahre. Die Ermittlung erfolgte unter Verwendung versicherungsmathematischer Sterbetafeln unter Berücksichtigung erwarteter Lohn-, Gehalts- und Rentendynamiken sowie Fluktuationswahrscheinlichkeiten.

Von der 1/15-Regelung des Artikels 67 Abs. 1 und 3 EGHGB wird wie in Vorjahren Gebrauch gemacht.

Die sonstigen Rückstellungen berücksichtigen alle erkennbaren Risiken und ungewissen Verbindlichkeiten nach vernünftiger kaufmännischer Beurteilung und werden mit ihrem voraussichtlichen Erfüllungsbetrag angesetzt. Rückstellungen mit Restlaufzeiten von mehr als einem Jahr werden mit ihrem im Erfüllungszeitpunkt erwarteten Betrag ermittelt und mit einem laufzeitadäquaten Zinssatz abgezinst.

Die Verbindlichkeiten entsprechen dem Erfüllungsbetrag nach § 253 Abs. 1 HGB.

Kurzfristige Forderungen und Verbindlichkeiten in fremder Währung werden mit dem Devisenkassamittelkurs am Bilanzstichtag (§ 256a HGB) bzw. mit dem Sicherungskurs bewertet.

Die Regelungen zur Bildung einer Bewertungseinheit zur kompensatorischen Bewertung von Sicherungsbeziehung für schwebende und bilanzierte Geschäfte in Fremdwährung und Devisenterminkontrakten werden angewandt. Aufgrund der Betragsidentität und der Kongruenz von Laufzeiten, Währungen und Fälligkeiten gleichen sich die gegenläufigen Wertänderungen bzw. Zahlungsströme während der Laufzeit von Grund- und Sicherungsgeschäft aus.

Nach der „Einfrierungsmethode“ werden die sich ausgleichenden Wertänderungen des wirksamen Teils nicht bilanziert. Die §§ 249 Abs. 1, 252 Abs. 1 Nr. 3 und 4 sowie 256a HGB werden nicht angewandt.

Erläuterungen zur Bilanz

Anlagevermögen

Die Entwicklung der einzelnen Posten des Anlagevermögens ist im Anlagenspiegel dieses Anhangs dargestellt. Nach § 248 Abs. 2 HGB aktivierte Aufwendungen für Entwicklungskosten des Jahres 2022 in Höhe von T€ 201 betreffen die Produktstandardisierung als auch -optimierung und sind im Anlagenspiegel dargestellt. Nach § 268 Abs. 8 HGB unterliegen dieser Beträge einer Ausschüttungssperre.

Die im Berichtsjahr insgesamt angefallenen Forschungs- und Entwicklungskosten beliefen sich auf T€ 589 (i. Vj. T€ 681).

Umlaufvermögen

Von den Forderungen aus Lieferungen und Leistungen haben T€ 0 (i. Vj. T€ 0) eine Restlaufzeit von mehr als einem Jahr.

Bei den Forderungen gegen verbundene Unternehmen handelt es sich im Wesentlichen um Forderungen gegen MHWirth AS, Kristiansand/Norwegen (Gesellschafter), in Höhe von T€ 780 (i. Vj. T€ 291) und weiteren Schwestergesellschaften. Sie betreffen wie im Vorjahr überwiegend Forderungen aus Lieferungen und Leistungen und haben wie im Vorjahr eine Restlaufzeit von unter einem Jahr.

Aktive latente Steuern

Die latenten Steuern betreffen ausschließlich Differenzen zwischen den handelsrechtlichen- und steuerlichen Bilanzansätzen. Aktive Latenzen ergeben sich aus dem Sachanlagevermögen, den Vorräten, den Rückstellungen für Pensionen und den sonstigen Rückstellungen, während sich passive Latenzen aus selbst geschaffenen immateriellen Vermögensgegenständen ergeben. Nach Bewertung mit dem unternehmensindividuellen Steuersatz von 30,525% ergibt sich ein Aktivüberhang in Höhe von T€ 3.766.

	2022	2021
Unterschiede bei selbst geschaffenen immateriellen Werten	-1.199	-1.396
Unterschiede bei Sachanlagevermögen	+2.666	+3.283
Unterschiede bei Vorräten	+1.463	0
Unterschiede bei sonstigen Rückstellungen	+2.094	+2.487
Unterschiede bei Pensionsrückstellungen	+7.315	+6.574
Summe	**12.339**	**10.948**

Darüber hinaus bestehen gewerbesteuerliche Verlustvorträge in Höhe von T€ 11.019 (i. Vj. T€ 10.440) sowie aus körperschaftsteuerlichen Verlustvorträgen von T€ 10.552 (i. Vj. T€ 9.713), die bei einem Gewerbesteuersatz von 14,7% und einem Körperschaftsteuersatz inklusive Solidaritätszuschlag von 15,825% zu aktiven latenten Steuern in Höhe von T€ 3.290 (i. Vj. T€ 3.072) führen würden.

Die Gesellschaft macht keinen Gebrauch von dem Wahlrecht des § 274 Abs. 1 S. 2 HGB zum Ansatz aktiver latenter Steuern in der Bilanz.

Eigenkapital

Das Stammkapital beträgt unverändert T€ 9.329. Zusammen mit dem Jahresfehlbetrag 2022 in Höhe von T€ 2.895, der Kapitalrücklage von T€ 2.666, einer Gewinnrücklage von T€ 914 sowie dem Gewinnvortrag von T€ 489 ergibt sich ein Eigenkapital von T€ 10.503.

Im Berichtsjahr erfolgten wie auch im Vorjahr keine Dividendenzahlungen.

Rückstellungen für Pensionen

Zum 31. Dezember 2022 wurde die Abzinsung mit dem durchschnittlichen, von der Deutschen Bundesbank veröffentlichten Marktzinssatz der vergangenen zehn Jahre vorgenommen. Zum 31. Dezember 2022 wurde ein prognostizierter Zinssatz von 1,78% (i. Vj. 1,87%) zugrunde gelegt. Bei den Sterbe- und Invalidisierungswahrscheinlichkeiten wurden für die Bewertung der Verpflichtungen die „Richttafeln 2018 G“ von Prof. Dr. Klaus Heubeck berücksichtigt. Darüber hinaus wurden bei der Rückstellungsbewertung die Lohn- und Gehaltsdynamik (0,00%) die Renten- und Festbetragszusagendynamik (2,00%) sowie eine branchenübliche Fluktuation unverändert zum Vorjahr berücksichtigt.

Der Unterschiedsbetrag gem. § 253 Abs. 6 Satz 1 HGB beträgt zum 31. Dezember 2022 T€ 508 (i. Vj. T€ 785) und ist für Ausschüttungen gesperrt.

Nach Artikel 67 Abs. 1 und 3 EGHGB wurden die Pensionsrückstellungen im abgelaufenen Geschäftsjahr um 1/15 aus dem Fehlbetrag nach Artikel 67 Abs. 1 EGHGB erhöht und mit einem Rechnungszinssatz von 1,78% bewertet. Der nicht passivierte Fehlbetrag von 2/15 beträgt T€ 304 (i. Vj. T€ 456).

Rückstellungen

Die sonstigen Rückstellungen von T€ 9.825 decken vor allem ausstehende Rechnungen bei den in Arbeit befindlichen Vorräten (T€ 2.672), Personalkosten (T€ 4.602), Gewährleistungen (T€ 1.516) sowie andere ungewisse Verbindlichkeiten (T€ 1.035) ab. Die Bewertung erfolgte nach ordentlichen kaufmännischen Grundsätzen.

Bei der Berechnung der pauschalen Gewährleistungsrückstellungen werden die Umsätze in der Berechnungsgrundlage nicht berücksichtigt, für die bereits Einzelgewährleistungsrückstellungen gebildet sind. Rückstellungen für Jubiläumszahlungen werden nach dem Teilwertverfahren mit einem Rechnungszinsfuß von 1,44% (gemäß § 253 Abs. 2 Satz 2 HGB: Restlaufzeit 15 Jahre) bewertet. Die Rückstellungen für Altersteilzeit wurden für 29 Mitarbeiter unter Zugrundelegung eines Rechnungszinsfußes von 1,44% (gemäß § 253 Abs. 2 Satz 2 HGB: Restlaufzeit 15 Jahre), einer Gehalts- und Beitragsbemessungsgrenzen-Dynamik von 2,50%, einer Fluktuationsrate von 0% und der Richttafeln 2018 G von Prof. Dr. Klaus Heubeck gemäß IDW RS HFA 3 bewertet. Übrige Rückstellungen mit einer Restlaufzeit von über 12 Monaten wurden mit laufzeitadäquaten Abzinsungszinssätzen gemäß § 253 Abs. 2 HGB und einer unterstellten Teuerungsrate von 2,0% bewertet.

Verbindlichkeiten

		Davon Beträge mit Restlaufzeiten		
Bilanzposten	**Gesamtbetrag** €	bis zu einem Jahr €	von einem bis zu fünf Jahren €	von mehr als fünf Jahren €
1. Erhaltene Anzahlungen auf Bestellungen	**2.511.501,77**	**2.511.501,77**	**0,00**	**0,00**
Vorjahr	*291.093,77*	*291.093,77*	*0,00*	*0,00*
2. Verbindlichkeiten aus Lieferungen und Leistungen	**7.776.387,26**	**7.776.387,26**	**0,00**	**0,00**
Vorjahr	*5.025.439,98*	*5.025.439,98*	*0,00*	*0,00*
3. Verbindlichkeiten gegenüber verbundenen Unternehmen	**12.185.909,68**	**2.185.909,68**	**10.000.000,00**	**0,00**
Vorjahr	*11.540.100,01*	*1.540.100,01*	*10.000.000,00*	*0,00*
4. Sonstige Verbindlichkeiten	**4.436.055,89**	**2.913.602,99**	**1.315.068,13**	**207.384,77**
Vorjahr	*3.659.504,64*	*1.999.672.21*	*1.372.780,58*	*287.051,85*
Gesamt	**26.909.854,60**	**15.387.401,70**	**11.315.068,13**	**207.384,77**
Vorjahr	*20.516.138,40*	*8.856.305,97*	*11.372.780,58*	*287.051,85*

Alle Verbindlichkeiten sind nicht gesondert besichert.

Von den Verbindlichkeiten gegenüber verbundenen Unternehmen betreffen T€ 10.053 (Vorjahr T€ 10.053) die konzerninterne Finanzierung des Gesellschafters. Des Weiteren bestehen T€ 2.078 (Vorjahr T€ 1.431) Verbindlichkeiten aus Lieferungen und Leistungen, davon gegenüber dem Gesellschafter T€ 617 (Vorjahr T€ 1.301).

Erhaltene Anzahlungen auf Bestellungen

Die unter den Verbindlichkeiten gegenüber verbundenen Unternehmen ausgewiesenen erhaltenen Anzahlungen auf Bestellungen belaufen sich auf T€ 256 (Vorjahr T€ 56). Den erhaltenen Anzahlungen stehen bereits Fertigungsleistungen von T€ 201 (Vorjahr T€ 0) gegenüber, weshalb diese von den Vorräten und den Verbindlichkeiten abgesetzt werden. Diese beinhalten keine Anzahlungen von Gesellschaftern (Vorjahr T€ 0).

Sonstige Verbindlichkeiten

Von den sonstigen Verbindlichkeiten betreffen T€ 1.907 (Vorjahr T€ 2.061) die Wohlfahrts- und Unterstützungskasse der MHWirth GmbH.

Haftungsverhältnisse und sonstige finanzielle Verpflichtungen

Zum 31.12.2022 bestehen folgende sonstige finanzielle Verpflichtungen:

- Bestellobligo	T€	24.264
davon verbundene Unternehmen	T€	233
- Leasingverträge	T€	254
davon in 2023	T€	108
- Jährliche Miete inkl. Nebenkosten für Grundstücke und Gebäude (Laufzeit bis 31.12.2028)	T€	1.118
- Rückkaufverpflichtungen für Maschinen	T€	704
davon in 2023	T€	704

Darüber hinaus besteht die Mithaftung für alle Verpflichtungen aus dem „Multi-Currency and Group Account System Agreement“ zwischen HMH Holding B.V. und der DnB Bank ASA, Oslo/Norwegen (sämtlich gegenüber verbundenen und assoziierten Unternehmen), die ab dem Beitrittszeitpunkt der Gesellschaft (01.10.2021) entstehen.

Der Kreditrahmen des Cash-Pools, für den Mithaftung besteht, beläuft sich auf maximal USD 5 Mio. (davon gesichert USD 0). Eine Inanspruchnahme wird aufgrund der seitens des Konzerns verfügbaren Informationen nicht erwartet.

Außerbilanzielle Geschäfte mit Auswirkung auf die Finanzlage bestehen im Rahmen von Rückkaufvereinbarungen. Diese betreffen den Rückkauf von einem Roadheader nach Beendigung des Einsatzes beim Kunden. Es handelt sich um eine übliche Vertragsgestaltung mit dem Ziel, die rückgekauften Maschinen für zukünftige Projekte zu verwenden. Im Zeitpunkt der Rücknahme wird die Finanzlage der Gesellschaft mit voraussichtlich T€ 704 belastet. Für das Wiederverwertungsrisiko wurden hiervon T€ 187 zurückgestellt.

Erläuterungen zur Gewinn- und Verlustrechnung

Umsatzerlöse

Die Umsatzerlöse teilen sich nach Regionen und Produktbereichen wie folgt auf:

	2022 Mio. €	2021 Mio. €
Regionen:		
Bundesrepublik Deutschland	2,4	2,3
Sonstiges Europa	19,8	19,8
Übrige Länder	54,8	25,4
	77,0	47,5
Nach Produktgruppen:		
Oilfield Equipment & Systems	23,3	24,2
Slurry & RC Drilling	51,3	21,1
Sonstiges	2,4	2,2
	77,0	47,5

Sonstige betriebliche Erträge

Hierunter sind unter anderem periodenfremde Erträge aus der Auflösung von Rückstellungen (T€ 951; Vorjahr: T€ 600), Erträge aus der Auflösung von Wertberichtigungen (T€ 4, Vorjahr T€ 108) und aus Abgängen von Gegenständen des Anlagevermögens (T€ 0, Vorjahr T€ 7) sowie Erträge aus Fremdwährungsumrechnung (T€ 413; Vorjahr: T€ 553) ausgewiesen.

Abschreibungen auf Vermögensgegenstände des Umlaufvermögens, soweit diese die in der Kapitalgesellschaft üblichen Abschreibungen überschreiten

Der Posten betrifft zusätzlich vorgenommene Sonderabwertungen aufgrund drohender Verlustgeschäfte (Aufwand von außergewöhnlicher Größenordnung).

Sonstige betriebliche Aufwendungen

Unter den sonstigen betrieblichen Aufwendungen sind Aufwendungen aus Fremdwährungsumrechnung (T€ 683; Vorjahr T€ 297) sowie die übrigen allgemeinen Verwaltungs- und Vertriebskosten zusammengefasst.

Zudem sind nach BilRUG Aufwendungen aus handelsrechtlichen Bewertungsanpassungen im Rahmen der Umstellung der Rückstellungen für Pensionen auf die Bewertungsvorschriften des Bilanzrechtsmodernisierungsgesetzes in Höhe von T€ 153 (Vorjahr TEUR 152) enthalten.

Sonstige Zinsen und ähnliche Erträge

Hierin sind Zinserträge aus den Veränderungen von Garantierückstellungen in Höhe von T€ 7 (Vorjahr T€ 5) sowie sonstige Zinserträge enthalten.

Zinsen und ähnliche Aufwendungen

Hierin sind Aufwendungen für die Aufzinsung von langfristigen Rückstellungen in Höhe von T€ 220 (Vorjahr: T€ 245) sowie Zinsaufwendungen in Höhe von T€ 562 (Vorjahr: T€ 503) gegenüber HMH Holding B.V. und MHWirth AS (verbundene Unternehmen) für ein gewährtes Darlehen im Rahmen des HMH Corporate Treasury/interne Gruppenfinanzierung enthalten.

Sonstige Angaben

Derivate

Im Geschäftsjahr wurden derivative Finanzinstrumente (Devisenterminkontrakte) zur Absicherung künftiger Zahlungsströme aus Fremdwährungsforderungen und -verbindlichkeiten bzw. festen vertraglichen Verpflichtungen in fremder Währung (US-Dollar) verwendet. Den Devisenterminkontrakten liegen jeweils Grundgeschäfte mit vergleichbarem, gegenläufigem Risiko (Mikro-Hedge) zugrunde. Die mit den aus den Grundgeschäften und den Sicherungsgeschäften gebildeten Bewertungseinheiten, nach § 254 HGB gesicherten Fremdwährungsforderungen betragen zum Bilanzstichtag T€ 3.289 und betreffen mit T€ 191 bilanzierte Forderungen aus Lieferungen und Leistungen und mit T€ 3.098 schwebende Verkaufsgeschäfte. Die gesicherten Fremdwährungsverbindlichkeiten betragen zum Bilanzstichtag T€ 291 und betreffen mit T€ 291 bilanzierte Verbindlichkeiten aus Lieferungen und Leistungen und mit T€ 0 schwebende Einkaufsgeschäfte.

Die Höhe der mit Bewertungseinheiten abgesicherten Risiken beträgt T€ 9. Der Marktwert der Derivate in USD beträgt T€ 122 zum Bilanzstichtag.

Die Bewertung der Devisentermingeschäfte erfolgte zum inneren Wert unter Verwendung der „Einfrierungsmethode“.

Personalbestand

Die Zahl der Arbeitnehmer (ohne Auszubildende) betrug im Durchschnitt des Berichtszeitraumes:

	2022 Anzahl	2021 Anzahl
Arbeiter	79	80
Angestellte	178	191
	257	271

Geschäftsführung

Geschäftsführer der Gesellschaft sind:

Herr Joachim Schlebusch, Heinsberg, hauptberuflicher Geschäftsführer (ab dem 3. Januar 2022)

Herr Einar Brønlund, Meerbusch, hauptberuflicher Geschäftsführer (bis zum 1. Februar 2022)

Aufsichtsrat

Dem Aufsichtsrat gehörten an:

Herr Eirik Bergsvik, Kristiansand / Norwegen, Vorsitzender
- Chief Executive Officer, HMH

Herr Pal Skogerbø, Kristiansand / Norwegen (seit 06/2022)
- President, ESS / MHWirth AS

Frau Ellen Jacobs, Erkelenz
Arbeitnehmervertreterin, MHWirth GmbH
- Betriebsratsvorsitzende, Project Operator

Frau Edeltraud Theißen, Linnich (seit 01/2022)
Arbeitnehmervertreterin, MHWirth GmbH
- Industriekauffrau

Herr Dag Stenevik, Kristiansand / Norwegen
- Senior Vice President, MHWirth AS

Herr Magne Hovland, Kristiansand / Norwegen (seit 06/2022)
- Senior Vice President, MHWirth AS

Herr Ralf Küster, Hückelhoven, stellvertretender Vorsitzender (bis 01/2022)
Arbeitnehmervertreter, MHWirth GmbH
- Industriemechaniker

Herr Joachim Schlebusch, Heinsberg (bis 01/2022)
- Senior Manager, MHWirth GmbH

Bezüge

Im Berichtsjahr wurden T€ 6 an tätige Aufsichtsratsmitglieder gezahlt. Die Versorgungsbezüge früherer Mitglieder der Geschäftsführung betrugen T€ 134 und für frühere Aufsichtsratsmitglieder T€ 22. Die Pensionsrückstellungen für frühere Mitglieder der Geschäftsführung belaufen sich auf T€ 971, für frühere Aufsichtsratsmitglieder auf T€ 220.

Angaben zu den Organbezügen der Geschäftsführung unterbleiben gem. § 286 Abs. 4 HGB.

Honorar des Abschlussprüfers

Der Abschlussprüfer erhielt die folgenden Bezüge:

	2022 (T€)	2021 (T€)
Abschlussprüfungsleistungen	107	80
Andere Bestätigungsleistungen	0	0
Steuerberatungsleistungen	0	0
Sonstige Leistungen	0	83
Summe	**107**	**163**

Konzernabschluss

Der Jahresabschluss wird in den Konzernabschluss der HMH Holding B.V., Amsterdam/Niederlande, die den Konzernabschluss für den größten Kreis von Unternehmen aufstellt, einbezogen. Der Konzernabschluss ist im Handelsregister von Amsterdam/Niederlande unter der Nr. 82719322 hinterlegt ist.

		Höhe der Beteiligung	Eigenkapital T€ 31.12.22	Ergebnis T€ 31.12.22
Beteiligungen:				
Shenyang WIRTH-NFM – SHMG Heavy Tunneling & Construction Machinery Co., Ltd., Shenyang, China	*) **)	24,0 %	--	--

*) Keine operative Gesellschaft
**) Es liegen keine aktuellen Daten vor.

Ergebnisverwendung und Ausschüttungssperre

Nach § 268 Abs. 8 HGB unterliegt ein Betrag von € 1.198.683,85 einer Ausschüttungssperre (Selbst geschaffene Rechte und Werte € 1.198.683,85).

Nach § 253 Abs. 6 Satz 1 HGB (Unterschiedsbetrag bei den Pensionsrückstellungen aus der Zinssatzänderung vom durchschnittlichen Satz für sieben Jahre auf den durchschnittlichen Satz von 10 Jahren) sind darüber hinaus € 507.801,00 ausschüttungsgesperrt.

Die Geschäftsführung schlägt vor, das negative Jahresergebnis von € 2.895.032,33 mit dem bestehenden Gewinnvortrag von € 488.910,09 zu verrechnen und den verbleibenden Betrag von € -2.406.122,24 auf neue Rechnung vorzutragen.

Nachtragsbericht

Nach dem Bilanzstichtag sind keine Ereignisse eingetreten oder Vorgänge von besonderer Bedeutung bekannt geworden, die sich wesentlich auf die Vermögens-, Finanz- oder Ertragslage der Gesellschaft im Berichtsjahr auswirken könnten.

Erkelenz, den 2. Mai 2023

MHWirth GmbH
Geschäftsführung

Joachim Schlebusch, Geschäftsführer

MHWirth GmbH, Erkelenz
Entwicklung des Anlagevermögens

Anlagenspiegel

	Anschaffungs-/ Herstellungskosten 01.01.2022 Euro	Zugänge Euro	Abgänge Euro	Umbuchungen Euro	Anschaffungs-/ Herstellungskosten 31.12.2022 Euro	Abschreibungen kumuliert Euro	Buchwert 31.12.2022 Euro	Buchwert 31.12.2021 Euro
I. Immaterielle Vermögens-gegenstände								
1. Selbst geschaffene Rechte und Werte								
a. Eigene Entwicklungen	10.013.973,13	48.277,25	0,00	220.035,82	10.282.286,20	9.500.083,20	782.203,00	911.600,00
b. Eigene Entwicklung in Arbeit	484.004,72	152.511,95	0,00	-220.035,82	416.480,85	0,00	416.480,85	484.004,72
	10.497.977,85	200.789,20	0,00	0,00	10.698.767,05	9.500.083,20	1.198.683,85	1.395.604,72
2. Entgeltlich erworbene EDV-Software, Gewerbliche Schutzrechte	3.874.219,59	0,00	0,00	0,00	3.874.219,59	3.782.925,59	91.294,00	169.449,00
3. Firmenwert	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
	14.372.197,44	200.789,20	0,00	0,00	14.572.986,64	13.283.008,79	1.289.977,85	1.565.053,72
II. Sachanlagen								
1. Bauten auf fremden Grundstücken	13.881.538,76	0,00	0,00	0,00	13.881.538,76	4.538.263,76	9.343.275,00	9.741.551,00
2. Technische Anlagen und Maschinen	27.824.259,95	945.948,35	0,00	7.000,00	28.777.208,30	24.287.270,70	4.489.937,60	4.543.685,51
3. Andere Anlagen, Betriebs- und Geschäftsausstattung	5.157.745,96	37.391,52	0,00	0,00	5.195.137,48	5.017.400,48	177.737,00	241.920,00
4. Geleistete Anzahlungen und Anlagen im Bau	20.248,22	221.030,89	0,00	-7.000,00	234.279,11	0,00	234.279,11	20.248,22
	46.883.792,89	1.204.370,76	0,00	0,00	48.088.163,65	33.842.934,94	14.245.228,71	14.547.404,73
III. Finanzanlagen								
1. Anteile an verbundenen Unternehmen	2.434,80	0,00	0,00	0,00	2.434,80	2.434,80	0,00	0,00
2. Beteiligungen	137.844,44	0,00	0,00	0,00	137.844,44	137.843,44	1,00	1,00
	140.279,24	0,00	0,00	0,00	140.279,24	140.278,24	1,00	1,00
IV. Anlagevermögen insgesamt	**61.396.269,57**	**1.405.159,96**	**0,00**	**0,00**	**62.801.429,53**	**47.266.221,97**	**15.535.207,56**	**16.112.459,45**

Abschreibungsspiegel

	Abschreibungen 01.01.2022 Euro	Abschreibungen des Geschäftsjahres Euro	Abgänge Euro	Abschreibungen 31.12.2022 Euro
I. Immaterielle Vermögens-gegenstände				
1. Selbst geschaffene Rechte und Werte	0,00	0,00	0,00	0,00
2. Eigene Entwicklungen	9.102.373,13	397.710,07	0,00	9.500.083,20
3. Eigene Entwicklung in Arbeit	0,00	0,00	0,00	0,00
4. Entgeltlich erworbene EDV-Software, Gewerbliche Schutzrechte	3.704.770,59	78.155,00	0,00	3.782.925,59
5. Firmenwert	0,00	0,00	0,00	0,00
	12.807.143,72	475.865,07	0,00	13.283.008,79
II. Sachanlagen				
1. Bauten auf fremden Grundstücken	4.139.987,76	398.276,00	0,00	4.538.263,76
2. Technische Anlagen und Maschinen	23.280.574,44	1.006.696,26	0,00	24.287.270,70
3. Andere Anlagen, Betriebs- und Geschäftsausstattung	4.915.825,96	101.574,52	0,00	5.017.400,48
4. Anlagen im Bau Geleistete Anzahlungen	0,00	0,00	0,00	0,00
	32.336.388,16	1.506.546,78	0,00	33.842.934,94
III. Finanzanlagen				
1. Anteile an verbundenen Unternehmen	2.434,80	0,00	0,00	2.434,80
2. Beteiligungen	137.843,44	0,00	0,00	137.843,44
	140.278,24	0,00	0,00	140.278,24
IV. Abschreibungen insgesamt	**45.283.810,12**	**1.982.411,85**	**0,00**	**47.266.221,97**

Lagebericht 2022

der

MHWirth GmbH

Lagebericht 2022

1. Grundlagen der Gesellschaft

i. Geschäftsmodell

Die MHWirth GmbH ist Teil der HMH-Unternehmensgruppe, dessen Anteile zu jeweils 50% auf den Akastor-Konzern (Norwegen) als auch auf Baker Hughes (USA) fallen. Das Unternehmen entwickelt, konstruiert, produziert, vertreibt und vermietet unterschiedliche Typen von Bohrsystemen, Fest- und Flüssigstoffpumpen, Hebewerken, Drehtischen, Spülköpfen und verwandten Erzeugnissen einschließlich entsprechender Ersatzteile und Service-Dienstleistungen. Der Einsatz erfolgt weltweit.

Die Gesellschaft ist funktionsorientiert gegliedert in die Bereiche Sales (Vertrieb), Drilling Lifecycle Services (Ersatzteilwesen und Service) und Operations bestehend aus Engineering (Konstruktion und Entwicklung), Production (Produktion), Supply Chain (Einkauf und Distributionslogistik), Project Management, Quality Assurance and HSSE (Qualitätsmanagement und Gesundheit, Arbeitsschutz, Sicherheit und Umweltschutz). Zudem gibt es die klassischen Administrationsfunktionen unter der Führung des lokalen CFO. Diese beinhalten Finanzwesen, Controlling, Riskmanagement, Steuern, Human Resources, IT/IS (Informationstechnologie, Informationssicherheit) und Legal (Rechtswesen). Die Gesellschaft betreibt ihr Geschäft in angemieteten Räumlichkeiten in Erkelenz und ist mit einer Exportquote von rund 97% weltweit aktiv. Die wichtigsten Absatzmärkte sind Asien, Europa (insbesondere Norwegen), Australien und Südamerika.

Zum 31. Dezember 2022 hält die MHWirth HoldCo AS 100% der Gesellschaftsanteile der MHWirth GmbH.

Die finanziellen Leistungsindikatoren der Gesellschaft sind der Auftragseingang, Umsatz, EBITDA (Earnings before Interest, Tax, Depreciation and Amortization) und CAPEX (Capital Expenditures). Als nichtfinanzieller Leistungsindikator wird die Anzahl der Unfälle mit anschließendem Arbeitszeitausfall herangezogen.

ii. Forschung und Entwicklung

Im Geschäftsjahr 2022 konzentrierte sich die Entwicklungsarbeit vor allem auf die Produktstandardisierung und -optimierung. Der gesamte Forschungs- und Entwicklungsaufwand belief sich im Jahr 2022 auf 0,6 M€ (im Vorjahr 0,7 M€).

Im Bereich der immateriellen Vermögensgegenstände sind im Geschäftsjahr 2022 Entwicklungskosten im Gesamtumfang von 0,2 M€ aktiviert worden. Auch diese bezogen sich auf die Produktstandardisierung und -optimierung und sind im Anlagenspiegel dargestellt. Die Abschreibungen auf Forschungs- und Entwicklungskosten betrugen insgesamt 0,4 M€ (im Vorjahr: 0,4 M€).

2. Wirtschaftsbericht

i. Gesamtwirtschaftliche und branchenbezogene Rahmenbedingungen

Für Deutschland wurde ein positives Wirtschaftswachstum in 2022 i.H.v. 1,8% ermittelt. Dieses hat sich damit gegenüber dem Vorjahr, das sich langsam durch die Auswirkungen der Corona-Pandemie wieder erhöht hatte, durch die Folgen des Kriegs sowie den extremen Preiserhöhungen verringert (Vorjahr: 2,1%).
(https://de.statista.com/statistik/daten/studie/2112/umfrage/veraenderung-des-bruttoinlandprodukts-im-vergleich-zum-vorjahr/

Für die Euro-Zone wurde ein positives Wirtschaftswachstum in 2022 von rd. 3,5% prognostiziert (Vorjahr: 5,4%).
(https://de.statista.com/statistik/daten/studie/2112/umfrage/veraenderung-des-bruttoinlandprodukts-im-vergleich-zum-vorjahr/)

Für die übrigen Hauptabsatzmärkten wurde das positive Wirtschaftswachstum in 2022 wie folgt prognostiziert: Norwegen 3,3%, Indien 6,8%, China 3,0%, Singapur 3,7%, Brasilien 2,9%, Australien 3,7%.
(Quellen: https://de.statista.com/statistik/daten/studie/14549/umfrage/wachstum-des-bruttoinlandsprodukts-bip-in-norwegen/
https://de.statista.com/statistik/daten/studie/14564/umfrage/wachstum-des-bruttoinlandsprodukts-in-indien/
https://de.statista.com/statistik/daten/studie/14560/umfrage/wachstum-des-bruttoinlandsprodukts-in-china/
https://de.statista.com/statistik/daten/studie/321761/umfrage/wachstum-des-bruttoinlandsprodukts-bip-in-singapur/
https://de.statista.com/statistik/daten/studie/14559/umfrage/wachstum-des-bruttoinlandsprodukts-in-brasilien/
https://de.statista.com/statistik/daten/studie/14529/umfrage/wachstum-des-bruttoinlandsprodukts-in-australien/).

Als wichtiger nachfragebeeinflussender Indikator unterstand der Ölpreis im Laufe des Geschäftsjahres 2022 deutlichen Schwankungen, besonders bedingt durch den Russland-Ukraine-Konflikt. Zu Jahresbeginn notierte er mit 79,0 USD pro Barrel; zum Jahresende mit 83,0USD. Die sonstigen Rohstoffpreise, wie z.B. Aluminium (rd. -15,6%) oder Kupfer (rd. -13,7%) sind im Jahr 2022 stark gesunken. Der Rohstoffpreis für Nickel ist stark gestiegen (rd. 47,0%).
Die Rohstoffpreisentwicklung unterliegt regelmäßig Schwankungen. Wir gehen jedoch davon aus, dass von einer langfristig ansteigenden Nachfrage nach unseren Produkten auszugehen ist, insbesondere nach unserem Non-Oilfield Equipment.

Im Geschäftsjahr 2022 wirkten sich die Rahmenbedingungen positiv auf die Auftragslage aus, vor allen Dingen im Bereich der Förderung von Rohstoffen, benötigt für die Elektromobilität (Nickel, Kobalt), verzeichnete man ein erhöhtes Ausschreibungs- und Auftragseingangsvolumen. Im Bereich des Produktportfolios mit Ölbezug waren ebenso erhöhte Auftragseingänge zu verzeichnen. Anzumerken ist hierbei, dass der Auftragseingang noch nicht auf dem Niveau von vor der Corona-Krise ist, da Kunden zuerst einmal stillgelegtes Equipment wieder in Betrieb nehmen. So ist beispielsweise die weltweite Auslastung der Offshore-Floater-Bohranlagen im zweiten Halbjahr 2022 wieder leicht auf rd. 84% gestiegen (2021: rd. 78%, Quelle: IHS Markit). Die Anzahl aktiver Bohranlagen mit MHWirth-Equipment ist im Jahr 2022 leicht gestiegen (2022: ca. 58 Anlagen, 2021: ca. 52 Anlagen, 2020: ca. 47 Anlagen, Quelle: intern).

ii. Geschäftsverlauf

Absatzmarkt

Die Auftragslage im Kernproduktbereich Öl und Gas (im Wesentlichen Spülpumpen, Hebewerke, Drehtische und Spülköpfe) steigerte sich im Geschäftsjahr 2022, was vor allen Dingen auf eine steigende Investitionsbereitschaft nach Abklingen der Corona-Krise zurückzuführen ist. Die Corona-Krise, die als Sondereffekt zu bewerten war, hatte den weltweiten Öl-Bedarf in den beiden Vorjahren um ca. 10 - 15% reduziert. Erschwerend kam in den Vorjahren hinzu, dass durch die Reisebeschränkungen die globalen Vertriebsaktivitäten stark eingeschränkt wurden. Vor allen Dingen in den Hauptabsatzgebieten ist das Verkaufsvolumen stark abhängig von der Vor-Ort-Präsenz. Die Aufhebung der Restriktionen in 2022 haben hier zu einer Wiederbelebung des Geschäftsvolumen geführt.

Bei der Produktreihe RC-Drilling (Pfahlbohranlagen und Subsea Mining) ist die Auftragslage im Vergleich zum vorherigen Geschäftsjahr deutlich gestiegen.

Bei der Produktreihe Slurry Pumps (Feststoffpumpen) profitierte die Gesellschaft im letzten Geschäftsjahr weiterhin von ihren intensiven Bemühungen, die Wettbewerbsfähigkeit zu steigern. Aufgrund dieser Bemühungen konnte im Geschäftsjahr 2022 die Auftragslage auf einem hohen Niveau stabilisiert werden.

Beschaffungsmarkt

Auf dem Beschaffungsmarkt war wie im vorherigen Jahr auch in 2022 ein stark steigendes Preisniveau zu verzeichnen. Durch ständige Qualifizierung neuer Lieferanten, Rahmenvereinbarungen mit Lieferanten sowie eine frühzeitige Beschaffung ausgewählter Komponenten wird dieses Preisniveau ständig optimiert.

iii. Lage

Insgesamt hat sich das Geschäftsjahr 2022 bedingt durch deutlich höhere Auftragseingänge gegenüber dem Vorjahr positiv entwickelt. Sowohl der Kapazitätsbedarf als auch die Kapazitätsauslastung unserer Bereiche bewegte sich auf entsprechend hohem Niveau.

Der Auftragseingang erholte sich im Vergleich zum Vorjahr deutlich. Der erhöhte Auftragseingang lag in diesem Jahr über dem im Vorjahr prognostizierten Wert und hat somit wieder das Vor-Corona-Niveau erreicht, wobei einige Marktsegmente sich noch nicht vollständig erholt haben. Dies gilt vor allem für Neu-Equipment im Offshore-Bereich. Insgesamt wurde im Geschäftsjahr 2022 ein Auftragseingang i.H.v. 91,6 M€ erzielt (Vorjahr: 69,2 M€).

Auftragseingang pro Jahr in M€

2021	69,2
2022	91,6

Der Umsatz betrug im Geschäftsjahr 2022 77,0 M€ und lag damit um 29,5 M€ über dem Vorjahr (47,5 M€). Das Unternehmen konnte damit den prognostizierten Wert für das Geschäftsjahr erreichen, obwohl es unterjährig zu enormen negativen Einflüssen durch den Russland-Ukraine-Krieg kam.

Umsatz in M€

2021	47,5
2022	77,0

Das EBITDA betrug im Geschäftsjahr 2022 1,6 M€. Das im Vorjahr erwirtschaftete EBITDA lag bei -1,1 M€. Im Geschäftsjahr 2022 wurde eine weitere Erholung des EBITDA vor allem durch die stark gestiegenen Energie-, Logistik- und Beschaffungspreise eingedämmt. Das Unternehmen konnte damit den prognostizierten Wert für das Geschäftsjahr erreichen

EBITDA in M€

2021	-1,1
2022	1,6

Im Geschäftsjahr 2022 wurden insgesamt 0,2 M€ Investitionen getätigt (CAPEX, Vorjahr: 0,3 M€) Damit entspricht der Wert der Planung für das aktuelle Jahr und der Prognose des Vorjahres. Die Anzahl der Unfälle mit anschließendem Arbeitsausfall betrug 1 (Vorjahr: 1), geplant waren keine Unfälle mit anschließendem Arbeitsausfall.

Ertragslage

Gewinn- und Verlustrechnung	2022		2021		Veränderung
	M€	**%**	**M€**	**%**	**M€**
Umsatzerlöse	**77,0**	107,7	**47,5**	88,3	**29,5**
Bestandsveränderung	**-5,5**	-7,7	**6,3**	11,7	**-11,8**
andere aktivierte Eigenleistungen	**0,0**	0,0	**0,0**	0,0	**0,0**
Gesamtleistung	**71,5**	100,0	**53,8**	100,0	**17,7**
Sonstige betriebliche Erträge	**1,8**	2,5	**2,8**	5,2	**-1,0**
Materialaufwand	**36,2**	50,6	**26,4**	49,1	**9,8**
Personalaufwand	**21,3**	29,8	**21,5**	40,0	**-0,2**
Sonstige betriebliche Aufwendungen	**14,2**	19,9	**9,8**	18,2	**4,4**
EBITDA	**1,6**	2,2	**-1,1**	-2,0	**2,7**
Abschreibungen	**3,5**	4,9	**2,0**	3,7	**1,5**
EBIT	**-1,9**	-2,7	**-3,1**	-5,8	**1,2**
Sonstige Zinsen und ähnliche Erträge	**0,0**	0,0	**0,0**	0,0	**0,0**
Zinsen und ähnliche Aufwendungen	**1,0**	1,4	**0,9**	1,7	**0,1**
Ergebnis vor Steuern	**-2,9**	-4,1	**-4,0**	-7,4	**1,1**
Steuern vom Einkommen und vom Ertrag	**0,0**	0,0	**-0,3**	-0,6	**0,3**
Ergebnis nach Steuern	**-2,9**	-4,1	**-3,7**	-6,9	**0,8**
Sonstige Steuern	**0,0**	0,0	**1,5**	2,8	**-1,5**
Jahresfehlbetrag	**-2,9**	-4,1	**-5,2**	-9,7	**2,3**

Der Umsatz des Geschäftsjahres 2022 (77,0 M€) ist gegenüber dem Vorjahr (47,5 M€) um 29,5 M€ gestiegen. Die Umsatzerhöhung bezog sich insbesondere auf die Produktbereiche (DLS, Produkte für die Öl- und Gasindustrie, Pfahlbohranlagen, Feststoffpumpen).

Die Gesamtleistung erhöhte sich um 17,7 M€ (32,9%) auf 71,5 M€ (Vorjahr: 53,8 M€).

Der Materialaufwand (36,2 M€) hat sich aufgrund des gestiegenen Geschäftsvolumens gegenüber dem Vorjahr (26,4 M€) um 9,8 M€ (37,1%) erhöht. Die Materialaufwandsquote (Materialaufwand / Gesamtleistung) betrug 50,6% (Vorjahr: 49,1%). Die Materialaufwandsquote erhöhte sich somit leicht gegenüber dem Vorjahr, begründet durch einen höheren Anteil an materialintensiveren Maschinenumsätzen.

Der Personalaufwand hat sich gegenüber dem Vorjahr von 21,5 M€ um 0,2 M€ auf 21,3 M€ reduziert. Der Personalstand beträgt zum 31.12.2022 insgesamt 271 Mitarbeiter (31.12.2021: 289).

Das EBIT hat sich gegenüber dem Vorjahr (-3,1 M€) um 1,2 M€ auf -1,9 M€ gesteigert.

Das Jahresergebnis nach Steuern hat sich von -3,7 M€ im Vorjahr um 0,8 M€ auf -2,9 M€ gesteigert, was im Wesentlichen durch die Erhöhung des Umsatzes 2022 begründet ist. Ferner beinhaltet der Jahresfehlbetrag strategische Sonderaufwendungen, die den Unternehmensverbund in Zukunft globaler aufstellen sollen wie z. B. die Einführung eines einheitlichen ERP-System in Höhe von 1,1 M€.

Finanzlage

Zum Bilanzstichtag stellt sich die Finanzierung wie folgt dar:

Eigenkapital (10,5 M€, i.Vj. 13,4 M€); der Abgang ist bedingt durch den Jahresfehlbetrag des Geschäftsjahrs 2022 (i.H.v. 2,9 M€), Verbindlichkeit gegenüber MHWirth AS (10,0 M€, i.Vj. 10,0 M€), Anzahlungen von Kunden (2,5 M€, i.Vj. 0,3 M€) sowie sonstige Verbindlichkeiten (4,4 M€, i.Vj. 3,7 M€) und Rückstellungen (21,1 M€, i.Vj. 22,4 M€). Zusätzlich steht der Gesellschaft die flexible Inanspruchnahme von entsprechenden Intercompany-Darlehen mit flexiblen Laufzeiten zur Verfügung, um z. B. Projekte mit hohen Materialaufwendungen entsprechend vorzufinanzieren.

Zum 31.12.2022 beträgt der Bestand an liquiden Mitteln 2,4 M€ (i.Vj. 2,4 M€). Der insgesamt erwirtschaftete Cashflow aus operativer Tätigkeit beträgt im Geschäftsjahr 2022 1,4 M€ (i.Vj. 10,8 M€), der Cashflow aus Investitionstätigkeit -0,3 M€ (i.Vj. -0,1 M€), der Cashflow aus Finanzierungstätigkeit -1,1 M€ (i.Vj. -9,8 M€). Die Gesellschaft war im Berichtsjahr jederzeit in der Lage, ihre finanziellen Verpflichtungen zu erfüllen.

Vermögenslage

Die Bilanzsumme hat sich zum Abschlussstichtag von 56,3 M€ um 2,2 M€ auf 58,5 M€ erhöht. Das Anlagevermögen reduzierte sich um 0,6 M€; die liquiden Mittel veränderten sich nicht. Die Vorräte und Forderungen haben sich um 2,6 M€ erhöht. Das kurzfristig gebundene Nettoarbeitskapital[1] (net working capital, NCOA) hat sich von 14,5 M€ um 1,8 M€ auf 12,7 M€ reduziert, geplant war eine leichte Erhöhung.

[1] Umlaufvermögen ohne liquide Mittel zuzüglich aktiver Rechnungsabgrenzungsposten abzüglich Steuer- und sonstige Rückstellungen sowie abzüglich kurzfristiger Verbindlichkeiten ohne Konzernfinanzierung und abzüglich passiver Rechnungsabgrenzungsposten

Bilanzstruktur 2021 bis 2022 in M€:

	31.12.2022		31.12.2021		Veränderung
Aktiva	**M€**	%	**M€**	%	**M€**
Anlagevermögen	**15,5**	26,5	**16,1**	28,6	**-0,6**
Vorräte	**28,1**	48,0	**26,0**	46,2	**2,1**
Forderungen, sonstige VG	**12,1**	20,7	**11,6**	20,6	**0,5**
Liquide Mittel	**2,4**	4,1	**2,4**	4,2	**0,0**
Rechnungsabgrenzungsposten	**0,4**	0,7	**0,2**	0,3	**0,2**
Aktive latente Steuer	**0,0**	0,0	**0,0**	0,0	**0,0**
Bilanzsumme	**58,5**	100,0	**56,3**	100,0	**2,2**
Passiva					
Eigenkapital	**10,5**	17,9	**13,4**	23,8	**-2,9**
Rückstellungen	**21,1**	36,1	**22,4**	39,8	**-1,3**
Bankverbindlichkeiten	**0,0**	0,0	**0,0**	0,0	**0,0**
übrige Verbindlichkeiten	**26,9**	46,0	**20,5**	36,4	**6,4**
Bilanzsumme	**58,5**	100,0	**56,3**	100,0	**2,2**

Im Berichtszeitraum wurden Investitionen in Sachanlagen in Höhe von 1,4 M€ (im Vorjahr 0,5 M€) getätigt. Die Investitionstätigkeit bezog sich vor allem auf Maßnahmen im Produktionsbereich und Maschinen.

Zum Bilanzstichtag 31.12.2022 beträgt das Vorratsvermögen 28,1 M€ (i.Vj. 26,0 M€). Die nicht auftragsgebundenen Vorräte reduzierten sich von 23,3 M€ um 2,5 M€ auf 20,8 M€. Dabei haben sich die Abwertungen wegen Ungängigkeit im laufenden Geschäftsjahr reduzierend ausgewirkt. Die auftragsgebundenen Vorräte erhöhten sich von 2,4 M€ um 4,9 M€ auf 7,3 M€. Die geleisteten Anzahlungen reduzierten sich von 1,7 M€ um 0,6 M€ auf 1,1 M€. Die auf unfertige Leistungen anrechenbaren erhaltenen Anzahlungen reduzierten sich von 9,7 M€ um 8,4 M€ auf 1,3 M€.

Bezüglich der liquiden Mittel wird auf die Kommentierung der Finanzlage verwiesen.

Dividendenzahlungen erfolgten im Geschäftsjahr nicht (i.Vj. 0,0 M€). Die Eigenkapitalquote reduzierte sich von 23,8% auf 17,9%.

Die Rückstellungen reduzierten sich insgesamt von 22,4 M€ um 1,3 M€ auf 21,1 M€. Die übrigen Verbindlichkeiten haben sich von 20,5 M€ um 6,4 M€ auf 26,9 M€ erhöht.

Im Jahr 2022 hat das Unternehmen einen positiven Trend starten können, der sich trotz Ausläufer der Corona-Krise als auch des Beginns des Russland-Ukraine-Krieges bis zum Jahresende manifestieren konnte. Das Jahr 2022 wurde vor allem für strategische Richtungswechsel genutzt, um neben den bereits vollzogenen Flexibilisierungsmaßnahmen im Management auch eine Neuausrichtung auf der Markt- und Produktseite durchzuführen. Ein wichtiger Bestandteil der Strategie ist die Einführung eines globalen ERP-Systems, was zu enormen Aufwendungen im Wirtschaftsjahr führten, weshalb der Jahresfehlbetrag aus der Corona-Krise nicht gänzlich kompensiert werden konnte.

Zum Aufstellungszeitpunkt des Lageberichts stellt sich die wirtschaftliche Lage der Gesellschaft als stabil dar.

3. Prognose-, Chancen- und Risikobericht

Prognosebericht

Allgemeine Rahmenbedingungen und Geschäftserwartungen

In der Vergangenheit wurde vor allem die Entwicklung des Ölpreises maßgeblich für die Auftragslage als auch die wirtschaftliche Performance des Unternehmens herangezogen. Im Geschäftsjahr 2022 und mit der Intensivierung des Öl-unabhängigen Geschäftsbereich des Unternehmens ist die allgemeine Rohstoffpreisentwicklung, sowie die Realisierungsquote von Infrastrukturprojekten mindestens so bedeutend.

Als bedeutende Größe hat sich im o.g. Zeitraum die Entwicklung des Rohstoffspektrums, das für die Elektromobilitätsbranche verwendet wird, manifestiert. Allen voran Nickel, Cobalt als auch Kupfer spielen hier eine bedeutende Rolle.

Vor allem im Bereich der Nicht-Öl-Segmente hat sich die Nachfrage nach neuem Equipment und das Angebotsvolumen nach der COVID-19-Pandemie merklich erhöht. Dies gilt sowohl für Equipment, das im Bereich der Gewinnung von Rohstoffen für die Elektromobilität benötigt wird als auch für Equipment für den Infrastrukturbereich wie z.B. Bohranlagen zur Fundamentherstellung von Brücken oder Hochhäusern.

Im Bereich der Produkte zur Förderung von Rohstoffen für die Elektromobilität gehen wir von einem positiven Trend aus, der die nächsten Jahre anhalten wird. Auch im Bereich der Infrastruktur-Projekte gehen wir weiter von einem steigenden Trend mit entsprechendem Wachstum aus. Hier zeigt sich, dass sich vor allem im asiatischen Bereich einzelne Bauabschnitte bzw. Projekte durch die COVID-19-Pandemie hinausgezögert haben.

Im Bereich des Equipments zur Ölgewinnung erholt sich der Markt zunehmend, vor allem im Onshore-Bereich, da es sich hierbei um eine vergleichsweise kostengünstige Variante der Rohölförderung handelt. Projekte und einzelner Austausch von Equipment, was schon länger vollzogen werden sollte, wird zunehmend konkreter und befindet sich z.T. in den Endverhandlungen. Die Zielmärkte befinden sich vor allem im mittleren Osten und Mittelamerika.

Im Offshore-Bereich ist derzeit noch eine geringe Aktivität in Bezug auf Neuequipment zu verzeichnen. Dies ist zum einen bedingt durch die kostenintensivere Förderungsmethode mit höheren Risiken als auch durch den Umstand, dass eine beachtliche Menge von Anlagen während der COVID-19-Krise nicht verwendet wurden und nun sukzessive wieder in Betrieb genommen werden. Vereinzelt wird hier Austauschequipment (sogenanntes Single Equipment) verkauft, dies ist jedoch nur partiell der Fall, wenn eine Überholung unwirtschaftlich ist.

Den unmittelbarsten Einfluss stellt man im Bereich des After-Sales- und Service-Geschäfts (DLS fest, da die stillgelegten Ölförderanlagen wieder in Betrieb genommen werden und dies mit einem erhöhten Serviceaufwand verbunden ist. Einen erhöhten Auftragseingang im Bereich des Neuequipment (Öl) sehen wir frühestens nach vollständiger Reaktivierung der vorhandenen Anlagen.

Die fehlenden Neuanlagengeschäfte haben für die Umsatzentwicklung des Unternehmens kaum noch einen merklich negativen Effekt, da man frühzeitig den Trend in Richtung Landanlagen und alternativen Marktsegmenten erkannt hat.

Der Krieg zwischen Russland und der Ukraine hatte im Jahr 2022 einen umfangreichen negativen Effekt auf das Unternehmen, durch den Umstand, dass der geplante Umsatz für diese beiden Länder fast vollständig verloren ging. Dies konnte jedoch in vollem Umfang kompensiert werden.

Die Gesellschaft plant zukünftig unter den derzeitigen Bedingungen kein Russland-Umsatzvolumen mehr ein.

Prognose von Finanzkennzahlen zur Unternehmenssteuerung

Der **Auftragseingang** des Geschäftsjahrs (91,6 M€) lag im Vergleich zum Vorjahr u.a. durch den Erhalt eines Großprojekts im Bereich Slurry Pumps, auf einem deutlich höheren Niveau (2021: 69,2 M€). Für das Geschäftsjahr 2023 rechnen wir mit einer nachhaltigen Stabilisierung der Auftragseingänge, die sich zum Jahresende hin weiterhin verbessern. Als erste Indikation vernehmen wir bereits einen verbesserten Auftragseingang im Bereich After Sales, vor allen Dingen im letzten Quartal 2022.
Die **Umsatz**erwartung 2023 befindet sich auf einem leicht höheren Niveau im Vergleich zu 2022. Deshalb gehen wir von einem korrespondierend leicht steigendem **EBITDA** aus.

Ein Schwerpunkt im Jahr 2023 liegt vor allem auf der Einführung eines global einheitlichen ERP-Systems, um Standortübergreifende Synergien vollumfänglich zu nutzen. Ein weiterer Schwerpunkt wird die Weiterentwicklung des bestehenden Produktportfolios sein. Hier werden u.a. die Lessons Learned in Bezug auf einen erhöhten Digitalisierungsgrad aus der COVID-19-Pandemie implementiert, sodass ein kontinuierlicher Status der Anlagen sowie ein entsprechender Wartungsbedarf unmittelbar und nachhaltig zur Verfügung steht.

Für das Geschäftsjahr 2023 sind Investitionen (**CAPEX**) auf ähnlichem Niveau geplant, darunter u.a. die Modernisierung und Digitalisierung des Maschinenparks mit entsprechenden Automatisierungsapplikationen. Die Finanzierung dieser Investitionen soll aus dem operativen Cashflow erfolgen. Aufgrund dessen wird von einem CAPEX der MHWirth GmbH auf ähnlichem Niveau ausgegangen.

Wir gehen von einer erheblichen besseren Lage im Verlauf des Jahres 2023 aus. Aufgrund der bereits verbuchten Auftragseingänge, die sich derzeit in der Produktion befinden, werden wir eine leichte Umsatzsteigerung im Vergleich zu 2022 verzeichnen. Dies wird einen entsprechend positiven Effekt auf das **EBITDA** haben, so dass wir für 2023 hier wieder von einem positiven Wert ausgehen, bezogen auf die operative Geschäftsperformance. Außergewöhnliche Effekte wie die Einführung des globalen ERP-Systems können einen negativen Effekt auf das Jahresergebnis haben.

Prognose nicht-finanzieller Leistungsindikatoren zur Unternehmenssteuerung

Der besondere Fokus auf Arbeitsschutz, Arbeitssicherheit und Arbeitsumfeld (Health, Security, Safety and Environment, kurz: HSSE) wird auch im Geschäftsjahr 2023 weiterverfolgt. Der Ziel-Wert für **Unfälle mit anschließendem Arbeitszeitausfall** (sog. „TRIF“) wurde daher wie im Vorjahr und analog zum Konzernziel „Null Unfälle“ auf „0“ festgelegt (2022: 1 TRIF).

Unsere Prognosen basieren unter anderem auf Annahmen über zukünftige Ereignisse, die sich unserem Einfluss entziehen. Insoweit kann nicht ausgeschlossen werden, dass die tatsächlich eintretenden Ergebnisse von unseren Erwartungen über die zukünftige Entwicklung abweichen.

Chancen- und Risikobericht

Grundsätzlich werden projektbezogene und unternehmensübergreifende Chancen und Risiken gemäß dem kaufmännischen Vorsichtsprinzip bewertet und in der Finanzplanung des Unternehmens berücksichtigt. Darüber hinaus bestehen ggf. weitere Chancen und Risiken, deren Eintritt das geplante Ergebnis in positiver oder negativer Weise beeinflussen kann.

Chancenbericht

Aufgrund der zunehmenden Bestrebungen einerseits die Elektromobilität voranzutreiben, andererseits eine Energieunabhängigkeit von Russland zu erreichen, stehen bei den Kunden derzeit erhöhte Budgets zur Verfügung.

Vor allem bei Kunden aus dem Bereich der Rohstoffgewinnung, die unmittelbar für die Elektromobilität benötigt werden, stehen derzeit Fördermengenerhöhungen im Vordergrund. Dies vor allem vor dem Hintergrund, die kurz- bis mittelfristig erhöhten Bedarfe zu decken. Für die MHWirth GmbH besteht daher vermehrt die Chance, dass Projekte, die eigentlich zu einem späteren Zeitpunkt realisiert werden sollen nun doch schneller umgesetzt werden.

Im Bereich der Infrastrukturprojekte sehen wir vor allem im Bereich Asien, hier besonders Indien und Hongkong, weitere Potentiale die bewährte Technik der Pfahlbohranlagen zu vermarkten. Vor alle die zunehmende Überlastung der indischen Straßennetze führt zu erweitertem Brückenbau mit dem Ziel, den Verkehr aus den Stadtzentren zu verlagern. Diese politischen Aktivitäten beschleunigen den Bau und erhöhen damit das Nachfragevolumen nach Neu-Equipment.

Des Weiteren bietet der Mittlere Osten, mit seinen Landanlagen eine Alternative für russisches Öl und Gas. Dieser Markt ist historisch schon mit einer bedeutenden Produktpalette von MHWirth GmbH versorgt, sodass man hier kurzfristig mit neuen Upgrade-Aufträgen rechnen kann.

Dadurch, dass das Unternehmen in den letzten Jahren einen hohen Fokus auf der Kostenreduzierung hatte, ist es derzeit in der Lage sich flexibel an Umsatzschwankungen anzupassen, ohne dass dies zu großen Aufwendungen oder Restrukturierungen führt.

Im Bereich „DLS“ (Drilling Lifecycle Services, d.h. Ersatzteil- und Servicegeschäft) profitieren wir von den zunehmenden Reaktivierungen von Offshore-Anlagen, als auch die erhöhte Anzahl Slurry Pumpen, die derzeit aktiv sind und ein entsprechendes Ersatzteilumsatzvolumen generieren.

Risikobericht

Nachfolgend sind die Risiken, denen die Gesellschaft ausgesetzt ist, entsprechend ihrer Bedeutung, in abnehmender Reihenfolge aufgeführt:

Vorratsbestandsrisiken (leistungswirtschaftliches Risiko)

Die Gesellschaft ist dem Risiko ausgesetzt, Aufträge zu verlieren, da nicht innerhalb der von den Kunden erwarteten Frist produziert und geliefert werden kann oder da aufgrund von Terminüberschreitungen Pönalen fällig werden können. Zur Sicherung der Verfügbarkeit von Zukaufteilen mit langer Lieferzeit (> 6 Monaten) sowie zur Sicherstellung der kurzfristigen Lieferfähigkeit bei Ersatz- und Verschleißteilen für gängige Produkte bestehen zum 31. Dezember 2022 Bestände an nicht auftragsgebundenen fertigen Erzeugnissen i.H.v. 17,9 M€ (Vorjahr: 17,0 M€). Dabei handelt es sich weitgehend um standardisierte Teile, die in hohen Stückzahlen für Spülpumpen, Hebewerke, Top Drives, Drehtische, Pfahlbohranlagen usw. benötigt werden. Durch ständige Qualifizierung neuer Lieferanten, Rahmenvereinbarungen mit Lieferanten sowie eine frühzeitige Beschaffung ausgewählter Komponenten wird stetig daran gearbeitet die Lieferzeiten und Preise zu optimieren. Dies ist vor allen Dingen seit der COVID-19-Krise und des Russland-Ukraine-Krieges eine große Herausforderung, da sowohl die Beschaffungssituation als auch die logistischen Rahmenbedingungen herausfordernd sind.

Beschaffungsrisiken (Umfeldrisiko)

Die Gesellschaft ist Verfügbarkeitsrisiken und Preisrisiken im Beschaffungsprozess ausgesetzt. Dieses Risiko hat sich durch die COVID-19-Krise und des Russland-Ukraine-Krieges global nochmal verstärkt, da im abgelaufenen Geschäftsjahr teils deutliche Preissteigerungen in den Materialien zu verzeichnen waren, die sich nun in einigen Fällen wieder etwas relativiert haben.

Enge und langfristige Geschäftsbeziehungen zu einer Vielzahl bestehender Lieferanten bilden die Basis unserer Zusammenarbeit im Beschaffungsbereich. Potenziellen Beschaffungsrisiken, wie z.B. der Gefährdung der Versorgungssicherheit, wird mit langfristig ausgerichteten Lieferverträgen sowie durch gezielte Entwicklung von Alternativlieferanten begegnet, um so das Risiko von Abhängigkeiten zu reduzieren. Gewährleistungsansprüche bei Produktmängeln oder Forderungen aus dem Produkthaftungsgesetz werden vertraglich durch Vereinbarungen und Rückgriffsansprüche gegenüber Lieferanten abgesichert. Ein Hauptaugenmerk liegt auf der Optimierung des Lieferantenportfolios, um die Wettbewerbsposition zu verbessern.

Personalrisiken

Im Bereich der Personalrisiken sind vor allem das Fluktuationsrisiko, d.h. das Risiko des Verlustes von wichtigen Fachkräften, der allgemeine Fachkräftemangel, die Gesundheit unserer Mitarbeiter sowie Arbeitsüberlastung zu nennen. Mit einer Vielzahl von Maßnahmen werden diese Risiken laufend minimiert, beispielsweise durch die Umsetzung von Maßnahmen zur Gewinnung und Bindung von Arbeitskräften, Maßnahmen zur Schaffung eines positiven Arbeitsumfelds sowie kontinuierliche Maßnahmen zur Optimierung der Arbeitssicherheit.

Gewährleistungsrisiken (leistungswirtschaftliches Risiko)

Gewährleistungsrisiken können sich insbesondere bei Spezialanfertigungen und Maschinen ergeben, die in ihrem Einsatzbereich beim Käufer hohen Belastungen ausgesetzt sind. Wir begegnen diesen Risiken durch eine sorgfältige Ermittlung und vertragliche Spezifizierung der Einsatzbedingungen und der zugesicherten Eigenschaften unserer Produkte sowie durch umfangreiche qualitätssichernde Maßnahmen in Einkauf und Produktion. Für nicht abwendbare, allgemein auftretende Gewährleistungsfälle sowie für bekannt gewordene Einzelsachverhalte werden ausreichende Rückstellungen gebildet.

Risiken aus Finanzinstrumenten

<u>Liquidität/Finanzierung:</u> Die langfristige Unternehmensfinanzierung wird durch die Zugehörigkeit zur HMH-Gruppe sichergestellt. Die Gesellschaft hat die Möglichkeit, kurzfristige Intercompany-Darlehen in Anspruch zu nehmen wie z. B. zur Vorfinanzierung größerer Projekte. Aktuell steht der Gesellschaft ein Konzerndarlehen über derzeit 10,0 M€ zur Verfügung. Das Darlehen wurde nicht in Anspruch genommen.

<u>Währungen:</u> Durch die hohe Exportquote der Gesellschaft bilden Währungen ein stetiges Risiko. Um dieses zu minimieren, werden Geschäfte in Fremdwährungen auf Absatz- und Beschaffungsseite konsequent als Microhedges durch derivative Finanzinstrumente (Devisentermingeschäfte) abgesichert.

Forderungsausfallrisiko: Die kontinuierliche Überwachung und Bewertung der Forderungen mittels eines aktiven Forderungsmanagements minimieren das Risiko. Dabei findet ein permanentes, teilautomatisiertes Debitoren-Überwachungssystem Anwendung, das Verschlechterungen der Bonität, des Zahlungsverhaltens oder der Rating-Einstufung frühzeitig und automatisch meldet. Bei Im- und Exportgeschäften werden die politischen und wirtschaftlichen Risiken nach Möglichkeit entsprechend abgesichert.

Gesamtbeurteilung der Risikosituation durch die Geschäftsführung

Insgesamt ist zum gegenwärtigen Zeitpunkt festzustellen, dass keine den Fortbestand der MHWirth GmbH gefährdenden Risiken bestehen oder erkennbar sind.

Mit höchstem Respekt und Anerkennung danken wir allen Mitarbeitern unseres Unternehmens für das im Geschäftsjahr 2022 geleistete Engagement und das dem Management entgegengebrachte Vertrauen. Wir bedanken uns auch bei unseren Geschäftspartnern, die durch ihre vertrauensvolle Zusammenarbeit einen wichtigen Beitrag zum Unternehmenserfolg geleistet haben.

Erkelenz, 2. Mai 2023

MHWirth GmbH

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Joachim Schlebusch
Geschäftsführung

Bestätigungsvermerk des unabhängigen Abschlussprüfers

An die MHWirth GmbH, Erkelenz

Prüfungsurteile

Wir haben den Jahresabschluss der MHWirth GmbH, Erkelenz, – bestehend aus der Bilanz zum 31. Dezember 2022 und der Gewinn- und Verlustrechnung für das Geschäftsjahr vom 1. Januar bis zum 31. Dezember 2022 sowie dem Anhang, einschließlich der Darstellung der Bilanzierungs- und Bewertungsmethoden – geprüft. Darüber hinaus haben wir den Lagebericht der MHWirth GmbH für das Geschäftsjahr vom 1. Januar bis zum 31. Dezember 2022 geprüft.

Nach unserer Beurteilung aufgrund der bei der Prüfung gewonnenen Erkenntnisse

- entspricht der beigefügte Jahresabschluss in allen wesentlichen Belangen den deutschen, für Kapitalgesellschaften geltenden handelsrechtlichen Vorschriften und vermittelt unter Beachtung der deutschen Grundsätze ordnungsmäßiger Buchführung ein den tatsächlichen Verhältnissen entsprechendes Bild der Vermögens- und Finanzlage der Gesellschaft zum 31. Dezember 2022 sowie ihrer Ertragslage für das Geschäftsjahr vom 1. Januar bis zum 31. Dezember 2022 und
- vermittelt der beigefügte Lagebericht insgesamt ein zutreffendes Bild von der Lage der Gesellschaft. In allen wesentlichen Belangen steht dieser Lagebericht in Einklang mit dem Jahresabschluss, entspricht den deutschen gesetzlichen Vorschriften und stellt die Chancen und Risiken der zukünftigen Entwicklung zutreffend dar.

Gemäß § 322 Abs. 3 Satz 1 HGB erklären wir, dass unsere Prüfung zu keinen Einwendungen gegen die Ordnungsmäßigkeit des Jahresabschlusses und des Lageberichts geführt hat.

Grundlage für die Prüfungsurteile

Wir haben unsere Prüfung des Jahresabschlusses und des Lageberichts in Übereinstimmung mit § 317 HGB unter Beachtung der vom Institut der Wirtschaftsprüfer (IDW) festgestellten deutschen Grundsätze ordnungsmäßiger Abschlussprüfung durchgeführt. Unsere Verantwortung nach diesen Vorschriften und Grundsätzen ist im Abschnitt „Verantwortung des Abschlussprüfers für die Prüfung des Jahresabschlusses und des Lageberichts“ unseres Bestätigungsvermerks weitergehend beschrieben. Wir sind von dem Unternehmen unabhängig in Übereinstimmung mit den deutschen handelsrechtlichen und berufsrechtlichen Vorschriften und haben unsere sonstigen deutschen Berufspflichten in Übereinstimmung mit diesen Anforderungen erfüllt. Wir sind der Auffassung, dass die von uns erlangten Prüfungsnachweise ausreichend und geeignet sind, um als Grundlage für unsere Prüfungsurteile zum Jahresabschluss und zum Lagebericht zu dienen.

Verantwortung der gesetzlichen Vertreter und des Aufsichtsrats für den Jahresabschluss und den Lagebericht

Die gesetzlichen Vertreter sind verantwortlich für die Aufstellung des Jahresabschlusses, der den deutschen, für Kapitalgesellschaften geltenden handelsrechtlichen Vorschriften in allen wesentlichen Belangen entspricht, und dafür, dass der Jahresabschluss unter Beachtung der deutschen Grundsätze ordnungsmäßiger Buchführung ein den tatsächlichen Verhältnissen entsprechendes Bild der Vermögens-, Finanz- und Ertragslage der Gesellschaft vermittelt. Ferner sind die gesetzlichen Vertreter verantwortlich für die internen Kontrollen, die sie in Übereinstimmung mit den deutschen Grundsätzen ordnungsmäßiger Buchführung als notwendig bestimmt haben, um die Aufstellung eines Jahresabschlusses zu ermöglichen, der frei von wesentlichen falschen Darstellungen aufgrund von dolosen Handlungen (d. h. Manipulationen der Rechnungslegung und Vermögensschädigungen) oder Irrtümern ist.

Bei der Aufstellung des Jahresabschlusses sind die gesetzlichen Vertreter dafür verantwortlich, die Fähigkeit der Gesellschaft zur Fortführung der Unternehmenstätigkeit zu beurteilen. Des Weiteren haben sie die Verantwortung, Sachverhalte in Zusammenhang mit der Fortführung der Unternehmenstätigkeit, sofern einschlägig, anzugeben. Darüber hinaus sind sie dafür verantwortlich, auf der Grundlage des Rechnungslegungsgrundsatzes der Fortführung der Unternehmenstätigkeit zu bilanzieren, sofern dem nicht tatsächliche oder rechtliche Gegebenheiten entgegenstehen.

Außerdem sind die gesetzlichen Vertreter verantwortlich für die Aufstellung des Lageberichts, der insgesamt ein zutreffendes Bild von der Lage der Gesellschaft vermittelt sowie in allen wesentlichen Belangen mit dem Jahresabschluss in Einklang steht, den deutschen gesetzlichen Vorschriften entspricht und die Chancen und Risiken der zukünftigen Entwicklung zutreffend darstellt. Ferner sind die gesetzlichen Vertreter verantwortlich für die Vorkehrungen und Maßnahmen (Systeme), die sie als notwendig erachtet haben, um die Aufstellung eines Lageberichts in Übereinstimmung mit den anzuwendenden deutschen gesetzlichen Vorschriften zu ermöglichen und um ausreichende geeignete Nachweise für die Aussagen im Lagebericht erbringen zu können.

Der Aufsichtsrat ist verantwortlich für die Überwachung des Rechnungslegungsprozesses der Gesellschaft zur Aufstellung des Jahresabschlusses und des Lageberichts.

Verantwortung des Abschlussprüfers für die Prüfung des Jahresabschlusses und des Lageberichts

Unsere Zielsetzung ist, hinreichende Sicherheit darüber zu erlangen, ob der Jahresabschluss als Ganzes frei von wesentlichen falschen Darstellungen aufgrund von dolosen Handlungen oder Irrtümern ist, und ob der Lagebericht insgesamt ein zutreffendes Bild von der Lage der Gesellschaft vermittelt sowie in allen wesentlichen Belangen mit dem Jahresabschluss sowie mit den bei der Prüfung gewonnenen Erkenntnissen in Einklang steht, den deutschen gesetzlichen Vorschriften entspricht und die Chancen und Risiken der zukünftigen Entwicklung zutreffend darstellt, sowie einen Bestätigungsvermerk zu erteilen, der unsere Prüfungsurteile zum Jahresabschluss und zum Lagebericht beinhaltet.

Hinreichende Sicherheit ist ein hohes Maß an Sicherheit, aber keine Garantie dafür, dass eine in Übereinstimmung mit § 317 HGB unter Beachtung der vom Institut der Wirtschaftsprüfer (IDW) festgestellten deutschen Grundsätze ordnungsmäßiger Abschlussprüfung durchgeführte Prüfung eine wesentliche falsche Darstellung stets aufdeckt. Falsche Darstellungen können aus dolosen Handlungen oder Irrtümern resultieren und werden als wesentlich angesehen, wenn vernünftigerweise erwartet werden könnte, dass sie einzeln oder insgesamt die auf der

Grundlage dieses Jahresabschlusses und Lageberichts getroffenen wirtschaftlichen Entscheidungen von Adressaten beeinflussen.

Während der Prüfung üben wir pflichtgemäßes Ermessen aus und bewahren eine kritische Grundhaltung. Darüber hinaus

- identifizieren und beurteilen wir die Risiken wesentlicher falscher Darstellungen im Jahresabschluss und im Lagebericht aufgrund von dolosen Handlungen oder Irrtümern, planen und führen Prüfungshandlungen als Reaktion auf diese Risiken durch sowie erlangen Prüfungsnachweise, die ausreichend und geeignet sind, um als Grundlage für unsere Prüfungsurteile zu dienen. Das Risiko, dass aus dolosen Handlungen resultierende wesentliche falsche Darstellungen nicht aufgedeckt werden, ist höher als das Risiko, dass aus Irrtümern resultierende wesentliche falsche Darstellungen nicht aufgedeckt werden, da dolose Handlungen kollusives Zusammenwirken, Fälschungen, beabsichtigte Unvollständigkeiten, irreführende Darstellungen bzw. das Außerkraftsetzen interner Kontrollen beinhalten können.
- gewinnen wir ein Verständnis von dem für die Prüfung des Jahresabschlusses relevanten internen Kontrollsystem und den für die Prüfung des Lageberichts relevanten Vorkehrungen und Maßnahmen, um Prüfungshandlungen zu planen, die unter den gegebenen Umständen angemessen sind, jedoch nicht mit dem Ziel, ein Prüfungsurteil zur Wirksamkeit dieser Systeme der Gesellschaft abzugeben.
- beurteilen wir die Angemessenheit der von den gesetzlichen Vertretern angewandten Rechnungslegungsmethoden sowie die Vertretbarkeit der von den gesetzlichen Vertretern dargestellten geschätzten Werte und damit zusammenhängenden Angaben.
- ziehen wir Schlussfolgerungen über die Angemessenheit des von den gesetzlichen Vertretern angewandten Rechnungslegungsgrundsatzes der Fortführung der Unternehmenstätigkeit sowie, auf der Grundlage der erlangten Prüfungsnachweise, ob eine wesentliche Unsicherheit im Zusammenhang mit Ereignissen oder Gegebenheiten besteht, die bedeutsame Zweifel an der Fähigkeit der Gesellschaft zur Fortführung der Unternehmenstätigkeit aufwerfen können. Falls wir zu dem Schluss kommen, dass eine wesentliche Unsicherheit besteht, sind wir verpflichtet, im Bestätigungsvermerk auf die dazugehörigen Angaben im Jahresabschluss und im Lagebericht aufmerksam zu machen oder, falls diese Angaben unangemessen sind, unser jeweiliges Prüfungsurteil zu modifizieren. Wir ziehen unsere Schlussfolgerungen auf der Grundlage der bis zum Datum unseres Bestätigungsvermerks erlangten Prüfungsnachweise. Zukünftige Ereignisse oder Gegebenheiten können jedoch dazu führen, dass die Gesellschaft ihre Unternehmenstätigkeit nicht mehr fortführen kann.
- beurteilen wir Darstellung, Aufbau und Inhalt des Jahresabschlusses insgesamt einschließlich der Angaben sowie ob der Jahresabschluss die zugrunde liegenden Geschäftsvorfälle und Ereignisse so darstellt, dass der Jahresabschluss unter Beachtung der deutschen Grundsätze ordnungsmäßiger Buchführung ein den tatsächlichen Verhältnissen entsprechendes Bild der Vermögens-, Finanz- und Ertragslage der Gesellschaft vermittelt.
- beurteilen wir den Einklang des Lageberichts mit dem Jahresabschluss, seine Gesetzesentsprechung und das von ihm vermittelte Bild von der Lage des Unternehmens.
- führen wir Prüfungshandlungen zu den von den gesetzlichen Vertretern dargestellten zukunftsorientierten Angaben im Lagebericht durch. Auf Basis ausreichender geeigneter Prüfungsnachweise vollziehen wir dabei insbesondere die den zukunftsorientierten Angaben von den gesetzlichen Vertretern zugrunde gelegten bedeutsamen Annahmen nach und beurteilen die sachgerechte Ableitung der zukunftsorientierten Angaben aus diesen Annahmen. Ein eigenständiges Prüfungsurteil zu den zukunftsorientierten Angaben sowie zu den zugrunde liegenden Annahmen geben wir nicht ab. Es besteht ein erhebliches unvermeidbares Risiko, dass künftige Ereignisse wesentlich von den zukunftsorientierten Angaben abweichen.

Wir erörtern mit den für die Überwachung Verantwortlichen unter anderem den geplanten Umfang und die Zeitplanung der Prüfung sowie bedeutsame Prüfungsfeststellungen, einschließlich etwaiger bedeutsamer Mängel im internen Kontrollsystem, die wir während unserer Prüfung feststellen.

Düsseldorf, den 2. Mai 2023

KPMG AG
Wirtschaftsprüfungsgesellschaft

Michael Buchwald 02.05.2023	Till Geller 02.05.2023
Buchwald Wirtschaftsprüfer	Geller Wirtschaftsprüfer

[Logo] KPMG

Annual financial statements as at 31 December 2022 and management report

TRANSLATION - AUDITOR'S REPORT

MHWirth GmbH
Erkelenz

KPMG AG
Wirtschaftsprüfungsgesellschaft

MHWirth GmbH

Balance sheet as at 31 December 2022

Assets

	31 Dec. 2022	31 Dec. 2021
	Euro	**Euro**
A. Fixed assets		
I. Intangible assets		
1. Internally generated rights and assets		
a) Own developments	782,203.00	911,600.00
b) Own developments in progress	416,480.85	484,004.72
	1,198,683.85	1,395,604.72
2. IT software and industrial property rights acquired for a consideration	91,294.00	169,449.00
	1,289,977.85	**1,565,053.72**
II. Tangible assets		
1. Buildings on third-party land	9,343,275.00	9,741,551.00
2. Technical equipment and machinery	4,489,937.60	4,543,685.51
3. Other equipment, operating and office equipment	177,737.00	241,920.00
4. Advance payments and construction in progress	234,279.11	20,248.22
	14,245,228.71	**14,547,404.73**
III. Financial assets		
Investments	1.00	1.00
	1.00	**1.00**
	15,535,207.56	**16,112,459.45**
B. Current assets		
I. Inventories		
1. Raw materials and supplies	1,391,722.95	1,533,887.21
2. Work in progress	8,959,205.54	15,364,588.89
3. Finished goods	17,925,152.89	17,038,650.51
4. Advance payments	1,095,049.58	1,724,475.99
5. Payments received on account of orders	-1,314,211.51	-9,656,683.97
	28,056,919.45	**26,004,918.63**
II. Receivables and other assets		
1. Trade receivables	5,359,267.75	5,515,943.08
2. Receivables from affiliated companies	4,298,632.60	3,129,516.80
3. Other assets	2,450,189.80	2,949,782.18
	12,108,090.15	**11,595,242.06**
III. Cash and cash equivalents	**2,447,222.12**	**2,352,492.60**
	42,612,231.72	**39,952,653.29**
C. Prepaid expenses	**354,109.36**	**213,201.61**
	58,501,548.64	**56,278,314.35**

Equity and liabilities

	31 Dec. 2022	31 Dec. 2020
	Euro	**Euro**
A. Equity		
I. Subscribed capital	9,328,700.00	9,328,700.00
II. Capital reserve	2,666,256.28	2,666,256.28
III. Other revenue reserves	914,378.00	914,378.00
IV. Retained earnings	488,910.09	5,692,000.57
V. Net loss for the year	-2,895,032.33	-5,203,090.48
	10,503,212.04	**13,398,244.37**
B. Provisions		
1. Provisions for pensions and similar obligations	10,171,528.00	9,600,378.00
2. Tax provisions	1,092,000.00	1,331,689.00
3. Other provisions	9,824,954.00	11,431,864.58
	21,088,482.00	**22,363,931.58**
C. Liabilities		
1. Payments received on account of orders	2,511,501.77	291,093.77
2. Trade payables	7,776,387.26	5,025,439.98
3. Liabilities to affiliated companies	12,185,909.68	11,540,100.01
4. Other liabilities	4,436,055.89	3,659,504.64
- thereof for taxes: EUR 1,152,429.32 (PY: EUR 1,189,493.86)		
- thereof for social security: EUR 1,912,370.09 (PY: EUR 2,061,318.71)		
	26,909,854.60	**20,516,138.40**
	58,501,548.64	**56,278,314.35**

MHWirth GmbH
Income statement for the period from
1 January 2022 to 31 December 2022

		1 Jan. 2022 to 31 Dec. 2022		1 Jan. 2021 to 31 Dec 2021	
		Euro	**Euro**	**Euro**	**Euro**
1.	Revenue		76,987,442.72		47,533,011.11
2.	Increase or decrease in finished goods and work in progress		-5,518,880.97		6,258,046.71
3.	Other own work capitalised		0.00		93.00
4.	Other operating income		1,830,264.82		2,844,980.82
5.	Cost of materials				
	a) Cost raw materials and supplies	30,706,359.97		22,723,556.99	
	b) Cost of purchased services	5,550,136.35	36,256,496.32	3,648,778.39	26,372,335.38
6.	Personnel expenses				
	a) Wages and salaries	17,332,390.97		17,148,048.81	
	b) Social security, pension and other benefits - thereof for pensions: EUR 11,204.53 (PY: EUR 3,897.88) -	3,998,057.39	21,330,448.36	4,348,199.69	21,496,248.50
7.	Depreciation/amortisation				
	a) Amortisation of intangible assets and depreciation of property, plant and equipment	1,982,411.85		1,998,430.32	
	b) Write-downs of current assets exceeding regular write-downs within the company	1,462,875.00	3,445,286.85	0.00	1,998,430.32
8.	Other operating expenses		14,241,949.48		9,821,681.49
9.	Other interest and similar income		24,269.18		5,648.53
10.	Interest and similar expenses		943,693.07		946,885.84
11.	Income taxes (PY: refund)		0.00		-302,509.58
12.	**Result after taxes**		-2,894,778.33		-3,691,291.78
13.	Other taxes		254.00		1,511,798.70
14.	**Net loss for the year**		**-2,895,032.33**		**-5,203,090.48**

MHWirth GmbH, Erkelenz

Notes to the financial statements

for financial year 2022

Accounting policies

MHWirth GmbH (registered office: Erkelenz, registered with the Commercial Register of the District Court Mönchengladbach, register entry number HRB 8471) is a large corporation as defined in Section 267(3) of the German Commercial Code. The annual financial statements for the year ended 31 December 2022 were prepared in the accordance with the provisions on accounting set out in the German Commercial Code and the German Limited Liability Companies Act [GmbHG]. MHWirth is part of the HMH Corporate Group. HMH is a group of company formed in 2021; 50% of its shares are held by the Akastor Group (Norway) and 50% by Baker Hughes (USA).

Intangible assets and property, plant and equipment are valued at acquisition and/or production cost less scheduled and unscheduled amortisation/depreciation. The option under Section 248(2) of the German Commercial Code to capitalise internally created intangible assets has been exercised. These assets are amortised over their typical useful lives. The expected useful life of intangible assets ranges between 3 and 8 years. Property, plant and equipment is depreciated on a straight-line basis. The expected useful life of tangible fixed assets usually ranges between 3 and 13 years, 33 years for buildings. Up until 2017, low-value assets were aggregated in a collective item that was depreciated on a straight-line basis of a useful life of five years. Since 2018, low-value assets valued up to EUR 800 have been directly written down at year-end. Financial assets are measured at acquisition cost less unscheduled amortisation in accordance with Section 253(3) clause 4 of the German Commercial Code.

Inventories are stated at the lower of cost or market value. Alongside direct costs, production costs also include appropriate portions of overhead. Inventory risks are accounted for through sufficient write-downs. Write-downs are made to fair value pursuant to Section 253(4) clause 2 of the German Commercial Code. Regarding impairment of slow-moving inventories of finished products, write-downs as specific rates were established depending on the most recent addition and consumption, as well as on the predicted inventory turnover, unless higher write-downs are warranted due to specific circumstances.

Interest on borrowed capital is not taken into account in the measurement of either fixed or current assets.

Payments received from customers are deducted from inventories up to the amount of related work in progress. Advance payments received exceeding work in progress are recognised as liabilities.

Receivables and other assets are generally recognised at nominal value. Appropriate allowances are recognised for default risks and general credit risks.

Unchanged as compared to the prior year, during the financial year under review, the general allowance on trade receivables subject to the itemised allowance for bad debt was recognised at 1.0%. Specific allowances are recognised on individual doubtful receivables, based on the expected receipt of payment thereof.

Bank balances are recognised at nominal value. Amounts denominated in foreign currency are translated to euro at the average spot exchange rate as at the balance sheet date.

Prepaid expenses concern expenditures during the reporting year that represent expenses for a specific period of time after the balance sheet date.

An excess of tax liabilities resulting from valuation differences between the commercial and tax balance sheets and measured at the individual tax rate of the company in question is recognised as deferred tax liabilities pursuant to Section 274 of the German Commercial Code. If there is an excess of assets, the option of recognising deferred tax assets under Section 274(1) clause 2 of the German Commercial Code is not exercised. No deferred tax assets are recognised for tax loss carryforwards.

Provisions for pensions were valued using the projected unit credit method. The Company has exercised the option under Section 253(2) of the German Commercial Code to discount the provisions using the average interest rate published by the German Central Bank [Deutsche Bundesbank] for a remaining maturity of 15 years.

Discounting is based on an average interest rate for the last ten years as published by the German Central Bank. The calculation is based on actuarial mortality tables and expected future wage, salary and pension increases as well as employee turnover probabilities.

As in prior years, pension provisions were recognised at 1/15, in application of the provision of Article 67(1) and (3) of the Introductory Act to the German Commercial Code [EGHGB].

Other provisions take into account all discernible risks and contingent liabilities in the settlement amount required based on prudent commercial judgement. Provisions with a remaining term of more than one year are recognised with their expected settlement amount and discounted at an interest rate corresponding to the respective term.

Liabilities are stated at their settlement amounts pursuant to Section 253(1) of the German Civil Code.

Current receivables and liabilities denominated in foreign currencies are translated at the average spot exchange rate as at the balance sheet date (Section 256a of the German Commercial Code), or at the hedging rate.

The regulations for the formation of a valuation unit for compensatory valuation of hedging relationships for pending and recognised transactions denominated in foreign currency and forward exchange contracts have been applied. Due to matching amounts and maturities, currencies and terms, opposing changes in value and cash flows balance out during the term of the hedged item and hedging instrument.

Under the net hedge presentation method, the offsetting changes in value of the effective portion are not recognised in the balance sheet. Sections 249(1), 252(1)(3) and (4) and 256a of the German Commercial Code are not applied.

Explanatory notes on the balance sheet

Fixed assets

Movements in individual items of fixed assets are presented in the statement of movements in fixed assets. The development costs capitalised in 2022 in accordance with Section 248(2) of the German Commercial Code in the amount of KEUR 201 concern product standardisation and optimisation and are presented in the statement of movements in fixed assets. Pursuant to Section 268(8) of the German Commercial Code, theses sums are subject to a limitation on profit distribution.

Total research and development costs during the financial year under report stood at KEUR 589 (PY: KEUR 681).

Current assets

Of the total trade receivables, KEUR 0 (PY: KEUR 0) have a remaining term of more than one year.

Receivables from affiliated companies mainly concern receivables from MHWirth AS, Kristiansand, Norway (shareholder) totalling KEUR 780 (PY: 291) and other affiliates. As in the previous year, these amounts predominantly consist of trade receivables and have a remaining term of less than one year.

Deferred tax assets

Deferred taxes consist entirely of differences between amounts shown in the commercial and tax balance sheets. Deferred tax assets arise from property, plant and equipment, inventories, pension provisions, other provisions and liabilities; deferred tax liabilities relate to internally generated intangible assets and receivables. After applying the company-specific tax rate of 30.525%, the resulting net deferred tax asset amounts to KEUR 3,766.

	2022	2021
Differences in internally generated intangible assets	-1,199	-1,396
Differences in property, plant and equipment	+2,666	+3,283
Differences in inventories	+1,463	0
Differences in other provisions	+2,094	+2,487
Differences in pension provisions	+7,315	+6,574
Total	**12,339**	**10,948**

In addition, there are tax loss carry forwards from trade tax amounting to KEUR 11,019 (PY: KEUR 10,440) as well as from corporate income tax in the amount of KEUR 10,552 (PY: EUR 9,713), which would, at a trade tax rate of 14.7% and a corporate income tax rate (including solidarity surcharge) of 15.825%, lead to deferred tax assets of KEUR 3,290 (PY: KEUR 3,072).

The Company does not exercise the option under Section 274(1) clause 2 of the German Commercial Code to recognise deferred tax assets in the balance sheet.

Equity

The Company's subscribed capital remained unchanged at KEUR 9,329. Together with the net loss for the year 2022 of KEUR 2,895, the capital reserves of KEUR 2,666, revenue reserves of KEUR 914 and retained earnings brought forward of KEUR 489, this results in equity of KEUR 10,503.

As in the prior year, no dividends were distributed during the financial year under review.

Provisions for pensions

As at 31 December 2022, an average interest rate of the last ten years as published by the German Central Bank was used for discounting. As at 31 December 2022, a forecast interest rate of 1.78% (PY: 1.87%) was used. The mortality and disability rates for the valuation of obligations were based on the 2018 G mortality tables by Prof. Klaus Heubeck. In addition and unchanged from the prior year, a wage and salary growth rate of 0.00%, a fixed commitment and pension growth rate of 2.00% as well as industry-specific turnover rates were taken in to account in the valuation of the provisions.

The difference according to Section 253(6) clause 1 of the German Commercial Code equalled KEUR 508 (PY: KEUR 785) as at 31 December 2022, and is restricted from distribution.

In compliance with Article 67(1) and (3) of the Introductory Act to the German Commercial Code, during the financial year ended, pension provisions were increased by 1/15 of the deficit as per Article 67(1) of the Introductory Act to the German Commercial Code and recognised at a discount rate of 1.78%. The deficit not recognised as a liability of 2/15 stands at KEUR 304 (PY: KEUR 456).

Provisions

Other provisions of KEUR 9,825 mainly comprise outstanding invoices for inventories in process (KEUR 2,672), personnel costs (KEUR 4,602), warranties (KEUR 1,516) and other contingent liabilities (KEUR 1,035). These were measured according to prudent commercial judgement.

In calculating the general warranty provisions, revenue for which specific warranty provisions have already been recognised is not included. Provisions for anniversary payments were measured in compliance with the discounted value method using a discount rate of 1.44% (remaining term pursuant to Section 253(2) clause 2 of the German Commercial Code: 15 years). Provisions for partial retirement benefits for 29 employees were measured on the basis of a discount rate of 1.44% (remaining term pursuant to Section 253(2) clause 2 of the German Commercial Code: 15 years), a salary and pension progression ceiling rate of 2.50%, an employee turnover rate of 0% and the 2018 G mortality tables by Prof. Klaus Heubeck, in application of Circular HFA 3 of the Institute of Public Auditors in Germany. Other provisions with a remaining term of more than 12 months were recognised at discount rates with maturities matching the term of the obligations pursuant to Section 253(2) of the German Commercial Code and an assumed inflation rate of 2.0%.

Liabilities

		Thereof amounts with remaining terms		
Balance sheet item	**Total amount** EUR	up to one year EUR	from one to five years EUR	of more than five years EUR
1. Advance payments received on account of orders	**2,511,501.77**	**2,511,501.77**	**0.00**	**0.00**
Prior year	*291,093.77*	*291,093.77*	*0.00*	*0.00*
2. Trade payables	**7,776,387.26**	**7,776,387.26**	**0.00**	**0.00**
Prior year	*5,025,439.98*	*5,025,439.98*	*0.00*	*0.00*
3. Liabilities to affiliated companies	**12,185,909.68**	**2,185,909.68**	**10,000,000.00**	**0.00**
Prior year	*11,540,100.01*	*1,540,100.01*	*10,000,000.00*	*0.00*
4. Other liabilities	**4,436,055.89**	**2,913,602.99**	**1,315,068.13**	**207,384.77**
Prior year	*3,659,504.64*	*1,999,672,21*	*1,372,780.58*	*287,051.85*
Total	**26,909,854.60**	**15,387,401.70**	**11,315,068.13**	**207,384.77**
Prior year	*20,516,138.40*	*8,856,305.97*	*11,372,780.58*	*287,051.85*

No liabilities are separately secured.

Of the liabilities to affiliated companies, KEUR 10,053 (PY: KEUR 10,053) relate to the shareholder's intra-group financing. Furthermore, there are KEUR 2,078 (PY: KEUR 1,431) in trade liabilities, of which KEUR 617 (PY: KEUR 1,301) are payable to the shareholder.

Payments received on account of orders

Liabilities to affiliated companies include KEUR 256 (PY: KEUR 56) in payments received on account of orders. Work in progress has already been created for payments received of KEUR 201 (PY: KEUR 0), which is why there are deducted from inventories and liabilities. They do not contain prepayments by shareholders (PY: KEUR 0).

Other liabilities

Other liabilities concern the welfare and provident fund of MHWirth GmbH in the amount of KEUR 1,907 (PY: 2,061).

Contingent liabilities and other financial obligations

As at 31 December 2022, other financial obligations were as follows:

- Purchase commitments	KEUR	24,264
of which affiliated companies	KEUR	233
- Leases	KEUR	254
thereof in 2023	KEUR	108
- Annual rent incl. incidental costs for land and buildings	KEUR	1,118
(term through 31 December 2028)		
- Repurchase obligations for machinery	KEUR	704
thereof in 2023	KEUR	704

The Company also has joint liability for all liabilities arising under the “Multi-Currency and Group Account System Agreement” between HMH Holding B.V. and DnB Bank ASA, Oslo, Norway (all of these to affiliated and associated companies) incurred from the date of the Company’s accession to the agreement (1 October 2021).

The credit line of the cash pool, for which joint liability exists, amounts to a maximum of USD 5 million (thereof secured: USD 0). According to the information provided by the Group, no use of this credit line is expected.

There are off-balance sheet transactions with effects on the financial position within the framework of repurchase agreements. These involve the repurchase of a roadheader upon completion of use by a customer. This is a conventionally structured agreement designed to make the repurchased machine available for use in future projects. The Company’s financial position is expected to be negatively affected in the amount of KEUR 704 as at the date of the machines return. A provision in the amount of KEUR 187 was recognised for the reuse risk.

Explanatory notes on the income statement

Revenue

Revenue, broken down by region and product group, is as follows:

	2022 EUR million	2021 EUR million
Regions:		
Federal Republic of Germany	2.4	2.3
Rest of Europe	19.8	19.8
Other countries	54.8	25.4
	77.0	47.5
By product group:		
Oilfield Equipment & Systems	23.3	24.2
Slurry & RC Drilling	51.3	21.1
Other	2.4	2.2
	77.0	47.5

Other operating income

Among other amounts, this item includes income relating to other periods from reversing provisions (KEUR 951; PY: KEUR 600), income from reversing impairment losses (KEUR 4; PY: KEUR 108) and from the disposal of fixed assets (KEUR 0; PY: KEUR 7) as well as income from foreign currency translation (KEUR 413; PY: KEUR 553).

Write-downs of current assets exceeding regular write-downs within the Company

Additional exceptional write-downs (expense of exceptional size) were recognised in the reporting year on account of imminent loss-making deals.

Other operating expenses

Other operating expenses include expenses from foreign currency translation (KEUR 683; PY: KEUR 297) and other general administrative and distribution costs.

In addition, pursuant to the German Accounting Directive Implementation Act [BilRUG], this item also includes KEUR 153 (PY: KEUR 152) in adjustments under commercial law of pension liabilities in the course of the implementation of the German Accounting Law Modernisation Act [BilMoG].

Other interest and similar income

This item includes KEUR 7 (PY: KEUR 5) in interest income from changes in warranty provisions as well as other interest income.

Interest and similar expenses

This item includes KEUR 220 (PY: KEUR 245) in expenses from unwinding the discount on long-term provisions and KEUR 562 (PY: KEUR 503) in interest expenses vis-à-vis HMH Holding B.V. and MHWirth AS (affiliated companies) for a loan granted within the framework of HMH Corporate Treasury/internal group financing.

Other disclosures

Derivatives

During the financial year, derivative financial instruments (forward foreign exchange contracts) were used to hedge future cash flows from receivables and liabilities and from contractual commitments denominated in foreign currency (US dollar).
Each forward exchange contract is based on an underlying transaction with comparable risks in the opposite direction (micro hedge). The foreign currency receivables with hedges formed from the hedged items and hedging instruments and hedged under Section 254 of the German Commercial Code total KEUR 3,289 as at the balance sheet date and include EUR 191 relating to trade receivables and KEUR 3,098 to pending sales transactions. Hedged liabilities denominated in foreign currency total KEUR 291 as at the balance sheet date and included KEUR 291 relating to trade payable and KEUR 0 to pending purchase transactions.

The risks covered by these hedge total KEUR 9. The market value of the derivatives in USD amounts to EUR 122 as at the balance sheet date.

Forward exchange contracts are stated at their intrinsic value using the net hedge presentation method.

Number of employees

The average number of employees (excluding trainees) during the reporting period was:

	2022 Number	2021 Number
Wage earners	79	80
Salaried employees	178	191
	257	271

Management

The managing directors of the Company are:

Mr Joachim Schlebusch, Heinsberg, full-time Managing Director (starting 3 January 2022)

Mr Einar Brønlund, Meerbusch, full-time Managing Director (until 1 February 2022)

Supervisory Board

Member of the Company’s Supervisory Board were:

Mr Eirik Bergsvik, Kristiansand, Norway, Chairperson
- Chief Executive Officer, HMH

Mr Pal Skogerbø, Kristiansand, Norway (since June 2022)
- President, ESS/MHWirth AS

Ms Ellen Jacobs, Erkelenz
  Employee Representative, MHWirth GmbH
- Works Council Chairperson, Project

Operator Ms Edeltraud Theißen, Linnich
(since January 2022)
  Employee Representative, MHWirth GmbH
- Industrial Sales Representative

Mr Dag Stenevik, Kristiansand, Norway
- Senior Vice President, MHWirth AS

Mr Magne Hovland, Kristiansand, Norway (since June 2022)
- Senior Vice President, MHWirth AS

Mr Ralf Küster, Hückelhoven, Vice-Chairperson (until January 2022)
  Employee Representative, MHWirth GmbH
- Industrial Mechanic

Mr Joachim Schlebusch, Heinsberg (until January 2022)
- Senior Manager, MHWirth GmbH

Remuneration

Payments to active members of the Supervisory Board totalled KEUR 6 during the financial year under review. Post-employment benefits to former members of management amounted to KEUR 134 and those for former members of the Supervisory Board to KEUR 22. Pension provisions for former members of management total KEUR 971, and provisions for former members of the Supervisory Board amount to KEUR 220.

In accordance with Section 286(4) of the German Commercial Code, the remuneration paid to management is not disclosed.

Auditor’s fee

The auditor was paid the following remuneration:

	2022 (KEUR)	2021 (KEUR)
Audit services	107	80
Other certification services	0	0
Tax advisory services	0	0
Other financial services	0	83
Total	**107**	**163**

Consolidated financial statements

The annual financial statements are included in the consolidated financial statements of HMH Holding B.V., Amsterdam, the Netherlands, which prepared the consolidated financial statements for the largest group of companies. The consolidated financial statements are filed under number 82719322 with the commercial register of Amsterdam, the Netherlands.

		Ownership interest	Equity in KEUR 31 Dec. 2022	Earnings in KEUR 31 Dec. 2022
Investments:				
Shenyang WIRTH-NFM – SHMG Heavy Tunneling & Construction Machinery Co., Ltd., Shenyang, China	*) **)	24.0%	--	--

*) Not an operating entity
**) No current data available

Appropriation of earnings and restriction on distribution

Pursuant to Section 268(8) of the German Commercial Code, an amount of EUR 1,198,683.85 is subject to a restriction on distribution (internally generated rights and assets of EUR 1,198,683.85).

Under Section 253(6) clause 1 of the German Commercial Code (difference in pension provisions from the change in the interest rate from the average rate of seven years to the average rate of 10 years), an additional EUR 507,801.00 is subject to a restriction on distribution.

Management will propose that the net loss for the year of EUR 2,895,032.33 be offset with the retained earnings brought forward of EUR 488,910.09 and that the remaining amount of EUR -2,406,122.24 be carried forward to the following year.

Subsequent events

No other events or transactions of particular importance have occurred or become known after the balance sheet date that might have a significant effect on the Company's assets, liabilities, financial position or financial performance in the financial year under review.

Erkelenz, 2 May 2023

MHWirth GmbH
Management

Joachim Schlebusch, Managing Director

MHWirth GmbH, Erkelenz
Movements in fixed assets

Statement of movements in fixed assets	Acquisition/ production costs 1 Jan. 2022 Euro	Additions Euro	Disposals Euro	Reclassifications Euro	Acquisition/ production costs 31 Dec. 2022 Euro	Accumulated amortisations, depreciations and write-downs Euro	Book value 31 Dec. 2022 Euro	Book value 31 Dec. 2021 Euro
I. Intangible assets								
1. Internally generated rights and assets								
a. Own developments	10,013,973.13	48,277.25	0.00	220,035.82	10,282,286.20	9,500,083.20	782,203.00	911,600.00
b. Own developments in progress	484,004.72	152,511.95	0.00	-220,035.82	416,480.85	0.00	416,480.85	484,004.72
	10,497,977.85	200,789.20	0.00	0.00	10,698,767.05	9,500,083.20	1,198,683.85	1,395,604.72
2. IT software and industrial property rights acquired for a consideration	3,874,219.59	0.00	0.00	0.00	3,874,219.59	3,782,925.59	91,294.00	169,449.00
3. Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	14,372,197.44	200,789.20	0.00	0.00	14,572,986.64	13,283,008.79	1,289,977.85	1,565,053.72
II. Property, plant and equipment								
1. Buildings on third-party land	13,881,538.76	0.00	0.00	0.00	13,881,538.76	4,538,263.76	9,343,275.00	9,741,551.00
2. Technical equipment and machinery	27,824,259.95	945,948.35	0.00	7,000.00	28,777,208.30	24,287,270.70	4,489,937.60	4,543,685.51
3. Other equipment, operating and office equipment	5,157,745.96	37,391.52	0.00	0.00	5,195,137.48	5,017,400.48	177,737.00	241,920.00
4. Advance payments and construction in progress	20,248.22	221,030.89	0.00	-7,000.00	234,279.11	0.00	234,279.11	20,248.22
	46,883,792.89	1,204,370.76	0.00	0.00	48,088,163.65	33,842,934.94	14,245,228.71	14,547,404.73
III. Financial assets								
1. Shares in affiliated companies	2,434.80	0.00	0.00	0.00	2,434.80	2,434.80	0.00	0.00
2. Investments	137,844.44	0.00	0.00	0.00	137,844.44	137,843.44	1.00	1.00
	140,279.24	0.00	0.00	0.00	140,279.24	140,278.24	1.00	1.00
IV. Total fixed assets	**61,396,269.57**	**1,405,159.96**	**0.00**	**0.00**	**62,801,429.53**	**47,266,221.97**	**15,535,207.56**	**16,112,459.45**

Statement of amortisation, depreciation and write-downs	Amortisation, depreciation and write-downs 1 Jan. 2022 Euro	Amortisation, depreciation and write-downs in the financial year Euro	Disposals Euro	Amortisation, depreciation and write-downs 31 Dec. 2022 Euro
I. Intangible assets				
1. Internally generated rights and assets	0.00	0.00	0.00	0.00
2. Own developments	9,102,373.13	397,710.07	0.00	9,500,083.20
3. Own developments in progress	0.00	0.00	0.00	0.00
4. IT software and industrial property rights acquired for a consideration	3,704,770.59	78,155.00	0.00	3,782,925.59
5. Goodwill	0.00	0.00	0.00	0.00
	12,807,143.72	475,865.07	0.00	13,283,008.79
II. Property, plant and equipment				
1. Buildings on third-party land	4,139,987.76	398,276.00	0.00	4,538,263.76
2. Technical equipment and machinery	23,280,574.44	1,006,696.26	0.00	24,287,270.70
3. Other equipment, operating and office equipment	4,915,825.96	101,574.52	0.00	5,017,400.48
4. Construction in progress, advance payments	0.00	0.00	0.00	0.00
	32,336,388.16	1,506,546.78	0.00	33,842,934.94
III. Financial assets				
1. Shares in affiliated companies	2,434.80	0.00	0.00	2,434.80
2. Investments	137,843.44	0.00	0.00	137,843.44
	140,278.24	0.00	0.00	140,278.24
IV. Total amortisation, depreciation and write-downs	**45,283,810.12**	**1,982,411.85**	**0.00**	**47,266,221.97**

Management report 2022

of

MHWirth GmbH

Management report for 2022

1. Company profile

i. Business model

MHWirth GmbH is part of HMH corporate group. 50% of its shares are held by the Akastor Group (Norway) and 50% by Baker Hughes (USA). The Company develops, engineers, produces, markets and leases different types of drilling systems, slurry and liquid pumps, draw works, rotary tables, rotary swivels and related products, including corresponding spare parts and services. The products are used globally.

The Company is divided by function into Sales (sales and distribution), Drilling Lifecycle Services (spare parts management and service) and Operations, consisting of Engineering (design and development), Production (manufacturing), Supply Chain (purchasing and distribution logistics), Project Management (project management), Quality Assurance and HSSE (quality management and health, safety, security and environment). In addition, there are typical administration functions under the management of the local CFO. These include Financial Accounting, Controlling, Risk management, Tax, Human Resources, IT/IS (information technology, information security) and Legal. The Company conducts its business on leased premises in Erkelenz and operates worldwide, with an export ratio of around 97%. The most important sales markets are Asia, Europe (Norway in particular), Australia and South America.

As at 31 December 2022, MHWirth HoldCo AS holds all the shares in MHWirth GmbH.

The Company's financial performance indicators are order intake, revenue, EBIDTA (earnings before interest, tax, depreciation and amortisation) and CAPEX (capital expenditure). A non-financial performance indicator is the number of accidents leading to a subsequent loss of working hours.

ii. Research and development

Development work in the 2022 financial year was primarily focused on product standardisation and optimisation. Total research and development expenses amounted to EUR 0.6 million in 2022 (PY: EUR 0.7 million).

In terms of intangible assets, development expenses totalling EUR 0.2 million were capitalised during the 2022 financial year. These also related to product standardisation and optimisation and are presented in the statement of movements of fixed assets. Write-downs of research and development costs totalled EUR 0.4 million (PY: EUR 0.4 million).

2. Economic report

i. General economic conditions and industry environment

Positive economic growth of 1.8% was calculated for Germany in 2022. In comparison to the previous year, where it had slowly increased again as a consequence of the coronavirus pandemic, it decreased as a consequence of the war and the extreme price increases (PY: 2.1%). (https://de.statista.com/statistik/daten/studie/2112/umfrage/veraenderung-des-bruttoinlandprodukts-im-vergleich-zum-vorjahr/

Positive economic growth of around 3.5% was forecast for the eurozone in 2022 (PY: 5.4%). (https://de.statista.com/statistik/daten/studie/2112/umfrage/veraenderung-des-bruttoinlandprodukts-im-vergleich-zum-vorjahr/

The other main markets were forecast to experience positive economic growth in 2022 as follows: Norway 3.3%, India 6.8%, China 3.0%, Singapore 3.7%, Brazil 2.9%, Australia 3.7%.
(Sources: https://de.statista.com/statistik/daten/studie/14549/umfrage/wachstum-des-bruttoinlandsprodukts-bip-in-norwegen/
https://de.statista.com/statistik/daten/studie/14564/umfrage/wachstum-des-bruttoinlandsprodukts-in-indien/
https://de.statista.com/statistik/daten/studie/14560/umfrage/wachstum-des-bruttoinlandsprodukts-in-china/
https://de.statista.com/statistik/daten/studie/321761/umfrage/wachstum-des-bruttoinlandsprodukts-bip-in-singapur/
https://de.statista.com/statistik/daten/studie/14559/umfrage/wachstum-des-bruttoinlandsprodukts-in-brasilien/
https://de.statista.com/statistik/daten/studie/14529/umfrage/wachstum-des-bruttoinlandsprodukts-in-australien/).

As a key factor influencing demand, the oil price was subject to significant fluctuations in the course of the 2022 financial year, in particular as a consequence of the Russia-Ukraine conflict. At the beginning of the year, it stood at USD 79.0 per barrel, while at the end of the year, it stood at USD 83. The prices of other raw materials decreased sharply in 2022, e.g. aluminium (approx. -15.6%) or copper (approx. -13.7%), while the commodity price for nickel increased considerably (approx. 47.0%). Commodity prices are subject to regular fluctuations. However, we anticipate rising demand for our products in the long term, in particular demand for our non-oilfield equipment.

In the 2022 financial year, these general conditions had a positive effect on the order situation. Particularly in relation to the extraction of raw materials required for e-mobility (nickel, cobalt), the volume of tenders and order intake increased. Order intake increased in the oil-related product portfolio, as well. It should be mentioned that order intake has not yet reached pre-coronavirus crisis levels, as customers are first putting decommissioned equipment back into operation. For example, the worldwide utilisation of offshore-floater drilling facilities rose again slightly to around 84% in the second half of 2022 (PY: approx. 78%; source: IHS Markit). The number of active drilling rigs with MHWirth equipment increased slightly in 2022 (2022: approx. 58 rigs, 2021: approx.52 rigs, 2020: approx. 47 rigs; source: in-house).

ii. Business performance

Sales market

The order situation in the core product area of Oil and Gas (mainly mud pumps, draw works, rotary tables and rotary swivels) increased in the 2022 financial year, primarily as a result of a rising propensity to invest after the coronavirus crisis subsided. The coronavirus crisis, which is to be considered as a non-recurring event, caused global oil demand to drop by around 10-15% in the two preceding financial years. Another factor further exacerbating the situation in the preceding financial years was the restrictions on travel, which severely limited global sales activities. Particularly in the main markets, sales volumes are heavily dependent on on-site presence. Lifting the restrictions in 2022 resulted in a revival in business volumes.

The order situation in the RC-Drilling product range (pile top drill rigs and subsea mining) increased considerably compared to the prior financial year.

In the slurry pumps product range, the Company benefited from its intensive efforts to boost its competitiveness in the last financial year. As a result of these efforts, the order situation could be stabilised at a very high degree in the 2022 financial year.

Procurement market

The procurement market reported a sharp rise in price levels in 2022, as was the case in 2021. Thanks to new suppliers continually obtaining relevant qualification, framework agreements with suppliers as well as early procurement of selected components, this price level is optimised on an ongoing basis.

iii. Assets, liabilities, financial position and financial performance

Overall, in particular due to a significantly higher order intake, the 2022 financial year showed a positive development compared to the prior year. Both the capacity requirements and the capacity utilisation of our segments stayed at a high level.

In comparison to prior year, order intake recovered considerably. The higher order intake in this year was above the value forecast last year, and therefore once again reached pre-corona levels, whereas not all market segments have recovered fully. This is especially true of new offshore equipment. Overall, order intake totalled EUR 91.6 million in the 2022 financial year (PY: EUR 69.2 million).

Order intake per year in EUR million

2021	69.2
2022	91.6

Revenue in the 2022 financial year amounted to EUR 77.0 million, and was thus EUR 29.5 million higher than in the previous year (EUR 47.5 million). Therefore, the Company managed to reach the figure forecast for the financial year despite the enormous negative influences of the Russia-Ukraine conflict during the year.

Revenue in EUR million

2021	47.5
2022	77.0

EBIDTA amounted to EUR 1.6 million in the 2022 financial year. Prior year’s EBITDA equalled EUR -1.1 million. A further recovery EBITDA in the 2022 financial year was primarily hampered by the heavily increased energy, logistics and procurement prices. The Company was thus able to reach the figure forecast for the financial year.

EBIDTA in EUR million

2021	-1.1
2022	1.6

In the 2022 financial year, investments totalling EUR 0.2 million were made (CAPEX, PY: EUR 0.3 million). This figure is thus in line with the planning for the current year and prior year’s forecast. The number of accidents entailing lost working hours equalled 1 (PY: 1); zero accidents had been targeted.

Financial performance

Income statement	**2022** EUR million	**2022** %	**2021** EUR million	**2021** %	**Change** EUR million
Revenue	**77.0**	107.7	**47.5**	88.3	**29.5**
Change in inventories	**-5.5**	-7.7	**6.3**	11.7	**-11.8**
Other own work capitalised	**0.0**	0.0	**0.0**	0.0	**0.0**
Total operating revenue	**71.5**	100.0	**53.8**	100.0	**17.7**
Other operating income	**1.8**	2.5	**2.8**	5.2	**-1.0**
Cost of materials	**36.2**	50.6	**26.4**	49.1	**9.8**
Personnel expenses	**21.3**	29.8	**21.5**	40.0	**-0.2**
Other operating expenses	**14.2**	19.9	**9.8**	18.2	**4.4**
EBITDA	**1.6**	2.2	**-1.1**	-2.0	**2.7**
Amortisation, depreciation and write-downs	**3.5**	4.9	**2.0**	3.7	**1.5**
EBIT	**-1.9**	-2.7	**-3.1**	-5.8	**1.2**
Other interest and similar income	**0.0**	0.0	**0.0**	0.0	**0.0**
Interest and similar expenses	**1.0**	1.4	**0.9**	1.7	**0.1**
Earnings before tax	**-2.9**	-4.1	**-4.0**	-7.4	**1.1**
Income taxes	**0.0**	0.0	**-0.3**	-0.6	**0.3**
Earnings after taxes	**-2.9**	-4.1	**-3.7**	-6.9	**0.8**
Other taxes	**0.0**	0.0	**1.5**	2.8	**-1.5**
Net loss for the year	**-2.9**	-4.1	**-5.2**	-9.7	**2.3**

Revenue for the 2022 financial year (EUR 77.0 million) increased by EUR 29.5 million compared to the previous year (EUR 47.5 million). The revenue growth was mainly attributable to the product areas DLS, products for the oil and gas industry, pile top drill rigs and slurry pumps).

Total operating revenue increased by EUR 17.7 million (32.9%) and stood at EUR 71.5 million (PY: EUR 53.8 million).

The cost of materials (EUR 36.2 million) increased by EUR 9.8 million (37.1%) compared to the prior year (EUR 26.4 million) on account of the higher business volume. The cost of materials ratio (cost of materials/total operating revenue) totalled 50.6% (PY: 49.1%). Therefore, the cost of materials ratio increased slightly compared to the prior year, mainly due to a higher share in material-intensive machine sales.

Personnel expenses dropped in the year-on-year comparison by EUR 0.2 million, from EUR 21.5 million to EUR 21.3 million. Headcount as at 31 December 2022 totalled 271 employees (31 December 2021: 289).

EBIT increased by EUR 1.2 million, from EUR -3.1 million in the previous year to EUR -1.9 million in the year under review.

Net income for the year after taxes increased by EUR 0.8 million, from EUR -3.7 million in the previous year to EUR -2.9 million, mainly as a result of the higher revenue in 2022. The net loss for the year includes strategic non-recurring expenses that are to position the group of companies more globally in future, such as the implementation of a uniform ERP system (EUR 1.1 million)

Financial position

Financing as at the balance sheet date breaks down as follows:

Equity (EUR 10.5 million; PY: EUR 13.4 million); the reduction is due to the net loss for the 2022 financial year (EUR 2.9 million); liability to MHWirth AS (EUR 10.0 million, PY: EUR10.0 million); advance payments from customers (EUR 2.5 million, PY: EUR 0.3 million) as well as other liabilities (EUR 4.4 million; PY: 3.7 million) and provisions (EUR 21.1 million; PY: EUR 22.4 million). In addition, the Company has the flexibility to utilise the corresponding intercompany loans with variable terms, for example to pre-finance projects with high costs of materials.

Cash and cash equivalents amounted to EUR 2.4 million as at 31 December 2022 (PY: EUR 2.4 million). In the 2022 financial year, the total cash flow generated from operating activities amounted to EUR 1.4 million (PY: EUR 10.8 million), cash flows from investing activities totalled EUR -0.3 million (PY: EUR -0.1 million) and cash flows from financing activities equalled EUR -1.1 million (PY: EUR -9.8 million). The Company was able to fulfil its financial obligations at all times throughout the year under review.

Assets and liabilities

Total assets increased by EUR 2.2 million, from EUR 56.3 million to EUR 58.5 million as at the balance sheet date. Fixed assets decreased by EUR 0.6 million; cash and cash equivalents remained the same. Inventories and receivables increased by EUR 2.6 million. Current net working capital[1] (NCOA) decreased by EUR 1.8 million, from EUR 14.5 million to EUR 12.7 million; the budget had projected a slight increase.

[1]Current assets excluding cash and cash equivalents plus prepaid expenses less tax and other provisions and less current liabilities not including intra-group financing and less deferred income.

Balance sheet structure 2021 to 2022 in EUR million:

	31 Dec. 2022		31 Dec. 2021		Change
Assets	**EUR million**	%	**EUR million**	%	**EUR million**
Fixed assets	**15.5**	26.5	**16.1**	28.6	**-0.6**
Inventories	**28.1**	48.0	**26.0**	46.2	**2.1**
Receivables and other assets	**12.1**	20.7	**11.6**	20.6	**0.5**
Cash and cash equivalents	**2.4**	4.1	**2.4**	4.2	**0.0**
Prepaid expenses	**0.4**	0.7	**0.2**	0.3	**0.2**
Deferred tax assets	**0.0**	0.0	**0.0**	0.0	**0.0**
Total assets	**58.5**	100.0	**56.3**	100.0	**2.2**
Liabilities					
Equity	**10.5**	17.9	**13.4**	23.8	**-2.9**
Provisions	**21.1**	36.1	**22.4**	39.8	**-1.3**
Liabilities to banks	**0.0**	0.0	**0.0**	0.0	**0.0**
Other liabilities	**26.9**	46.0	**20.5**	36.4	**6.4**
Total equity and liabilities	**58.5**	100.0	**56.3**	100.0	**2.2**

Investment in property, plant and equipment were made in the amount of EUR 1.4 million during the period under review (PY: EUR 0.5 million). Investment activities largely concerned production-related measures and machinery.

Inventories equalled EUR 28.1 million as at the balance sheet date of 31 December 2022 (PY: EUR 26.0 million): Non-order-related inventories decreased by EUR 2.5 million, from EUR 23.3 million to EUR 20.8 million. Inventories were reduced by obsolescence-related write-downs in the reporting year. Order-related inventories increased by EUR 4.9 million, from EUR 2.4 million to EUR 7.3 million. Advance payments made decreased by EUR 0.6 million, from EUR 1.7 million to EUR 1.1 million. Advance payments received that are deductible against work in progress decreased by EUR 8.4 million, from EUR 9.7 million to EUR 1.3 million.

Please refer to the comments on the Company’s financial position for information on cash and cash equivalents.

No dividend payments were made in the financial year under report (PY: EUR 0.0 million). The equity ratio decreased from 23.8% to 17.9%.

Provisions decreased by EUR 1.3 million, from EUR 22.4 million to EUR 21.1 million. Other liabilities increased by EUR 6.4 million, from EUR 20.5 million to EUR 26.9 million.

The Company was able to start a positive trend in 2022, which manifested until year-end despite the last impacts of the coronavirus crisis and the beginning of the Russia-Ukraine war. 2022 was primarily used for changing strategic directions in order to reorganise the market and product segments in addition to the already implemented flexibility measures in management. The introduction of a global ERP system is an important pillar of this strategy; this resulted in tremendous expenses in the financial year, which is why the net loss for the year caused by the coronavirus crisis could not be completely compensated.

As at the date the management report was prepared, we consider the Company’s economic situation to be stable.

3. Forecast, opportunities and risks

Forecast

General framework conditions and business expectations

In the past, in particular the price of oil was used to measure the Company's order situation and economic performance. In the 2022 financial year and due to the increase in the Company's non-oil-related business segment, the general development of raw material prices and the realisation quota of infrastructure projects is at least equally significant.

In the above-stated period, the development of the range of raw materials used for the electric mobility industry became an essential factor. Especially nickel, cobalt and copper play an important role in this regard.

In the non-oil-segments, demand for new equipment and the order volume increased notably after the COVID-19 pandemic. This applies both to equipment needed for the production of raw materials in the electric mobility industry and for equipment for infrastructures, e.g. drilling rigs to build the foundations of bridges and high-rise buildings.

Within the range of products for the extraction of raw materials for the electric mobility industry, we expect the trend to be positive for the next few years. We expect an increasing trend and growth in the infrastructure projects, as well. This shows that individual construction stages and/or projects were delayed due to the COVID-19 pandemic, in particular in Asia.

The market for equipment for oil production recovers more and more, in particular in the onshore segment, as this is a comparably cost-efficient way to produce crude oil. Projects and exchanges of equipment that had been planned already are becoming more and more specific; some are even in the final stages of negotiation. The target markets are located primarily in the Middle East and Central America.

Minor activities are still to be recorded in the offshore segment regarding new equipment. On the one hand, this is caused by the more cost-intensive production method entailing higher risks, on the other hand by the fact that a considerable number of facilities was not used during the coronavirus crisis and are now being placed back into operation successively. Sporadically, single equipment is sold, but this is only the case where an overhaul is uneconomical.

The most immediate impact can be observed in the after-sales and service business (DLS), with customers starting to put decommissioned oil production facilities back into operation – a process associated with increased service requirements. We do not expect to see an increase in order intake for new equipment (oil) until the existing facilities have been fully reactivated.

The lack of new equipment transactions hardly impacts the Company's revenue development negatively anymore, as the trend towards onshore facilities and alternative market segments was identified at an early stage.

The war between Russia and Ukraine had a far-reaching negative impact on the Company in 2022, particularly due to the fact that the planned revenue in these two countries was almost completely lost. However, this was compensated fully.

In the current circumstances, the Company does not plan for any revenue with Russia.

Forecast of key financial indicators for corporate management

Compared to the previous year, **order intake i**n the reporting period (EUR 91.6 million) was at a significantly higher level (2021: EUR 69.2 million), partly due to a major project in the slurry pump business. For the 2023 financial year, we expect order intake to remain stable and to improve further towards the end of the year. We have already observed an initial indication of improved order intake in the after-sales area, most notably in the final quarter of 2022.
Revenue expectations for 2023 are at a slightly higher level compared to 2022. We therefore expect a corresponding increase in **EBITDA**.

In 2023, a focus is on the introduction of a globally uniform ERP system in order to be able to fully use site-wide synergies. Another focus will be on the further development of the existing product portfolio. In this case, the lessons learned with regard to a higher degree of digitalisation from the COVID-19 pandemic will be implemented, ensuring the direct and sustainable availability of a continuous status of the facilities and the corresponding maintenance requirements.

For the 2023 financial year, investments (**CAPEX**) are planned at a similar level in order to – among other objectives – upgrade and digitalise machine facilities with corresponding automation applications. These investments are to be financed from cash flows from operating activities. For these reasons, MHWirth GmbH's CAPEX is projected to be at a similar level.

We expect the situation to improve considerably in the course of 2023. Based on the orders already received and currently in production, we will see a slight increase in revenue compared to 2022. Accordingly, this will have a favourable effect on **EBITDA**, leading us to expect a return to positive territory in 2023 in respect of operative business performance. Extraordinary effects, such as the introduction of the global ERP system, may have a negative impact on the net income for the year.

Forecast of non-financial performance indicators for corporate management

The specific focus on health, safety, security and environment (HSSE) will continue to be pursued in the 2023 financial year. As in the prior year, the target figure for **lost time injuries** ("LTIs") was therefore fixed t "0" in conformance with the group target of "zero accidents" (2022: 1 LTI).

Our forecast is based, among other things, on predictions about future events over which we have no control. To this extent, it cannot be ruled out that the earnings actually generated will deviate from our expectations with regard to future developments.

Opportunities and risks

Project-related and cross-company opportunities and risks are generally measured in accordance with the principle of commercial prudence and are factored into the Company's financial planning. There may also be further opportunities and risks which, if they materialise, could positively or negatively influence the forecast result.

Opportunities

Based on the increasing efforts to drive electric mobility and at the same time the attempt to be independent from Russia in terms of energy, customers currently have higher budgets available.

In particular for customers in the field of production of raw materials directly needed for the electric mobility industry, the increase in production quantities is currently a priority, in particular in the context of covering increased needs in the short to medium term. Therefore, this increasingly constitutes an opportunity for MHWirth GmbH to implement projects faster, although they were scheduled for a later point in time.

With regard to infrastructure projects, we see further potential in Asia, in particular in India and Hong Kong, to market the established technology of pile top drills. In particular the congestion of the Indian road system leads to more bridges being built, aiming at deflecting traffic from the city centres. These political activities expedite the construction and thus increase the level of demand for new equipment.

Furthermore, the onshore facilities in the Middle East are an alternative for Russian oil and gas. Historically, this market has been supplied with a significant range of MHWirth GmbH products, so upgrade orders are expected in the short term.

Thanks to the Company’s strong focus on cost-cutting measures in recent years, it is now in a position to respond flexibly to fluctuations in sales without incurring significant expenses or implementing restructuring measures.

In our “DLS” business (Drilling Lifecycle Services, i.e. spare parts and service business), we are benefiting from the increasing degree of reactivation of offshore facilities and from the higher number of slurry pumps currently active, thus generating revenue from spare parts.

Risks

Below, the risks to which the Company is exposed are presented in descending order of significance:

Inventory risks (performance risk)

The Company is exposed to the risk of losing orders if it is unable to produce and deliver the products with the period expected by the customer or if penalties have to be paid due to missed deadlines. To secure the availability of purchased parts with long delivery times (> 6 months) and to ensure the ability to deliver spare and wear parts for popular products at short notice, there are stocks of non-order-related finished goods that amounted to EUR 17.9 million as at 31 December 2022 (PY: EUR 17.0 million).

They largely comprise standardised parts that are required in large quantities in mud pumps, draw works, top drives, rotary tables and pile top rigs etc. Thanks to the continuous qualification of new suppliers, framework agreements with suppliers as well as early procurement of selected components, delivery times and prices are optimised on an ongoing basis. This has been a major challenge, especially since the coronavirus crisis and the Russia-Ukraine war, as both the procurement situation and the logistical conditions have placed demands on the Company.

Procurement risks (environmental risk)

The Company is exposed to availability and price risks as part of the procurement process. This risk has been further exacerbated worldwide by the COVID-19 crisis and the Russia-Ukraine war, as there were some significant price increases for materials in the past financial year, some of which have been relativised in the meantime.

Close and long-standing business relationships with numerous existing suppliers are the basis for our cooperation in procurement. Potential procurement risks, such as threats to security of supply, are countered though long-term supply contracts and targeted development of alternative suppliers in an effort to reduce the risk of dependency.
Warranty claims in cases of faulty products or product liability claims are ensured contractually and by right of recourse vis-à-vis suppliers. A major focus lies on optimising the supplier portfolio in order to improve our competitive position.

Personnel risks

The main personnel-related risks include the fluctuation risk, i.e. the risk of losing essential specialist staff, the general shortage of skilled workers, the health of our employees and work overload. A large number of measures was introduced to continuously minimise these risks, for example measures to attract and retain employees, measures to create a positive working environment and ongoing measures to optimise occupational safety.

Warranty risks (performance risk)

Warranty risks can result particularly in the case of custom products and machines, which are subject to high levels of stress when in use by the purchaser. We counter these risks by carefully determining and contractually specifying the operating conditions and guaranteed qualities of our products, as well as through comprehensive quality assurance measures in procurement and production. Sufficient provisions are established for unavoidable warranty claims that generally arise, as well as individual circumstances that come to our attention.

Risks associated with financial instruments

Liquidity/financing: The Company's long-term financing is secured through its affiliation with the HMH Group. The Company has the possibility to take out short-term intercompany loans, for example to pre-finance larger projects. Currently a group loan of EUR 10.0 million is available to the Company. The loan was not used.

Currencies: Due to the Company's high export ratio, currencies are a constant risk. To minimise the risk, procurement and sales transactions denominated in foreign currencies are rigorously secured as micro hedges through derivative financial instruments (forward exchange contracts).

Default risk: Permanent monitoring and assessment of receivables through active receivables management have reduced the risk to a minimum. A permanent, partially automated debtor monitoring system reports deteriorations in credit worthiness, payment behaviour or rating at an early stage. The political and economic risks of import and export transactions are secured where possible.

Overall assessment of the risk position by Company management

Overall, there are no current going concern risks for MHWirth GmbH, nor are any such risks discernible.

With utmost respect and appreciation, we thank all our Company's employees for their commitment in the 2022 financial year and for their trust in management. We also thank our business partners who have contributed significantly to our success in with their trust and cooperation.

Erkelenz, 2 May 2023

MHWirth GmbH

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Joachim Schlebusch
Managing Director

Independent auditor's report

To MHWirth GmbH, Erkelenz

Opinions

We have audited the annual financial statements of MHWirth GmbH, Erkelenz, which comprise the balance sheet as at 31 December 2022 and the income statement for the financial year from 1 January to 31 December 2022, and notes to the financial statements, including the recognition and measurement policies presented therein.
In addition, we have audited the management report of MHWirth GmbH for the financial year from 1 January to 31 December 2022.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply in all material respects with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2022, and of its financial performance for the financial year from 1 January to 31 December 2022, in compliance with German legally required accounting principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future developments.

In accordance with Section 322(3) clause 1 of the German Commercial Code, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the opinions

We conducted our audit of the annual financial statements and the management report in accordance with Section 317 of the German Commercial Code and the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institute of Public Auditors in Germany (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the financial statements and the management report" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and the management report.

Responsibilities of the legal representatives and of the supervisory board for the annual financial statements and the management report

The legal representatives are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.
In addition, the legal representatives are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e. manipulation of accounts and financial losses) or error.

In preparing the annual financial statements, the legal representatives are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to the going concern. In addition, they are responsible for financial reporting based on the going concern principle of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the legal representatives are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient, appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and the management report.

Auditor's responsibilities for the audit of the annual financial statements and of the management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and the management report.

Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with Section 317 of the German Commercial Code and in compliance with the German Generally Accepted Standards of Financial Statement Audits promulgated by the Institute of German Public Auditors (IDW) will always detect a material misstatement. 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 annual financial statements and this management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual financial statements and in the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of the internal control system relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures.
- conclude on the appropriateness of the use of the legal representatives of the going concern accounting principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report, or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner as that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.
- evaluate the consistency of the management report with the annual financial statements, its conformity with the law and the view of the Company's position it provides.
- perform audit procedures on the prospective information presented by management in the management report. On the basis of sufficient appropriate audit evidence, we evaluate, in particular, the significant assumptions used by the legal representatives as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions used as a basis. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control system that we identify during our audit.

Düsseldorf, 2 May 2023

KPMG AG
Wirtschaftsprüfungsgesellschaft

[Signature illegible] Michael Buchwald 2 May 2023	*[Signature illegible]* Till Geller 2 May 2023
Buchwald German Public Auditor	Geller German Public Auditor

[Round stamp]
KPMG AG Wirtschaftsprüfungsgesellschaft
SEAL
Berlin

Jahresabschluss zum 31. Dezember 2023 und Lagebericht

BESTÄTIGUNGSVERMERK

MHWirth GmbH
Erkelenz

KPMG AG
Wirtschaftsprüfungsgesellschaft

MHWirth GmbH, Erkelenz

Bilanz zum 31. Dezember 2023

A k t i v a

		31.12.2023	31.12.2022
		Euro	**Euro**
A.	**Anlagevermögen**		
I.	**Immaterielle Vermögensgegenstände**		
	1. Selbst geschaffene Rechte und Werte		
	a) Eigene Entwicklungen	787.277,75	782.203,00
	b) Eigene Entwicklungen in Arbei	0,00	416.480,85
		787.277,75	1.198.683,85
	2. Entgeltlich erworbene EDV-Software, gewerbliche Schutzrecht	1.586.539,34	91.294,00
		2.373.817,09	**1.289.977,85**
II.	**Sachanlagen**		
	1. Bauten auf fremden Grundstücken	8.945.004,97	9.343.275,00
	2. Technische Anlagen und Maschinen	3.812.305,58	4.489.937,60
	3. Andere Anlagen, Betriebs- und Geschäftsausstattung	159.132,41	177.737,00
	4. Geleistete Anzahlungen und Anlagen im Bau	145.433,63	234.279,11
		13.061.876,59	**14.245.228,71**
III.	**Finanzanlagen**		
	Beteiligungen	1,00	1,00
		1,00	**1,00**
		15.435.694,68	**15.535.207,56**
B.	**Umlaufvermögen**		
I.	**Vorräte**		
	1. Roh-, Hilfs- und Betriebsstoffe	48.453,61	1.391.722,95
	2. Unfertige Erzeugnisse	34.338.530,81	8.959.205,54
	3. Fertige Erzeugnisse	23.181.570,56	17.925.152,89
	4. Geleistete Anzahlungen	1.277.475,67	1.095.049,58
	5. Erhaltene Anzahlungen auf Bestellungen	-10.880.326,26	-1.314.211,51
		47.965.704,39	**28.056.919,45**
II.	**Forderungen und sonstige Vermögensgegenstände**		
	1. Forderungen aus Lieferungen und Leistungen	7.082.828,74	5.359.267,75
	2. Forderungen gegen verbundene Unternehmen	5.493.288,38	4.298.632,60
	3. Sonstige Vermögensgegenstände	1.862.366,75	2.450.189,80
		14.438.483,87	**12.108.090,15**
III.			
	Kassenbestand, Guthaben bei Kreditinstituten	**222.369,91**	**2.447.222,12**
		62.626.558,17	**42.612.231,72**
C.	**Rechnungsabgrenzungsposten**	**345.995,81**	**354.109,36**
		78.408.248,66	**58.501.548,64**

P a s s i v a

	31.12.2023	31.12.2022
	Euro	**Euro**
A. Eigenkapital		
I. Gezeichnetes Kapital	9.328.700,00	9.328.700,00
II. Kapitalrücklagen	2.666.256,28	2.666.256,28
III. Andere Gewinnrücklage	914.378,00	914.378,00
IV. Gewinnvortrag/Verlustvortrag	-2.406.122,24	488.910,09
V. Jahresüberschuss/- fehlbetrag	14.319,26	-2.895.032,33
	10.517.531,30	**10.503.212,04**
B. Rückstellungen		
1. Rückstellungen für Pensionen und ähnliche Verpflichtungen	10.440.575,00	10.171.528,00
2. Steuerrückstellungen	1.092.000,00	1.092.000,00
3. Sonstige Rückstellungen	8.841.436,65	9.824.954,00
	20.374.011,65	**21.088.482,00**
C. Verbindlichkeiten		
1. Verbindlichkeiten gegenüber Kreditinstituten	3.941.874,96	0,00
2. Erhaltene Anzahlungen auf Bestellungen	20.791.516,87	2.511.501,77
3. Verbindlichkeiten aus Lieferungen und Leistungen	6.651.668,29	7.776.387,26
4. Verbindlichkeiten gegen verbundene Unternehmen	13.287.218,74	12.185.909,68
5. Sonstige Verbindlichkeiten	2.844.426,85	4.436.055,89
davon aus Steuern:		
EUR 890.289,04 (Vj EUR 1.152.429,32)		
davon im Rahmen der sozialen Sicherheit		
EUR 1.720.281,92 (Vj EUR 1.912.370,09)		
	47.516.705,71	**26.909.854,60**
	78.408.248,66	**58.501.548,64**

MHWirth GmbH, Erkelenz
Gewinn- und Verlustrechnung für die Zeit vom
01. Januar 2023 bis 31. Dezember 2023

		01.01.2023 bis 31.12.2023		01.01.2022 bis 31.12.2022	
		Euro	**Euro**	**Euro**	**Euro**
1.	Umsatzerlöse		60.124.782,68		76.987.442,72
2.	Veränderung des Bestandes an fertigen und unfertigen Produkten		30.635.742,94		-5.518.880,97
3.	Sonstige betrieblichen Erträge		2.278.562,42		1.830.264,82
4.	Materialaufwand				
	a) Aufwendungen für Roh-, Hilfs-, und Betriebsstoffe	45.785.243,01		30.706.359,97	
	b) Aufwendungen für bezogene Leistungen	6.029.167,30	51.814.410,31	5.550.136,35	36.256.496,32
5.	Personalaufwand				
	a) Löhne und Gehälter	18.678.391,42		17.332.390,97	
	b) Soziale Abgaben und Aufwendungen für Altersversorgung - davon für Altersversorgung Euro 11.827,01 (Vj Euro 11.204,53)	3.935.670,82	22.614.062,24	3.998.057,39	21.330.448,36
6.	Abschreibungen				
	a) auf immaterielle Vermögensgegenstände des Anlagevermögens und Sachanlagen	2.057.589,94		1.982.411,85	
	b) auf Vermögensgegenstände des Umlaufvermögens, soweit diese die in der Kapitalgesellschaft üblichen Abschreibungen überschreiten	273.294,53	2.330.884,47	1.462.875,00	3.445.286,85
7.	Sonstige betrieblichen Aufwendungen		15.365.212,08		14.241.949,48
8.	Sonstige Zinsen und ähnliche Erträge		53.444,77		24.269,18
9.	Zinsen und ähnliche Aufwendungen		953.324,45		943.693,07
10.	**Ergebnis nach Steuern**		14.639,26		-2.894.778,33
11.	Sonstige Steuern		320,00		254,00
12.	**Jahresüberschuss/- fehlbetrag**		**14.319,26**		**-2.895.032,33**

MHWirth GmbH, Erkelenz

Anhang
für das Geschäftsjahr 2023

Bilanzierungs- und Bewertungsgrundsätze

Die MHWirth GmbH (Sitz der Gesellschaft: Erkelenz; eingetragen im Handelsregister des Amtsgerichts Mönchengladbach; HRB 8471) ist eine große Kapitalgesellschaft gemäß § 267 Abs. 3 HGB. Der Jahresabschluss zum 31. Dezember 2023 wurde nach den Regeln des HGB und des GmbHG aufgestellt. Die MHWirth GmbH ist Teil der HMH-Unternehmensgruppe. HMH ist ein in 2021 gegründeter Unternehmensverbund, dessen Anteile zu jeweils 50% auf den Akastor-Konzern (Norwegen) als auch auf Baker Hughes (USA) fallen.

Die immateriellen Vermögensgegenstände und das Sachanlagevermögen sind zu Anschaffungs- bzw. Herstellungskosten, vermindert um planmäßige und außerplanmäßige Abschreibungen, bewertet. Das Wahlrecht zur Aktivierung selbst geschaffener immaterieller Vermögensgegenstände des § 248 Abs. 2 HGB wird ausgeübt. Es werden nutzungsbedingte Abschreibungen, bezogen auf die betriebsgewöhnliche Nutzungsdauer, vorgenommen. Die voraussichtliche Nutzungsdauer der immateriellen Vermögensgegenstände liegen zwischen 3 und 8 Jahren. Die Sachanlagen werden linear abgeschrieben. Die voraussichtliche Nutzungsdauer der materiellen Vermögensgegenstände des Anlagevermögens liegen in der Regel zwischen 3 und 13 Jahren; bei Gebäuden beträgt diese 33 Jahre. Geringwertige Anlagegüter wurden bis 2017 in einen Sammelposten eingestellt, der linear über eine Nutzungsdauer von fünf Jahren abgeschrieben wurde. Seit 2018 erfolgt eine direkte Abschreibung am Jahresende von geringwertigen Anlagegütern bis 800 €. Die Finanzanlagen werden zu Anschaffungskosten abzüglich außerplanmäßiger Abschreibungen gemäß § 253 Abs. 3 Satz 4 HGB bewertet.

Die Vorräte werden zu Anschaffungs- oder Herstellungskosten unter Beachtung des Niederstwertprinzips bilanziert. Die Herstellungskosten umfassen neben den Einzelkosten auch angemessene Teile der Gemeinkosten. Bestandsrisiken werden durch ausreichende Wertabschläge berücksichtigt. Es werden Abschreibungen auf den beizulegenden Wert gemäß § 253 Abs. 4 Satz 2 HGB vorgenommen. Im Rahmen der Gängigkeitsabwertung der Fertigerzeugnisse werden in Abhängigkeit vom letzten Zugang und Verbrauch sowie der prognostizierten Reichweite festgelegte Abschläge angewandt, sofern nicht aufgrund von Einzelsachverhalten höhere Abschläge zu berücksichtigen sind.

Fremdkapitalzinsen werden weder bei der Bewertung des Anlage- noch des Umlaufvermögens berücksichtigt.

Erhaltene Anzahlungen werden bis zu der Höhe von den Vorräten abgesetzt, in der ihnen angearbeitete Leistungen gegenüberstehen. Übersteigende Anzahlungsbeträge werden unter den Verbindlichkeiten bilanziert.

Die Forderungen und sonstigen Vermögensgegenstände werden grundsätzlich zum Nennwert angesetzt. Ausfall- und allgemeine Kreditrisiken werden durch Abschreibungen und Wertberichtigungen berücksichtigt.

Die Pauschalwertberichtigung auf Forderungen aus Lieferungen und Leistungen wurde im Berichtsjahr unverändert mit 1,0% auf die nicht einzelwertberichtigten Forderungen vorgenommen. Auf zweifelhafte Forderungen werden angemessene Einzelwertberichtigungen entsprechend dem erwarteten Zahlungseingang gebildet.

Die Guthaben bei Kreditinstituten werden zum Nennbetrag angesetzt. Bestände in fremder Währung werden mit dem Devisenkassamittelkurs am Bilanzstichtag in Euro umgerechnet.

Aktive Rechnungsabgrenzungsposten betreffen Ausgaben im Berichtsjahr, die Aufwand für eine bestimmte Zeit nach dem Bilanzstichtag darstellen.

Ein aus unterschiedlichen Wertansätzen der Handels- und der Steuerbilanz resultierender und mit dem unternehmensindividuellen Steuersatz bewerteter Passivüberhang an latenten Steuern wird gemäß § 274 HGB saldiert als passive latente Steuern angesetzt. Falls sich ein Aktivüberhang ergibt, wird von dem Wahlrecht des § 274 Abs. 1 S. 2 HGB zum Ansatz aktiver latenter Steuern kein Gebrauch gemacht. Aktive latente Steuern auf Verlustvorträge werden nicht angesetzt.

Die Bewertung der Pensionsrückstellungen erfolgte nach dem Anwartschaftsbarwertverfahren. Vom Wahlrecht des § 253 Abs. 2 HGB, die Abzinsung pauschal mit dem durchschnittlichen, von der Deutschen Bundesbank veröffentlichten Marktzinssatz für Restlaufzeiten von 15 Jahren vorzunehmen, wird Gebrauch gemacht.

Die Abzinsung erfolgt mit dem durchschnittlichen, von der Deutschen Bundesbank veröffentlichten Marktzinssatz der vergangenen zehn Jahre. Die Ermittlung erfolgte unter Verwendung versicherungsmathematischer Sterbetafeln unter Berücksichtigung erwarteter Lohn-, Gehalts- und Rentendynamiken sowie Fluktuationswahrscheinlichkeiten.

Von der 1/15-Regelung des Artikels 67 Abs. 1 und 3 EGHGB wird wie in Vorjahren Gebrauch gemacht.

Die Steuer- und sonstigen Rückstellungen berücksichtigen alle erkennbaren Risiken und ungewissen Verbindlichkeiten nach vernünftiger kaufmännischer Beurteilung und werden mit ihrem voraussichtlichen Erfüllungsbetrag angesetzt. Rückstellungen mit Restlaufzeiten von mehr als einem Jahr werden mit ihrem im Erfüllungszeitpunkt erwarteten Betrag ermittelt und mit einem laufzeitadäquaten Zinssatz abgezinst.

Die Verbindlichkeiten entsprechen dem Erfüllungsbetrag nach § 253 Abs. 1 HGB.

Kurzfristige Forderungen und Verbindlichkeiten in fremder Währung werden mit dem Devisenkassamittelkurs am Bilanzstichtag (§ 256a HGB) bzw. mit dem Sicherungskurs bewertet.

Die Regelungen zur Bildung einer Bewertungseinheit zur kompensatorischen Bewertung von Sicherungsbeziehung für schwebende und bilanzierte Geschäfte in Fremdwährung und Devisenterminkontrakten werden angewandt. Aufgrund der Betragsidentität und der Kongruenz von Laufzeiten, Währungen und Fälligkeiten gleichen sich die gegenläufigen Wertänderungen bzw. Zahlungsströme während der Laufzeit von Grund- und Sicherungsgeschäft aus.

Nach der „Einfrierungsmethode“ werden, die sich ausgleichenden Wertänderungen des wirksamen Teils, nicht bilanziert. Die §§ 249 Abs. 1, 252 Abs. 1 Nr. 3 und 4 sowie 256a HGB werden nicht angewandt.

Erläuterungen zur Bilanz

Anlagevermögen

Die Entwicklung der einzelnen Posten des Anlagevermögens ist im Anlagenspiegel dieses Anhangs dargestellt. Nach § 248 Abs. 2 HGB aktivierte Aufwendungen für Entwicklungskosten des Jahres 2023 in Höhe von T€ 61 betreffen die Produktstandardisierung als auch -optimierung und sind im Anlagenspiegel dargestellt. Nach § 268 Abs. 8 HGB unterliegen diese Beträge einer Ausschüttungssperre.

Die im Berichtsjahr insgesamt angefallenen Forschungs- und Entwicklungskosten beliefen sich auf T€ 275 (i. Vj. T€ 589).

Umlaufvermögen

Von den Forderungen aus Lieferungen und Leistungen haben T€ 0 (i. Vj. T€ 0) eine Restlaufzeit von mehr als einem Jahr.

Bei den Forderungen gegen verbundene Unternehmen handelt es sich im Wesentlichen um Forderungen gegen MHWirth AS, Kristiansand/Norwegen (Gesellschafter), in Höhe von T€ 821 (i. Vj. T€ 780) und weiteren Schwestergesellschaften. Sie betreffen wie im Vorjahr überwiegend Forderungen aus Lieferungen und Leistungen und haben wie im Vorjahr eine Restlaufzeit von unter einem Jahr.

Aktive latente Steuern

Die latenten Steuern betreffen ausschließlich Differenzen zwischen den handelsrechtlichen- und steuerlichen Bilanzansätzen. Aktive Latenzen ergeben sich aus dem Sachanlagevermögen, den Vorräten, den Rückstellungen für Pensionen und den sonstigen Rückstellungen, während sich passive Latenzen aus selbst geschaffenen immateriellen Vermögensgegenständen ergeben. Nach Bewertung mit dem unternehmensindividuellen Steuersatz von 30,525% ergibt sich ein Aktivüberhang in Höhe von T€ 3.634.

	2023	2022
Unterschiede bei selbst geschaffenen immateriellen Werten	-787	-1.199
Unterschiede bei Sachanlagevermögen	+2.050	+2.666
Unterschiede bei Vorräten	+1.736	+1.463
Unterschiede bei sonstigen Rückstellungen	+1.599	+2.094
Unterschiede bei Pensionsrückstellungen	+7.307	+7.315
Summe	**11.905**	**12.339**

Darüber hinaus bestehen gewerbesteuerliche Verlustvorträge in Höhe von T€ 9.613 (i. Vj. T€ 11.019) sowie aus körperschaftsteuerlichen Verlustvorträgen von T€ 9.602 (i. Vj. T€ 10.552), die bei einem Gewerbesteuersatz von 14,7% und einem Körperschaftsteuersatz inklusive Solidaritätszuschlag von 15,825% zu aktiven latenten Steuern in Höhe von T€ 2.933 (i. Vj. T€ 3.290) führen würden.

Die Gesellschaft macht keinen Gebrauch von dem Wahlrecht des § 274 Abs. 1 S. 2 HGB zum Ansatz aktiver latenter Steuern in der Bilanz.

Eigenkapital

Das Stammkapital beträgt unverändert T€ 9.329. Zusammen mit dem Jahresüberschuss 2023 in Höhe von T€ 14, der Kapitalrücklage von T€ 2.666, einer Gewinnrücklage von T€ 914 sowie dem Verlustvortrag von T€ -2.406 ergibt sich ein Eigenkapital von T€ 10.517.

Im Berichtsjahr erfolgten wie auch im Vorjahr keine Dividendenzahlungen.

Rückstellungen für Pensionen

Zum 31. Dezember 2023 wurde die Abzinsung mit dem durchschnittlichen, von der Deutschen Bundesbank veröffentlichten Marktzinssatz der vergangenen zehn Jahre vorgenommen. Zum 31. Dezember 2023 wurde ein prognostizierter Zinssatz von 1,83% (i. Vj. 1,78%) zugrunde gelegt. Bei den Sterbe- und Invalidisierungswahrscheinlichkeiten wurden für die Bewertung der Verpflichtungen die „Richttafeln 2018 G" von Prof. Dr. Klaus Heubeck berücksichtigt. Darüber hinaus wurden bei der Rückstellungsbewertung die Lohn- und Gehaltsdynamik (0,00%) die Renten- und Festbetragszusagendynamik (2,00%) sowie eine branchenübliche Fluktuation unverändert zum Vorjahr berücksichtigt.

Der Unterschiedsbetrag gem. § 253 Abs. 6 Satz 1 HGB beträgt zum 31. Dezember 2023 T€ 113 (i. Vj. T€ 508) und ist für Ausschüttungen gesperrt.

Nach Artikel 67 Abs. 1 und 3 EGHGB wurden die Pensionsrückstellungen im abgelaufenen Geschäftsjahr um 1/15 aus dem Fehlbetrag nach Artikel 67 Abs. 1 EGHGB erhöht und mit einem Rechnungszinssatz von 1,83% bewertet. Der nicht passivierte Fehlbetrag von 1/15 beträgt T€ 151 (i. Vj. T€ 304).

Rückstellungen

Die sonstigen Rückstellungen von T€ 8.841 decken vor allem ausstehende Rechnungen bei den in Arbeit befindlichen Vorräten (T€ 1.784), Personalkosten (T€ 4.102), Gewährleistungen (T€ 1.454) sowie andere ungewisse Verbindlichkeiten (T€ 1.501) ab. Die Bewertung erfolgte nach ordentlichen kaufmännischen Grundsätzen.

Bei der Berechnung der pauschalen Gewährleistungsrückstellungen werden die Umsätze in der Berechnungsgrundlage nicht berücksichtigt, für die bereits Einzelgewährleistungsrückstellungen gebildet sind. Rückstellungen für Jubiläumszahlungen werden nach dem Teilwertverfahren mit einem Rechnungszinsfuß von 1,75% (gemäß § 253 Abs. 2 Satz 2 HGB: Restlaufzeit 15 Jahre) bewertet. Die Rückstellungen für Altersteilzeit wurden für 24 Mitarbeiter unter Zugrundelegung eines Rechnungszinsfußes von 1,75% (gemäß § 253 Abs. 2 Satz 2 HGB: Restlaufzeit 15 Jahre), einer Gehalts- und Beitragsbemessungsgrenzen-Dynamik von 2,60%, einer Fluktuationsrate von 0% und der Richttafeln 2018 G von Prof. Dr. Klaus Heubeck gemäß IDW RS HFA 3 bewertet. Übrige Rückstellungen mit einer Restlaufzeit von über 12 Monaten wurden mit laufzeitadäquaten Abzinsungszinssätzen gemäß § 253 Abs. 2 HGB und einer unterstellten Teuerungsrate von 2,0% bewertet.

Verbindlichkeiten

		Davon Beträge mit Restlaufzeiten		
Bilanzposten	**Gesamtbetrag** €	bis zu einem Jahr €	von einem bis zu fünf Jahren €	von mehr als fünf Jahren €
1. Verbindlichkeiten gegenüber Kreditinstituten	**3.941.874,96**	**3.941.874,96**	**0,00**	**0,00**
Vorjahr	*0,00*	*0,00*	*0,00*	*0,00*
2. Erhaltene Anzahlungen auf Bestellungen	**20.791.516,87**	**20.791.516,87**	**0,00**	**0,00**
Vorjahr	*2.511.501,77*	*2.511.501,77*	*0,00*	*0,00*
3. Verbindlichkeiten aus Lieferungen und Leistungen	**6.651.668,29**	**6.651.668,29**	**0,00**	**0,00**
Vorjahr	*7.776.387,26*	*7.776.387,26*	*0,00*	*0,00*
4. Verbindlichkeiten gegenüber verbundenen Unternehmen	**13.287.218,74**	**3.287.218,74**	**10.000.000,00**	**0,00**
Vorjahr	*12.185.909,68*	2.185.909,68	*10.000.000,00*	*0,00*
5. Sonstige Verbindlichkeiten	**2.844.426,85**	**1.316.086,77**	**1.415.669,16**	**112.670,92**
Vorjahr	*4.436.055,89*	*2.913.602,99*	*1.315.068,13*	*207.384,77*
Gesamt	**47.516.705,71**	**35.988.365,63**	**11.415.669,16**	**112.670,92**
Vorjahr	*26.909.854,60*	*15.387.401,70*	*11.315.068,13*	*207.384,77*

Alle Verbindlichkeiten sind nicht gesondert besichert.

Von den Verbindlichkeiten gegenüber verbundenen Unternehmen betreffen T€ 10.053 (Vorjahr T€ 10.053) die konzerninterne Finanzierung des Gesellschafters. Des Weiteren bestehen T€ 2.210 (Vorjahr T€ 2.078) Verbindlichkeiten aus Lieferungen und Leistungen, davon gegenüber dem Gesellschafter T€ 368 (Vorjahr T€ 617).

Erhaltene Anzahlungen auf Bestellungen

Die unter den Verbindlichkeiten gegenüber verbundenen Unternehmen ausgewiesenen erhaltenen Anzahlungen auf Bestellungen belaufen sich auf T€ 2.156 (Vorjahr T€ 256). Den erhaltenen Anzahlungen stehen bereits Fertigungsleistungen von T€ 1.133 (Vorjahr T€ 201) gegenüber, weshalb diese von den Vorräten und den Verbindlichkeiten abgesetzt werden. Diese beinhalten Anzahlungen Gesellschaftern von T€ 1.133 (Vorjahr T€ 0).

Sonstige Verbindlichkeiten

Von den sonstigen Verbindlichkeiten betreffen T€ 1.717 (Vorjahr T€ 1.907) die Wohlfahrts- und Unterstützungskasse der MHWirth GmbH.

Haftungsverhältnisse und sonstige finanzielle Verpflichtungen

Zum 31.12.2023 bestehen folgende sonstige finanzielle Verpflichtungen:

- Bestellobligo	T€	32.097
davon verbundene Unternehmen	T€	332
- Leasingverträge	T€	399
davon in 2024	T€	163
- Jährliche Miete inkl. Nebenkosten für Grundstücke und Gebäude (Laufzeit bis 31.12.2028)	T€	1.206
- Rückkaufverpflichtungen für Maschinen	T€	704
davon in 2024	T€	704

Darüber hinaus besteht die Mithaftung für alle Verpflichtungen aus dem „Multi-Currency and Group Account System Agreement“ zwischen HMH Holding B.V. und der DnB Bank ASA, Oslo/Norwegen (sämtlich gegenüber verbundenen und assoziierten Unternehmen), die ab dem Beitrittszeitpunkt der Gesellschaft (01.10.2021) entstehen.

Der Kreditrahmen des Cash-Pools, für den Mithaftung besteht, beläuft sich auf maximal USD 5 Mio. (davon gesichert USD 0). Eine Inanspruchnahme wird aufgrund der seitens des Konzerns verfügbaren Informationen nicht erwartet.

Außerbilanzielle Geschäfte mit Auswirkung auf die Finanzlage bestehen im Rahmen von Rückkaufvereinbarungen. Diese betreffen den Rückkauf von einem Roadheader nach Beendigung des Einsatzes beim Kunden. Es handelt sich um eine übliche Vertragsgestaltung mit dem Ziel, die rückgekauften Maschinen für zukünftige Projekte zu verwenden. Im Zeitpunkt der Rücknahme wird die Finanzlage der Gesellschaft mit voraussichtlich T€ 704 belastet. Für das Wiederverwertungsrisiko wurden hiervon T€ 187 zurückgestellt.

Erläuterungen zur Gewinn- und Verlustrechnung

Umsatzerlöse

Die Umsatzerlöse teilen sich nach Regionen und Produktbereichen wie folgt auf:

	2023 Mio. €	2022 Mio. €
Regionen:		
Bundesrepublik Deutschland	5,1	2,4
Sonstiges Europa	4,2	19,8
Übrige Länder	50,8	54,8
	60,1	77,0
Nach Produktgruppen:		
Oilfield Equipment & Systems	22,9	23,3
Slurry & RC Drilling	34,6	51,3
Sonstiges	2,6	2,4
	60,1	77,0

Sonstige betriebliche Erträge

Hierunter sind unter anderem periodenfremde Erträge aus der Auflösung von Rückstellungen (T€ 1.829; Vorjahr: T€ 951) sowie Erträge aus Fremdwährungsumrechnung (T€ 379; Vorjahr: T€ 413) ausgewiesen.

Abschreibungen auf Vermögensgegenstände des Umlaufvermögens, soweit diese die in der Kapitalgesellschaft üblichen Abschreibungen überschreiten

Der Posten betrifft zusätzlich vorgenommene Sonderabwertungen aufgrund drohender Verlustgeschäfte..

Sonstige betriebliche Aufwendungen

Unter den sonstigen betrieblichen Aufwendungen sind Aufwendungen aus Fremdwährungsumrechnung (T€ 393; Vorjahr T€ 683) sowie die übrigen allgemeinen Verwaltungs- und Vertriebskosten zusammengefasst.

Zudem sind nach BilRUG Aufwendungen aus handelsrechtlichen Bewertungsanpassungen im Rahmen der Umstellung der Rückstellungen für Pensionen auf die Bewertungsvorschriften des Bilanzrechtsmodernisierungsgesetzes in Höhe von T€ 153 (Vorjahr TEUR 153) enthalten.

Sonstige Zinsen und ähnliche Erträge

Hierin sind insbesondere Zinserträge aus Bankguthaben sowie sonstige Zinserträge enthalten.

Zinsen und ähnliche Aufwendungen

Hierin sind Aufwendungen für die Aufzinsung von langfristigen Rückstellungen in Höhe von T€ 190 (Vorjahr: T€ 220) sowie Zinsaufwendungen in Höhe von T€ 381 (Vorjahr: T€ 562) gegenüber MHWirth AS (verbundenes Unternehmen) für ein gewährtes Darlehen im Rahmen des HMH Corporate Treasury/interne Gruppenfinanzierung enthalten.

Sonstige Angaben

Derivate

Im Geschäftsjahr wurden derivative Finanzinstrumente (Devisenterminkontrakte) zur Absicherung künftiger Zahlungsströme aus Fremdwährungsforderungen und -verbindlichkeiten bzw. festen vertraglichen Verpflichtungen in fremder Währung (US-Dollar) verwendet. Den Devisenterminkontrakten liegen jeweils Grundgeschäfte mit vergleichbarem, gegenläufigem Risiko (Mikro-Hedge) zugrunde. Die mit den aus den Grundgeschäften und den Sicherungsgeschäften gebildeten Bewertungseinheiten, nach § 254 HGB gesicherten Fremdwährungsforderungen betragen zum Bilanzstichtag T€ 8.448 und betreffen mit T€ 1.081 bilanzierte Forderungen aus Lieferungen und Leistungen und mit T€ 7.367 schwebende Verkaufsgeschäfte. Die gesicherten Fremdwährungsverbindlichkeiten betragen zum Bilanzstichtag T€ 1.746 und betreffen mit T€ 0 bilanzierte Verbindlichkeiten aus Lieferungen und Leistungen und mit T€ 1.746 schwebende Einkaufsgeschäfte.

Die Höhe der mit Bewertungseinheiten abgesicherten Risiken beträgt T€ 14. Der Marktwert der Derivate in USD beträgt T€ 69 zum Bilanzstichtag.

Die Bewertung der Devisentermingeschäfte erfolgte zum inneren Wert unter Verwendung der „Einfrierungsmethode“.

Personalbestand

Die Zahl der Arbeitnehmer (ohne Auszubildende) betrug im Durchschnitt des Berichtszeitraumes:

	2023 Anzahl	2022 Anzahl
Arbeiter	81	79
Angestellte	173	178
	254	257

Geschäftsführung

Geschäftsführer der Gesellschaft ist:

Herr Joachim Schlebusch, Heinsberg, hauptberuflicher Geschäftsführer

Aufsichtsrat

Dem Aufsichtsrat gehörten an:

Herr Eirik Bergsvik, Kristiansand / Norwegen, Vorsitzender (bis 05/2023)
- Chief Executive Officer, HMH

Herr Pal Skogerbø, Kristiansand / Norwegen, Vorsitzender
- President, ESS / MHWirth AS

Frau Ellen Jacobs, Erkelenz
Arbeitnehmervertreterin, MHWirth GmbH
- Betriebsratsvorsitzende, Project Operator

Frau Edeltraud Theißen, Linnich (bis 05/2023)
Arbeitnehmervertreterin, MHWirth GmbH
- Industriekauffrau

Herr Christoph Pickartz, Heinsberg (seit 05/2023)
Arbeitnehmervertreter, MHWirth GmbH
- IT-Coordinator

Herr Dag Stenevik, Kristiansand / Norwegen
- Senior Vice President, MHWirth AS

Herr Magne Hovland, Kristiansand / Norwegen
- Senior Vice President, MHWirth AS

Herr Jan Petter Knutsen, Kristiansand / Norwegen (seit 11/2023)
- Senior Vice President, MHWirth AS

Bezüge

Im Berichtsjahr wurden T€ 6 an tätige Aufsichtsratsmitglieder gezahlt. Die Versorgungsbezüge früherer Mitglieder der Geschäftsführung betrugen T€ 140 und für frühere Aufsichtsratsmitglieder T€ 23. Die Pensionsrückstellungen für frühere Mitglieder der Geschäftsführung belaufen sich auf T€ 1.016, für frühere Aufsichtsratsmitglieder auf T€ 227.

Angaben zu den Organbezügen der Geschäftsführung unterbleiben gem. § 286 Abs. 4 HGB.

Honorar des Abschlussprüfers

Der Abschlussprüfer erhielt die folgenden Bezüge:

	2023 (T€)	2022 (T€)
Abschlussprüfungsleistungen (davon für das Vorjahr: T€ 52)	218	107
Summe	**218**	**107**

Konzernabschluss

Der Jahresabschluss wird in den Konzernabschluss der HMH Holding B.V., Amsterdam/Niederlande, die den Konzernabschluss für den kleinsten und größten Kreis von Unternehmen aufstellt, einbezogen. Der Konzernabschluss ist im Handelsregister von Amsterdam/Niederlande unter der Nr. 82719322 hinterlegt ist.

		Höhe der Beteiligung	Eigenkapital T€ 31.12.23	Ergebnis T€ 31.12.23
Beteiligungen:				
Shenyang WIRTH-NFM – SHMG Heavy Tunneling & Construction Machinery Co., Ltd., Shenyang, China	*) **)	24,0 %	--	--

*) Keine operative Gesellschaft

**) Es liegen keine aktuellen Daten vor.

Ergebnisverwendung und Ausschüttungssperre

Nach § 268 Abs. 8 HGB unterliegt ein Betrag von € 787.277,75 einer Ausschüttungssperre (Selbst geschaffene Rechte und Werte € 787.277,75).

Nach § 253 Abs. 6 Satz 1 HGB (Unterschiedsbetrag bei den Pensionsrückstellungen aus der Zinssatzänderung vom durchschnittlichen Satz für sieben Jahre auf den durchschnittlichen Satz von 10 Jahren) sind darüber hinaus € 112.662,00 ausschüttungsgesperrt.

Die Geschäftsführung schlägt vor, den Jahresüberschuss von € 14.319,26 mit dem bestehenden Verlustvortrag von € -2.406.122,24 zu verrechnen und den verbleibenden Betrag von € -2.391.802,98 auf neue Rechnung vorzutragen.

Nachtragsbericht

Nach dem Bilanzstichtag sind keine Ereignisse eingetreten oder Vorgänge von besonderer Bedeutung bekannt geworden, die sich wesentlich auf die Vermögens-, Finanz- oder Ertragslage der Gesellschaft im Berichtsjahr auswirken könnten.

Erkelenz, den 8. August 2024

MHWirth GmbH
Geschäftsführung

Joachim Schlebusch, Geschäftsführer

MHWirth GmbH, Erkelenz
Entwicklung des Anlagevermögens

Anlagenspiegel

	Anschaffungs-/ Herstellungskosten 01.01.2023 Euro	Zugänge Euro	Abgänge Euro	Umbuchungen Euro	Anschaffungs-/ Herstellungskosten 31.12.2023 Euro	Abschreibungen kumuliert Euro	Buchwert 31.12.2023 Euro	Buchwert 31.12.2022 Euro
I. Immaterielle Vermögens- gegenstände								
1. Selbst geschaffene Rechte und Werte								
a. Eigene Entwicklungen	10.282.286,20	61.044,50	0,00	454.936,85	10.798.267,55	10.010.989,80	787.277,75	782.203,00
b. Eigene Entwicklung in Arbeit	416.480,85	0,00	0,00	-416.480,85	0,00	0,00	0,00	416.480,85
	10.698.767,05	61.044,50	0,00	38.456,00	10.798.267,55	10.010.989,80	787.277,75	1.198.683,85
2. Entgeltlich erworbene EDV-Software, Gewerbliche Schut	3.874.219,59	1.623.120,05	0,00	-38.456,00	5.458.883,64	3.872.344,30	1.586.539,34	91.294,00
3. Firmenwert	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
	14.572.986,64	1.684.164,55	0,00	0,00	16.257.151,19	13.883.334,10	2.373.817,09	1.289.977,85
II. Sachanlagen								
1. Bauten auf fremden Grundstücken	13.881.538,76	0,00	0,00	0,00	13.881.538,76	4.936.533,79	8.945.004,97	9.343.275,00
2. Technische Anlagen und Maschinen	28.777.208,30	142.278,41	0,00	87.369,39	29.006.856,10	25.194.551,52	3.812.305,58	4.489.937,60
3. Andere Anlagen, Betriebs- und Geschäftsausstattung	5.195.137,48	192.595,77	0,00	-59.486,58	5.328.246,67	5.169.114,26	159.132,41	177.737,00
4. Geleistete Anzahlungen und Anlagen im Bau	234.279,11	135.601,13	0,00	-27.882,81	341.997,43	0,00	145.433,63	234.279,11
	48.088.163,65	470.475,31	0,00	0,00	48.558.638,96	35.300.199,57	13.061.876,59	14.245.228,71
III. Finanzanlagen								
1. Anteile an verbundenen Unternehmen	2.434,80	0,00	0,00	0,00	2.434,80	2.434,80	0,00	0,00
2. Beteiligungen	137.844,44	0,00	0,00	0,00	137.844,44	137.843,44	1,00	1,00
	140.279,24	0,00	0,00	0,00	140.279,24	140.278,24	1,00	1,00
IV. Anlagevermögen insgesamt	**62.801.429,53**	**2.154.639,86**	**0,00**	**0,00**	**64.956.069,39**	**49.323.811,91**	**15.435.694,68**	**15.535.207,56**

Abschreibungsspiegel

	Abschreibungen 01.01.2023 Euro	Abschreibungen des Geschäftsjahres Euro	Abgänge Euro	Abschreibungen 31.12.2023 Euro
I. Immaterielle Vermögens- gegenstände				
1. Selbst geschaffene Rechte und Werte	0,00	0,00	0,00	0,00
2. Eigene Entwicklungen	9.500.083,20	510.906,60	0,00	10.010.989,80
3. Eigene Entwicklung in Arbeit	0,00	0,00	0,00	0,00
4. Entgeltlich erworbene EDV-Software, Gewerbliche Schut	3.782.925,59	89.418,71	0,00	3.872.344,30
5. Firmenwert	0,00	0,00	0,00	0,00
	13.283.008,79	600.325,31	0,00	13.883.334,10
II. Sachanlagen				
1. Bauten auf fremden Grundstücken	4.538.263,76	398.270,03	0,00	4.936.533,79
2. Technische Anlagen und Maschinen	24.287.270,70	907.280,82	0,00	25.194.551,52
3. Andere Anlagen, Betriebs- und Geschäftsausstattung	5.017.400,48	151.713,78	0,00	5.169.114,26
4. Anlagen im Bau Geleistete Anzahlungen	0,00	0,00	0,00	0,00
	33.842.934,94	1.457.264,63	0,00	35.300.199,57
III. Finanzanlagen				
1. Anteile an verbundenen Unternehmen	2.434,80	0,00	0,00	2.434,80
2. Beteiligungen	137.843,44	0,00	0,00	137.843,44
	140.278,24	0,00	0,00	140.278,24
IV. Abschreibungen insgesamt	**47.266.221,97**	**2.057.589,94**	**0,00**	**49.323.811,91**

Lagebericht 2023

der

MHWirth GmbH

Lagebericht 2023

1. Grundlagen der Gesellschaft

i. Geschäftsmodell

Die MHWirth GmbH ist Teil der HMH-Unternehmensgruppe, dessen Anteile zu jeweils 50% auf den Akastor-Konzern (Norwegen) als auch auf Baker Hughes (USA) fallen. Das Unternehmen entwickelt, konstruiert, produziert, vertreibt und vermietet unterschiedliche Typen von Bohrsystemen, Fest- und Flüssigstoffpumpen, Hebewerken, Drehtischen, Spülköpfen und verwandten Erzeugnissen einschließlich entsprechender Ersatzteile und Service-Dienstleistungen. Der Einsatz erfolgt weltweit.

Die Gesellschaft ist funktionsorientiert gegliedert in die Bereiche Sales (Vertrieb), Drilling Lifecycle Services (Ersatzteilwesen und Service) und Operations bestehend aus Engineering (Konstruktion und Entwicklung), Production (Produktion), Supply Chain (Einkauf und Distributionslogistik), Project Management, Quality Assurance and HSSE (Qualitätsmanagement und Gesundheit, Arbeitsschutz, Sicherheit und Umweltschutz). Zudem gibt es die klassischen Administrationsfunktionen unter der Führung des lokalen CEO. Diese beinhalten Finanzwesen, Controlling, Riskmanagement, Steuern, Human Resources, IT/IS (Informationstechnologie, Informationssicherheit) und Legal (Rechtswesen). Die Gesellschaft betreibt ihr Geschäft in angemieteten Räumlichkeiten in Erkelenz und ist mit einer Exportquote von rund 91% weltweit aktiv. Die wichtigsten Absatzmärkte sind Asien, Europa (insbesondere Norwegen), Australien und Südamerika.

Zum 31. Dezember 2023 hält die MHWirth HoldCo AS 100% der Gesellschaftsanteile der MHWirth GmbH.

Die finanziellen Leistungsindikatoren der Gesellschaft sind der Auftragseingang, Umsatz, EBITDA (Earnings before Interest, Tax, Depreciation and Amortization) und NCOA (Net Current Operating Assets in der Abgrenzung des IFRS-Konzernreportings). Als nichtfinanzieller Leistungsindikator, welcher nicht zur Steuerung der Gesellschaft verwendet wird, wird die Anzahl der Unfälle mit anschließendem Arbeitszeitausfall herangezogen.

ii. Forschung und Entwicklung

Im Geschäftsjahr 2023 konzentrierte sich die Entwicklungsarbeit vor allem auf die Produktstandardisierung und -optimierung. Der gesamte Forschungs- und Entwicklungsaufwand belief sich im Jahr 2023 auf 0,3 M€ (im Vorjahr 0,6 M€).

Im Bereich der immateriellen Vermögensgegenstände sind im Geschäftsjahr 2023 Entwicklungskosten im Gesamtumfang von 0,1 M€ aktiviert worden. Auch diese bezogen sich auf die Produktstandardisierung und -optimierung und sind im Anlagenspiegel dargestellt. Die Abschreibungen auf Forschungs- und Entwicklungskosten betrugen insgesamt 0,5 M€ (im Vorjahr: 0,4 M€).

2. Wirtschaftsbericht

i. Gesamtwirtschaftliche und branchenbezogene Rahmenbedingungen

Für Deutschland wurde ein negatives Wirtschaftswachstum in 2023 i. H. v. - 0,2% ermittelt. Dieses hat sich damit gegenüber dem Vorjahr, das sich langsam durch die Auswirkungen der Corona-Pandemie wieder erhöht hatte, durch die Folgen des Kriegs sowie den Preiserhöhungen verringert (Vorjahr: 1,8%).
(https://de.statista.com/statistik/daten/studie/2112/umfrage/veraenderung-des-bruttoinlandprodukts-im-vergleich-zum-vorjahr/

Für die Euro-Zone wurde ein positives Wirtschaftswachstum in 2023 von rd. 0,4% prognostiziert (Vorjahr: 3,4%).
(https:// www.wko.at/statistik/eu/europa-wirtschaftswachstum.pdf)

Für die übrigen Hauptabsatzmärkten wurde das positive Wirtschaftswachstum in 2023 wie folgt prognostiziert: Norwegen 0,5%, Indien 7,8%, China 5,2%, Singapur 1,1%, Brasilien 2,9%, Australien 2,1%.
(Quellen: https://de.statista.com/statistik/daten/studie/14549/umfrage/wachstum-des-bruttoinlandsprodukts-bip-in-norwegen/
https://de.statista.com/statistik/daten/studie/14564/umfrage/wachstum-des-bruttoinlandsprodukts-in-indien/
https://de.statista.com/statistik/daten/studie/14560/umfrage/wachstum-des-bruttoinlandsprodukts-in-china/
https://de.statista.com/statistik/daten/studie/321761/umfrage/wachstum-des-bruttoinlandsprodukts-bip-in-singapur/
https://de.statista.com/statistik/daten/studie/14559/umfrage/wachstum-des-bruttoinlandsprodukts-in-brasilien/
https://de.statista.com/statistik/daten/studie/14529/umfrage/wachstum-des-bruttoinlandsprodukts-in-australien/).

Als wichtiger nachfragebeeinflussender Indikator unterstand der Ölpreis im Laufe des Geschäftsjahres 2023 deutlichen Schwankungen, weiterhin bedingt durch den Russland-Ukraine-Krieg. Zu Jahresbeginn notierte er mit 83,0 USD pro Barrel; zum Jahresende mit 79,6 USD. Die sonstigen Rohstoffpreise, wie z.B. Aluminium (rd. –1,7%) oder Kupfer (rd. +1,1%) unterlagen im Jahr 2023 ebenso Schwankungen. Der Rohstoffpreis für Nickel ist stark gesunken (rd. -50,0%) während es hier in den vergangenen Jahren starke Steigerungsraten gab.
Die Rohstoffpreisentwicklung unterliegt regelmäßig Schwankungen. Wir gehen jedoch davon aus, dass von einer langfristig ansteigenden Nachfrage nach unseren Produkten auszugehen ist, insbesondere nach unserem Non-Oilfield Equipment. Hier hat sich das Ausschreibevolumen vor allen Dingen im Bereich der Infrastruktur-Produkte im asiatischen Raum als auch im Bereich der Feststoffpumpen im südamerikanischen Raum erhöht.

Im Geschäftsjahr 2023 hatte die Gesellschaft eine positive Entwicklung in der Auftragslage zu verzeichnen, u. a. im Bereich der Infrastrukturprojekte sowie der Förderung von Rohstoffen, die den Einsatz von Feststoffpumpen voraussetzen (Nickel, Kobalt, Kupfer, Eisenerz). Im Bereich des Produktportfolios mit Ölbezug waren ebenso erhöhte Auftragseingänge zu verzeichnen. Anzumerken ist hier, dass es zu einer erhöhten Aktivität von Investitionen für neue Öl-Landanlagen als auch partiellen Austausch von Komponenten bei bestehenden Landanlagen gibt. Verstärkt sind hier der mittelamerikanische Markt als auch der mittlere Osten hervorzuheben. Auch im Bereich der Offshore-Floater-Bohranlagen registrierte man im zweiten Halbjahr 2023 wieder leicht steigende Flotteninbetriebnahme auf rd. 91% (2022: rd. 84%, Quelle: IHS Markit). Auch die MHWirth GmbH konnte von dieser Entwicklung profitieren. Die Anzahl der aktiven Bohranlagen mit MHWirth-Equipment ist im Jahr 2023 entsprechend gestiegen (2023: ca. 76 Anlagen, 2022: ca. 58 Anlagen, 2021: ca. 52 Anlagen, Quelle: intern).

ii. Geschäftsverlauf

Absatzmarkt

Die Auftragslage im Kernproduktbereich Öl und Gas (im Wesentlichen Spülpumpen, Hebewerke, Drehtische und Spülköpfe) steigerte sich im Geschäftsjahr 2023, was auf die Investitionszurückhaltung der Vorjahre, vor allen während der Corona-Krise, zurückzuführen ist.

Viele Offshore- als auch Land-Anlagen weisen einen latenten Investitionsstau auf, den es mit steigenden Reaktivierungen der Anlagen zu kompensieren gilt. Die weites gehend komplette Aufhebung von Reisebeschränkungen unterstützten die positive Entwicklung durch zunehmende DLS- und Vertriebsaktivitäten.
Bei der Produktreihe RC-Drilling (Pfahlbohranlagen und Subsea Mining) ist die Auftragslage im Vergleich zum vorherigen Geschäftsjahr deutlich gestiegen, was vor allem auf die Realisierung komplexer Infrastrukturprojekte zurückzuführen ist.

Bei der Produktreihe Slurry Pumps (Feststoffpumpen) profitierte die Gesellschaft im letzten Geschäftsjahr weiterhin von ihren intensiven Bemühungen, die Wettbewerbsfähigkeit zu steigern. Aufgrund dieser Bemühungen konnte im Geschäftsjahr 2023 die Auftragslage auf einem hohen Niveau stabilisiert werden.

Beschaffungsmarkt

Auf dem Beschaffungsmarkt war nach den Anstiegen der Vorjahre eine Stabilisierung des Preisniveaus zu verzeichnen. Durch ständige Qualifizierung neuer Lieferanten, Rahmenvereinbarungen mit Lieferanten sowie eine frühzeitige Beschaffung ausgewählter Komponenten wird dieses Preisniveau ständig optimiert.

iii. Lage

Insgesamt hat sich das Geschäftsjahr 2023 bedingt durch deutlich höhere Auftragseingänge gegenüber dem Vorjahr positiv entwickelt. Sowohl der Kapazitätsbedarf als auch die Kapazitätsauslastung unserer Bereiche bewegte sich auf entsprechend sehr hohem Niveau.

Der Auftragseingang steigerte sich im Vergleich zum Vorjahr deutlich. Der erhöhte Auftragseingang lag in diesem Jahr über dem im Vorjahr prognostizierten Wert. Insgesamt wurde im Geschäftsjahr 2023 ein Auftragseingang i. H. v. 130,9 M€ erzielt (Vorjahr: 91,6 M€).

Auftragseingang pro Jahr in M€

2022	91,6
2023	130,9

Der Umsatz betrug im Geschäftsjahr 2023 60,1 M€ und lag damit um 16,9 M€ unter dem Vorjahr (77,0 M€). Das Unternehmen konnte damit den prognostizierten Wert für das Geschäftsjahr nicht erreichen, da es unterjährig zu Verschiebungen einzelner Projekte kam, die nun einen positiven Effekt für das Folgejahr 2024 darstellen. Hierbei ist hervorzuheben, dass es sich um Verschiebungen auf Kundenwunsch handelt, vor allem darauf begründet, dass die benötigte Vor-Ort-Infrastruktur für die Einbindung der Produkte der MHWirth GmbH einen bestimmten Status voraussetzt, den die Kundenseite zeitlich in 2023 noch nicht realisieren konnte.

Das EBITDA betrug im Geschäftsjahr 2023 3,3 M€. Das im Vorjahr erwirtschaftete EBITDA lag bei 1,6 M€. Trotz der oben genannten Umsatzverschiebungen war die Gesellschaft in der Lage ihre EBITDA-Rentabilität deutlich zu verbessern. Das Unternehmen konnte damit den prognostizierten Wert für das Geschäftsjahr prozentual übertreffen, aufgrund der kundenseitigen Umsatzverschiebungen jedoch nominal nicht erreichen.

EBITDA in M€

2022	1,6
2023	3,3

Die Anzahl der Unfälle mit anschließendem Arbeitsausfall betrug 2 (Vorjahr: 1), geplant waren keine Unfälle mit anschließendem Arbeitsausfall.

Ertragslage

Gewinn- und Verlustrechnung	2023		2022		Veränderung
	M€	%	M€	%	M€
Umsatzerlöse	**60,1**	74,6	**77,0**	107,7	**-16,9**
Bestandsveränderung	**30,7**	33,8	**-5,5**	-7,7	**36,2**
andere aktivierte Eigenleistungen	**0,0**	0,0	**0,0**	0,0	**0,0**
Gesamtleistung	**90,8**	100,0	**71,5**	100,0	**19,3**
Sonstige betriebliche Erträge	**2,3**	2,9	**1,8**	2,5	**0,5**
Materialaufwand	**51,8**	57,0	**36,2**	50,6	**15,6**
Personalaufwand	**22,6**	28,0	**21,3**	29,8	**1,3**
Sonstige betriebliche Aufwendungen	**15,4**	19,1	**14,2**	19,9	**1,2**
EBITDA	**3,3**	4,1	**1,6**	2,2	**1,7**
Abschreibungen	**2,3**	2,9	**3,5**	4,9	**-1,2**
EBIT	**1,0**	1,2	**-1,9**	-2,7	**2,9**
Sonstige Zinsen und ähnliche Erträge	**0,0**	0,0	**0,0**	0,0	**0,0**
Zinsen und ähnliche Aufwendungen	**1,0**	1,2	**1,0**	1,4	**0,0**
Ergebnis vor Steuern	**0,0**	0,0	**-2,9**	-4,1	**2,9**
Steuern vom Einkommen und vom Ertrag	**0,0**	0,0	**0,0**	0,0	**0,0**
Ergebnis nach Steuern	**0,0**	0,0	**-2,9**	-4,1	**2,9**
Sonstige Steuern	**0,0**	0,0	**0,0**	0,0	**0,0**
Jahresfehlbetrag	**0,0**	0,0	**-2,9**	-4,1	**2,9**

Der Umsatz des Geschäftsjahres 2023 (60,1 M€) ist gegenüber dem Vorjahr (77,0 M€) um 16,9 M€ gesunken. Die Umsatzreduzierung bezog sich auf die bereits dargelegten Verschiebungen auf Kundenwunsch und betrafen vor allen Dingen den Feststoffpumpenbereich.

Die Gesamtleistung erhöhte sich um 19,3 M€ (27%) auf 90,8 M€ (Vorjahr: 71,5 M€).

Der Materialaufwand (51,8 M€) hat sich aufgrund des gestiegenen Geschäftsvolumens gegenüber dem Vorjahr (36,2 M€) um 15,6 M€ (43,1%) erhöht. Die Materialaufwandsquote (Materialaufwand / Gesamtleistung) betrug 57,0% (Vorjahr: 50,6%). Die Materialaufwandsquote erhöhte sich somit gegenüber dem Vorjahr, begründet durch einen höheren Anteil der Gesamtleistung an materialintensiveren Produkten.

Der Personalaufwand hat sich gegenüber dem Vorjahr von 21,3 M€ um 1,3 M€ auf 22,6 M€ erhöht. Der Personalstand beträgt zum 31.12.2023 insgesamt 260 Mitarbeiter (31.12.2022: 271). Die Erhöhung ist begründet durch Tariferhöhungen sowie einer gestiegenen Anzahl an verfahrenden Überstunden.

Das EBIT hat sich gegenüber dem Vorjahr (-1,9 M€) um 2,9 M€ auf 1,0 M€ gesteigert.

Das Jahresergebnis nach Steuern hat sich von -2,9 M€ im Vorjahr um 2,9 M€ auf 0,0 M€ gesteigert, was im Wesentlichen durch die erhöhte Gesamtleistung und den Umsatzmix begründet ist.

Finanzlage

Zum Bilanzstichtag stellt sich die Finanzierung wie folgt dar:

Eigenkapital (10,5 M€, i.Vj. 10,5 M€); aufgrund des neutralen Jahresergebnisses (0,0 M€) blieb das Eigenkapital stabil (Jahresfehlbetrag i.Vj. 2,9 M€). Verbindlichkeit gegenüber MHWirth AS (10,4 M€, i.Vj. 10,0 M€), Anzahlungen von Kunden (20,8 M€, i.Vj. 2,5 M€) sowie sonstige Verbindlichkeiten (2,8 M€, i.Vj. 4,4 M€) und Rückstellungen (20,4 M€, i.Vj. 21,1 M€). Zusätzlich steht der Gesellschaft die flexible Inanspruchnahme von entsprechenden Intercompany-Darlehen mit flexiblen Laufzeiten zur Verfügung, um z.B. Projekte mit hohen Materialaufwendungen entsprechend vorzufinanzieren.

Zum 31.12.2023 beträgt der Bestand an liquiden Mitteln 0,2 M€ (i.Vj. 2,4 M€). Der insgesamt erwirtschaftete Cashflow aus operativer Tätigkeit beträgt im Geschäftsjahr 2023 2,6 M€ (i.Vj. 1,4 M€), der Cashflow aus Investitionstätigkeit -1,6 M€ (i.Vj. -0,3 M€), der Cashflow aus gruppenübergreifender Finanzierungstätigkeit -7,2 M€ (i.Vj. -1,1 M€). Die Gesellschaft war im Berichtsjahr jederzeit in der Lage, ihre finanziellen Verpflichtungen zu erfüllen.

Vermögenslage

Die Bilanzsumme hat sich zum Abschlussstichtag von 58,5 M€ um 19,9 M€ auf 78,4 M€ erhöht. Das Anlagevermögen reduzierte sich um 0,1 M€; die liquiden Mittel reduzierten sich um 2,2 M€. Die Vorräte und Forderungen haben sich um 22,2 M€ erhöht. Das kurzfristig gebundene Nettoarbeitskapital[1] (net working capital, NCOA) hat sich von 12,7 M€ um 6,5 M€ auf 19,2 M€ erhöht. Durch das gestiegene Geschäftsvolumen war diese Erhöhung geplant.

[1] Umlaufvermögen ohne liquide Mittel zuzüglich aktiver Rechnungsabgrenzungsposten abzüglich Steuer- und sonstige Rückstellungen sowie abzüglich kurzfristiger Verbindlichkeiten ohne Konzernfinanzierung und abzüglich passiver Rechnungsabgrenzungsposten

Bilanzstruktur 2022 bis 2023 in M€:

	31.12.2023		31.12.2022		Veränderung
Aktiva	**M€**	%	**M€**	%	**M€**
Anlagevermögen	**15,4**	19,6	**15,5**	26,5	**-0,1**
Vorräte	**48,0**	61,2	**28,1**	48,0	**19,9**
Forderungen, sonstige VG	**14,4**	18,4	**12,1**	20,7	**2,3**
Liquide Mittel	**0,2**	0,3	**2,4**	4,1	**-2,2**
Rechnungsabgrenzungsposten	**0,4**	0,5	**0,4**	0,7	**0,0**
Aktive latente Steuer	**0,0**	0,0	**0,0**	0,0	**0,0**
Bilanzsumme	**78,4**	100,0	**58,5**	100,0	**19,9**
Passiva					
Eigenkapital	**10,5**	13,4	**10,5**	17,9	**0,0**
Rückstellungen	**20,4**	26,0	**21,1**	36,1	**-0,7**
Bankverbindlichkeiten	**3,9**	5,0	**0,0**	0,0	**3,9**
übrige Verbindlichkeiten	**43,6**	55,6	**26,9**	46,0	**16,7**
Bilanzsumme	**78,4**	100,0	**58,5**	100,0	**19,9**

Im Berichtszeitraum wurden Investitionen in Sachanlagen in Höhe von 0,5 M€ (im Vorjahr 1,2 M€) getätigt. Die Investitionstätigkeit bezog sich vor allem auf Maßnahmen im Produktionsbereich und Maschinen.

Zum Bilanzstichtag 31.12.2023 beträgt das Vorratsvermögen 48,0 M€ (i.Vj. 28,1 M€). Die nicht auftragsgebundenen Vorräte erhöhten sich von 20,8 M€ um 2,1 M€ auf 22,9 M€. Dabei haben sich die Abwertungen wegen Ungängigkeit im laufenden Geschäftsjahr reduzierend ausgewirkt. Die auftragsgebundenen Vorräte erhöhten sich von 7,3 M€ um 5,8 M€ auf 13,1 M€. Die geleisteten Anzahlungen erhöhten sich von 1,1 M€ um 0,2 M€ auf 1,3 M€. Die auf unfertige Leistungen anrechenbaren erhaltenen Anzahlungen erhöhten sich von 1,3 M€ um 9,6 M€ auf 10,9 M€.

Bezüglich der liquiden Mittel wird auf die Kommentierung der Finanzlage verwiesen.

Dividendenzahlungen erfolgten im Geschäftsjahr nicht (i.Vj. 0,0 M€). Die Eigenkapitalquote reduzierte sich von 17,9% auf 13,4%, bedingt durch die Erhöhung der Bilanzsumme.

Die Rückstellungen reduzierten sich insgesamt von 21,1 M€ um 0,7 M€ auf 20,4 M€. Die übrigen Verbindlichkeiten haben sich von 26,9 M€ um 16,7 M€ auf 43,6 M€ erhöht.

Im Jahr 2023 hat das Unternehmen seinen positiven Trend beibehalten können. Dies zeigt sich im gestiegenen Geschäftsvolumen, dem hohen Auftragseingang und dem deutlich verbessertem EBITDA. Einzig das Umsatzvolumen konnte aufgrund kundenbedingter Verspätungen nicht gesteigert werden, was dem Unternehmen jedoch im Folgejahr zuträglich sein wird.
Dieses positive Gesamtergebnis im Kontext schwächelnder nationaler Wirtschaftsentwicklung konnte vor allem realisiert werden, in dem die Gesellschaft eine starke globale Ausrichtung weiter fortgeführt hat. So wurden beispielsweise lokale Präsenzen für DLS und Vertriebsaktivitäten in den Kernregionen weiter ausgebaut. Dies unterstützt die Auftragseingangsrealisierung durch verbesserte Kundenbeziehungen mit zum Teil lokalem Personal. Des Weiteren wird die Lieferfähigkeit und -geschwindigkeit verbessert in dem man Hauptverschleißteile in den Regionen vorhält.

Zum Aufstellungszeitpunkt des Lageberichts stellt sich die wirtschaftliche Lage der Gesellschaft als stabil dar.

3. Prognose-, Chancen- und Risikobericht

Prognosebericht

Allgemeine Rahmenbedingungen und Geschäftserwartungen

Neben der Entwicklung des Ölpreises wird die Entwicklung der allgemeinen Rohstoffpreise maßgeblich für die Auftragslage und die wirtschaftliche Performance des Unternehmens herangezogen. Im Geschäftsjahr 2023 nahm der Öl-unabhängige Geschäftsbereich des Unternehmens eine dominierende Rolle in der Umsatzstruktur ein. Hier sind besonders die Feststoffpumpen-Sparte zur Förderung von Mineralien als auch die Infrastrukturprodukt-Sparte hervorzuheben.

Für die Gesellschaft war im Geschäftsjahr 2023 insbesondere die Entwicklung des Rohstoffpreisniveaus für die Elektromobilitätsbranche maßgeblich. Dies bezieht sich vor allen Dingen auf die Rohstoffe Nickel und Cobalt, die Hauptbestandteil zur Batterieherstellung sind. Durch die Diversifizierung zwischen den o. g. Rohstoffen und der klassischen Ölbranche stellt die Gesellschaft sicher, Marktschwankungen einzelner Segmente erfolgreich ausgleichen zu können. Aufgrund der hohen Nachfrage nach Nickel und Cobalt im Geschäftsjahr 2023 konnte zum Ende des Jahres bereits ein Überangebot festgestellt werden, was zu einer Verlangsamung der Marktentwicklung in diesem Bereich führen wird. Hier gehen wir von einem kurzzeitigen Effekt aus, was sich aufgrund der globalen Bemühungen der Energietransformation auf Elektromobilität relativieren wird. Mit Hinblick auf diese Entwicklung hat die Gesellschaft frühzeitig begonnen das Produktportfolio der Feststoffpumpen um weitere Applikationen zu ergänzen. Ein Hauptschwerpunkt für die zukünftige Ausrichtung stellt die Lieferung von Pumpen zur Unterstützung des Kupferabbaus dar, in dem bereits Ende des Jahres eine erhöhte Nachfrage zu verzeichnen war. Laut einschlägiger Analystenmeinungen wird es in den Folgejahren zu einem Unterangebot der globalen Kupferverfügbarkeit kommen. Hiervon will die Gesellschaft maßgeblich profitieren.

Des Weiteren wird die Gesellschaft Neuentwicklungen im Bereich der Infrastrukturprodukt-Sparte vorantreiben, um auch weiterhin die führende Marktposition in den asiatischen Metropolen sicherzustellen. Schwerpunktmäßig wird bei den Neuentwicklungen darauf geachtet, die Energieeffizienz der Anlagen merklich zu steigern, um die Betriebskosten für die Kunden zu reduzieren. Generell hat sich die Nachfrage nach neuem Equipment auf einem hohen Niveau eingependelt. Dies ist vor allem darauf zurückzuführen, dass sich z. B. in Hongkong aufgrund des Platzmangels der Trend zu immer höheren Gebäuden fortsetzt, die entsprechend tiefere Fundamentbohrungen benötigen.

Im Bereich des Equipments zur Ölgewinnung erholt sich der Markt zunehmend, vor allem im Onshore-Bereich, da es sich hierbei um eine vergleichsweise kostengünstige Variante der Rohölförderung handelt. Projekte und einzelner Austausch von Equipment werden zunehmend häufiger durchgeführt und wird sich in den nächsten Jahren verstärken. Ein Meilenstein stellt der Markteintritt in Mexiko dar, der Teil eines langfristigen Investitionsvorhabens ist. Weitere Zielmärkte befinden sich vor allem im mittleren Osten, wo derzeit Projekte in Endverhandlungen sind.

Im Offshore-Bereich ist derzeit noch eine geringe Aktivität in Bezug auf Neuequipment zu verzeichnen. Dies ist zum einen bedingt durch die kostenintensivere Förderungsmethode mit höheren Risiken als auch durch den Umstand, dass der Ölpreis noch kein konstant hohes Niveau erreicht hat, was einen Neubau von Offshore-Anlagen profitabel macht. Es ist jedoch eine positive Entwicklung im Bereich der Reaktivierung von stillgelegten Anlagen zu verzeichnen, wovon die Gesellschaft profitiert.

Den unmittelbarsten Einfluss der Reaktivierungen stellt man im Bereich des After-Sales- und Service-Geschäfts fest.

Einen erhöhten Auftragseingang im Bereich des Neuequipment (Öl) sehen wir frühestens nach vollständiger Reaktivierung der vorhandenen Anlagen.

Die fehlenden Neuanlagengeschäfte haben für die Umsatzentwicklung des Unternehmens kaum einen merklich negativen Effekt, da man frühzeitig den Trend in Richtung Landanlagen und alternativen Marktsegmenten erkannt hat.

Die Gesellschaft hat im zweiten Jahr des Russland-Ukraine-Kriegs alle negativen Effekte in Bezug auf Umsatzverlust vollständig kompensiert und plant zukünftig nicht mit einer Änderung der Situation.

Prognose von Finanzkennzahlen zur Unternehmenssteuerung

Der **Auftragseingang** des Geschäftsjahrs (130,9 M€) lag im Vergleich zum Vorjahr u.a. durch den Erhalt eines Großprojekts im Bereich Slurry Pumps und einer Sondermaschine im Infrastrukturbereich, auf einem deutlich höheren Niveau (2022: 91,6 M€). Für das Geschäftsjahr 2024 rechnen wir mit einem Auftragseingang auf dem Niveau von 2022.

Für 2024 plant die Gesellschaft aufgrund des vorhandenen Auftragsbestands mit einem leicht steigenden Wert des Nettoarbeitskapital.

Die **Umsatz**erwartung 2024 befindet sich auf einem deutlich höheren Niveau im Vergleich zu 2023. Deshalb gehen wir von einem korrespondierend deutlich steigendem **EBITDA** aus.

Ein Schwerpunkt im Jahr 2024 ist weiterhin Standort-übergreifende Synergien vollumfänglich zu nutzen. Ein weiterer Schwerpunkt wird die bereits erwähnte Weiterentwicklung des bestehenden Produktportfolios auf weitere Applikationen sein.

Wir gehen von einer erheblichen besseren Lage im Verlauf des Jahres 2024 aus. Aufgrund der bereits verbuchten Auftragseingänge, die sich derzeit in der Produktion befinden, werden wir eine starke Umsatzsteigerung im Vergleich zu 2023 verzeichnen. Dies wird einen entsprechend positiven Effekt auf das **EBITDA** haben, so dass wir für 2024 hier wieder von einem positiven Wert ausgehen, bezogen auf die operative Geschäftsperformance.

Prognose nicht-finanzieller Leistungsindikatoren zur Unternehmenssteuerung

Der besondere Fokus auf Arbeitsschutz, Arbeitssicherheit und Arbeitsumfeld (Health, Security, Safety and Environment, kurz: HSSE) wird auch im Geschäftsjahr 2024 weiterverfolgt. Der Ziel-Wert für **Unfälle mit anschließendem Arbeitszeitausfall** (sog. „TRIF“) wurde daher wie im Vorjahr und analog zum Konzernziel „Null Unfälle“ auf „0“ festgelegt (2023: 2 TRIF).

Unsere Prognosen basieren unter anderem auf Annahmen über zukünftige Ereignisse, die sich unserem Einfluss entziehen. Insoweit kann nicht ausgeschlossen werden, dass die tatsächlich eintretenden Ergebnisse von unseren Erwartungen über die zukünftige Entwicklung abweichen.

Chancen- und Risikobericht

Grundsätzlich werden projektbezogene und unternehmensübergreifende Chancen und Risiken gemäß dem kaufmännischen Vorsichtsprinzip bewertet und in der Finanzplanung des Unternehmens berücksichtigt. Darüber hinaus bestehen ggf. weitere Chancen und Risiken, deren Eintritt das geplante Ergebnis in positiver oder negativer Weise beeinflussen kann.

Chancenbericht

Aufgrund der zunehmend globalen Bestrebungen die Energietransformation voranzutreiben, besteht die Möglichkeit, dass sich das derzeitige Überangebot von Nickel und Cobalt, was zu einer negativen Preisentwicklung führt, schneller relativiert als die Gesellschaft derzeit erwartet. Dies würde dazu führen, dass es nicht nur bei der Kupfernachfrage zu einem erhöhten Bedarf an Produkten zur Unterstützung der Förderung kommt, sondern auch die Nickel-/Cobalt-Applikationen wieder das Normalniveau erreichen.

Im Bereich der Infrastrukturprojekte sehen wir vor allem im Bereich Asien, hier besonders Indien und Hongkong, weitere Potentiale die bewährte Technik der Pfahlbohranlagen zu vermarkten. Vor allem die zunehmende Überlastung der indischen Straßennetze führt zu erweitertem Brückenbau mit dem Ziel, den Verkehr aus den Stadtzentren zu verlagern. Diese politischen Aktivitäten beschleunigen den Bau und erhöhen damit das Nachfragevolumen nach Neu-Equipment.

Des Weiteren bietet der Mittlere Osten und auch Indien, mit seinen Landanlagen eine Alternative für russisches Öl und Gas. Dieser Markt ist historisch schon mit einer bedeutenden Produktpalette von MHWirth versorgt, sodass man hier kurzfristig mit neuen Upgrade-Aufträgen rechnen kann.

Dadurch, dass das Unternehmen in den letzten Jahren einen hohen Fokus auf der Kostenreduzierung hatte und permanent Synergien aus dem Gruppenverbund evaluiert und nutzt, ist es derzeit in der Lage sich flexibel an Umsatzschwankungen anzupassen, ohne dass dies zu großen lokalen Restrukturierungen führt.

Im Bereich „DLS“ (Drilling Lifecycle Services, d. h. Ersatzteil- und Servicegeschäft) profitieren wir von den zunehmenden Reaktivierungen von Offshore-Anlagen, als auch die erhöhte Anzahl Slurry Pumpen, die derzeit aktiv sind und ein entsprechendes Ersatzteilumsatzvolumen generieren.

Risikobericht

Nachfolgend sind die Risiken, denen die Gesellschaft ausgesetzt ist, entsprechend ihrer Bedeutung, in abnehmender Reihenfolge aufgeführt. Bei den nachfolgend genannten Risiken wird von einer geringen Eintrittswahrscheinlichkeit ausgegangen. Der Risikograd und die finanziellen Auswirkungen der Risiken sind als überschaubar einzustufen. Weiterhin können kritische Auswirkungen auf die Geschäftstätigkeit sowie die Entwicklung der Vermögens-, Finanz- und Ertragslage nicht vollends ausgeschlossen werden.

Vorratsbestandsrisiken (leistungswirtschaftliches Risiko)

Die Gesellschaft ist dem Risiko ausgesetzt, Aufträge zu verlieren, da nicht innerhalb der von den Kunden erwarteten Frist produziert und geliefert werden kann oder da aufgrund von Terminüberschreitungen Pönalen fällig werden können. Zur Sicherung der Verfügbarkeit von Zukaufteilen mit langer Lieferzeit (>6 Monaten) sowie zur Sicherstellung der kurzfristigen Lieferfähigkeit bei Ersatz- und Verschleißteilen für gängige Produkte bestehen zum 31. Dezember 2023 Bestände an nicht auftragsgebundenen fertigen Erzeugnissen i. H. v. 29,9 M€ (Vorjahr: 17,9 M€). Dabei handelt es sich weitgehend um standardisierte Teile, die in hohen Stückzahlen für Spülpumpen, Hebewerke, Top Drives, Drehtische, Pfahlbohranlagen usw. benötigt werden.

Beschaffungsrisiken (Umfeldrisiko)

Die Gesellschaft ist Verfügbarkeitsrisiken und Preisrisiken im Beschaffungsprozess ausgesetzt. Durch ständige Qualifizierung neuer Lieferanten, Rahmenvereinbarungen mit Lieferanten sowie eine frühzeitige Beschaffung ausgewählter Komponenten wird stetig daran gearbeitet die Lieferzeiten und Preise zu optimieren. Der starke Anstieg des Preisniveaus seit Beginn des Russland-Ukraine-Krieges hat sich zum Ende des Jahres zwar etwas reduziert; ist aufgrund der Inflation und der gestiegenen Energiekosten insgesamt aber auf einem wesentlich höheren Niveau als in den Vorjahren.

Enge und langfristige Geschäftsbeziehungen zu einer Vielzahl bestehender Lieferanten bilden die Basis unserer Zusammenarbeit im Beschaffungsbereich. Potenziellen Beschaffungsrisiken, wie z.B. der Gefährdung der Versorgungssicherheit, wird mit langfristig ausgerichteten Lieferverträgen sowie durch gezielte Entwicklung von Alternativlieferanten begegnet, um so das Risiko von Abhängigkeiten zu reduzieren. Gewährleistungsansprüche bei Produktmängeln oder Forderungen aus dem Produkthaftungsgesetz werden vertraglich durch Vereinbarungen und Rückgriffsansprüche gegenüber Lieferanten abgesichert. Ein Hauptaugenmerk liegt auf der Optimierung des Lieferantenportfolios, um die Wettbewerbsposition zu verbessern.

Personalrisiken

Im Bereich der Personalrisiken sind vor allem das Fluktuationsrisiko, d.h. das Risiko des Verlustes von wichtigen Fachkräften, der allgemeine Fachkräftemangel, die Gesundheit unserer Mitarbeiter sowie Arbeitsüberlastung zu nennen. Mit einer Vielzahl von Maßnahmen werden diese Risiken laufend minimiert, beispielsweise durch die Umsetzung von Maßnahmen zur Gewinnung und Bindung von Arbeitskräften, Maßnahmen zur Schaffung eines positiven Arbeitsumfelds sowie kontinuierliche Maßnahmen zur Optimierung der Arbeitssicherheit.

Gewährleistungsrisiken (leistungswirtschaftliches Risiko)

Gewährleistungsrisiken können sich insbesondere bei Spezialanfertigungen und Maschinen ergeben, die in ihrem Einsatzbereich beim Käufer hohen Belastungen ausgesetzt sind. Wir begegnen diesen Risiken durch eine sorgfältige Ermittlung und vertragliche Spezifizierung der Einsatzbedingungen und der zugesicherten Eigenschaften unserer Produkte sowie durch umfangreiche qualitätssichernde Maßnahmen in Einkauf und Produktion. Für nicht abwendbare, allgemein auftretende Gewährleistungsfälle sowie für bekannt gewordene Einzelsachverhalte werden ausreichende Rückstellungen gebildet.

Risiken aus Finanzinstrumenten

Liquidität/Finanzierung: Die langfristige Unternehmensfinanzierung wird durch die Zugehörigkeit zur HMH-Gruppe sichergestellt. Die Gesellschaft hat die Möglichkeit, kurzfristige Intercompany-Darlehen in Anspruch zu nehmen wie z. B. zur Vorfinanzierung größerer Projekte. Aktuell steht der Gesellschaft ein Konzerndarlehen über derzeit 10,0 M€ zur Verfügung.

Währungen: Durch die hohe Exportquote der Gesellschaft bilden Währungen ein stetiges Risiko. Um dieses zu minimieren, werden Geschäfte in Fremdwährungen auf Absatz- und Beschaffungsseite konsequent als Microhedges durch derivative Finanzinstrumente (Devisentermingeschäfte) abgesichert.

Forderungsausfallrisiko: Die kontinuierliche Überwachung und Bewertung der Forderungen mittels eines aktiven Forderungsmanagements minimieren das Risiko. Dabei findet ein permanentes, teilautomatisiertes Debitoren-Überwachungssystem Anwendung, das Verschlechterungen der Bonität, des Zahlungsverhaltens oder der Rating-Einstufung frühzeitig und automatisch meldet. Bei Im- und Exportgeschäften werden die politischen und wirtschaftlichen Risiken nach Möglichkeit entsprechend abgesichert.

Gesamtbeurteilung der Risikosituation durch die Geschäftsführung

Insgesamt ist zum gegenwärtigen Zeitpunkt festzustellen, dass keine den Fortbestand der MHWirth GmbH gefährdenden Risiken bestehen oder erkennbar sind.

Mit höchstem Respekt und Anerkennung danken wir allen Mitarbeitern unseres Unternehmens für das im Geschäftsjahr 2023 geleistete Engagement und das dem Management entgegengebrachte Vertrauen. Wir bedanken uns auch bei unseren Geschäftspartnern, die durch ihre vertrauensvolle Zusammenarbeit einen wichtigen Beitrag zum Unternehmenserfolg geleistet haben.

Erkelenz, 8. August 2024

MHWirth GmbH

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Joachim Schlebusch
Geschäftsführung

Bestätigungsvermerk des unabhängigen Abschlussprüfers

An die MHWirth GmbH, Erkelenz

Prüfungsurteile

Wir haben den Jahresabschluss der MHWirth GmbH, Erkelenz, – bestehend aus der Bilanz zum 31. Dezember 2023 und der Gewinn- und Verlustrechnung für das Geschäftsjahr vom 1. Januar bis zum 31. Dezember 2023 sowie dem Anhang, einschließlich der Darstellung der Bilanzierungs- und Bewertungsmethoden – geprüft. Darüber hinaus haben wir den Lagebericht der MHWirth GmbH für das Geschäftsjahr vom 1. Januar bis zum 31. Dezember 2023 geprüft.

Nach unserer Beurteilung aufgrund der bei der Prüfung gewonnenen Erkenntnisse

- entspricht der beigefügte Jahresabschluss in allen wesentlichen Belangen den deutschen, für Kapitalgesellschaften geltenden handelsrechtlichen Vorschriften und vermittelt unter Beachtung der deutschen Grundsätze ordnungsmäßiger Buchführung ein den tatsächlichen Verhältnissen entsprechendes Bild der Vermögens- und Finanzlage der Gesellschaft zum 31. Dezember 2023 sowie ihrer Ertragslage für das Geschäftsjahr vom 1. Januar bis zum 31. Dezember 2023 und
- vermittelt der beigefügte Lagebericht insgesamt ein zutreffendes Bild von der Lage der Gesellschaft. In allen wesentlichen Belangen steht dieser Lagebericht in Einklang mit dem Jahresabschluss, entspricht den deutschen gesetzlichen Vorschriften und stellt die Chancen und Risiken der zukünftigen Entwicklung zutreffend dar.

Gemäß § 322 Abs. 3 Satz 1 HGB erklären wir, dass unsere Prüfung zu keinen Einwendungen gegen die Ordnungsmäßigkeit des Jahresabschlusses und des Lageberichts geführt hat.

Grundlage für die Prüfungsurteile

Wir haben unsere Prüfung des Jahresabschlusses und des Lageberichts in Übereinstimmung mit § 317 HGB unter Beachtung der vom Institut der Wirtschaftsprüfer (IDW) festgestellten deutschen Grundsätze ordnungsmäßiger Abschlussprüfung durchgeführt. Unsere Verantwortung nach diesen Vorschriften und Grundsätzen ist im Abschnitt „Verantwortung des Abschlussprüfers für die Prüfung des Jahresabschlusses und des Lageberichts“ unseres Bestätigungsvermerks weitergehend beschrieben. Wir sind von dem Unternehmen unabhängig in Übereinstimmung mit den deutschen handelsrechtlichen und berufsrechtlichen Vorschriften und haben unsere sonstigen deutschen Berufspflichten in Übereinstimmung mit diesen Anforderungen erfüllt. Wir sind der Auffassung, dass die von uns erlangten Prüfungsnachweise ausreichend und geeignet sind, um als Grundlage für unsere Prüfungsurteile zum Jahresabschluss und zum Lagebericht zu dienen.

Verantwortung der gesetzlichen Vertreter und des Aufsichtsrats für den Jahresabschluss und den Lagebericht

Die gesetzlichen Vertreter sind verantwortlich für die Aufstellung des Jahresabschlusses, der den deutschen, für Kapitalgesellschaften geltenden handelsrechtlichen Vorschriften in allen wesentlichen Belangen entspricht, und dafür, dass der Jahresabschluss unter Beachtung der deutschen Grundsätze ordnungsmäßiger Buchführung ein den tatsächlichen Verhältnissen entsprechendes Bild der Vermögens-, Finanz- und Ertragslage der Gesellschaft vermittelt. Ferner sind die gesetzlichen Vertreter verantwortlich für die internen Kontrollen, die sie in Übereinstimmung mit den deutschen Grundsätzen ordnungsmäßiger Buchführung als notwendig bestimmt haben, um die Aufstellung eines Jahresabschlusses zu ermöglichen, der frei von wesentlichen falschen Darstellungen aufgrund von dolosen Handlungen (d. h. Manipulationen der Rechnungslegung und Vermögensschädigungen) oder Irrtümern ist.

Bei der Aufstellung des Jahresabschlusses sind die gesetzlichen Vertreter dafür verantwortlich, die Fähigkeit der Gesellschaft zur Fortführung der Unternehmenstätigkeit zu beurteilen. Des Weiteren haben sie die Verantwortung, Sachverhalte in Zusammenhang mit der Fortführung der Unternehmenstätigkeit, sofern einschlägig, anzugeben. Darüber hinaus sind sie dafür verantwortlich, auf der Grundlage des Rechnungslegungsgrundsatzes der Fortführung der Unternehmenstätigkeit zu bilanzieren, sofern dem nicht tatsächliche oder rechtliche Gegebenheiten entgegenstehen.

Außerdem sind die gesetzlichen Vertreter verantwortlich für die Aufstellung des Lageberichts, der insgesamt ein zutreffendes Bild von der Lage der Gesellschaft vermittelt sowie in allen wesentlichen Belangen mit dem Jahresabschluss in Einklang steht, den deutschen gesetzlichen Vorschriften entspricht und die Chancen und Risiken der zukünftigen Entwicklung zutreffend darstellt. Ferner sind die gesetzlichen Vertreter verantwortlich für die Vorkehrungen und Maßnahmen (Systeme), die sie als notwendig erachtet haben, um die Aufstellung eines Lageberichts in Übereinstimmung mit den anzuwendenden deutschen gesetzlichen Vorschriften zu ermöglichen und um ausreichende geeignete Nachweise für die Aussagen im Lagebericht erbringen zu können.

Der Aufsichtsrat ist verantwortlich für die Überwachung des Rechnungslegungsprozesses der Gesellschaft zur Aufstellung des Jahresabschlusses und des Lageberichts.

Verantwortung des Abschlussprüfers für die Prüfung des Jahresabschlusses und des Lageberichts

Unsere Zielsetzung ist, hinreichende Sicherheit darüber zu erlangen, ob der Jahresabschluss als Ganzes frei von wesentlichen falschen Darstellungen aufgrund von dolosen Handlungen oder Irrtümern ist, und ob der Lagebericht insgesamt ein zutreffendes Bild von der Lage der Gesellschaft vermittelt sowie in allen wesentlichen Belangen mit dem Jahresabschluss sowie mit den bei der Prüfung gewonnenen Erkenntnissen in Einklang steht, den deutschen gesetzlichen Vorschriften entspricht und die Chancen und Risiken der zukünftigen Entwicklung zutreffend darstellt, sowie einen Bestätigungsvermerk zu erteilen, der unsere Prüfungsurteile zum Jahresabschluss und zum Lagebericht beinhaltet.

Hinreichende Sicherheit ist ein hohes Maß an Sicherheit, aber keine Garantie dafür, dass eine in Übereinstimmung mit § 317 HGB unter Beachtung der vom Institut der Wirtschaftsprüfer (IDW) festgestellten deutschen Grundsätze ordnungsmäßiger Abschlussprüfung durchgeführte Prüfung eine wesentliche falsche Darstellung stets aufdeckt. Falsche Darstellungen können aus dolosen Handlungen oder Irrtümern resultieren und werden als wesentlich angesehen, wenn vernünftigerweise erwartet werden könnte, dass sie einzeln oder insgesamt die auf der Grundlage dieses Jahresabschlusses und Lageberichts getroffenen wirtschaftlichen Entscheidungen von Adressaten beeinflussen.

Während der Prüfung üben wir pflichtgemäßes Ermessen aus und bewahren eine kritische Grundhaltung. Darüber hinaus

- identifizieren und beurteilen wir die Risiken wesentlicher falscher Darstellungen im Jahresabschluss und im Lagebericht aufgrund von dolosen Handlungen oder Irrtümern, planen und führen Prüfungshandlungen als Reaktion auf diese Risiken durch sowie erlangen Prüfungsnachweise, die ausreichend und geeignet sind, um als Grundlage für unsere Prüfungsurteile zu dienen. Das Risiko, dass aus dolosen Handlungen resultierende wesentliche falsche Darstellungen nicht aufgedeckt werden, ist höher als das Risiko, dass aus Irrtümern resultierende wesentliche falsche Darstellungen nicht aufgedeckt werden, da dolose Handlungen kollusives Zusammenwirken, Fälschungen, beabsichtigte Unvollständigkeiten, irreführende Darstellungen bzw. das Außerkraftsetzen interner Kontrollen beinhalten können.
- gewinnen wir ein Verständnis von dem für die Prüfung des Jahresabschlusses relevanten internen Kontrollsystem und den für die Prüfung des Lageberichts relevanten Vorkehrungen und Maßnahmen, um Prüfungshandlungen zu planen, die unter den gegebenen Umständen angemessen sind, jedoch nicht mit dem Ziel, ein Prüfungsurteil zur Wirksamkeit dieser Systeme der Gesellschaft abzugeben.
- beurteilen wir die Angemessenheit der von den gesetzlichen Vertretern angewandten Rechnungslegungsmethoden sowie die Vertretbarkeit der von den gesetzlichen Vertretern dargestellten geschätzten Werte und damit zusammenhängenden Angaben.
- ziehen wir Schlussfolgerungen über die Angemessenheit des von den gesetzlichen Vertretern angewandten Rechnungslegungsgrundsatzes der Fortführung der Unternehmenstätigkeit sowie, auf der Grundlage der erlangten Prüfungsnachweise, ob eine wesentliche Unsicherheit im Zusammenhang mit Ereignissen oder Gegebenheiten besteht, die bedeutsame Zweifel an der Fähigkeit der Gesellschaft zur Fortführung der Unternehmenstätigkeit aufwerfen können. Falls wir zu dem Schluss kommen, dass eine wesentliche Unsicherheit besteht, sind wir verpflichtet, im Bestätigungsvermerk auf die dazugehörigen Angaben im Jahresabschluss und im Lagebericht aufmerksam zu machen oder, falls diese Angaben unangemessen sind, unser jeweiliges Prüfungsurteil zu modifizieren. Wir ziehen unsere Schlussfolgerungen auf der Grundlage der bis zum Datum unseres Bestätigungsvermerks erlangten Prüfungsnachweise. Zukünftige Ereignisse oder Gegebenheiten können jedoch dazu führen, dass die Gesellschaft ihre Unternehmenstätigkeit nicht mehr fortführen kann.
- beurteilen wir Darstellung, Aufbau und Inhalt des Jahresabschlusses insgesamt einschließlich der Angaben sowie ob der Jahresabschluss die zugrunde liegenden Geschäftsvorfälle und Ereignisse so darstellt, dass der Jahresabschluss unter Beachtung der deutschen Grundsätze ordnungsmäßiger Buchführung ein den tatsächlichen Verhältnissen entsprechendes Bild der Vermögens-, Finanz- und Ertragslage der Gesellschaft vermittelt.
- beurteilen wir den Einklang des Lageberichts mit dem Jahresabschluss, seine Gesetzesentsprechung und das von ihm vermittelte Bild von der Lage des Unternehmens.

- führen wir Prüfungshandlungen zu den von den gesetzlichen Vertretern dargestellten zukunftsorientierten Angaben im Lagebericht durch. Auf Basis ausreichender geeigneter Prüfungsnachweise vollziehen wir dabei insbesondere die den zukunftsorientierten Angaben von den gesetzlichen Vertretern zugrunde gelegten bedeutsamen Annahmen nach und beurteilen die sachgerechte Ableitung der zukunftsorientierten Angaben aus diesen Annahmen. Ein eigenständiges Prüfungsurteil zu den zukunftsorientierten Angaben sowie zu den zugrunde liegenden Annahmen geben wir nicht ab. Es besteht ein erhebliches unvermeidbares Risiko, dass künftige Ereignisse wesentlich von den zukunftsorientierten Angaben abweichen.

Wir erörtern mit den für die Überwachung Verantwortlichen unter anderem den geplanten Umfang und die Zeitplanung der Prüfung sowie bedeutsame Prüfungsfeststellungen, einschließlich etwaiger bedeutsamer Mängel im internen Kontrollsystem, die wir während unserer Prüfung feststellen.

Düsseldorf, den 8. August 2024

KPMG AG
Wirtschaftsprüfungsgesellschaft

Lutz Hoffmann	Till Geller
08.08.2024	08.08.2024
Hoffmann	Geller
Wirtschaftsprüfer	Wirtschaftsprüfer

[Logo] KPMG

Financial statements as at 31 December 2023 and management report

AUDITOR'S REPORT

MHWirth GmbH
Erkelenz

KPMG AG
Wirtschaftsprüfungsgesellschaft

MHWirth GmbH, Erkelenz

Balance sheet as at 31 December 2023

Assets

		31 Dec. 2023	31 Dec. 2022
		Euro	**Euro**
A.	**Fixed assets**		
	I. Intangible assets		
	1. Internally generated rights and assets		
	a) Own developments	787,277.75	782,203.00
	b) Own developments in progress	0.00	416,480.85
		787,277.75	1,198,683.85
	2. IT software and industrial property rights acquired for a consideration	1,586,539.34	91,294.00
		2,373,817.09	**1,289,977.85**
	II. Property, plant and equipment		
	1. Buildings on third-party land	8,945,004.97	9,343,275.00
	2. Technical equipment and machinery	3,812,305.58	4,489,937.60
	3. Other equipment, operating and office equipment	159,132.41	177,737.00
	4. Advance payments and construction in progress	145,433.63	234,279.11
		13,061,876.59	**14,245,228.71**
	III. Financial assets		
	Investments	1.00	1.00
		1.00	**1.00**
		15,435,694.68	**15,535,207.56**
B.	**Current assets**		
	I. Inventories		
	1. Raw materials and supplies	48,453.61	1,391,722.95
	2. Work in progress	34,338,530.81	8,959,205.54
	3. Finished goods	23,181,570.56	17,925,152.89
	4. Advance payments	1,277,475.67	1,095,049.58
	5. Payments received on account of orders	-10,880,326.26	-1,314,211.51
		47,965,704.39	**28,056,919.45**
	II. Receivables and other assets		
	1. Trade receivables	7,082,828.74	5,359,267.75
	2. Receivables from affiliated companies	5,493,288.38	4,298,632.60
	3. Other assets	1,862,366.75	2,450,189.80
		14,438,483.87	**12,108,090.15**
	III. Cash on hand, cash in banks	**222,369.91**	**2,447,222.12**
		62,626,558.17	**42,612,231.72**
C.	**Prepaid expenses**	**345,995.81**	**354,109.36**
		78,408,248.66	**58,501,548.64**

Equity and liabilities

	31 Dec. 2023	31 Dec. 2022
	Euro	**Euro**
A. Equity capital		
I. Subscribed capital	9,328,700.00	9,328,700.00
II. Capital reserve	2,666,256.28	2,666,256.28
III. Other revenue reserves	914,378.00	914,378.00
IV. Profit/loss carried forward	-2,406,122.24	488,910.09
V. Net income/loss for the year	14,319.26	-2,895,032.33
	10,517,531.30	**10,503,212.04**
B. Provisions		
1. Provisions for pensions and similar obligations	10,440,575.00	10,171,528.00
2. Tax provisions	1,092,000.00	1,092,000.00
3. Other provisions	8,841,436.65	9,824,954.00
	20,374,011.65	**21,088,482.00**
C. Liabilities		
1. Liabilities to credit institutions	3,941,874.96	0.00
2. Payments received on account of orders	20,791,516.87	2,511,501.77
3. Trade payables	6,651,668.29	7,776,387.26
4. Liabilities to affiliated companies	13,287,218.74	12,185,909.68
5. Other liabilities	2,844,426.85	4,436,055.89
of which from taxes:		
EUR 890,289.04 (PY: EUR 1,152,429.32)		
thereof for social security		
EUR 1,720,281.92 (PY: EUR 1,912,370.09)		
	47,516,705.71	**26,909,854.60**
	78,408,248.66	**58,501,548.64**

MHWirth GmbH, Erkelenz
Income statement for the period
from 1 January to 31 December 2023

		1. Jan. 2023 to 31 Dec. 2023		1 Jan. 2022 to 31 Dec. 2022	
		Euro	**Euro**	**Euro**	**Euro**
1.	Revenue		60,124,782.68		76,987,442.72
2.	Increase or decrease in finished goods and work in progress		30,635,742.94		-5,518,880.97
3.	Other operating income		2,278,562.42		1,830,264.82
4.	Cost of materials				
	a) Cost raw materials and supplies	45,785,243.01		30,706,359.97	
	b) Cost of purchased services	6,029,167.30	51,814,410.31	5,550,136.35	36,256,496.32
5.	Personnel expenses				
	a) Wages and salaries	18,678,391.42		17,332,390.97	
	b) Social security, pension and other benefits - thereof for pensions: EUR 11,827.01 (PY: EUR 11,204.53)	3,935,670.82	22,614,062.24	3,998,057.39	21,330,448.36
6.	Depreciation, amortisation and write-downs				
	a) Amortisation of intangible assets and depreciation of property, plant and equipment	2,057,589.94		1,982,411.85	
	b) Write-downs of current assets exceeding regular write-downs within the company	273,294.53	2,330,884.47	1,462,875.00	3,445,286.85
7.	Other operating expenses		15,365,212.08		14,241,949.48
8.	Other interest and similar income		53,444.77		24,269.18
9.	Interest and similar expenses		953,324.45		943,693.07
10.	**Result after taxes**		14,639.26		-2,894,778.33
11.	Other taxes		320.00		254.00
12.	**Net income/loss for the year**		**14,319.26**		**-2,895,032.33**

MHWirth GmbH, Erkelenz

Notes to the financial statements for the 2023 financial year

Accounting policies

MHWirth GmbH (registered office: Erkelenz, registered with the Commercial Register of the Local Court Mönchengladbach, register entry number HRB 8471) is a large corporation as defined in Section 267(3) of the German Commercial Code [HGB]. The annual financial statements for the year ended 31 December 2023 were prepared in the accordance with the provisions on accounting set out in the German Commercial Code and in the German Limited Liability Companies Act [GmbHG]. MHWirth is a member of the HMH Corporate Group. HMH is a group of companies formed in 2021; 50% of its shares are held by the Akastor Group (Norway) and 50% by Baker Hughes (USA).

Intangible assets and property, plant and equipment are valued at acquisition and/or production cost less scheduled and unscheduled amortisation/depreciation. The option under Section 248(2) of the German Commercial Code to capitalise internally created intangible assets has been exercised. These assets are amortised over their typical useful lives. The expected useful life of intangible assets ranges between 3 and 8 years. Property, plant and equipment is depreciated on a straight-line basis. The expected useful life of tangible fixed assets usually ranges between 3 and 13 years, 33 years for buildings. Up until 2017, low-value assets were aggregated in a collective item that was depreciated on a straight-line basis of a useful life of five years. Since 2018, low-value assets valued up to EUR 800 have been directly written down at year-end. Financial assets are measured at acquisition cost less unscheduled amortisation in accordance with Section 253(3) clause 4 of the German Commercial Code.

Inventories are stated at the lower of cost or market value. Alongside direct costs, production costs also include appropriate portions of overhead. Inventory risks are accounted for through sufficient write-downs. Write-downs are made to fair value pursuant to Section 253(4) clause 2 of the German Commercial Code. Regarding impairment of slow-moving inventories of finished products, write-downs at specific rates were established depending on the most recent addition and consumption, as well as on the predicted inventory turnover, unless higher write-downs are warranted due to specific circumstances.

Interest on borrowed capital is not taken into account in the measurement of either fixed or current assets.

Payments received from customers are deducted from inventories up to the amount of related work in progress. Advance payments received exceeding work in progress are recognised as liabilities.

Receivables and other assets are generally recognised at nominal value. Appropriate allowances are recognised for default risks and general credit risks.

Unchanged as compared to the prior year, during the financial year under review, the general allowance on trade receivables subject to the itemised allowance for bad debt was recognised at 1.0%. Specific allowances are recognised on individual doubtful receivables, based on the expected receipt of payment thereof.

Bank balances are recognised at nominal value. Amounts denominated in foreign currency are translated to euros at the average spot exchange rate as at the balance sheet date.

Prepaid expenses concern expenditures during the reporting year that represent expenses for a specific period of time after the balance sheet date.

An excess of tax liabilities resulting from valuation differences between the commercial and tax balance sheets and measured at the individual tax rate of the company in question is recognised as deferred tax liabilities pursuant to Section 274 of the German Commercial Code. If there is an excess of assets, the option of recognising deferred tax assets under Section 274(1) clause 2 of the German Commercial Code is not exercised. No deferred tax assets are recognised for tax loss carryforwards.

Provisions for pensions were valued using the projected unit credit method. The Company has exercised the option under Section 253(2) of the German Commercial Code to discount the provisions using the average interest rate published by the German Central Bank [Deutsche Bundesbank] for a remaining maturity of 15 years.

Discounting is based on an average interest rate for the last ten years as published by the German Central Bank. The calculation is based on actuarial mortality tables and expected future wage, salary and pension increases as well as employee turnover probabilities.

As in prior years, pension provisions were recognised at 1/15, in application of the provisions of Article 67(1) and (3) of the Introductory Act to the German Commercial Code [EGHGB].

Tax and other provisions take into account all discernible risks and contingent liabilities in the settlement amount required based on prudent commercial judgement. Provisions with a remaining term of more than one year are recognised with their expected settlement amount and discounted at an interest rate corresponding to the respective term.

Liabilities are stated at their settlement amounts pursuant to Section 253(1) of the German Commercial Code.

Current receivables and liabilities denominated in foreign currencies are translated at the average spot exchange rate as at the balance sheet date (Section 256a of the German Commercial Code), or at the hedging rate.

The regulations for the formation of a valuation unit for compensatory valuation of hedging relationships for pending and recognised transactions denominated in foreign currency and forward exchange contracts have been applied. Due to matching amounts and maturities, currencies and terms, opposing changes in value and cash flows balance out during the term of the hedged item and hedging instrument.

Under the net hedge presentation method, the offsetting changes in value of the effective portion are not recognised in the balance sheet. Sections 249(1), 252(1), nos. 3 and 4 and 256a of the German Commercial Code are not applied.

Explanatory notes
on the balance sheet

Fixed assets

Movements in individual items of fixed assets are presented in the statement of movements in fixed assets. The development costs capitalised in 2023 in accordance with Section 248(2) of the German Commercial Code in the amount of KEUR 61 concern product standardisation and optimisation and are presented in the statement of movements in fixed assets. Pursuant to Section 268(8) of the German Commercial Code, these sums are subject to a limitation on profit distribution.

Total research and development costs during the financial year under report amounted to KEUR 275 (PY: KEUR 589).

Current assets

Of the total trade receivables, KEUR 0 (PY: KEUR 0) have a remaining term of more than one year.

Receivables from affiliated companies mainly concern receivables from MHWirth AS, Kristiansand, Norway (shareholder) totalling KEUR 821 (PY: KEUR 780) and other affiliates. As in the previous year, these amounts predominantly consist of trade receivables and have a remaining term of less than one year.

Deferred tax assets

Deferred taxes consist entirely of differences between amounts shown in the commercial and tax balance sheets. Deferred tax assets arise from property, plant and equipment, inventories, pension provisions, other provisions and liabilities; deferred tax liabilities relate to internally generated intangible assets and receivables. After applying the company-specific tax rate of 30.525%, the resulting net deferred tax asset amounts to KEUR 3,634.

	2023	2022
Differences in internally generated intangible assets	-787	-1,199
Differences in property, plant and equipment	+2,050	+2,666
Differences in inventories	+1,736	+1,463
Differences in other provisions	+1,599	+2,094
Differences in pension provisions	+7,307	+7,315
Total	**11,905**	**12,339**

In addition, there are tax loss carry forwards from trade tax amounting to KEUR 9,613 (PY: KEUR 11,019) as well as from corporate income tax in the amount of KEUR 9,602 (PY: KEUR 10,552), which would, at a trade tax rate of 14.7% and a corporate income tax rate (including solidarity surcharge) of 15.825%, lead to deferred tax assets of KEUR 2,933 (PY: KEUR 3,290).

The Company does not exercise the option under Section 274(1) clause 2 of the German Commercial Code to recognise deferred tax assets in the balance sheet.

Equity

The Company's subscribed capital remained unchanged at KEUR 9,329. Together with the net loss for the year 2023 of KEUR 14, the capital reserves of KEUR 2,666, revenue reserves of KEUR 914 and retained earnings brought forward of KEUR -2,406, this results in equity of KEUR 10,517.

As in the prior year, no dividends were distributed during the financial year under review.

Provisions for pensions

As at 31 December 2023, an average interest rate of the last ten years as published by the German Central Bank was used for discounting. As at 31 December 2023, a forecast interest rate of 1.83% (PY: 1.78%) was used. The mortality and disability rates for the valuation of obligations were based on the 2018 G mortality tables by Prof. Klaus Heubeck. In addition and unchanged from the prior year, a wage and salary growth rate of 0.00%, a fixed commitment and pension growth rate of 2.00% as well as industry-specific turnover rates were taken in to account in the valuation of the provisions.

The difference according to Section 253(6) clause 1 of the German Commercial Code equalled KEUR 113 (PY: KEUR 508) as at 31 December 2023, and is restricted from distribution.

In compliance with Article 67(1) and (3) of the Introductory Act to the German Commercial Code, during the financial year ended, pension provisions were increased by 1/15 of the deficit as per Article 67(1) of the Introductory Act to the German Commercial Code and recognised at a discount rate of 1.83%. The deficit not recognised as a liability of 1/15 amounts to KEUR 151 (PY: KEUR 304).

Provisions

Other provisions of KEUR 8,841 mainly comprise outstanding invoices for inventories in process (KEUR 1,784), personnel costs (KEUR 4,102), warranties (KEUR 1,454) and other contingent liabilities (KEUR 1,501). These were measured according to prudent commercial judgement.

In calculating the general warranty provisions, revenue for which specific warranty provisions have already been recognised is not included. Provisions for anniversary payments were measured in compliance with the discounted value method using a discount rate of 1.75% (remaining term pursuant to Section 253(2) clause 2 of the German Commercial Code: 15 years). Provisions for partial retirement benefits for 24 employees were measured on the basis of a discount rate of 1.75% (remaining term pursuant to Section 253(2) clause 2 of the German Commercial Code: 15 years), a salary and pension progression ceiling rate of 2.60%, an employee turnover rate of 0% and the 2018 G mortality tables by Prof. Klaus Heubeck, in application of Circular HFA 3 of the Institute of Public Auditors in Germany. Other provisions with a remaining term of more than 12 months were recognised at discount rates with maturities matching the term of the obligations pursuant to Section 253(2) of the German Commercial Code and an assumed inflation rate of 2.0%.

Liabilities

		Thereof amounts with remaining terms		
Balance sheet item	**Total amount** EUR	up to one year EUR	from one to five years EUR	of more than five years EUR
1. Liabilities to credit institutions	**3,941,874.96**	**3,941,874.96**	**0.00**	**0.00**
Prior year	*0.00*	*0.00*	*0.00*	*0.00*
2. Payments received on account of orders	**20,791,516.87**	**20,791,516.87**	**0.00**	**0.00**
Prior year	*2,511,501.77*	*2,511,501.77*	*0.00*	*0.00*
3. Trade payables	**6,651,668.29**	**6,651,668.29**	**0.00**	**0.00**
Prior year	*7,776,387.26*	*7,776,387.26*	*0.00*	*0.00*
4. Liabilities to affiliated companies	**13,287,218.74**	**3,287,218.74**	**10,000,000.00**	**0.00**
Prior year	*12,185,909.68*	2,185,909.68	*10,000,000.00*	*0.00*
5. Other liabilities	**2,844,426.85**	**1,316,086.77**	**1,415,669.16**	**112,670.92**
Prior year	*4,436,055.89*	*2,913,602.99*	*1,315,068.13*	*207,384.77*
Total	**47,516,705.71**	**35,988,365.63**	**11,415,669.16**	**112,670.92**
Prior year	*26,909,854.60*	*15,387,401.70*	*11,315,068.13*	*207,384.77*

No liabilities are separately secured.

Of the liabilities to affiliated companies, KEUR 10,053 (PY: KEUR 10,053) relate to the shareholder’s intragroup financing. Furthermore, there are KEUR 2,210 (PY: KEUR 2,078) in trade liabilities, of which KEUR 368 (PY: KEUR 617) are payable to the shareholder.

Payments received on account of orders

Liabilities to affiliated companies include KEUR 2,156 (PY: KEUR 256) in payments received on account of orders. Work in progress has already been created for payments received of KEUR 1,133 (PY: KEUR 201), which is why they are deducted from inventories and liabilities. They contain shareholder prepayments of KEUR 1,133 (PY: KEUR 0).

Other liabilities

Other liabilities concern the welfare and provident fund of MHWirth GmbH in the amount of KEUR 1,717 (PY: KEUR 1,907).

Contingent liabilities and other financial obligations

As at 31 December 2023, other financial obligations were as follows:

- Purchase commitments	KEUR	32,097
of which affiliated companies	KEUR	332
- Leases	KEUR	399
thereof in 2024	KEUR	163
- Annual rent incl. incidental costs for land and buildings (term through 31 December 2028)	KEUR	1,206
- Repurchase obligations for machinery	KEUR	704
thereof in 2024	KEUR	704

The Company also has joint liability for all liabilities arising under the "Multi-Currency and Group Account System Agreement” between HMH Holding B.V. and DnB Bank ASA, Oslo, Norway (all of these to affiliated and associated companies) incurred from the date of the Company’s accession to the agreement (1 October 2021).

The credit line of the cash pool, for which joint liability exists, amounts to a maximum of USD 5 million (thereof secured: USD 0). According to the information provided by the Group, no use of this credit line is expected.

There are off-balance sheet transactions with effects on the financial position within the framework of repurchase agreements. These involve the repurchase of a roadheader after it was no longer used by a customer. This is a conventionally structured agreement designed to make the repurchased machine available for use in future projects. The Company’s financial position is expected to be negatively affected in the amount of KEUR 704 as at the date of the machines return. A provision in the amount of KEUR 187 was recognised for the reuse risk.

Explanatory notes on the income statement

Revenue

Revenue, broken down by region and product group, is as follows:

	2023 EUR million	2022 EUR million
Regions:		
Federal Republic of Germany	5.1	2.4
Rest of Europe	4.2	19.8
Other countries	50.8	54.8
	60.1	77.0
By product group:		
Oilfield Equipment & Systems	22.9	23.3
Slurry & RC Drilling	34.6	51.3
Other	2.6	2.4
	60.1	77.0

Other operating income

Among other amounts, this item includes income relating to other periods from reversing provisions (KEUR 1,829; PY: KEUR 951) and income from foreign currency translation (KEUR 379; PY: KEUR 413).

Write-downs of current assets exceeding regular write-downs within the Company

Additional exceptional write-downs were recognised in the reporting year on account of imminent loss-making deals.

Other operating expenses

Other operating expenses include expenses from foreign currency translation (KEUR 393; PY: KEUR 683) and other general administrative and distribution costs.

In addition, pursuant to the German Accounting Directive Implementation Act [BilRUG], this item also includes KEUR 153 (PY: KEUR 153) in adjustments under commercial law of pension liabilities in the course of the implementation of the German Accounting Law Modernisation Act [BilMoG].

Other interest and similar income

This item includes but is not limited to interest income from cash in banks and other interest income.

Interest and similar expenses

This item includes KEUR 190 (PY: KEUR 220) in expenses from unwinding the discount on long-term provisions and KEUR 381 (PY: KEUR 562) in interest expenses vis-à-vis MHWirth AS (affiliated company) for a loan granted within the framework of HMH Corporate Treasury/internal group financing.

Other disclosures

Derivatives

During the financial year, derivative financial instruments (forward foreign exchange contracts) were used to hedge future cash flows from receivables and liabilities and from contractual commitments denominated in foreign currency (US dollar). Each forward exchange contract is based on an underlying transaction with comparable risks in the opposite direction (micro hedge). The foreign currency receivables with hedges formed from the hedged items and hedging instruments and hedged under Section 254 of the German Commercial Code total KEUR 8,448 as at the balance sheet date and include EUR 1,081 relating to trade receivables and KEUR 7,367 to pending sales transactions. Hedged liabilities denominated in foreign currency total KEUR 1,746 as at the balance sheet date and included KEUR 0 relating to trade payables and KEUR 1,746 to pending purchase transactions.

The risks covered by these valuation units total KEUR 14. The market value of the derivatives in USD amounts to KEUR 69 as at the balance sheet date.

Forward exchange contracts are stated at their intrinsic value using the net hedge presentation method.

Number of employees

The average number of employees (excluding trainees) during the reporting period was:

	2023 Number	2022 Number
Wage earners	81	79
Salaried employees	173	178
	254	257

Management

The managing director of the Company is:

Mr Joachim Schlebusch, Heinsberg, full-time managing director

Supervisory Board

Members of the Company's Supervisory Board were:

Mr Eirik Bergsvik, Kristiansand, Norway, Chairperson (until 05/2023)
- Chief Executive Officer, HMH

Mr Pal Skogerbø, Kristiansand, Norway, Chairperson
- President, ESS / MHWirth AS

Ms Ellen Jacobs, Erkelenz
Employee Representative, MHWirth GmbH
- Works Council Chairperson, Project Operator

Ms Edeltraud Theißen, Linnich (until 05/2023)
Employee Representative, MHWirth GmbH
- Industrial Sales Representative

Mr Christoph Pickartz, Heinsberg (since 05/2023)
Employee Representative, MHWirth GmbH
- IT-Coordinator

Mr Dag Stenevik, Kristiansand, Norway
- Senior Vice President, MHWirth AS

Mr Magne Hovland, Kristiansand, Norway
- Senior Vice President, MHWirth AS

Mr Jan Petter Knutsen, Kristiansand, Norway (since 11/2023)
- Senior Vice President, MHWirth AS

Remuneration

Payments to active members of the Supervisory Board totalled KEUR 6 during the financial year under review. Post-employment benefits for former members of management amounted to KEUR 140 and those for former members of the Supervisory Board to KEUR 23. Pension provisions for former members of management total KEUR 1,016, and provisions for former members of the Supervisory Board amount to KEUR 227.

In accordance with Section 286(4) of the German Commercial Code, the remuneration paid to management is not disclosed.

Auditor’s fee

The auditor was paid the following remuneration:

	2023 KEUR	2022 KEUR
Audit services (thereof for the prior year: KEUR 52)	218	107
Total	**218**	**107**

Consolidated financial statements

The annual financial statements are included in the consolidated financial statements of HMH Holding B.V., Amsterdam, the Netherlands, which prepared the consolidated financial statements for the smallest and largest group of companies. The consolidated financial statements are filed under number 82719322 with the commercial register of Amsterdam, the Netherlands.

Investments:		Ownership interest	Equity KEUR 31 Dec. 2023	Result KEUR 31 Dec. 2023
Shenyang WIRTH-NFM – SHMG Heavy Tunneling & Construction Machinery Co., Ltd., Shenyang, China	*) **)	24.0%	--	--

*) Not an operating entity
**) No current data available

Appropriation of earnings and restriction on distribution

Pursuant to Section 268(8) of the German Commercial Code, an amount of EUR 787,277.75 is subject to a restriction on distribution (internally generated rights and assets of EUR 787,277.75).

Under Section 253(6) clause 1 of the German Commercial Code (difference in pension provisions from the change in the interest rate from the average rate of seven years to the average rate of 10 years), an additional amount of EUR 112,662.00 is subject to a restriction on distribution.

Management will propose that the net income for the year of EUR 14,319.26 be offset with the losses carried forward of EUR -2,406,122.24 and that the remaining amount of EUR -2,391,802.98 be carried forward to the following year.

Subsequent events

No other events or transactions of particular importance have occurred or become known after the balance sheet date that might have a significant effect on the Company’s assets, liabilities, financial position or financial performance in the financial year under review.

Erkelenz, 8 August 2024

MHWirth GmbH
Management

Joachim Schlebusch, Managing Director

MHWirth GmbH, Erkelenz
Movements in fixed assets

Statement of movements in fixed assets

	Acquisition/ production costs 1 Jan. 2023 Euro	Additions Euro	Disposals Euro	Reclassifications Euro	Acquisition/ production costs 31 Dec. 2023 Euro	Accumulated amortisation, depreciation and write-downs Euro	Book value 31 Dec. 2023	Book value 31 Dec. 2022 Euro
I. Intangible assets								
1. Internally generated rights and assets								
a. Own developments	10,282,286.20	61,044.50	0.00	454,936.85	10,798,267.55	10,010,989.80	787,277.75	782,203.00
b. Own developments in progress	416,480.85	0.00	0.00	-416,480.85	0.00	0.00	0.00	416,480.85
	10,698,767.05	61,044.50	0.00	38,456.00	10,798,267.55	10,010,989.80	787,277.75	1,198,683.85
2. IT software and industrial property rights acquired for a consideration	3,874,219.59	1,623,120.05	0.00	-38,456.00	5,458,883.64	3,872,344.30	1,586,539.34	91,294.00
3. Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	14,572,986.64	1,684,164.55	0.00	0.00	16,257,151.19	13,883,334.10	2,373,817.09	1,289,977.85
II. Property, plant and equipment								
1. Buildings on third-party land	13,881,538.76	0.00	0.00	0.00	13,881,538.76	4,936,533.79	8,945,004.97	9,343,275.00
2. Technical equipment and machinery	28,777,208.30	142,278.41	0.00	87,369.39	29,006,856.10	25,194,551.52	3,812,305.58	4,489,937.60
3. Other equipment, operating and office equipment	5,195,137.48	192,595.77	0.00	-59,486.58	5,328,246.67	5,169,114.26	159,132.41	177,737.00
4. Advance payments and construction in progress	234,279.11	135,601.13	0.00	-27,882.81	341,997.43	0.00	145,433.63	234,279.11
	48,088,163.65	470,475.31	0.00	0.00	48,558,638.96	35,300,199.57	13,061,876.59	14,245,228.71
III. Financial assets								
1. Shares in affiliated companies	2,434.80	0.00	0.00	0.00	2,434.80	2,434.80	0.00	0.00
2. Investments	137,844.44	0.00	0.00	0.00	137,844.44	137,843.44	1.00	1.00
	140,279.24	0.00	0.00	0.00	140,279.24	140,278.24	1.00	1.00
IV. Total fixed assets	**62,801,429.53**	**2,154,639.86**	**0.00**	**0.00**	**64,956,069.39**	**49,323,811.91**	**15,435,694.68**	**15,535,207.56**

Statement of amortisation, depreciation and write-downs

	Amortisations depreciations and write-downs 1 Jan. 2023 Euro	Amortisations depreciations and write-downs in the financial year Euro	Disposals Euro	Amortisation, depreciation and write-downs 31 Dec. 2023 Euro
I. Intangible assets				
1. Internally generated rights and assets	0.00	0.00	0.00	0.00
2. Own developments	9,500,083.20	510,906.60	0.00	10,010,989.80
3. Own developments in progress	0.00	0.00	0.00	0.00
4. IT software and industrial property rights acquired for a consideration	3,782,925.59	89,418.71	0.00	3,872,344.30
5. Goodwill	0.00	0.00	0.00	0.00
	13,283,008.79	600,325.31	0.00	13,883,334.10
II. Property, plant and equipment				
1. Buildings on third-party land	4,538,263.76	398,270.03	0.00	4,936,533.79
2. Technical equipment and machinery	24,287,270.70	907,280.82	0.00	25,194,551.52
3. Other equipment, operating and office equipment	5,017,400.48	151,713.78	0.00	5,169,114.26
4. Construction in progress, advance payments	0.00	0.00	0.00	0.00
	33,842,934.94	1,457,264.63	0.00	35,300,199.57
III. Financial assets				
1. Shares in affiliated companies	2,434.80	0.00	0.00	2,434.80
2. Investments	137,843.44	0.00	0.00	137,843.44
	140,278.24	0.00	0.00	140,278.24
IV. Total amortisation, depreciation and write-downs	**47,266,221.97**	**2,057,589.94**	**0.00**	**49,323,811.91**

Management report 2023

of

MHWirth GmbH

Management report 2023

1. Company profile

i. Business model

MHWirth GmbH is part of HMH corporate group. 50% of its shares are held by the Akastor Group (Norway) and 50% by Baker Hughes (USA). The Company develops, engineers, produces, markets and leases various types of drilling systems, slurry and liquid pumps, draw works, rotary tables, rotary swivels and related products, including corresponding spare parts and services. The products are used globally.

The Company is divided by function into Sales (sales and distribution), Drilling Lifecycle Services (spare parts management and service) and Operations, consisting of Engineering (design and development), Production (manufacturing), Supply Chain (purchasing and distribution logistics), Project Management (project management), Quality Assurance and HSSE (quality management and health, safety, security and environment). In addition, there are typical administration functions under the management of the local CEOs. These include Financial Accounting, Controlling, Risk Management, Tax, Human Resources, IT/IS (information technology, information security) and Legal. The Company conducts its business on leased premises in Erkelenz and operates worldwide, with an export ratio of around 91%. The most important sales markets are Asia, Europe (Norway in particular), Australia and South America.

As at 31 December 2023, MHWirth HoldCo AS holds all the shares in MHWirth GmbH.

The Company's financial performance indicators are order intake, revenue, EBITDA (earnings before interest, tax, depreciation and amortisation) and NCOA (net current operating assets as defined in IFRS group reporting). The number of accidents followed by a loss of working hours (lost time injuries ("LTIs")) was used as a non-financial performance indicator not involved in the management of the company.

ii. Research and development

Development work in the 2023 financial year was primarily focused on product standardisation and optimisation. Total research and development expenses amounted to EUR 0.3 million in 2023 (PY: EUR 0.6 million).

In terms of intangible assets, development expenses totalling EUR 0.1 million were capitalised during the 2023 financial year. These are also related to product standardisation and optimisation and are presented in the statement of movements of fixed assets. Write-downs of research and development costs totalled EUR 0.5 million (PY: EUR 0.4 million).

2. Economic report

i. General economic conditions and industry environment

Negative economic growth of -0.2% was calculated for Germany in 2023. In comparison to the previous year, where it had slowly increased again as a consequence of the COVID-19 pandemic, it decreased as a consequence of the war and the price increases (PY: 1.8%).
(https://de.statista.com/statistik/daten/studie/2112/umfrage/veraenderung-des-bruttoinlandprodukts-im-vergleich-zum-vorjahr/

Positive economic growth of around 0.4% was forecast for the eurozone in 2023 (PY: 3.4%).
(https://www.wko.at/statistik/eu/europa-wirtschaftswachstum.pdf)

The other main markets were forecast to experience positive economic growth in 2023 as follows: Norway 0.5%, India 7.8%, China 5.2%, Singapore 1.1%, Brazil 2.9%, Australia 2.1%.
(Sources: https://de.statista.com/statistik/daten/studie/14549/umfrage/wachstum-des-bruttoinlandsprodukts-bip-in-norwegen/
https://de.statista.com/statistik/daten/studie/14564/umfrage/wachstum-des-bruttoinlandsprodukts-in-indien/
https://de.statista.com/statistik/daten/studie/14560/umfrage/wachstum-des-bruttoinlandsprodukts-in-china/
https://de.statista.com/statistik/daten/studie/321761/umfrage/wachstum-des-bruttoinlandsprodukts-bip-in-singapur/
https://de.statista.com/statistik/daten/studie/14559/umfrage/wachstum-des-bruttoinlandsprodukts-in-brasilien/
https://de.statista.com/statistik/daten/studie/14529/umfrage/wachstum-des-bruttoinlandsprodukts-in-australien/).

As a key factor influencing demand, the oil price was subject to significant fluctuations in the course of the 2023 financial year, still as a consequence of the Russia-Ukraine war. At the beginning of the year, it was at USD 83.0 per barrel, while at the end of the year, it stood at USD 79.6. The prices of other raw materials were also subject to fluctuations in 2023, e.g., aluminium (approx. -1.7%) or copper (approx. +1.1%). The commodity price for nickel decreased considerably (approx. -50.0%), following strong increases in the past few years.

Commodity prices are subject to regular fluctuations. However, we anticipate rising demand for our products in the long term, in particular demand for our non-oilfield equipment. In particular the tender volume in infrastructure products in Asia and in slurry pumps in South America saw increases.

In the 2023 financial year, the Company experienced a positive development in the order situation, including in infrastructure projects and in the extraction of raw materials requiring slurry pumps (nickel, cobalt, copper, iron ore). Order intake increased in the oil-related product portfolio, as well. In this context, investment activities for new oil onshore facilities increased and components of existing onshore facilities were replaced. In this case, the Central American market and the Middle East deserve emphasis. For offshore-floater drilling facilities, fleet commissioning rose again slightly to around 91% in the second half of 2023 (PY: approx. 84%; source: IHS Markit). MHWirth GmbH was able to benefit from this development, as well. The number of active drilling rigs with MHWirth equipment increased accordingly in 2023 (2023: approx. 76 rigs, 2022: approx.58 rigs, 2021: approx. 52 rigs; source: in-house).

ii. Business performance

Sales market

The order situation in the core product area of Oil and Gas (mainly mud pumps, draw works, rotary tables and rotary swivels) increased in the 2023 financial year, primarily as a result of a reluctance to invest during the previous years, especially during the COVID-19 crisis.

Latent investments backlogs were evident in offshore and onshore facilities, which need to be compensated by increasingly reactivating such facilities. The almost complete lifting of the travel ban supported the positive development with increasing DLS and sales activities.

The order situation in the RC-Drilling product range (pile top drill rigs and subsea mining) increased considerably compared to the prior financial year, mainly a result of the realisation of complex infrastructure projects.

In the slurry pumps product range, the Company benefited from its intensive efforts to boost its competitiveness in the last financial year. As a result of these efforts, the order situation could be stabilised at a very high degree in the 2023 financial year.

Procurement market

Price levels stabilised on the procurement market, following the increases in the previous years. Thanks to new suppliers continually obtaining relevant qualification, framework agreements with suppliers as well as early procurement of selected components, this price level is optimised on an ongoing basis.

iii. Assets, liabilities, financial position and financial performance

Overall, in particular due to a significantly higher order intake, the 2023 financial year showed a positive development compared to the prior year. Both the capacity requirements and the capacity utilisation of our segments stayed at a very high level.

In comparison to the prior year, order intake increased considerably. The increased order intake this year was above prior year's forecast. Overall, order intake totalled EUR 130.9 million in the 2023 financial year (PY: EUR 91.6 million).

Order intake per year in EUR million

2022	91.6
2023	130.9

Revenue in the 2023 financial year amounted to EUR 60.1 million, and was thus EUR 16.9 million lower than in the previous year (EUR 77.0 million). The Company therefore failed to reach the forecast value for the financial year, as individual projects were shifted during the year, which will however have a positive impact on the 2024 financial year. It should be stressed that these shifts occurred at the customer's request, mainly due to the fact that the necessary infrastructure on site used to integrate MHWirth GmbH products requires a certain status that could not be realised by the customer in 2023.

EBITDA amounted to EUR 3.3 million in the 2023 financial year. Prior year's EBITDA equalled EUR 1.6 million. Despite the revenue shifts mentioned above, the Company was able to significantly improve its EBITDA return. The Company therefore exceeded the forecast value for the financial year expressed as a percentage, however, failed to reach it in nominal terms due to the revenue shifts.

EBITDA in EUR million

2022	1.6
2023	3.3

The number of accidents entailing lost working hours (lost time injuries ("LTIs")) equalled 2 (PY: 1); zero accidents had been targeted.

Financial performance

Income statement	2023 EUR million	2023 %	2022 EUR million	2022 %	Change EUR million
Revenue	**60.1**	74.6	**77.0**	107.7	**-16.9**
Change in inventories	**30.7**	33.8	**-5.5**	-7.7	**36.2**
Other own work capitalised	**0.0**	0.0	**0.0**	0.0	**0.0**
Total operating revenue	**90.8**	100.0	**71.5**	100.0	**19.3**
Other operating income	**2.3**	2.9	**1.8**	2.5	**0.5**
Cost of materials	**51.8**	57.0	**36.2**	50.6	**15.6**
Personnel expenses	**22.6**	28.0	**21.3**	29.8	**1.3**
Other operating expenses	**15.4**	19.1	**14.2**	19.9	**1.2**
EBITDA	**3.3**	4.1	**1.6**	2.2	**1.7**
Amortisation, depreciation and write-downs	**2.3**	2.9	**3.5**	4.9	**-1.2**
EBIT	**1.0**	1.2	**-1.9**	-2.7	**2.9**
Other interest and similar income	**0.0**	0.0	**0.0**	0.0	**0.0**
Interest and similar expenses	**1.0**	1.2	**1.0**	1.4	**0.0**
Earnings before tax	**0.0**	0.0	**-2.9**	-4.1	**2.9**
Income taxes	**0.0**	0.0	**0.0**	0.0	**0.0**
Earnings after taxes	**0.0**	0.0	**-2.9**	-4.1	**2.9**
Other taxes	**0.0**	0.0	**0.0**	0.0	**0.0**
Net loss for the year	**0.0**	0.0	**-2.9**	-4.1	**2.9**

Revenue for the 2023 financial year (EUR 60.1 million) decreased by EUR 16.9 million compared to the previous year (EUR 77.0 million). The reduction in revenue referred to the shifts upon the customer's request as mentioned above and had an impact on slurry pumps in particular.

Total operating revenue increased by EUR 19.3 million (27%) and amounted to EUR 90.8 million (PY: EUR 71.5 million).

The cost of materials (EUR 51.8 million) increased by EUR 15.6 million (43.1%) compared to the prior year (EUR 36.2 million) on account of the higher business volume. The cost of materials ratio (cost of materials/total operating revenue) totalled 57.0% (PY: 50.6%). Therefore, the cost of materials ratio increased compared to the prior year, mainly due to a higher share in the total operating revenue from material-intensive products.

Personnel expenses increased in the year-on-year comparison by EUR 1.3 million, from EUR 21.3 million to EUR 22.6 million. Headcount as at 31 December 2023 totalled 260 employees (31 December 2022: 271). The increase is a consequence of tariff increases and a higher number of overtime hours.

EBIT increased by EUR 2.9 million, from EUR -1.9 million in the previous year to EUR 1.0 million in the year under review.

Net income for the year after taxes increased by EUR 2.9 million, from EUR -2.9 million in the previous year to EUR 0.0 million, mainly as a result of the higher total operating revenue and the revenue mix.

Financial position

Financing as at the balance sheet date breaks down as follows:

Equity (EUR 10.5 million, PY: EUR 10.5 million); based on the neutral result for the year (EUR 0.0 million), equity remained stable (net loss for the prior year: EUR 2.9 million); liability to MHWirth AS (EUR 10.4 million, PY: EUR 10.0 million); advance payments from customers (EUR 20.8 million, PY: EUR 2.5 million) as well as other liabilities (EUR 2.8 million; PY: EUR 4.4 million) and provisions (EUR 20.4 million; PY: EUR 21.1 million). In addition, the Company has the flexibility to utilise the corresponding intercompany loans with variable terms, for example to pre-finance projects with high costs of materials.

Cash and cash equivalents amounted to EUR 0.2 million as at 31 December 2023 (PY: EUR 2.4 million). In the 2023 financial year, the total cash flow generated from operating activities amounted to EUR 2.6 million (PY: EUR1.4 million), cash flows from investing activities totalled EUR -1.6 million (PY: EUR -0.3 million) and cash flows from group-wide financing activities equalled EUR -7.2 million (PY: EUR -1.1 million). The Company was able to fulfil its financial obligations at all times throughout the year under review.

Assets and liabilities

Total assets increased by EUR 19.9 million, from EUR 58.5 million to EUR 78.4 million as at the balance sheet date. Fixed assets decreased by EUR 0.1 million; cash and cash equivalents by EUR 2.2 million. Inventories and receivables increased by EUR 22.2 million. Current net working capital[1] (NCOA) increased by EUR 6.5 million, from EUR 12.7 million to EUR 19.2 million. This increase was planned on account of the higher business volume.

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[1] Current assets excluding cash and cash equivalents plus prepaid expenses less tax and other provisions and less current liabilities not including intra-group financing and net of deferred income.

Balance sheet structure 2022 to 2023 in EUR million:

Assets	31 Dec. 2023 EUR million	31 Dec. 2023 %	31 Dec. 2022 EUR million	31 Dec. 2022 %	Change EUR million
Fixed assets	**15.4**	19.6	**15.5**	26.5	-0.1
Inventories	**48.0**	61.2	**28.1**	48.0	19.9
Receivables and other assets	**14.4**	18.4	**12.1**	20.7	2.3
Cash and cash equivalents	**0.2**	0.3	**2.4**	4.1	-2.2
Prepaid expenses	**0.4**	0.5	**0.4**	0.7	0.0
Deferred tax assets	**0.0**	0.0	**0.0**	0.0	0.0
Total assets	**78.4**	100.0	**58.5**	100.0	19.9
Equity and liabilities					
Equity	**10.5**	13.4	**10.5**	17.9	0.0
Provisions	**20.4**	26.0	**21.1**	36.1	-0.7
Liabilities to banks	**3.9**	5.0	**0.0**	0.0	3.9
Other liabilities	**43.6**	55.6	**26.9**	46.0	16.7
Total equity and liabilities	**78.4**	100.0	**58.5**	100.0	19.9

Investment in property, plant and equipment were made in the amount of EUR 0.5 million during the period under review (PY: EUR 1.2 million). Investment activities largely concerned production-related measures and machinery. Inventories equalled EUR 48.0 million as at the balance sheet date of 31 December 2023 (PY: EUR 28.1 million).

Non-order-related inventories increased by EUR 2.1 million, from EUR 20.8 million to EUR 22.9 million. Inventories were reduced by obsolescence-related write-downs in the reporting year. Order-related inventories increased by EUR 5.8 million, from EUR 7.3 million to EUR 13.1 million. Advance payments made increased by EUR 0.2 million, from EUR 1.1 million to EUR 1.3 million. Advance payments received that are deductible against work in progress increased by EUR 9.6 million, from EUR 1.3 million to EUR 10.9 million.

Please refer to the comments on the Company's financial position for information on cash and cash equivalents.

No dividend payments were made in the financial year (PY: EUR 0.0 million). The equity ratio decreased from 17.9% to 13.4%, as a result of the increase in the total assets.

Provisions decreased by a total of EUR 0.7 million, from EUR 21.1 million to EUR 20.4 million. Other liabilities increased by EUR 16.7 million, from EUR 26.9 million to EUR 43.6 million.

The Company managed to follow this positive trend in 2023, as well. This is reflected in the higher business volume, the high order intake and the clearly improved EBITDA. The revenue could not be increased due to customer-related delays; however, this will be beneficial to the Company in the following year.

This positive overall result in the context of an ailing national economic development was realised mainly because the Company continued its strong global focus. Local points of presence for DLS and sales activities, just to name one example, were expanded in core regions. This supports order realisation by improving customer relations with some local staff. Furthermore, the ability to deliver and the speed of delivery are improved by keeping important wear and tear parts on stock locally.

As at the date the management report was prepared, we consider the Company's economic situation to be stable.

3. Forecast, opportunities and risks

Forecast

General framework conditions and business expectations

The order situation and economic performance of the Company is measured based on the development of the price of oil and the development of general commodity prices. In the 2023 financial year, the Company's non-oil-related business segment played a dominant role in the revenue structure, with the segments slurry pumps for the extraction of minerals and the infrastructure product segment deserving special emphasis.

In the 2023 financial year, the development of the commodity price level for the electric mobility industry was particularly important. This mostly refers to the raw materials nickel and cobalt, which are the main components in battery production. By diversifying in the above-mentioned raw materials and the traditional oil industry, the company ensures that it is able to successfully balance market fluctuations in individual segments. Due to the very strong demand for nickel and cobalt in the 2023 financial year, excess supply manifested as early as the end of the year, which will slow down the market development in this segment. We assume this will be a short-time effect, which will be balanced out based on the global efforts of energy transformation to electric mobility. Taking into account this development, the Company started adding further applications to the slurry pump product portfolio at an early stage. The supply of pumps to support copper mining is a core focus for our future orientation and demand had already increased by the end of the year. All relevant analyst opinions agree that in the next few years, copper will be in short supply globally. The Company will benefit considerably from this circumstance.

Furthermore, the Company will promote new developments in the infrastructure product segment in order to secure their leading market position in Asian metropolises. The new developments will focus on significantly increasing the energy efficiency of the facilities in order to reduce the customers' operating costs. In general, demand for new equipment has plateaued on a high level. This is mostly due to the fact that for example in Hong Kong, the trend towards higher and higher buildings continues as a result of the shortage of space, which in turn require deeper foundation drilling.

The market for equipment for oil production recovers more and more, in particular in the onshore segment, as this is a comparably cost-efficient way to produce crude oil. Projects and replacement of individual pieces of equipment are more and more frequent and will increase in the next few years. Mexico's market entry is a milestone that is part of a long-term investment project. Additional target markets are mostly in the Middle East, where we are in the final stages of project negotiations.

Minor activities are still to be recorded in the offshore segment regarding new equipment. On the one hand, this is caused by the more cost-intensive production method entailing higher risks, on the other hand by the fact that the oil price has not yet plateaued at a consistently high level, which makes the construction of new offshore facilities profitable. However, the reactivation of decommissioned facilities followed a positive trend, which is beneficial for the Company.

The most immediate impact of such reactivation can be observed in the after-sales and service business.

We do not expect to see an increase in order intake for new equipment (oil) until the existing facilities have been fully reactivated.

The lack of new equipment transactions hardly impacts the Company's revenue development negatively anymore, as the trend towards onshore facilities and alternative market segments was identified at an early stage.

In the second year of the Russia-Ukraine war, the Company fully compensated all negative effects with regard to lost revenue and is not planning on any change of the situation in the future.

Forecast of key financial indicators for corporate management

Compared to the previous year, **order intake i**n the reporting period (EUR 130.9 million) was at a significantly higher level (2022: EUR 91.6 million), partly due to a major project in the slurry pump business and a special machine in the infrastructure segment. We expect the order intake in the 2024 financial year to be on the level of 2022.

Based on the orders on hand, the Company expects the value of the net working capital to increase slightly in 2024.

Revenue expectations for 2024 are at a considerably higher level compared to 2023. We therefore expect a corresponding considerable increase in **EBITDA**.

In 2024, a focus will be on the continued full use of site-wide synergies. Another focus will be on the already mentioned further development of the existing product portfolio, adding more applications.

We expect the situation to improve considerably in the course of 2024. Based on the orders already received and currently in production, we will see a strong increase in revenue compared to 2023. Accordingly, this will have a favourable effect on **EBITDA**, leading us to expect a return to positive territory in 2024 in respect of operative business performance.

Forecast of non-financial performance indicators for corporate management

The specific focus on health, safety, security and environment (HSSE) will continue to be pursued in the 2024 financial year. As in the prior year, the target figure for **lost time injuries** ("LTIs") was therefore set to "0" in conformance with the group target of "zero accidents" (2023: 2 LTIs).

Our forecast is based, among other things, on predictions about future events over which we have no control. To this extent, it cannot be ruled out that the earnings actually generated will deviate from our expectations with regard to future developments.

Opportunities and risks

Project-related and cross-company opportunities and risks are generally measured in accordance with the principle of commercial prudence and are factored into the Company's financial planning. There may also be further opportunities and risks which, if they materialise, could positively or negatively influence the forecast result.

Opportunities

Based on the increasing global efforts to drive energy transformation, the current excess supply of nickel and cobalt leading to a negative price development may even out faster than the Company expects at the moment. This would not only result in an increased demand for products to support the extraction of copper, but nickel/cobalt applications would also reach their normal level again.

With regard to infrastructure projects, we see further potential in Asia, in particular in India and Hong Kong, to market the established technology of pile top drills. In particular the congestion of the Indian road system leads to more bridges being built, aiming at deflecting traffic from the city centres. These political activities expedite the construction and thus increase the level of demand for new equipment.

Furthermore, the onshore facilities in the Middle East and in India are an alternative for Russian oil and gas. Historically, this market has been supplied with a significant range of MHWirth products, so upgrade orders are expected in the short term.

Due to the fact that the Company has had a strong focus on cost-cutting measures in recent years and evaluated and used permanent synergies within the group, it is now in a position to respond flexibly to fluctuations in sales without incurring significant expenses or implementing restructuring measures.

In our "DLS” business (Drilling Lifecycle Services, i.e., spare parts and service business), we are benefiting from the increasing degree of reactivation of offshore facilities and from the higher number of slurry pumps currently active, thus generating revenue from spare parts.

Risks

Below, the risks to which the Company is exposed are presented in descending order of significance. A low probability of occurrence is assumed for the following risks. The degree of exposure and the financial impact of the risks are manageable. However, critical impacts on business activities and on the development of the assets, liabilities, financial position and financial performance of the Company cannot be completely ruled out.

Inventory risks (performance risk)

The Company is exposed to the risk of losing orders if it is unable to produce and deliver the products within the period expected by the customer or if penalties have to be paid due to missed deadlines. To secure the availability of purchased parts with long delivery times (>6 months) and to ensure the ability to deliver spare and wear parts for popular products at short notice, there are stocks of non-order-related finished goods that amounted to EUR 29.9 million as at 31 December 2023 (PY: EUR 17.9 million). They largely comprise standardised parts that are required in large quantities in mud pumps, draw works, top drives, rotary tables and pile top rigs etc.

Procurement risks (environmental risk)

The Company is exposed to availability and price risks as part of the procurement process. Thanks to the continuous qualification of new suppliers, framework agreements with suppliers as well as early procurement of selected components, delivery times and prices are optimised on an ongoing basis. While the significant increase in price levels ever since the Russia-Ukraine war started subsided somewhat by year-end, however, due to inflation and higher energy costs, it is at a considerably higher level overall compared to prior years.

Close and long-standing business relationships with numerous existing suppliers are the basis for our procurement processes. Potential procurement risks, such as threats to security of supply, are countered through long-term supply contracts and targeted development of alternative suppliers in an effort to reduce the risk of dependency. Warranty claims in cases of faulty products or product liability claims are ensured contractually and by right of recourse vis-à-vis suppliers. A major focus lies on optimising the supplier portfolio in order to improve our competitive position.

Personnel risks

The main personnel-related risks include the fluctuation risk, i.e., the risk of losing essential specialist staff, the general shortage of skilled workers, the health of our employees and work overload. A large number of measures was introduced to continuously minimise these risks, for example measures to attract and retain employees, measures to create a positive working environment and ongoing measures to optimise occupational safety.

Warranty risks (performance risk)

Warranty risks can result particularly in the case of custom-made products and machines, which are subject to high levels of stress when in use by the purchaser. We counter these risks by carefully determining and contractually specifying the operating conditions and guaranteed qualities of our products, as well as through comprehensive quality assurance measures in procurement and production. Sufficient provisions are established for unavoidable warranty claims that generally arise, as well as for individual circumstances that come to our attention.

Risks associated with financial instruments

Liquidity/financing: The Company's long-term financing is secured through its affiliation with the HMH Group. The Company has the possibility to take out short-term intercompany loans, for example to pre-finance larger projects. Currently, a group loan of EUR 10.0 million is available to the Company.

Currencies: Due to the Company's high export ratio, currencies are a constant risk. To minimise the risk, procurement and sales transactions denominated in foreign currencies are rigorously secured as micro hedges through derivative financial instruments (forward exchange contracts).

Default risk: Permanent monitoring and assessment of receivables through active receivables management have reduced the risk to a minimum. A permanent, partially automated debtor monitoring system reports deteriorations in credit worthiness, payment behaviour or rating at an early stage. The political and economic risks of import and export transactions are secured where possible.

Overall assessment of the risk position by Company management

Overall, there are no current going concern risks for MHWirth GmbH, nor are any such risks discernible.

With utmost respect and appreciation, we thank all our Company's employees for their commitment in the 2023 financial year and for their trust in our management. We also thank our business partners who have contributed significantly to our success in with their trust and cooperation.

Erkelenz, 8 August 2024

MHWirth GmbH

Joachim Schlebusch
Management

Independent auditor's report

To MHWirth GmbH, Erkelenz

Opinions

We have audited the annual financial statements of MHWirth GmbH, Erkelenz, which comprise the balance sheet as at 31 December 2023 and the income statement for the financial year from 1 January to 31 December 2023, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of MHWirth GmbH for the financial year from 1 January to 31 December 2023.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply in all material respects with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2023, and of its financial performance for the financial year from 1 January to 31 December 2023, in compliance with German legally required accounting principles, and

- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future developments.

In accordance with Section 322(3) clause 1 of the German Commercial Code, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the opinions

We conducted our audit of the annual financial statements and the management report in accordance with Section 317 of the German Commercial Code and the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institute of Public Auditors in Germany (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the financial statements and the management report" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and the management report.

Responsibilities of the legal representatives and of the supervisory board for the annual financial statements and the management report

The legal representatives are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the legal representatives are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e., manipulation of accounts and financial losses) or error.

In preparing the annual financial statements, the legal representatives are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to the going concern. In addition, they are responsible for financial reporting based on the going concern principle of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the legal representatives are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient, appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and the management report.

Auditor's responsibilities for the audit of the annual financial statements and of the management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and the management report.

Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with Section 317 of the German Commercial Code and in compliance with the German Generally Accepted Standards of Financial Statement Audits promulgated by the Institute of German Public Auditors (IDW) will always detect a material misstatement. 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 annual financial statements and this management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual financial statements and in the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- we gain an understanding of the internal control system relevant for the audit of the annual financial statements and of the relevant precautions and measures relevant for the audit of the management report, in order to plan audit activities adequate for the present circumstances, however not aiming at issuing an audit opinion on the effectiveness of these systems the company has.

- evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures.

- conclude on the appropriateness of the use of the legal representatives of the going concern accounting principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report, or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner as that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.

- evaluate the consistency of the management report with the annual financial statements, its conformity with the law and the view of the Company's position it provides.

- perform audit procedures on the prospective information presented by the legal representatives in the management report. Based on sufficient adequate audit evidence, we assess the significant assumptions used by the legal representatives as a basis for their forward-looking statements and the proper derivation of the forward-looking statements from such assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control system that we identify during our audit.

Düsseldorf, 8 August 2024

KPMG AG
Wirtschaftsprüfungsgesellschaft

[Round stamp]
KPMG AG
Auditing company
Auditing company
SEAL
Berlin

[Signature illegible]	*[Signature illegible]*
Lutz Hoffmann	Till Geller
08/08/2024	08/08/2024
Hoffmann	Geller
Auditor	Auditor

Appendix 32 - Unaudited Interim Financial Statements for the nine-month period ended 30 September 2024 for MHWirth GmbH

before audit

MHWirth GmbH

Balance sheet as of September 30, 2023

Assets

		30.09.2023	31.12.2023
		Euro	Euro
A.	**Fixed Assets**		
I.	**Intangible assets**		
	1. Inernally generated rigths and values	0,00	0,00
	a) Own developments	889.868,71	787.277,75
	b) Own developments under construction	0,00	0,00
		889.868,71	787.277,75
	2. IT-Software, Licences	52.838,00	1.586.539,34
		942.706,71	**2.373.817,09**
II.	**Tangible assets**		
	1. Fixtures in leased buildings	9.044.567,00	8.945.004,97
	2. Technical equipment and machines	3.869.545,00	3.812.305,58
	3. Other equipment, fixtures and fittings	348.216,00	159.132,41
	4. Payments on account and assets under construction	871.829,94	145.433,63
		14.134.157,94	**13.061.876,59**
III.	**Financial assets**		
	Investments	1,00	1,00
		1,00	**1,00**
		15.076.865,65	**15.435.694,68**
B.	**Current assets**		
I.	**Inventories**		
	1. Raw Materials, supplies and consumables	1.112.697,76	48.453,61
	2. Work-in-process	31.944.525,93	34.338.530,81
	3. Finished goods	15.225.878,51	23.181.570,56
	4. Payments made on account	1.830.023,60	1.277.475,67
	5. Payments received on account of orders	-8.525.730,61	-10.880.326,26
		41.587.395,19	**47.965.704,39**
II.	**Accounts receivable and other assets**		
	1. Trade accounts receivable	4.479.166,55	7.082.828,74
	2. Accounts due from affiliates	3.517.615,06	5.493.288,38
	3. Other assets	2.993.991,29	1.862.366,75
		10.990.772,90	**14.438.483,87**
III.			
	Cash and bank accounts	**1.296.152,50**	**222.369,91**
		53.874.320,59	**62.626.558,17**
C.	**Prepaid expenses**	**114.066,07**	**345.995,81**
D.	**Deferred tax assets**	**0,00**	**0,00**
		69.065.252,31	**78.408.248,66**

shareholders' equity and liabilities

		30.09.2023	31.12.2023
		Euro	Euro
A.	**Equity**		
	I. Subscribed capital	9.328.700,00	9.328.700,00
	II. Capital reserve	2.666.256,28	2.666.256,28
	III. Other revenue reserves	914.378,00	914.378,00
	IV. Retaining earnings brought forward/loss carried forward	-2.406.122,24	-2.406.122,24
	V. Net loss/profit for the year	-604.602,53	14.319,26
		9.898.609,51	**10.517.531,30**
B.	**Accruals and provisions**		
	1. Pension provision	10.029.206,00	10.440.575,00
	2. Accrued tax liabilities	1.092.000,00	1.092.000,00
	3. Other accuals and provisions	9.395.595,34	8.841.436,65
		20.516.801,34	**20.374.011,65**
C.	**Liabilities**		
	1. Amounts owed to credit institutions	8.245.525,47	3.941.874,96
	2. Payments received on account of orders	10.983.351,19	20.791.516,87
	3. Trades accounts payable	4.082.273,67	6.651.668,29
	4. Accounts payable to affiliated companies	11.263.076,53	13.287.218,74
	5. Other liabilities	2.550.210,51	2.844.426,85
	- of which taxes EUR 382.981,67		
	(prior year EUR 890.289,04)		
	- of which social securitiy EUR 1.422.247,37		
	(prior year EUR 1.720.281,92)		
		37.124.437,37	**47.516.705,71**
D.	**Prepaid expenses**	**1.525.404,09**	**0,00**
E.	**Deferred tax liabilities**	**0,00**	**0,00**
		69.065.252,31	**78.408.248,66**

before audit/

MHWirth GmbH

Statement of Income for the period from 01. January 2024 to 30. September 2024

		01.01.2024 to 30.09.2024		01.01.2023 to 30.09.2023	
		Euro	Euro	Euro	Euro
1.	Sales		59.474.883,69		45.558.354,22
2.	Change in finished products and work-in-process		2.967.358,73		20.286.046,01
3.	Other internal costs capitalized		0,00		66.103,48
4.	Other operating income		543.421,57		210.607,70
5.	Material expenses				
	a) Raw materials, supplies and consumables	21.296.832,88		33.049.886,54	
	b) Cost of purchased services	6.340.767,66	27.637.600,54	5.150.197,98	38.200.084,52
6.	Personnel expenses				
	a) Wages and salaries	14.301.801,86		13.928.291,13	
	b) Social insurance and pension obligations - of which for pension costs Euro 11.827,01 (prior year Euro 11.204,53)	2.705.631,11	17.007.432,97	2.767.841,88	16.696.133,01
7.	Amortization of intangible assets and depreciation of tangible assets				
	a) Amortization of intangible assets and depreciation of tangible assets	1.452.916,17		1.514.784,16	
	b) Depreciation on current assets, insofar as this exceeds the depreciation customary in the corporation	0,00	1.452.916,17	0,00	1.514.784,16
8.	Other operating expenses		12.337.375,80		9.767.462,48
9.	Other interest and similar income		25.062,57		30.965,29
10.	Interest and similar expenses		617.039,85		474.989,06
11.	Taxes on income		1.586.066,00		103.066,00
12.	**Result after tax**		2.372.295,23		-604.442,53
13.	Other taxes		393,00		160,00
14.	**Net income**		**2.371.902,23**		**-604.602,53**

Cash Flow at September 30th 2024 and September 30th 2023
Amounts in Thousands Euro

	30.09.2024	30.09.2023
Cash Flow from operating activities	536	-1.274
Cash Flow from investing activities	-599	-993
Cash Flow from financin activities	-4.808	-7.129
Total Net Cash Flow	**-4.871**	**-9.396**

Balance of Equity at September 30th 2024 and September 30th 2023
Amounts in full Euro

	30.09.2024	30.09.2023
Subscribed Capital	9.328.700,00	9.328.700,00
Capital reserve	2.666.256,28	2.666.256,28
Other revenue reserves	914.378,00	914.378,00
Profit/Loss carried forward	-2.391.802,98	-2.406.122,24
Net income/loss for the year	2.371.902,23	-604.602,53
Total	**12.889.433,53**	**9.898.609,51**

MHWirth GmbH, Erkelenz

Notes to the financial statements
for period January to September 2024

Accounting policies

MHWirth GmbH (registered office: Erkelenz, registered with the Commercial Register of the Local Court Mönchengladbach, register entry number HRB 8471) is a large corporation as defined in Section 267(3) of the German Commercial Code [HGB]. The financial statements for period January to September 2024 were prepared in the accordance with the provisions on accounting set out in the German Commercial Code and in the German Limited Liability Companies Act [GmbHG]. MHWirth is a member of the HMH Corporate Group. HMH is a group of companies formed in 2021; 50% of its shares are held by the Akastor Group (Norway) and 50% by Baker Hughes (USA).

Intangible assets and property, plant and equipment are valued at acquisition and/or production cost less scheduled and unscheduled amortisation/depreciation. The option under Section 248(2) of the German Commercial Code to capitalise internally created intangible assets has been exercised. These assets are amortised over their typical useful lives. The expected useful life of intangible assets ranges between 3 and 8 years. Property, plant and equipment is depreciated on a straight-line basis. The expected useful life of tangible fixed assets usually ranges between 3 and 13 years, 33 years for buildings. Up until 2017, low-value assets were aggregated in a collective item that was depreciated on a straight-line basis of a useful life of five years. Since 2018, low-value assets valued up to EUR 800 have been directly written down at year-end. Financial assets are measured at acquisition cost less unscheduled amortisation in accordance with Section 253(3) clause 4 of the German Commercial Code.

Inventories are stated at the lower of cost or market value. Alongside direct costs, production costs also include appropriate portions of overhead. Inventory risks are accounted for through sufficient write-downs. Write-downs are made to fair value pursuant to Section 253(4) clause 2 of the German Commercial Code. Regarding impairment of slow-moving inventories of finished products, write-downs at specific rates were established depending on the most recent addition and consumption, as well as on the predicted inventory turnover, unless higher write-downs are warranted due to specific circumstances.

Interest on borrowed capital is not taken into account in the measurement of either fixed or current assets.

Payments received from customers are deducted from inventories up to the amount of related work in progress. Advance payments received exceeding work in progress are recognised as liabilities.

Receivables and other assets are generally recognised at nominal value. Appropriate allowances are recognised for default risks and general credit risks.

Unchanged as compared to the prior year, during the financial year under review, the general allowance on trade receivables subject to the itemised allowance for bad debt was recognised at 1.0%. Specific allowances are recognised on individual doubtful receivables, based on the expected receipt of payment thereof.

Bank balances are recognised at nominal value. Amounts denominated in foreign currency are translated to euros at the average spot exchange rate as at the balance sheet date.

Prepaid expenses concern expenditures during the reporting year that represent expenses for a specific period of time after the balance sheet date.

An excess of tax liabilities resulting from valuation differences between the commercial and tax balance sheets and measured at the individual tax rate of the company in question is recognised as deferred tax liabilities pursuant to Section 274 of the German Commercial Code. If there is an excess of assets, the option of recognising deferred tax assets under Section 274(1) clause 2 of the German Commercial Code is not exercised. No deferred tax assets are recognised for tax loss carryforwards.

Provisions for pensions were valued using the projected unit credit method. The Company has exercised the option under Section 253(2) of the German Commercial Code to discount the provisions using the average interest rate published by the German Central Bank [Deutsche Bundesbank] for a remaining maturity of 15 years.

Discounting is based on an average interest rate for the last ten years as published by the German Central Bank. The calculation is based on actuarial mortality tables and expected future wage, salary and pension increases as well as employee turnover probabilities.

As in prior years, pension provisions were recognised at 1/15, in application of the provisions of Article 67(1) and (3) of the Introductory Act to the German Commercial Code [EGHGB].

Tax and other provisions take into account all discernible risks and contingent liabilities in the settlement amount required based on prudent commercial judgement. Provisions with a remaining term of more than one year are recognised with their expected settlement amount and discounted at an interest rate corresponding to the respective term.

Liabilities are stated at their settlement amounts pursuant to Section 253(1) of the German Commercial Code.

Current receivables and liabilities denominated in foreign currencies are translated at the average spot exchange rate as at the balance sheet date (Section 256a of the German Commercial Code), or at the hedging rate.

The regulations for the formation of a valuation unit for compensatory valuation of hedging relationships for pending and recognised transactions denominated in foreign currency and forward exchange contracts have been applied. Due to matching amounts and maturities, currencies and terms, opposing changes in value and cash flows balance out during the term of the hedged item and hedging instrument.

Under the net hedge presentation method, the offsetting changes in value of the effective portion are not recognised in the balance sheet. Sections 249(1), 252(1), nos. 3 and 4 and 256a of the German Commercial Code are not applied.

Explanatory notes
on the balance sheet

Fixed assets

Movements in individual items of fixed assets are presented in the statement of movements in fixed assets. The development costs capitalised in 2024 in accordance with Section 248(2) of the German Commercial

Current assets

Of the total trade receivables, KEUR 0 (PY: KEUR 0) have a remaining term of more than one year.

Receivables from affiliated companies mainly concern receivables from MHWirth AS, Kristiansand, Norway (shareholder) totalling KEUR 3,823 (PY: KEUR 821) and other affiliates. As in the previous year, these amounts predominantly consist of trade receivables and have a remaining term of less than one year.

Deferred tax assets

Deferred taxes consist entirely of differences between amounts shown in the commercial and tax balance sheets. Deferred tax assets arise from property, plant and equipment, inventories, pension provisions, other provisions and liabilities; deferred tax liabilities relate to internally generated intangible assets and receivables. After applying the company-specific tax rate of 30.525% for previous year-end, the resulting net deferred tax asset amounts to KEUR 3,634.

	09.2024
Differences in internally generated intangible assets	-787
Differences in property, plant and equipment	+2,050
Differences in inventories	+1,736
Differences in other provisions	+1,599
Differences in pension provisions	+7,307
Total	**11,905**

In addition, there are tax loss carry forwards for prior year-end from trade tax amounting to KEUR 9,613 (PY: KEUR 11,019) as well as from corporate income tax in the amount of KEUR 9,602 (PY: KEUR 10,552), which would, at a trade tax rate of 14.7% and a corporate income tax rate (including solidarity surcharge) of 15.825%, lead to deferred tax assets of KEUR 2,933 (PY: KEUR 3,290).

The Company does not exercise the option under Section 274(1) clause 2 of the German Commercial Code to recognise deferred tax assets in the balance sheet.

Equity

The Company's subscribed capital remained unchanged at KEUR 9,329. Together with the net profit for the period January to September 2024 of KEUR 2,372, the capital reserves of KEUR 2,666, revenue reserves of KEUR 914 and loss carried forward of KEUR -2,392, this results in equity of KEUR 12,889.

As in the prior year, no dividends were distributed during the financial year under review.

Provisions for pensions

As at 30 September 2024, the prior year provisions for pensions (31 December 2023) are still applicable. An average interest rate of the last ten years as published by the German Central Bank was used for discounting. As at 31 December 2023, a forecast interest rate of 1.83% (PY: 1.78%) was used. The mortality and disability rates for the valuation of obligations were based on the 2018 G mortality tables by Prof. Klaus Heubeck. In addition and unchanged from the prior year, a wage and salary growth rate of 0.00%, a fixed commitment and pension growth rate of 2.00% as well as industry-specific turnover rates were taken in to account in the valuation of the provisions.

The difference according to Section 253(6) clause 1 of the German Commercial Code equalled KEUR 113 (PY: KEUR 508) as at 31 December 2023, and is restricted from distribution.

In compliance with Article 67(1) and (3) of the Introductory Act to the German Commercial Code, during the financial year ended, pension provisions were increased by 1/15 of the deficit as per Article 67(1) of the Introductory Act to the German Commercial Code and recognised at a discount rate of 1.83%. The deficit not recognised as a liability of 1/15 amounts to KEUR 151 (PY: KEUR 304).

Provisions

Other provisions of KEUR 12,130 mainly comprise outstanding invoices for inventories in process (KEUR 3,393), personnel costs (KEUR 3,316), warranties (KEUR 1,451) and other contingent liabilities (KEUR 3,970). These were measured according to prudent commercial judgement.

In calculating the general warranty provisions, revenue for which specific warranty provisions have already been recognised is not included. Provisions for anniversary payments were measured in compliance with the discounted value method using a discount rate of 1.75% (remaining term pursuant to Section 253(2) clause 2 of the German Commercial Code: 15 years). Provisions for partial retirement benefits for 24 employees were measured on the basis of a discount rate of 1.75% (remaining term pursuant to Section 253(2) clause 2 of the German Commercial Code: 15 years), a salary and pension progression ceiling rate of 2.60%, an employee turnover rate of 0% and the 2018 G mortality tables by Prof. Klaus Heubeck, in application of Circular HFA 3 of the Institute of Public Auditors in Germany. Other provisions with a remaining term of more than 12 months were recognised at discount rates with maturities matching the term of the obligations pursuant to Section 253(2) of the German Commercial Code and an assumed inflation rate of 2.0%.

Liabilities

		Thereof amounts with remaining terms		
Balance sheet item	**Total amount** EUR	up to one year EUR	from one to five years EUR	of more than five years EUR
1. Liabilities to credit institutions	**8,824,582.78**	**8,824,582.78**	**0.00**	**0.00**
Prior year	*3,941,874.96*	*3,941,874.96*	*0.00*	*0.00*
2. Payments received on account of orders	**20,843,498.54**	**20,843,498.54**	**0.00**	**0.00**
Prior year	*20,791,516.87*	*20,791,516.87*	*0.00*	*0.00*
3. Trade payables	**7,409,237.57**	**7,409,237.57**	**0.00**	**0.00**
Prior year	*6,651,668.29*	*6,651,668.29*	*0.00*	*0.00*
4. Liabilities to affiliated companies	**12,170,928.72**	**2,170,928.72**	**10,000,000.00**	**0.00**
Prior year	*13,287,218.74*	13,287,218.74	*10,000,000.00*	*0.00*
5. Other liabilities	**1,713,382.13**	**185,042.05**	**1,415,669.16**	**112,670.92**
Prior year	*2,844,426.85*	*1,316,086.77*	*1,415,669.16*	*112,670.92*
Total	**50,961,629.74**	**39,433,289.66**	**11,415,669.16**	**112,670.92**
Prior year	*47,516,705.71*	*35,988,365.63*	*11,415,669.16*	*112,670.92*

No liabilities are separately secured.

Of the liabilities to affiliated companies, KEUR 10,053 (PY: KEUR 10,053) relate to the shareholder’s intragroup financing. Furthermore, there are KEUR 963 (PY: KEUR 2,21ß) in trade liabilities, of which KEUR 56 (PY: KEUR 368) are payable to the shareholder.

Payments received on account of orders

Liabilities to affiliated companies include KEUR 1,155 (PY: KEUR 2,156) in payments received on account of orders. Work in progress has already been created for payments received of KEUR 940 (PY: KEUR 1,133), which is why they are deducted from inventories and liabilities. They contain shareholder prepayments of KEUR 940 (PY: KEUR 1,133).

Other liabilities

Other liabilities concern the welfare and provident fund of MHWirth GmbH in the amount of KEUR 1,422 (PY: KEUR 1,717).

Contingent liabilities and other financial obligations

As at 30 September 2024, other financial obligations were as follows:

- Leases	KEUR	399
thereof in 2024	KEUR	163
- Annual rent incl. incidental costs for land and buildings (term through 31 December 2028)	KEUR	1,206
- Repurchase obligations for machinery	KEUR	704
thereof in 2024	KEUR	704

The Company also has joint liability for all liabilities arising under the "Multi-Currency and Group Account System Agreement” between HMH Holding B.V. and DnB Bank ASA, Oslo, Norway (all of these to affiliated and associated companies) incurred from the date of the Company’s accession to the agreement (1 October 2021).

The credit line of the cash pool, for which joint liability exists, amounts to a maximum of USD 5 million (thereof secured: USD 0). According to the information provided by the Group, no use of this credit line is expected.

There are off-balance sheet transactions with effects on the financial position within the framework of repurchase agreements. These involve the repurchase of a roadheader after it was no longer used by a customer. This is a conventionally structured agreement designed to make the repurchased machine available for use in future projects. The Company’s financial position is expected to be negatively affected in the amount of KEUR 704 as at the date of the machines return. A provision in the amount of KEUR 187 was recognised for the reuse risk.

Explanatory notes on the income statement

Revenue

Revenue, broken down by region and product group, is as follows:

	01-09/2024 EUR million	01-09/2023 EUR million
Regions:		
Federal Republic of Germany	1.6	3.9
Rest of Europe	2.6	3.2
Other countries	55.3	38.5
	59.5	45.6
By product group:		
Oilfield Equipment & Systems	46.9	17.4
Slurry & RC Drilling	11.5	26.3
Other	1.1	2.0
	59.5	45.6

Other operating income

Among other amounts, this item includes income relating to other periods from reversing provisions (KEUR 0; PY: KEUR 1,829) and income from foreign currency translation (KEUR 325; PY: KEUR 379).

Other operating expenses

Other operating expenses include expenses from foreign currency translation (KEUR 264; PY: KEUR 393) and other general administrative and distribution costs.

In addition, pursuant to the German Accounting Directive Implementation Act [BilRUG], this item also includes from prior year KEUR 153 (PY: KEUR 153) in adjustments under commercial law of pension liabilities in the course of the implementation of the German Accounting Law Modernisation Act [BilMoG].

Other interest and similar income

This item includes but is not limited to interest income from cash in banks and other interest income.

Interest and similar expenses

This item includes KEUR 286 (PY: KEUR 381) in interest expenses vis-à-vis MHWirth AS (affiliated company) for a loan granted within the framework of HMH Corporate Treasury/internal group financing.

Other disclosures

Derivatives

During the financial year, derivative financial instruments (forward foreign exchange contracts) were used to hedge future cash flows from receivables and liabilities and from contractual commitments denominated in foreign currency (US dollar). Each forward exchange contract is based on an underlying transaction with comparable risks in the opposite direction (micro hedge). The foreign currency receivables with hedges formed from the hedged items and hedging instruments and hedged under Section 254 of the German Commercial Code total KEUR 30,656 as at the balance sheet date. Hedged liabilities denominated in foreign currency total KEUR 2,433 as at the balance sheet date.

Forward exchange contracts are stated at their intrinsic value using the net hedge presentation method.

Number of employees

The average number of employees (excluding trainees) during the reporting period was:

	2024 Number	2023 Number
Wage earners	87	81
Salaried employees	158	173
	245	254

Management

The managing director of the Company is:

Mr Joachim Schlebusch, Heinsberg, full-time managing director

Supervisory Board

Members of the Company's Supervisory Board were:

Mr Pal Skogerbø, Kristiansand, Norway, Chairperson
- President, ESS / MHWirth AS

Ms Ellen Jacobs, Erkelenz
Employee Representative, MHWirth GmbH
- Works Council Chairperson, Project Operator

Mr Christoph Pickartz, Heinsberg
Employee Representative, MHWirth GmbH
- IT-Coordinator

Mr Dag Stenevik, Kristiansand, Norway
- Senior Vice President, MHWirth AS

Mr Magne Hovland, Kristiansand, Norway
- Senior Vice President, MHWirth AS

Mr Jan Petter Knutsen, Kristiansand, Norway
- Senior Vice President, MHWirth AS

Remuneration

Payments to active members of the Supervisory Board totalled KEUR 3 during the financial year under review. Post-employment benefits for former members of management amounted to KEUR 105 and those for former members of the Supervisory Board to KEUR 17. Pension provisions for former members of management total KEUR 1,016, and provisions for former members of the Supervisory Board amount to KEUR 227.

In accordance with Section 286(4) of the German Commercial Code, the remuneration paid to management is not disclosed.

Consolidated financial statements

The annual financial statements per year-end are included in the consolidated financial statements of HMH Holding B.V., Amsterdam, the Netherlands, which prepared the consolidated financial statements for the smallest and largest group of companies. The consolidated financial statements are filed under number 82719322 with the commercial register of Amsterdam, the Netherlands.

		Ownership interest	Equity KEUR 31 Dec. 2023	Result KEUR 31 Dec. 2023
Investments:				
Shenyang WIRTH-NFM – SHMG Heavy Tunneling & Construction Machinery Co., Ltd., Shenyang, China	*) **)	24.0%	--	--

*) Not an operating entity
**) No current data available

Appropriation of earnings and restriction on distribution

Pursuant to Section 268(8) of the German Commercial Code, an amount from prior year of EUR 787,277.75 is subject to a restriction on distribution (internally generated rights and assets of EUR 787,277.75).

Under Section 253(6) clause 1 of the German Commercial Code (difference in pension provisions from the change in the interest rate from the average rate of seven years to the average rate of 10 years), an additional amount from prior year of EUR 112,662.00 is subject to a restriction on distribution.

Management will propose that the preliminary net income for the period January to September 2024 of EUR 2,371,902.23 be offset with the losses carried forward of EUR -2,391,802.98 and that the remaining amount of EUR -19,900,75 be carried forward to the following year.

Subsequent events

No other events or transactions of particular importance have occurred or become known after the balance sheet date that might have a significant effect on the Company's assets, liabilities, financial position or financial performance in the financial year under review.

MHWirth GmbH
Management

Appendix 33 - Audited Annual Financial Statements as
of and for the financial year ended 31 December 2022
for MHWirth FZE

MHWirth FZE

Financial statements

31 December 2022

MHWirth FZE

Financial Statements
31 December 2022

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KPMG

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Independent auditors' report

To the Shareholders of MHWirth FZE

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of MHWirth FZE ("the Company"), which comprise the statement of financial position as at 31 December 2022, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in *the Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Standards, and their preparation in accordance with the applicable provisions of The Jebel Ali Free Zone Companies Implementing Regulations 2016, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

We further report that the financial statements have been prepared, in all material respects, in accordance with the Jebel Ali Free Zone Companies Implementing Regulations 2016.

KPMG Lower Gulf Limited

Fawzi AbuRass
Registration No.: 968
Dubai, United Arab Emirates

Date: 14 JUL 2023

MHWirth FZE

Statement of profit or loss and comprehensive income

For the year ended 31 December

	Note	2022 AED	2021 AED
Revenue	*5*	**32,635,446**	14,127,633
Operating costs	*6*	**(16,237,556)**	(7,741,562)
Gross profit		**16,397,890**	6,386,071
General and administrative expenses	*7*	**(15,391,197)**	(6,544,598)
Impairment loss on trade receivable	*12(i)*	**(99,891)**	-
Other income	*8*	**722,167**	2,109,773
Operating Profit		**1,628,969**	1,951,246
Finance costs	*9*	**(182,313)**	(227,763)
Profit for the year		**1,446,656**	1,723,483
Other comprehensive income		**-**	-
Total comprehensive income for the year		**1,446,656**	1,723,483

The notes on pages 8 to 29 form an integral part of these financial statements.

The independent auditors' report is set out on pages 1 to 3.

MHWirth FZE

Statement of financial position
As at 31 December 2022

	Note	2022 AED	2021 AED
Assets			
Non-current asset			
Property and equipment	*11*	**1,174**	18,804
Inventories	*10*	**154,832**	291,711
Contract assets	*13*	**1,655,632**	353,709
Trade and other receivables	*12*	**17,533,835**	4,927,873
Due from related parties	*14*	**6,087,203**	14,361,831
Cash at banks	*15*	**11,988,614**	7,070,941
Total current assets		**37,420,116**	27,006,065
Total assets		**37,421,290**	27,024,869
Equity			
Share capital	*18*	**8,000,000**	8,000,000
Retained earnings		**12,615,514**	13,005,407
Total equity		**20,615,514**	21,005,407
Liabilities			
Non-current liability			
Employees' end of service benefits	*17*	**2,983,903**	2,732,780
Trade and other payables	*16*	**9,384,712**	2,281,090
Due to related parties	*14*	**4,437,161**	1,005,592
Total current liabilities		**13,821,873**	3,286,682
Total liabilities		**16,805,776**	6,019,462
Total equity and liabilities		**37,421,290**	27,024,869

The notes on pages 8 to 29 form an integral part of these financial statements.

To the best of our knowledge, these financial statements fairly presents, in all material respects, the financial position, results of operation and cash flows of the Company as of, and for, the year ended 31 December 2022.

These financial statements were approved by the Board of Directors on 14 JUL 2023 and signed on their behalf by:

General Manager
Rakan Al Saifi
(Power of Attorney dated 4 February 2020)

The independent auditors' report is set out on pages 1 to 3.

MHWirth FZE

Statement of cash flows
For the year ended 31 December 2022

	Note	2022 AED	2021 AED
Cash flows from operating activities			
Profit for the year		**1,446,656**	1,723,483
Adjustments for:			
Impairment loss on trade receivable	*22(i)*	**99,891**	-
Depreciation on property and equipment	*11*	**17,630**	33,584
Provision for slow moving inventories	*10*	**59,616**	-
Provision for employees' end service benefits	*17*	**510,721**	377,270
		2,134,514	2,134,337
Changes in:			
- Inventories	*10*	**77,263**	(18,051)
- Contract assets	*13*	**(1,301,923)**	316,374
- Trade and other receivables	*12*	**(12,705,853)**	2,003,179
- Due from related parties	*14*	**8,274,628**	(395,182)
- Trade and other payables	*16*	**7,103,622**	(506,276)
- Due to related parties	*14*	**3,401,122**	(2,221,593)
Payment of employees' end service benefits	*17*	**(229,151)**	-
Net cash from operating activities		**6,754,222**	1,312,788
Cash flows from financing activity			
Dividend paid	*19*	**(1,836,549)**	(1,836,575)
Net cash used in financing activity		**(1,836,549)**	(1,836,575)
Net increase/(decrease) in cash and cash equivalents		**4,917,673**	(523,787)
Cash and cash equivalents at 1 January		**7,070,941**	7,594,728
Cash and cash equivalents at 31 December	*15*	**11,988,614**	7,070,941

The notes on pages 8 to 29 form an integral part of these financial statements.

The independent auditors' report is set out on pages 1 to 3.

MHWirth FZE

Statement of changes in equity
For the year ended 31 December 2022

	Share Capital AED	Retained earnings AED	Total AED
At 1 January 2021	8,000,000	13,118,499	21,118,499
Total comprehensive income for the year			
Profit for the year	-	1,723,483	1,723,483
Transaction with owner recorded directly in equity			
Dividend declared and paid (refer note 19)	-	(1,836,575)	(1,836,575)
At 31 December 2021	8,000,000	13,005,407	21,005,407
At 1 January 2022	8,000,000	13,005,407	21,005,407
Total comprehensive income for the year			
Profit for the year	-	1,446,656	1,446,656
Transaction with owner recorded directly in equity			
Dividend declared and paid (refer note 19)	-	(1,836,549)	(1,836,549)
At 31 December 2022	**8,000,000**	**12,615,514**	**20,615,514**

The notes on pages 8 to 29 form an integral part of these financial statements.

1 Legal status and business activities

MHWIRTH FZE ("the Company"), was incorporated as a Free Zone Establishment in the Jebel Ali Free Zone, in Dubai, United Arab Emirates on 29 April 2008. The Company is a wholly owned subsidiary of MHWIRTH AS ("the Shareholder"), a company incorporated in Norway. The ultimate holding companies of MHWirth AS are Akastor ASA (50%) and Baker Hughes Holding LLC (50%).

The principal activities of the Company are general trading of well drilling equipment, oilfield natural gas equipment and spare parts and related services.

The registered address of the Company is Office No FZJOB 1024, 1025 and 1023, Jebel Ali 262597, Dubai, United Arab Emirates.

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in accordance with The Jebel Ali Free Zone Companies Implementing Regulations 2016.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost basis.

2.3 Functional and presentation currency

These financial statements are presented in United Arab Emirates Dirhams ("AED") which is the functional and presentation currency of the Company.

2.4 Use of estimates and judgments

The preparation of these 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, liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

In particular, information about significant areas of estimation, uncertainty, and critical judgments in applying accounting policies that may have a material effect on the amounts recognised in the financial statements are described in note 23.

3 Significant accounting policies

3.1 Standards issued but not yet effective

At the date of these financial statements, the following standards, amendments and interpretations have not been effective and have not been early adopted:
The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements:

- IFRS 17 Insurance contracts 1 January 2023 Amendments to IFRS 17 1 January 2023.
- Classification of liabilities as current or non-current (Amendments to IAS 1) 1 January 2023.
- Amendments to IFRS 17 1 January 2023
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimate (Amendments to IAS 8)

New and amended standards issued and effective:

The following revised new and amended standards have been adopted in the financial information.

- IFRS 16 Leases – COVID 19 Rent Concessions – Relief for Lessees.
- COVID-19-Related Rent Concessions – (Amendment to IFRS 16).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020
- Reference to the Conceptual Framework (Amendments to IFRS 3)

There has been no material impact on the financial statements of the Company upon adoption of the above new and amended standards.

3.2 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3.3 Property and equipment

Recognition and measurement

Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any (refer to accounting policy on impairment). Cost includes expenditure that is directly attributable to the acquisition of the asset and bringing the asset to a working condition for its intended use. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised on a net basis within other income or other expense in profit or loss.

3 Significant accounting policies *(continued)*

3.3 Property and equipment *(continued)*

Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. On-going repairs and maintenance is expensed as incurred.

Depreciation

Depreciation is based on the cost of an asset. Depreciation on items of property and equipment is charged to profit or loss on a straight-line basis over their estimated useful lives from the date of acquisition as follows:

	Years
Furniture, fixtures and equipment	3 - 5
Motor vehicle	3

The depreciation method, residual value and useful lives of items of property and equipment are reviewed annually and amended if circumstances change. Any change is accounted for as a change in accounting estimate by changing the depreciation charge for the current and future periods.

3.4 Financial instruments

Classification and measurement of financial assets and financial liabilities

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial assets that meet the following conditions are subsequently measured at amortised cost less impairment loss and deferred income, if any (except for those assets that are designated as at fair value through other comprehensive income on initial recognition):

1. the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

2. the contractual terms of the instrument give rise to cash flows on specified dates that are solely payments of principal and profit on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

3 Significant accounting policies *(continued)*

3.4 Financial instruments *(continued)*

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets – Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual

3 Significant accounting policies *(continued)*

3.4 Financial instruments *(continued)*

cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

3 Significant accounting policies *(continued)*

3.4 Financial instruments *(continued)*

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Impairment

Financial instruments and contract assets

The Company recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets.
- Due from related parties

The Company measures loss allowances at an amount equal to lifetime ECLs, except for cash at banks which are measured at 12-month ECLs.

Loss allowances for receivables are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the financial asset is more than 180 days past due.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

3 Significant accounting policies *(continued)*

3.4 Financial Instruments *(continued)*

Impairment *(continued)*

Financial instruments and contract assets (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due; the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 365 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

3 Significant accounting policies *(continued)*

3.4 Financial Instruments *(continued)*

Impairment *(continued)*

Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, 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.

3.5 Revenue from contracts with customers

The Company recognises revenue from rendering of services based on a five-step model as set out in IFRS 15:

Step 1 Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2 Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the Customer.

Step 3 Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised service to a customer, excluding amounts collected on behalf of third parties.

Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5 Recognise revenue when (or as) the entity satisfies a performance obligation.

3 Significant accounting policies *(continued)*

3.5 Revenue from contracts with customers *(continued)*

The Company satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; or
- The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Company's performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which performance obligation is satisfied.

When the Company satisfies a performance obligation by delivering the promised services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Sale of goods

Customers obtain control of goods when the goods are delivered to the customers. Invoices are generated at that point in time. Invoices are usually payable within 60 days. Discounts are provided for goods however insignificant in amount.

Revenue is recognised when the goods are delivered and have been accepted by customers. For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Rendering of services

Under IFRS 15, the consideration under service contract is based on their stand-alone selling price as agreed with the customer in the respective service contracts. As per Company's assessment, the fair value and stand-alone selling prices of the services are broadly similar.

3.6 Foreign currency transactions

Transactions denominated in foreign currencies are translated into AED at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the AED at the exchange rates ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3 Significant accounting policies *(continued)*

3.7 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

3.8 Employees' end of service benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognized in profit or loss in the year in which they arise. Provision is made for end of service benefits due to employees in accordance with the UAE Labour Law and is based on the current remuneration and their period of service at the end of the reporting period. The provision has been classified as a non-current liability.

4 Financial risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Furthermore, quantitative disclosures are included throughout these financial statements.

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's senior management is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

4.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is mainly attributable to trade and other receivables, contract assets, due from related parties and cash at banks. The exposure to credit risk on trade and other receivables, contract assets and due from related parties are monitored on an ongoing basis and these are considered recoverable by the Company's management. The Company's cash is placed with banks of good repute.

4 Financial risk management *(continued)*

4.1 Credit risk (continued)

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and the country, in which customers operate, has less of an influence on credit risk.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

4.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with the financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk mainly relates to trade and other payables and due to related parties. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

4.3 Market rate risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company has no significant exposure to interest rate risk.

Currency risk

The majority of the Company's transactions are denominated in AED or currencies to which AED is currently pegged. The Company significant transactions for procuring the inventories are in United States Dollar ("USD"). Since the AED is pegged to the USD, the Company is not exposed to the USD currency risk

Capital management

The Management manages the Company's capital to ensure that it will be able to continue as a going concern while maximising the return to shareholder through the optimisation of debt and equity balances.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid, issue new shares, or sell assets to reduce debt.

There were no changes in the Company's approach to capital management during the current year and previous year. The Company is not subject to externally imposed capital requirements except for requirements as per the provisions of the Implementing Regulations of Jebel Ali Free Zone.

5 Revenue

	2022 AED	2021 AED
A. Major products and service lines		
Sale of goods	**13,467,079**	8,972,781
Services	**19,168,367**	5,154,852
	32,635,446	14,127,633
B. Timing of revenue recognition		
Revenue transferred at a point in time	**13,467,079**	8,972,781
Revenue transferred overtime	**19,168,367**	5,154,852
	32,635,446	14,127,633
C. Primary geographical segments		
Saudi Arabia	**17,416,362**	6,239,785
Turkey	**5,236,668**	1,869,973
United Arab Emirates	**4,518,374**	1,652,113
Egypt	**1,481,858**	405,697
Kuwait	**1,132,322**	221,267
Pakistan	**836,778**	1,959,996
Others	**2,013,084**	1,778,802
	32,635,446	14,127,633

6 Operating cost

	2022 AED	2021 AED
Cost of material consumed and services cost	**14,655,544**	7,012,594
Direct staff cost	**1,582,012**	728,968
	16,237,556	7,741,562

7 General and administrative expenses

	2022 AED	2021 AED
Salaries and other related benefits	**9,706,342**	2,464,127
Management fee (refer note 14)	**1,992,272**	1,179,427
IT charges	**1,346,290**	587,662
Rent expense	**689,090**	900,435
Communication expenses	**363,929**	274,847
Insurance expense	**279,300**	116,475
Traveling and conveyance expenses	**184,974**	27,336
Depreciation on property and equipment (refer note 10)	**17,630**	33,584
Other expenses	**811,370**	960,705
	15,391,197	6,544,598

8 Other income

	2022 AED	2021 AED
Other income	**722,167**	-
Management fee *(refer note (i) below)*	-	2,109,773
	722,167	2,109,773

(i) Management fee was charged to a related party "MHWirth Gas and Oil-field Equipment and Services LLC" for the use of the Company's administrative services and related facilities. As per the agreement, 5% of the total revenue earned by the related party was charged by the Company, the contract was valid only for the fiscal year ended 31 December 2021.

9 Finance costs

	2022 AED	2021 AED
Realized foreign exchange loss	**(182,313)**	(227,763)

10 Inventories

	2022 AED	2021 AED
Spare parts	**252,509**	329,772
Less: provision for slow moving inventories	**(97,677)**	(38,061)
	154,832	291,711

The movement in allowance for impairment against obsolete inventories was as follows:

	2022 AED	2021 AED
At 1 January	**38,061**	38,061
Provision for slow moving inventories	**59,616**	-
At 31 December	**97,677**	38,061

11 Property and equipment

	Furniture, fixtures and equipment AED	Motor vehicles AED	Total AED
Cost			
At 1 January 2021	3,738,738	71,000	3,809,738
At 31 December 2021 and 2022	3,738,738	71,000	3,809,738
Accumulated depreciation			
At 1 January 2021	3,686,350	71,000	3,757,350
Charge for the year *(refer note 7)*	33,584	-	33,584
At 31 December 2021	3,719,934	71,000	3,790,934
At 1 January 2022	3,719,934	71,000	3,790,934
Charge for the year *(refer note 7)*	17,630	-	17,630
At 31 December 2022	3,737,564	71,000	3,808,564
Net book value			
At 31 December 2022	**1,174**	-	**1,174**
At 31 December 2021	18,804	-	18,804

12 Trade and other receivables

	2022 AED	2021 AED
Trade receivables	**16,304,287**	4,084,320
Less: impairment loss on trade receivables (refer note 22(i))	**(99,891)**	-
	16,204,396	4,084,320
Prepayments	**655,066**	623,743
VAT receivable	**466,331**	94,306
Deposits	**72,741**	72,741
Others	**135,301**	52,763
	17,533,835	4,927,873

i) As at 31 December 2022, the Company does not have concentration of credit risk (as at 31 December 2021: Nil)

13 Contract assets

	2022 AED	2021 AED
Contract assets	**1,655,632**	353,709

The contract assets primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date.

14 Related party transactions and balances

The Company in the ordinary course of business enter into transactions with other business enterprises that fall within the definition of a related party contained in International Accounting Standard No. 24. Transactions with related parties were carried out at mutually agreed terms.

The significant related party transactions are as follows:

Purchase of goods and services

	2022 AED	2021 AED
MHWirth Gmbh (Associate)	**6,443,587**	2,714,901
MHWirth Gas and Oilfield Equipment & Services LLC (Associate)	**2,129,875**	13,990
Hydril USA Distribution LLC (Associate)	**2,560,277**	-
MHWirth AS (Parent Company)	**2,019,471**	3,236,874
HMH Holding B.V (Associate) *(refer note (i) below)*	**1,028,156**	-
Aker Solutions AS (Associate)	**19,485**	29,235
MHWirth UK Ltd (Associate)	**7,524**	-
	14,208,375	5,995,000

Sale of goods and services

	2022 AED	2021 AED
MHWirth Gas and Oilfield Equipment & Services LLC (Associate)	**6,389,885**	-
Hydril USA Distribution LLC (Associate)	**1,360,359**	-
MHWirth Gmbh (Associate)	**489,675**	239,928
MHWirth (Singapore) Pte Ltd (Associate)	**91,486**	-
Hydril Pressure Controlling Arabia Limited (Associate)	**547,840**	-
HMH Holding B.V (Associate)	**788,212**	
MHWirth AS (Parent Company)	**-**	704,668
	9,667,457	944,596

Management fee

	2022 AED	2021 AED
MHWirth AS (Parent Company)	**1,992,272**	1,179,427

* Management fee is also charged by the Parent Company "MH Wirth AS" for the use of the Company's administrative services and related facilities

14 Related party transactions and balances *(continued)*

Expenses recharged from a related party

	2022 AED	2021 AED
MHWirth Gas and Oilfield Equipment & Services LLC (Associate)	**932,544**	-

Expenses recharged to related parties

	2022 AED	2021 AED
MHWirth Gas and Oilfield Equipment & Services LLC (Associate)	**427,065**	5,225,940
Hydril USA Distribution LLC (Associate) *(refer note (ii) below)*	**172,721**	-
	599,786	5,225,940

(i) Global IT Charge is also charged by the Parent Company "HMH Holding BV" for the use of Global IT facilities.

(ii) The Company provides services of technical nature to a related party's customer project. Consequently, the salaries are recharged to MH Wirth Gas & Oilfield Equipment & services LLC ,Hydril USA Distribution LLC and Hydril Pressure Controlling Arabia Limited.

Compensation to key management personnel

	2022 AED	2021 AED
Short-term employee benefits	**2,328,508**	1,429,596
Post-employment benefits	**746,130**	533,508

14 Related party transactions and balances *(continued)*

Due from related parties

	2022 AED	2021 AED
MHWirth Gas and Oilfield Equipment & Services LLC	4,260,143	13,500,319
Hydril USA Distribution LLC	964,858	-
Hydril Pressure controlling Arabia Limited	410,655	123,075
MHWirth LLC USA	232,341	-
MHWirth AS (Azerbaijan)	155,942	-
MHWirth (Singapore) Pte Ltd	63,264	-
Step oil tools Fze	-	9,640
MHH Holding B.V	-	728,797
	6,087,203	14,361,831

Due to related parties

	2022 AED	2021 AED
MHWirth Gmbh	2,057,909	470,021
MHWirth AS	1,348,304	233,460
HMH Holding BV	1,028,156	-
Aker Solutions	2,792	-
Hydril USA distribution LLC	-	294,697
MHWirth UK Ltd	-	7,414
	4,437,161	1,005,592

* Balances due from / to related parties are un-secured, repayable on demand and carried no interest.

15 Cash at banks

	2022 AED	2021 AED
Cash at banks – current accounts	**11,988,614**	7,070,941

16 Trade and other payables

	2022 AED	2021 AED
Trade payables	3,325,652	748,191
Accrued expenses and provisions	583,436	778,883
Advance from customers	1,019,632	97,205
Other payables	4,455,992	656,811
	9,384,712	2,281,090

17 Employees' end of service benefits

	2022 AED	2021 AED
At 1 January	**2,732,780**	1,567,298
Provision made during the year	**510,721**	377,270
Transferred (to)/from related parties during the year	**(30,447)**	788,212
Payments made during the year	**(229,151)**	-
At 31 December	**2,983,903**	2,732,780

The provision for employees' end of service benefits is calculated in accordance with the UAE Federal Labour Law and is based on the liability that would arise if the employment of all the Company's staff were terminated on the reporting date. Management considers these as long-term obligations and accordingly they are classified as long-term liabilities.

18 Share capital

	2022 AED	2021 AED
Authorized, issued and fully paid up capital		
8 shares with par value of AED 1,000,000 each	**8,000,000**	8,000,000

19 Dividend

During the current year, the Company has declared and paid dividend amounting to AED 1,836,549 *(2021: AED 1,836,575).*

20 Contingent liabilities and capital commitment

There are no contingent liabilities and no capital commitment as at 31 December 2022.

21 Operating lease commitments

The Company leases office premises under an operating lease. The leases run for a period of one year, with an option to renew the lease after that date. Current lease is expiring in October 2023 and management is undecided to renew the lease and therefore management is of the view that impact of IFRS 16 on the financial statements is not material to the financial statements.

Non-cancellable operating lease rentals are payable as follows:

	2022 AED	2021 AED
Due within one year	**527,297**	527,297

22 Financial instruments

Financial assets of the Company include cash at banks, due from related parties, trade and other receivables and contract assets excluding prepayments, advances and VAT receivables. Financial liabilities of the Company include due to related parties and trade and other payables. Accounting policies for financial assets and financial liabilities are set out in note 3.

22 Financial instruments *(continued)*

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is mainly attributable to trade and other receivables (excluding prepayments and VAT receivables), contract assets, due from related parties and cash at banks. The exposure to credit risk on trade receivables is monitored on an ongoing basis by the management. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are a legal entity, wholesale, customer, their geographic location, industry, trading history with the Company and existence of previous financial difficulties.

Exposure to credit risk

The carrying amount of financial assets represent the maximum credit exposure. The maximum exposure to credit risk as the reporting date was:

	2022 AED	2021 AED
Trade receivables	**16,204,396**	4,084,320
Contract assets	**1,655,632**	353,709
Other receivables (excluding VAT and prepayments)	**208,042**	125,504
Due from related parties	**6,087,203**	14,361,831
Cash at banks	**11,988,614**	7,070,941
	36,143,887	25,996,305

(i) Trade receivables

Expected credit loss assessment for customers as at 31 December

The Company uses and allowance matrix to measure the ECLs of trade receivables and contract asset from customers. Loss rates are calculated using "roll rate" method based on the profitability of a receivable progressing through successive stages of delinquency to write off. Roll rates are calculated separately to exposures in different segments based on the following common credit risks characteristics – geographic regions, age of customer relationship and industry.

The following table provides the information above the exposure to credit risk and ECLs for trade receivables as at 31 December:

The following table provided a summary of company exposure.

	2022		2021	
	Not Credit-impaired	**Credit-impaired**	Not Credit-impaired	Credit-impaired
Not past due	**9,092,441**	-	2,516,565	-
0 – 30 days from due date	**948,333**	-	768,105	-
31 – 90 days from due date	**4,316,680**	-	344,596	-
91 – 180 days from due date	**1,727,657**	-	228,353	-
Above 180 days from due date	**219,176**	**99,891**	226,701	-
Total	**16,304,287**	**99,891**	4,084,320	-

22 Financial instruments *(continued)*

(a) Credit risk *(continued)*

(i) Trade receivables *(continued)*

The movement in allowance for impairment against trade receivables was as follows:

	2022 AED	2021 AED
At 1 January	-	555,841
Impairment loss on trade receivables	99,891	-
Write off during the year	-	(555,841)
At 31 December	99,891	-

The credit quality of financial assets can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2022 AED	2021 AED
Externally rated financial assets (Moody's)		
A and above	11,988,614	7,070,941

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

(b) Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting arrangements:

Non-derivative financial liabilities

	Carrying amount AED	Contractual cash outflows AED	Less than one year AED	More than one year AED
31 December 2022				
Trade and other payables (excluding advance from customers)	8,365,080	(8,365,080)	(8,365,080)	-
Due to related parties	4,437,161	(4,437,161)	(4,437,161)	-
	12,802,241	(12,802,241)	(12,802,241)	-
31 December 2021				
Trade and other payables	2,183,885	(2,183,885)	(2,183,885)	-
Due to related parties	1,005,592	(1,005,592)	(1,005,592)	-
	3,189,477	(3,189,477)	(3,189,477)	-

22 Financial instruments *(continued)*

(c) Interest rate risk

At the reporting date, the Company is not exposed to any interest rate risk.

(d) Currency risk

The Company is mainly exposed to currency risk on transactions denominated in a currency other than the functional currency of the Company. The Company has transactions denominated in USD, a currency to which the AED is pegged and accordingly there is no currency risk on it.

(e) Fair value

The carrying value of the Company's financial assets and liabilities approximates their fair value at the reporting date.

23 Significant accounting estimates and judgments

The followings are the significant accounting estimates and judgments used by management in the preparation of these financial statements:

Expected credit losses on financial assets

The Company reviews its receivables to assess impairment at least on an annual basis. The Company's credit risk is primarily attributable to its trade receivables, contract assets, amounts due from related parties, and cash at banks. In determining whether impairment losses should be reported in the profit or loss, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made in accordance with "Expected credit loss model" (ECL), which requires considerable judgment about how the changes in economic factors affect ECLs, which are determined on a probability of weight basis.

At the statement of financial position date, gross trade receivables were AED 16,304,287 (2021: AED 4,084,320) and the impairment loss of receivables as at 31 December 2022 is AED 99,891 (2021: Nil).

24 Comparative figures

Previous year's figures have reclassified / reestablishment wherever necessary to conform to the presentation adopted in these financial statements.

25 UAE Corporate tax

On 9 December 2022, the UAE Ministry of Finance released the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

As at 31 December 2022, the Law was not considered to be substantively enacted from the perspective of IAS 12 – Income Taxes since the threshold of income over which the 9% tax rate would apply and other clarifications were yet to be prescribed by way of Cabinet Decisions.

The Cabinet of Ministers Decision No. 116/2022 effective from 2023, has confirmed the threshold of income over which the 9% tax rate would apply and the Law is considered to be substantively enacted. A rate of 9% will apply to taxable income exceeding AED 375,000 and a rate of 0% will apply to taxable income not exceeding AED 375,000.

25 UAE Corporate tax *(continued)*

The Company is currently in the process of assessing the impact on the financial statements, both from current and deferred tax perspective.

The Company shall continue to monitor the timing of the issuance of these critical Cabinet Decisions to determine their tax status and the application of IAS 12 – Income Taxes.

Appendix 34 - Audited Annual Financial Statements
as of and for the financial year ended 31 December
2023 for MHWirth FZE

MHWirth FZE

Financial statements
31 December 2023

MHWirth FZE

Financial Statements
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KPMG

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Independent auditors' report

To the Shareholder of MHWirth FZE

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of MHWirth FZE ("the Company"), which comprise the statement of financial position as at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards and their preparation in compliance with the applicable provisions of the Jebel Ali Free Zone Offshore Companies Regulations 2023, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of Management and Those Charged with Governance for the Financial Statements (continued)

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

We further report that the financial statements have been prepared, in all material respects, in compliance with the Jebel Ali Free Zone Offshore Companies Regulations 2023.

KPMG Lower Gulf Limited

Khaled Yousef
Registration No.: 5405
Dubai, United Arab Emirates
Date: 26 NOV 2024

MHWirth FZE

Statement of profit or loss and comprehensive income
For the year ended 31 December

	Note	2023 AED	2022 AED
Revenue	*5*	**78,510,629**	32,635,446
Operating costs	*6*	**(48,519,613)**	(16,237,556)
Gross profit		**29,991,016**	16,397,890
General and administrative expenses	*7*	**(15,690,134)**	(15,391,197)
Impairment loss on trade receivables	*23(a)*	**(477,217)**	(99,891)
Other income	*8*	**-**	722,167
Operating profit		**13,823,665**	1,628,969
Finance income		**199,978**	-
Finance cost		**(180,840)**	(182,313)
Net finance income/(cost)	*9*	**19,138**	(182,313)
Profit for the year		**13,842,803**	1,446,656
Other comprehensive income		**-**	-
Total comprehensive income for the year		**13,842,803**	1,446,656

The notes on pages 8 to 31 form an integral part of these financial statements.

The independent auditors' report is set out on pages 1 to 3.

MHWirth FZE

Statement of financial position
As at 31 December 2023

	Note	2023 AED	2022 AED
ASSETS			
Non-current assets			
Property and equipment	*11*	-	1,174
Intangible assets	*12*	*696,490*	-
Total non-current assets		*696,490*	1,174
Current assets			
Inventories	*10*	**1,177,461**	154,832
Contract assets	*14*	**6,413,756**	1,655,632
Trade and other receivables	*13*	**23,239,523**	17,533,835
Due from related parties	*15*	**3,792,999**	6,087,203
Loan to a related party	*15*	**9,181,250**	-
Cash at banks	*16*	**21,010,193**	11,988,614
Total current assets		**64,815,182**	37,420,116
Total assets		**65,511,672**	37,421,290
Equity and liabilities			
Equity			
Share capital	*19*	**8,000,000**	8,000,000
Retained earnings		**24,622,319**	12,615,514
Total equity		**32,622,319**	20,615,514
Non-current liability			
Employees' end of service benefits	*18*	**3,453,765**	2,983,903
Current liabilities			
Trade and other payables	*17*	**19,848,058**	9,384,712
Due to related parties	*15*	**9,587,530**	4,437,161
Total current liabilities		**29,435,588**	13,821,873
Total liabilities		**32,889,353**	16,805,776
Total equity and liabilities		**65,511,672**	37,421,290

The notes on pages 8 to 31 form an integral part of these financial statements.

To the best of our knowledge, these financial statements fairly present, in all material respects, the financial position, results of operation and cash flows of the Company as of, and for, the year ended 31 December 2023.

These financial statements were approved by the Board of Directors on 26 NOV 2024 and signed on their behalf by:

General Manager
Rakan Al Saifi
(Power of Attorney dated 4 February 2020)
The independent auditors' report is set out on pages 1 to 3.

MHWirth FZE

Statement of cash flows
For the year ended 31 December 2023

	Note	2023 AED	2022 AED
Operating activities			
Profit for the year		**13,842,803**	1,446,656
Adjustments for:			
Impairment loss on trade receivables		**477,217**	99,891
Depreciation on property and equipment	*11*	**1,174**	17,630
Amortisation on intangible assets	*12*	**12,831**	-
Provision for slow moving inventories	*10*	**154,832**	59,616
Provision for employees' end of service benefits	*18*	**553,291**	510,721
Interest income on loan to a related party	*15*	**(199,978)**	-
Operating cashflows before working capital changes		**14,842,170**	2,134,514
Change in inventories		**(1,177,461)**	77,263
Change in contract assets		**(4,758,124)**	(1,301,923)
Change in trade and other receivables		**(6,182,905)**	(12,705,853)
Change in due from related parties		**2,294,204**	8,274,628
Change in trade and other payables		**10,463,346**	7,103,622
Change in due to related parties		**5,150,369**	3,401,122
Payment of employees' end service benefits	*18*	**(83,429)**	(229,151)
Net cash flows generated from operating activities		**20,548,170**	6,754,222
Cash flows from investing activities			
Acquisition of intangible assets	*12*	**(709,321)**	-
Loan provided to a related party	*15*	**(14,690,000)**	-
Loan repaid by a related party	*15*	**5,708,728**	-
Net cash used in investing activities		**(9,690,593)**	-
Cash flows from financing activity			
Dividend declared and paid	*20*	**(1,835,998)**	(1,836,549)
Net cash used in financing activity		**(1,835,998)**	(1,836,549)
Net increase in cash and cash equivalents		**9,021,579**	4,917,673
Cash and cash equivalents at the beginning of the year		**11,988,614**	7,070,941
Cash and cash equivalents at end of the year	*16*	**21,010,193**	11,988,614

The notes on pages 8 to 31 form an integral part of these financial statements.

The independent auditors' report is set out on pages 1 to 3.

MHWirth FZE

Statement of changes in equity
For the year ended 31 December 2023

	Share Capital AED	Retained earnings AED	Total AED
Balance at 1 January 2022	8,000,000	13,005,407	21,005,407
Total comprehensive income for the year			
Profit for the year	-	1,446,656	1,446,656
Transaction with owner recorded directly in equity			
Dividend declared and paid *(refer note 20)*	-	(1,836,549)	(1,836,549)
Balance at 31 December 2022	8,000,000	12,615,514	20,615,514
Balance at 1 January 2023	8,000,000	12,615,514	20,615,514
Total comprehensive income for the year			
Profit for the year	-	13,842,803	13,842,803
Transaction with owner recorded directly in equity			
Dividend declared and paid *(refer note 20)*	-	(1,835,998)	(1,835,998)
Balance at 31 December 2023	**8,000,000**	**24,622,319**	**32,622,319**

The notes on pages 8 to 31 form an integral part of these financial statements.

1 Legal status and principal activities

MHWIRTH FZE ("the Company"), was incorporated as a Free Zone Establishment in the Jebel Ali Free Zone, in Dubai, United Arab Emirates on 29 April 2008 with Trading License No. 106276. The Company is a wholly owned subsidiary of MHWIRTH AS ("the Shareholder"), a company incorporated in Norway. The ultimate holding companies of MHWirth AS are Akastor ASA (50%) and Baker Hughes Holding LLC (50%).

The principal activities of the Company are general trading of well drilling equipment, oilfield natural gas equipment and spare parts and related services.

The registered address of the Company is Office No FZJOB 1024, 1025 and 1023, Jebel Ali 262597, Dubai, United Arab Emirates.

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in accordance with Jebel Ali Free Zone Offshore Companies Regulations 2023.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost basis.

2.3 Functional and presentation currency

These financial statements are presented in United Arab Emirates Dirhams ("AED") which is the functional and presentation currency of the Company.

2.4 Use of estimates and judgments

The preparation of these 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, liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

In particular, information about significant areas of estimation, uncertainty, and critical judgments in applying accounting policies that may have a material effect on the amounts recognised in the financial statements are described in note 24.

3 Material accounting policies

The following material accounting policies which comply with IFRS, have been applied consistently to all periods presented in these financial statements.

In addition, the Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of 'material' rather than 'significant', accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in Note 3 in certain instances.

3.1 New Standards and Amendments to IFRS

Accounting standards issued but not yet effective:

A number of new accounting standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. However, the Company has not early adopted the following new or amended accounting standards in preparing these financial statements:

	Effective date:
- Non-current liabilities with covenants — Amendments to IAS I	1 January 2024
- Lease liability in a Sale and Leaseback — Amendments to IFRS 16	1 January 2024
- Supplier finance arrangements — Amendments to IAS 7 and IFRS 7	1 January 2024
- Lack of exchangeability — Amendments to IAS 21	1 January 2025

New and amended standards issued and effective:

The following new or amended standards that are required to be adopted in annual periods beginning on or after 1 January 2023 that do not have a material impact on the Company's financial statements are as follows:

	Effective date:
- IFRS 17 insurance contracts	1 January 2023
- Disclosure of accounting policies — Amendments to IAS I and IFRS practice statement 2	1 January 2023
- Definition of accounting estimates — Amendments to IAS 8	1 January 2023
- Deferred tax related to assets and liabilities arising from a single Transaction Amendments to IAS 12	1 January 2023
- International tax reform — Pillar two model rules Amendments to IAS 12	23 May 2023

3.2 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3 Material accounting policies (continued)

3.3 Property and equipment

Recognition and measurement

Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any (refer to accounting policy on impairment). Cost includes expenditure that is directly attributable to the acquisition of the asset and bringing the asset to a working condition for its intended use. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised on a net basis within other income or other expense in profit or loss.

Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. On-going repairs and maintenance is expensed as incurred.

Depreciation

Depreciation is based on the cost of an asset. Depreciation on items of property and equipment is charged to profit or loss on a straight-line basis over their estimated useful lives from the date of acquisition as follows:

	Years
Furniture, fixtures and equipment	3 - 5
Motor vehicle	3

The depreciation method, residual value and useful lives of items of property and equipment are reviewed annually and amended if circumstances change. Any change is accounted for as a change in accounting estimate by changing the depreciation charge for the current and future periods.

Intangible asset

Recognition and measurement

Intangible assets primarily comprise of ERP software with ammortisation period of 5 years. Intangible assets with a finite useful life that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses (if any).

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it is related. All other expenditure is recognised in profit or loss as incurred.

3 Material accounting policies (continued)

3.3 Intangible asset (continued)

Amortisation

Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the intangible assets from the date that they are available for use.

The Company has estimated a useful life of 5 years for these software's, for the current and the comparative periods.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate

3.4 Financial instruments

Classification and measurement of financial assets and financial liabilities

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial assets that meet the following conditions are subsequently measured at amortised cost less impairment loss and deferred income, if any (except for those assets that are designated as at fair value through other comprehensive income on initial recognition):

1. the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

2. the contractual terms of the instrument give rise to cash flows on specified dates that are solely payments of principal and profit on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies apply to the subsequent measurement of financial assets.

3 Material accounting policies (continued)

3.4 Financial instruments (continued)

Classification and measurement of financial assets and financial liabilities (continued)

Financial assets – Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features)

3 Material accounting policies (continued)

3.4 Financial instruments (continued)

Classification and measurement of financial assets and financial liabilities (continued)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3 Material accounting policies (continued)

3.4 Financial instruments (continued)

Impairment

Financial instruments and contract assets

The Company recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets.
- due form related parties
- loan to a related party

The Company measures loss allowances at an amount equal to lifetime ECLs, except for cash at banks which are measured at 12-month ECLs.

Loss allowances for receivables are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the financial asset is more than 180 days past due.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

3 Material accounting policies (continued)

3.4 Financial Instruments (continued)

Impairment (continued)

Financial instruments and contract assets (continued)
At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due; the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 365 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

3 Material accounting policies (continued)

3.4 Financial Instruments (continued)

Impairment (continued)

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, 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.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises 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 recognised 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 recognised in the profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.5 Revenue from contracts with customers

The Company recognises revenue from rendering of services based on a five-step model as set out in IFRS 15:

Step 1 Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2 Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the Customer.

Step 3 Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised service to a customer, excluding amounts collected on behalf of third parties.

Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5 Recognise revenue when (or as) the entity satisfies a performance obligation.

3 Material accounting policies (continued)

3.5 Revenue from contracts with customers (continued)

The Company satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; or
- The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Company's performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which performance obligation is satisfied.

When the Company satisfies a performance obligation by delivering the promised services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Sale of goods

Customers obtain control of goods when the goods are delivered to the customers. Invoices are generated at that point in time. Invoices are usually payable within 30 days. Discounts are provided for goods however insignificant in amount.

Revenue is recognised when the goods are delivered and have been accepted by customers. For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Revenue for made-to-order paper products is recognised over time – i.e. before the goods are delivered to the customers' premises.

Rendering of services

Under IFRS 15, the consideration under service contract is based on their stand-alone selling price as agreed with the customer in the respective service contracts. As per Company's assessment, the fair value and stand-alone selling prices of the services are broadly similar.

Revenue from service contracts is recognised over time as the services are provided. The Company's performance is determined with reference to milestones achieved to date (output method) which is assessed based on the contract. The amount of revenue to recognise is the fair value of the consideration received or receivable.

3.6 Foreign currency transactions

Transactions denominated in foreign currencies are translated into AED at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the AED at the exchange rates ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3 Material accounting policies (continued)

3.7 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

3.8 Employees' end of service benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognized in profit or loss in the year in which they arise. Provision is made for end of service benefits due to employees in accordance with the UAE Labour Law and is based on the current remuneration and their period of service at the end of the reporting period. The provision has been classified as a non-current liability.

3.9 Finance income and finance costs

The Company's finance income and finance cost includes the following:

- interest income from loan to a related party;
- bank charges;
- the foreign currency gain or loss; and

Interest income is recognized using the effective interest method. Foreign currency gains and losses are reported on a net basis as either finance income or finance expense depending on whether foreign currency movements are in a net gain or net loss position respectively.

4 Financial risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Furthermore, quantitative disclosures are included throughout these financial statements.

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's senior management is responsible for developing and monitoring the Company's risk management policies.

4 Financial risk management (continued)

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

4.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is mainly attributable to trade and other receivables (excluding prepayments, advances and VAT receivables), contract assets, due from related parties, loan to a related party and cash at banks. The exposure to credit risk on trade and other receivables (excluding prepayments, advances and VAT receivables), contract assets, loan to a related party and due from related parties are monitored on an ongoing basis and these are considered recoverable by the Company's management. The Company's cash is placed with banks of good repute.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and the country, in which customers operate, has less of an influence on credit risk.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables (excluding prepayments, advances and VAT receivables). The main component of this allowance is a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

4.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with the financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk mainly relates to trade and other payables and due to related parties. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

4.3 Market rate risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

During the year, the Company has provided loan to HMH Holding B.V "Ultimate parent". The loan, amounting to USD 2,500,000, was provided at an interest rate of 5.87%, Since the rate of interest is fixed, there is no exposure to interest rate risk.

4 Financial risk management (continued)

4.3 *Market rate risk* (continued)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is not significantly exposed to currency risk. USD is currently pegged to AED.

Capital management

The Management manages the Company's capital to ensure that it will be able to continue as a going concern while maximising the return to shareholder through the optimisation of debt and equity balances.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid, issue new shares, or sell assets to reduce debt.

There were no changes in the Company's approach to capital management during the current year and previous year. The Company is not subject to externally imposed capital requirements except for requirements as per the provisions of the Implementing Regulations of Jebel Ali Free Zone.

5 Revenue

		2023	2022
		AED	AED
A.	**Major products and service lines**		
	Services	**65,086,232**	19,341,088
	Sale of goods	**13,424,397**	13,467,079
		78,510,629	32,635,446
B.	**Timing of revenue recognition**		
	Revenue transferred overtime	**65,086,232**	19,341,088
	Revenue transferred at a point in time	**13,424,397**	13,467,079
		78,510,629	32,635,446
C.	**Primary geographical segments**		
	Saudi Arabia	**47,739,469**	17,416,362
	United Arab Emirates	**10,223,858**	4,518,374
	Turkey	**3,551,824**	5,236,668
	Kuwait	**3,544,458**	1,132,322
	Egypt	**1,657,219**	1,481,858
	Pakistan	**456,919**	836,778
	Others	**11,336,882**	2,013,084
		78,510,629	32,635,446

6 Operating costs

	2023 AED	2022 AED
Cost of material consumed and service cost	**45,917,614**	14,655,544
Direct staff cost	**2,601,999**	1,582,012
	48,519,613	16,237,556

7 General and administrative expenses

	2023 AED	2022 AED
Salaries and other related benefits *(refer note (i) below)*	**9,269,505**	9,706,342
Management fees *(refer note 15)*	**2,130,944**	1,992,272
IT charges	**1,713,089**	1,346,290
Rent	**686,586**	689,090
Travelling and conveyance	**541,016**	184,974
Communication	**376,314**	363,929
Insurance	**217,019**	279,300
Amortisation on intangible assets *(refer note 12)*	**12,831**	-
Depreciation on property and equipment *(refer note 11)*	**1,174**	17,630
Other expenses	**741,656**	811,370
	15,690,134	15,391,197

(i) Out of total gross salaries and other related benefits of AED 11,871,504 *(2022: AED 12,197,845)*, an amount of AED 9,269,505 *(2022: AED 9,706,342)* had been charged under general and administrative expenses and AED 2,601,999 *(2022: AED 1,582,012)* had been charged under operating costs.

8 Other income

	2023 AED	2022 AED
Recovery from debtor earlier written off	-	722,167
	-	722,167

9 Net finance income/(cost)

	2023 AED	2022 AED
Finance income		
Interest income from loan to a related party *(refer note 15)*	**199,978**	-
	199,978	-
Finance cost		
Bank charges	**(102,412)**	(93,953)
Realized foreign exchange loss	**(78,428)**	(88,560)
	(180,840)	(182,313)
Net finance income/(cost)	**19,138**	(182,313)

10 Inventories

	2023 AED	2022 AED
Spare parts	**473,364**	252,509
Goods in transit	**956,606**	-
Less: provision for slow moving inventories	**(252,509)**	(97,677)
	1,177,461	154,832

The movement in allowance for impairment against slow moving inventories was as follows:

	2023 AED	2022 AED
At 1 January	**97,677**	38,061
Provision for slow moving inventories	**154,832**	59,616
At 31 December	**252,509**	97,677

11 Property and equipment

	Furniture, fixtures and equipment AED	Motor vehicles AED	Total AED
Cost			
At 1 January 2022	3,738,738	71,000	3,809,738
At 31 December 2023	**3,738,738**	**71,000**	**3,809,738**
Accumulated depreciation			
At 1 January 2022	3,719,934	71,000	3,790,934
Charge for the year *(refer note 7)*	17,630	-	17,630
At 1 January 2023	3,737,564	71,000	3,808,564
Charge for the year *(refer note 7)*	1,174	-	1,174
At 31 December 2023	**3,738,738**	**71,000**	**3,809,738**
Net book value			
At 31 December 2023	-	-	-
At 31 December 2022	1,174	-	1,174

12 Intangible assets

	Software AED
Cost	
At 1 January 2023	-
Additions	709,321
At December 2023	**709,321**
Accumulated amortization	-
At 1 January 2023 *(refer note 7)*	-
Charge for the year	12,831
At December 2023	**12,831**
Net book value	
At 31 December 2023	**696,490**
At 31 December 2022	-

13 Trade and other receivables

	2023 AED	2022 AED
Trade receivables	**22,935,536**	16,304,287
Less: impairment loss on trade receivables *(refer note 23 (a))*	**(577,108)**	(99,891)
	22,358,428	16,204,396
Prepayments	**613,407**	655,066
Advances	**140,249**	-
Deposits	**68,166**	72,741
VAT receivable	**24,438**	466,331
Others	**34,835**	135,301
	23,239,523	17,533,835

14 Contract assets

	2023 AED	2022 AED
Contract assets	**6,413,756**	1,655,632

The contract assets primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date.

15 Related party transactions and balances

The Company in the ordinary course of business enter into transactions with other business enterprises that fall within the definition of a related party contained in International Accounting Standard No. 24. Transactions with related parties were carried out at mutually agreed terms.
The significant related party transactions are as follows:

Purchase of goods and services

	2023 AED	2022 AED
MHWirth Gmbh (Associate)	**15,304,932**	6,443,587
MHWirth AS (Parent Company)	**10,125,054**	2,019,471
Hydril USA Distribution LLC (Associate)	**3,327,771**	2,560,277
MHWirth India (Associate)	**832,983**	-
Hydril PCB Ltd (Associate)	**652,509**	-
MHWirth UK Ltd (Associate)	**169,812**	7,524
Aker Solutions AS (Associate)	**8,943**	19,485
MHWirth Gas and Oilfield Equipment & Services LLC (Associate)	-	2,129,875
MHH Holding B.V (Associate)	-	1,028,156
	30,422,004	14,208,375

Sales of goods and services

	2023 AED	2022 AED
MHWirth Gas and Oilfield Equipment & Services LLC (Associate)	**7,494,315**	6,389,885
MHWirth (Singapore) Pte Ltd (Associate)	**601,074**	91,486
MHWirth Gmbh (Associate)	**263,315**	489,675
HMH Holding B.V (Associate)	**12,147**	788,212
Hydril USA Distribution LLC (Associate)	-	1,360,359
Hydril Pressure Controlling Arabia Limited (Associate)	-	547,840
	8,370,851	9,667,457

Management fees

	2023 AED	2022 AED
MHWirth AS (Parent Company)	**1,272,572**	1,992,272
HMH Holding B.V (Associate)	**858,372**	-
	2,130,944	1,992,272

15 Related party transactions and balances (continued)

Loan to a related party

	2023 AED	2022 AED
Loan to a related party (refer note (i))	**9,181,250**	-

Interest income from loan to a related party

	2023 AED	2022 AED
Interest income from loan to a related party (refer note (i))	**199,978**	-

(i) During the year, the Company has provided two short-term loans to HMH Holding B.V "Ultimate Parent". The first loan, totaling USD 1,500,000, bore an interest rate of 5.32% and was fully repaid within the same year. The second loan, amounting to USD 2,500,000, was provided at an interest rate of 5.87% and remains outstanding, with repayment scheduled for April 30, 2024. Subsequent to the year-end, this loan was fully repaid in 2024.

The movement of loan to a related party is as follows:

	2023 AED	2022 AED
Balances at 1 January	-	-
Loan provided during the year	**14,690,000**	-
Interest income on loan to a related party	**199,978**	-
Loan repaid during the year	**(5,708,728)**	(-)
Balances at 31 December	**9,181,250**	-

Expense recharged by a related party

	2023 AED	2022 AED
MHWirth Gas and Oilfield Equipment & Services LLC (Associate)	**4,711,313**	932,544

Expense recharged to related parties

	2023 AED	2022 AED
MHWirth Gas and Oilfield Equipment & Services LLC (Associate)	**1,808,866**	427,065
Hydril USA Distribution LLC (Associate) *(refer note (b) below)*	**1,750,946**	172,721
Hydril Pressure Controlling Arabia Limited (Associate)	**792,283**	-
	4,352,095	599,786

15 Related party transactions and balances (continued)

(a) Management fee is charged by the Parent Company "MH Wirth AS" for the use of Company's administrative services and related facilities.

(b) The Company provides services of technical nature to a related party's customer project. Consequently, the salaries are recharged to Mhwirth Gas & Oilfield Equipment & services LLC, Hydril USA Distribution LLC and Hydril Pressure Controlling Arabia Limited.

Compensation to key management personnel

	2023 AED	2022 AED
Short-term employee benefits	**2,466,196**	2,328,508
Post-employment benefits	**919,133**	746,130

Due from related parties

	2023 AED	2022 AED
MHWirth Gas and Oilfield Equipment & Services LLC	**3,607,462**	4,260,143
Hydril Pressure controlling Arabia Limited	**185,537**	410,655
Hydril USA Distribution LLC	-	964,858
MHWirth LLC USA	-	232,341
MHWirth AS (Azerbaijan)	-	155,942
MHWirth (Singapore) Pte Ltd	-	63,264
	3,792,999	6,087,203

Due to related parties

	2023 AED	2022 AED
MHWirth AS	**4,833,212**	1,348,304
MHWirth Gmbh	**3,061,612**	2,057,909
HMH Holding BV	**645,670**	1,028,156
MHWirth India Private Limited	**304,355**	-
Hydril USA distribution LLC	**284,867**	-
MHWirth Azerbaijan	**247,955**	-
Hydril PCB Limited	**209,859**	-
Aker Solutions	-	2792
	9,587,530	4,437,161

Balances due from / to related parties are un-secured, repayable on demand and bear no interest.

16 Cash at banks

	2023 AED	2022 AED
Cash at banks – current accounts	**21,010,193**	11,988,614

17 Trade and other payables

	2023 AED	2022 AED
Trade payables	**4,755,107**	3,325,652
Accrued expenses and provisions	**2,270,021**	583,436
Other payables *(refer note (i) below)*	**9,235,681**	4,455,992
Advance from customers	**3,587,249**	1,019,632
	19,848,058	9,384,712

(i) Other payables include an amount of AED 7.1 million payable to MHWirth AS "a related party" to support charges associated with Company's projects.

18 Employees' end of service benefits

	2023 AED	2022 AED
At 1 January	**2,983,903**	2,732,780
Provision made during the year	**553,291**	510,721
Transferred to related parties during the year	-	(30,447)
Payments made during the year	**(83,429)**	(229,151)
At 31 December	**3,453,765**	2,983,903

The provision for employees' end of service benefits is calculated in accordance with the UAE Federal Labour Law and is based on the liability that would arise if the employment of all the Company's staff were terminated on the reporting date. Management considers these as long-term obligations and accordingly they are classified as long-term liabilities.

19 Share capital

	2023 AED	2022 AED
Authorized, issued and fully paid up capital		
8 shares with par value of AED 1,000,000 each	**8,000,000**	8,000,000

20 Dividend

During the current year, the Company has declared and paid dividend amounting to AED 1,835,998 *(2022: AED 1,836,549).*

21 Contingent liabilities and capital commitment

There are no contingent liabilities and no capital commitment as at 31 December 2023 and 31 December 2022.

22 Operating lease commitments

The Company leases office premises under an operating lease. The leases run for a period of one year, with an option to renew the lease after that date. Current lease is expiring in October 2024 and management is undecided to renew the lease and therefore management is of the view that impact of IFRS 16 on the financial statements is not material to the financial statements.

Non-cancellable operating lease rentals are payable as follows:

	2023	2022
	AED	AED
Due within one year	**569,563**	527,297

23 Financial instruments

Financial assets of the Company include cash at banks, due from related parties, trade and other receivables (excluding prepayments, advances and VAT receivables), loan to a related party and contract assets. Financial liabilities of the Company include due to related parties and trade and other payables. Accounting policies for financial assets and financial liabilities are set out in note 3.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is mainly attributable to trade and other receivables (excluding prepayments, advances and VAT receivables), contract assets, due from related parties and cash at banks. The exposure to credit risk on trade receivables is monitored on an ongoing basis by the management. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are a legal entity, wholesale, customer, their geographic location, industry, trading history with the Company and existence of previous financial difficulties.

Exposure to credit risk

The carrying amount of financial assets represent the maximum credit exposure. The maximum exposure to credit risk as the reporting date was:

	2023	2022
	AED	AED
Trade receivables	**22,358,428**	16,204,396
Cash at banks	**21,010,193**	11,988,614
Loan to a related party	**9,181,250**	-
Contract assets	**6,413,756**	1,655,632
Due from related parties	**3,792,999**	6,087,203
Other receivables (excluding VAT, prepayments and advances)	**103,001**	208,042
	62,859,627	36,143,887

23 Financial instruments (continued)

(a) Credit risk (continued)

(i) Trade receivables

Expected credit loss assessment for customers as at 31 December

The Company uses and allowance matrix to measure the ECLs of trade receivables and contract asset from customers. Loss rates are calculated using "roll rate" method based on the profitability of a receivable progressing through successive stages of delinquency to write off. Roll rates are calculated separately to exposures in different segments based on the following common credit risks characteristics – geographic regions, age of customer relationship and industry.

The following table provides the information above the exposure to credit risk and ECLs for trade receivables as at 31 December:

The following table provided a summary of company exposure.

	2023		2022	
	Not Credit-impaired	**Credit-impaired**	Not Credit-Impaired	Credit-impaired
Not past due	**17,858,368**	**-**	9,092,441	-
0 – 30 days from due date	**1,544,826**	**-**	948,333	-
31 – 90 days from due date	**1,194,666**	**-**	4,316,680	-
91 – 180 days from due date	**1,250,193**	**-**	1,727,657	-
Above 180 days from due date	**1,087,483**	**577,108**	219,176	99,891
Total	**22,935,536**	**577,108**	16,304,287	99,891

The movement of impairment loss on trade receivables was as follows:

	2023 AED	2022 AED
At 1 January	**99,891**	-
Add: impairment loss on trade receivables	**477,217**	99,891
At 31 December	**577,108**	99,891

The credit quality of financial assets can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2023 AED	2022 AED
Externally rated financial assets (Moody's)		
A and above	**21,010,193**	11,988,614

Impairment on cash at banks has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash at banks have low credit risk based on the external credit ratings of the counterparties.

23 Financial instruments (continued)

(b) Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting arrangements:

Non-derivative financial liabilities

	Carrying amount AED	Contractual cash outflows AED	Less than one year AED	More than one year AED
31 December 2023				
Trade and other payables				
(excluding advance from customers)	**16,260,809**	**(16,260,809)**	**(16,260,809)**	-
Due to related parties	**9,587,530**	**(9,587,530)**	**(9,587,530)**	-
	25,848,339	**(25,848,339)**	**(25,848,339)**	-
31 December 2022				
Trade and other payables	8,365,080	(8,365,080)	(8,365,080)	-
Due to related parties	4,437,161	(4,437,161)	(4,437,161)	-
	12,802,241	(12,802,241)	(12,802,241)	-

(c) Interest rate risk

During the year, the Company has provided loan to HMH Holding B.V "Ultimate parent". The loan, amounting to USD 2,500,000, was provided at an interest rate of 5.87%, Since the rate of interest is fixed, there is no exposure to interest rate risk.

(d) Currency risk

The Company is mainly exposed to currency risk on transactions denominated in a currency other than the functional currency of the Company. The Company has transactions denominated in USD, a currency to which the AED is pegged and accordingly there is no currency risk on it.

(e) Fair value

The carrying value of the Company's financial assets and liabilities approximates their fair value at the reporting date.

24 Significant accounting estimates and judgments

The following are the significant accounting estimates and judgments used by management in the preparation of these financial statements:

Expected credit losses on financial assets

The Company reviews its receivables to assess impairment at least on an annual basis. The Company's credit risk is primarily attributable to its trade receivables, amounts due from related parties and cash at banks. In determining whether impairment losses should be reported in the profit or loss, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made in accordance with "Expected credit loss model" (ECL), which requires considerable judgement about how the changes in economic factors affects ECLs, which are determined on probability of weight basis.

24 Significant accounting estimates and judgments (continued)

Expected credit losses on financial assets (continued)

At the statement of financial position date, gross trade receivables were AED 22,935,536 (2022: AED 16,304,287) and the impairment loss on trade receivables as at 31 December 2023 is AED 577,108 (2022: 99,891).

25 Purchase of shares

During the current year, the Company has not purchased any shares.

26 Corporate taxation in the United Arab Emirates ("UAE")

On 9 December 2022, the UAE Ministry of Finance released the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the Law) to enact a Federal Corporate Tax (CT) regime in the UAE. The CT regime became effective for accounting periods beginning on or after 1 June 2023 under Pillar One rules, wherein the first tax return to be due for filing by the Company by 30 September 2025.

The Cabinet of Ministers Decision No. 116/2022 effective from 2023, has confirmed the threshold of income over which the 9% tax rate would apply and the Law is considered to be substantively enacted. A rate of 9% will apply to taxable income exceeding AED 375,000, a rate of 0% will apply to taxable income not exceeding AED 375,000 [and a rate of 0% on qualifying income of free zone entities].

As at 31 December 2023, management has made an assessment taking into consideration, both current and deferred tax rules under the CT regime, wherein the management is confident that the impact is not material on the Company's assets and liabilities as at the reporting date.

However, management continues to monitor the requisite compliance with all conditions enforced including the related changes in the Law being introduced time to time and the Pillar Two rules yet to be introduced under the CT regime.

Appendix 35 - Unaudited Interim Financial Statements for the nine-month period ended 30 September 2024 for MHWirth FZE

MHWirth FZE

Draft Financial statements

30 September 2024

MHWirth FZE

Financial Statements
30 September 2024

Contents	***Page***

MHWirth FZE

Draft Statement of profit or loss and comprehensive income

For the period ended 30 September 2024.

		Nine Months Ended September 30	
		2024	2023
	Note	**AED**	AED
Revenue	*5*	**30,220,770**	54,017,505
Operating costs	*6*	**(20,833,750)**	(31,735,956)
Gross profit		**9,387,020**	22,281,550
General and administrative expenses	*7*	(11,913,427)	(12,670,347)
Impairment loss on trade receivable		**-**	-
Other income	*8*	-	-
Operating Profit		(2,526,407)	9,611,202
Finance Income		404,232	374,140
Finance Costs		(548,785)	(339,132)
Net Finance Costs	*9*	(144,533)	35,008
Profit / (Loss) for the year		(2,381,854)	9,646,210
Other comprehensive income		**-**	-
Total comprehensive income for the period		(2,381,854)	9,646,210

The notes on pages 8 to 29 form an integral part of these financial statements.

PL: 09.30.24 vs 09.30.23

MHWirth FZE

Statement of financial position

As at 30 September 2024

	Note	**2024 AED**	2023 AED
ASSETS			
Non-current asset			
Property and equipment	*11*		
Intangible assets		379,928	696,490
Current assets			
Inventories	*10*	6,974,303	1,177,461
Contract assets	*13*	6,628,913	6,413,756
Trade and other receivables	*12*	8,429,731	23,239,523
Due from related parties		14,871,656	3,792,999
Loan to a related party			9,181,250
Cash and bank balances	*14*	16,918,621	21,010,193
Current assets		53,823,224	64,815,902
Total assets		54,203,152	65,512,392
Equity			
Share capital	*18*	8,000,000	8,000,000
Retained earnings		20,404,254	24,622,319
Total equity		28,404,254	32,622,319
LIABILITIES			
Non-current liability			
Employees' end of service benefits	*16*	4,113,670	3,453,765
Current liabilities			
Trade and other payables	*15*	11,691,803	19,848,058
Due to related parties		9,993,155	9,587,530
Total current liabilities		21,684,958	29,436,308
Total liabilities		25,798,628	32,890,073
Total equity and liabilities		54,203,152	65,512,392

The notes on pages 8 to 29 form an integral part of these financial statements.

To the best of our knowledge, these financial statements fairly presents, in all material respects, the financial position, results of operation and cash flows of the Company as of, and for, the year ended 30 September 2024.

BS: 09.30.24 vs 12.31.23

MHWirth FZE

Statement of cash flows

For the period ended 30 September 2024

	Note	Nine Months Ended September 30 2024 AED	2023 AED
Cash flows from operating activities			
Profit / (Loss) for the year		(2,381,854)	9,646,210
Adjustments for:			
Charge for provision for bad and doubtful debts		-	-
Depreciation	*11*	-	-
Amortization on intangible assets		316,562	-
Provision for slow moving inventories		-	-
Provision for employees' end service benefits	*16*	659,905	506,437
Interest income on loan to a related party		-	-
Operating profit before working capital change		(1,405,387)	10,152,647
Working capital changes:			
Change in inventories	*10*	(5,642,010)	(713,248)
Change in contract assets	*13*	(215,157)	(3,111,958)
Change in trade and other receivables	*12*	7,911,807	(12,276,559)
Change in due from related parties*		(1,897,316)	(3,751,771)
Change in trade and other payables	*15*	(8,310,909)	7,100,298
Change in due to related parties		405,627	3,464,679
Payment of employees' end service benefits	*16*	-	(83,429)
Net cash flows generated from operating activities		(9,154,607)	780,459
Cash Flows from investing activities			
Acquisition of intangible assets		-	-
Loan provided to a related party		-	(581,218)
Loan repaid by a related party		6,898,705	-
Net Cash used in investing Activities		6,898,705	(581,218)
Cash flows from financing activity			
Dividend paid	*18*	(1,836,210)	(1,835,998)
Net cash used in financing activity		(1,836,210)	(1,835,998)
Net increase/(decrease) in cash and cash equivalents		(4,091,572)	(1,636,557)
Cash and cash equivalents at 1 January		21,010,193	11,988,614
Cash and cash equivalents at 31 December	*14*	16,918,621	10,352,057

* This includes non-cash transaction which is related to offset of gratuity provision against due from related party (refer note 14).

The notes on pages 8 to 29 form an integral part of these financial statements.

CF: 09.30.24 vs 09.30.23

MHWirth FZE

Statement of changes in equity

For the period ended 30 September 2024

	Share Capital AED	Retained earnings AED	Total AED
At 1 January 2022	8,000,000	13,005,407	21,005,407
Total comprehensive income for the year			
Profit for the year	-	1,446,656	1,446,656
Transaction with owner recorded directly in equity			
Dividend declared and paid (refer note 18)	-	(1,836,549)	(1,836,549)
At 31 December 2022	**8,000,000**	**12,615,514**	**20,615,514**
At 1 January 2023	8,000,000	12,615,514	20,615,514
Total comprehensive income for the year			
Profit for the period	-	9,646,210	13,842,803
Transaction with owner recorded directly in equity			
Dividend declared and paid (refer note 18)	-	(1,835,998)	(1,835,998)
At 30 September 2023	**8,000,000**	**20,425,726**	**28,425,726**
At 1 January 2024	8,000,000	24,622,319	32,622,318
Total comprehensive income for the year			
Loss for the period	-	(2,381,854)	(2,381,854)
Transaction with owner recorded directly in equity			
Dividend declared and paid (refer note 18)	-	(1,836,210)	(1,835,998)
At 30 September 2024	**8,000,000**	**20,404,254**	**28,404,254**

The notes on pages 8 to 29 form an integral part of these financial statements.

1 Legal status and business activities

MHWIRTH FZE ("the Company"), was incorporated as a Free Zone Establishment in the Jebel Ali Free Zone, in Dubai, United Arab Emirates on 29 April 2008. The Company is a wholly owned subsidiary of MHWIRTH AS ("the Shareholder"), a company incorporated in Norway. The ultimate holding companies of MHWirth AS are Akastor ASA (50%) and Baker Hughes Holding LLC (50%).

The principal activities of the Company are general trading of well drilling equipment, oilfield natural gas equipment and spare parts and related services.

The registered address of the Company is Office No FZJOB 1024, 1025 and 1023, Jebel Ali 262597, Dubai, United Arab Emirates.

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in accordance with The Jebel Ali Free Zone Companies Implementing Regulations 2016.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost basis.

2.3 Functional and presentation currency

These financial statements are presented in United Arab Emirates Dirhams ("AED") which is the functional and presentation currency of the Company.

2.4 Use of estimates and judgments

The preparation of these 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, liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

In particular, information about significant areas of estimation, uncertainty, and critical judgments in applying accounting policies that may have a material effect on the amounts recognised in the financial statements are described in note 21.

3 Significant accounting policies

3.1 Standards issued but not yet effective

At the date of these financial statements, the following standards, amendments and interpretations have not been effective and have not been early adopted:
The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements:

- IFRS 17 Insurance contracts 1 January 2023 Amendments to IFRS 17 1 January 2023.
- Classification of liabilities as current or non-current (Amendments to IAS 1) 1 January 2023.
- Amendments to IFRS 17 1 January 2023
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimate (Amendments to IAS 8)

New and amen

ded standards issued and effective:

The following revised new and amended standards have been adopted in the financial information.

- IFRS 16 Leases – COVID 19 Rent Concessions – Relief for Lessees.
- COVID-19-Related Rent Concessions – (Amendment to IFRS 16).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020
- Reference to the Conceptual Framework (Amendments to IFRS 3)

There has been no material impact on the financial statements of the Company upon adoption of the above new and amended standards.

3.2 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3.3 Property and equipment

Recognition and measurement

Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any (refer to accounting policy on impairment). Cost includes expenditure that is directly attributable to the acquisition of the asset and bringing the asset to a working condition for its intended use. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised on a net basis within other income or other expense in profit or loss.

3 Significant accounting policies (continued)

3.3 Property and equipment (continued)

Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. On-going repairs and maintenance is expensed as incurred.

Depreciation

Depreciation is based on the cost of an asset. Depreciation on items of property and equipment is charged to profit or loss on a straight-line basis over their estimated useful lives from the date of acquisition as follows:

	Years
Furniture, fixtures and equipment	3 - 5
Motor vehicle	3
	===

The depreciation method, residual value and useful lives of items of property and equipment are reviewed annually and amended if circumstances change. Any change is accounted for as a change in accounting estimate by changing the depreciation charge for the current and future periods.

3.4 Financial instruments

Classification and measurement of financial assets and financial liabilities

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial assets that meet the following conditions are subsequently measured at amortised cost less impairment loss and deferred income, if any (except for those assets that are designated as at fair value through other comprehensive income on initial recognition):

1. the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

2. the contractual terms of the instrument give rise to cash flows on specified dates that are solely payments of principal and profit on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

3 Significant accounting policies (continued)

3.4 Financial instruments (continued)

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets – Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual

3 Significant accounting policies (continued)

3.4 Financial instruments (continued)

cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company’s claim to cash flows from specified assets (e.g. non-recourse features)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

3 Significant accounting policies (continued)

3.4 Financial instruments (continued)

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Impairment

Financial instruments and contract assets

The Company recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for cash at banks which are measured at 12-month ECLs.

Loss allowances for receivables are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the financial asset is more than 180 days past due.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

3 Significant accounting policies (continued)

3.4 Financial Instruments (continued)

Impairment (continued)

Financial instruments and contract assets (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;

- a breach of contract such as a default or being more than 90 days past due; the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;

- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 365 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

3 Significant accounting policies (continued)

3.4 Financial Instruments (continued)

Impairment (continued)

Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, 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.

3.5 Revenue from contracts with customers

The Company recognises revenue from rendering of services based on a five-step model as set out in IFRS 15:

Step 1 Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2 Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the Customer.

Step 3 Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised service to a customer, excluding amounts collected on behalf of third parties.

Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5 Recognise revenue when (or as) the entity satisfies a performance obligation.

3 Significant accounting policies (continued)

3.5 Revenue from contracts with customers (continued)

The Company satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; or
- The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Company's performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which performance obligation is satisfied.

When the Company satisfies a performance obligation by delivering the promised services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Sale of goods

Customers obtain control of goods when the goods are delivered to the customers. Invoices are generated at that point in time. Invoices are usually payable within 30 days. Discounts are provided for goods however insignificant in amount.

Revenue is recognised when the goods are delivered and have been accepted by customers. For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Revenue for made-to-order paper products is recognised over time – i.e. before the goods are delivered to the customers' premises.

Rendering of services

Under IFRS 15, the consideration under service contract is based on their stand-alone selling price as agreed with the customer in the respective service contracts. As per Company's assessment, the fair value and stand-alone selling prices of the services are broadly similar.

3.6 Foreign currency transactions

Transactions denominated in foreign currencies are translated into AED at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the AED at the exchange rates ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3 Significant accounting policies (continued)

3.7 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

3.8 Employees' end of service benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognized in profit or loss in the year in which they arise. Provision is made for end of service benefits due to employees in accordance with the UAE Labour Law and is based on the current remuneration and their period of service at the end of the reporting period. The provision has been classified as a non-current liability.

4 Financial risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Furthermore, quantitative disclosures are included throughout these financial statements.

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's senior management is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

4.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is mainly attributable to trade and other receivables, contract assets, due from related parties and cash at banks. The exposure to credit risk on trade and other receivables, contract assets and due from related parties are monitored on an ongoing basis and these are considered recoverable by the Company's management. The Company's cash is placed with banks of good repute.

4 Financial risk management (continued)

4.1 Credit risk (continued)

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and the country, in which customers operate, has less of an influence on credit risk.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

4.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with the financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk mainly relates to trade and other payables and due to related parties. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

4.3 Market rate risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company has no significant exposure to interest rate risk.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is not significantly exposed to currency risk. USD is currently pegged to AED.

Capital management

The Management manages the Company's capital to ensure that it will be able to continue as a going concern while maximising the return to shareholder through the optimisation of debt and equity balances.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid, issue new shares, or sell assets to reduce debt.

4 Financial risk management (continued)

4.3 Market rate risk (Continued)

Capital management (continued)

There were no changes in the Company's approach to capital management during the current year and previous year. The Company is not subject to externally imposed capital requirements except for requirements as per the provisions of the Implementing Regulations of Jebel Ali Free Zone.

5 Revenue

	Nine Months Ended September 30	
	2024	2023
	AED	AED
A. Major products and service lines		
Sale of goods	2,886,213	2,852,639
Services	27,334,557	51,164,866
	--------------	--------------
	30,220,770	54,017,505
	========	========
B. Timing of revenue recognition		
Revenue transferred at a point in time	27,334,557	51,164,866
Revenue transferred overtime	2,886,213	2,852,639
	-------------	--------------
	30,220,770	78,510,629
	========	========

6 Operating Cost

	Nine Months Ended September 30	
	2024	2023
	AED	AED
Material Cost	18,102,080	30,874,982
Staff cost	2,443,867	860,974
	--------------	--------------
	20,883,750	31,735,956
	========	========

7 General and administrative expenses

	Nine Months Ended September 30	
	2024	2023
	AED	AED
Salaries and other related benefits	7,070,417	5,790,508
Management fee	1,920,753	1,101,182
IT Charges	1,217,163	1,055,366
Rent	386,588	499,493
Other expenses	555,868	3,418,689
Communication	240,882	281,240
Insurance	10,667	128,934
Travelling and Conveyance	194,527	392,761
Amortisation on intangible asset	316,562	-
Depreciation on property and equipment	-	1,174
	--------------	------------
	11,913,427	12,670,347
	========	=======

8 Other income

	Nine Months Ended September 30	
	2024	2023
	AED	AED
Recharge Expense (refer note 13)	**-**	-
	------------	------------
	-	-
	=======	=======

9 Net Finance income

Finance Income

	2024	2023
	AED	AED
Realized Foreign Exchange Gain	404,232	374,140
	------------	------------
	404,232	199,978
	=======	=======

Finance Costs

	2024	2023
	AED	AED
Realized Foreign Exchange Loss	(548,785)	(339,132)
	------------	------------
	(548,785)	(180,840)
	=======	=======
	------------	------------
Net Finance Cost recognized in profit or loss	(144,533)	19,138
	=======	=======

10 Inventories

	2024	2023
	AED	AED
Spare parts	6,183,194	473,364
Goods in transit	888,786	956,606
Less: provision for slow moving inventories	(252,509)	(252,509)
	----------	----------
	6,819,471	1,177,461

====== ======

The movement in allowance for impairment against obsolete inventories was as follows:

	2024 **AED**	2023 AED
At 1 January	252,509	97,677
Provision for the year	-	154,832
At 31 December	252,509	252,509

11 Property and equipment

	Furniture, fixtures and equipment AED	**Motor vehicles AED**	**Total AED**
Cost			
At 1 January 2021	3,738,738	71,000	3,809,738
Additions	-	-	-
At 31 December 2021	3,738,738	71,000	3,809,738
At 1 January 2022	3,738,738	71,000	3,809,738
Additions	-	-	-
At 31 December 2022	**3,738,738**	**71,000**	**3,809,738**
At 1 January 2023	3,738,738	71,000	3,809,738
Additions	-	-	-
At 31 December 2023	**3,738,738**	**71,000**	**3,809,738**
Accumulated depreciation			
At 1 January 2021	3,686,350	71,000	3,757,350
Charge for the year (refer note 7)	33,584	-	33,584
At 31 December 2021	3,719,934	71,000	3,790,934
At 1 January 2022	3,719,934	71,000	3,790,934
Charge for the year (refer note 7)	17,630	-	17,630
At 31 December 2022	**3,737,564**	**71,000**	**3,808,564**
At 1 January 2023	3,737,564	71,000	3,808,564
Charge for the year (refer note 7)	1,174	-	1,174
At 31 December 2023	**3,738,738**	**71,000**	**3,809,738**
At 1 January 2024	3,738,738	71,000	3,809,738

Charge for the year (refer note 7)	-	-	-
Net book value	------------	--------	------------
At 30 September 2024	**-**	**-**	**-**
	=======	=====	=======

As at 30 September 2024, cost of furniture, fixtures & equipment and motor vehicles in the total amount of AED 3,809,564 has been fully depreciated.

12 Trade and other receivables

	2024	2023
	AED	AED
Trade receivables	7,200,699	22,935,536
Less: provision for expected credit loss on trade receivables	(577,108)	(577,108)
	--------------	-------------
	6,623,591	22,358,428
Others	49,691	34,835
Prepayments	2,128,003	613,407
VAT receivable	674,919	24,438
Deposits	-	68,166
	--------------	-------------
	8,429,731	23,239,523
	========	========

13 Contract assets

	2024	2023
	AED	AED
Contract assets	6,628,913	6,413,756
	=======	======

The contract assets primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date.

14 Cash at banks

	2024	2023
	AED	AED
Cash at banks – current accounts	16,918,621	21,010,193
	========	=======

15 Trade and other payables

	2024	2023
	AED	AED
Trade payables	2,136,904	4,755,107
Accrued expenses and provisions	8,578,640	2,270,021
Other payables	821,785	9,235,681
Advance from customers	-	3,587,219
	------------	------------
	11,537,149	19,848,058

	=======	=======

16 Employees' end of service benefits

	2024	2023
	AED	AED
At 1 January	3,435,765	2,983,903
Provision made during the year	659,905	553,291
Transferred during the year		-
Payments made during the year	-	(83,429)
	------------	------------
End of the Period	4,113,670	3,453,765
	=======	=======

The provision for employees' end of service benefits is calculated in accordance with the UAE Federal Labour Law and is based on the liability that would arise if the employment of all the Company's staff were terminated on the reporting date. Management considers these as long-term obligations and accordingly they are classified as long-term liabilities.

17 Share capital

	2024	2023
	AED	AED
Authorized, issued and fully paid up capital		
8 shares with par value of AED 1,000,000 each	**8,000,000**	8,000,000
	=======	=======

18 Dividend

During the current period, the Company has declared and paid dividend amounting to AED 1,836,210 *(2023: AED 1,835,998)*.

20 Contingent liabilities and capital commitment

There are no contingent liabilities and no capital commitment as at *30 September 2024*

21 Comparative figures

Previous year's figures have reclassified / reestablishment wherever necessary to conform to the presentation adopted in these financial statements.

22 UAE Corporate tax

On 9 December 2022, the UAE Ministry of Finance released the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

As at 31 December 2022, the Law was not considered to be substantively enacted from the perspective of IAS 12 – Income Taxes since the threshold of income over which the 9% tax rate would apply and other clarifications were yet to be prescribed by way of Cabinet Decisions.

The Cabinet of Ministers Decision No. 116/2022 effective from 2023, has confirmed the threshold of income over which the 9% tax rate would apply and the Law is considered to be substantively enacted. A rate of 9% will apply to taxable income exceeding AED 375,000 and a rate of 0% will apply to taxable income not exceeding AED 375,000.

22 UAE Corporate tax (continued)

The Company is currently in the process of assessing the impact on the financial statements, both from current and deferred tax perspective.

The Company shall continue to monitor the timing of the issuance of these critical Cabinet Decisions to determine their tax status and the application of IAS 12 – Income Taxes.

MHWIRTH do Brasil Equipamentos Ltda.

Demonstrações financeiras em 31 de dezembro de 2022 e 2021

Conteúdo

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Relatório dos auditores independentes sobre as demonstrações financeiras

Aos Diretores e Quotistas da

MHWIRTH do Brasil Equipamentos Ltda.

Macaé – RJ

Opinião

Examinamos as demonstrações financeiras da MHWIRTH do Brasil Equipamentos Ltda. (Empresa), que compreendem o balanço patrimonial em 31 de dezembro de 2022 e as respectivas demonstrações do resultado, do resultado abrangente, das mutações do patrimônio líquido e dos fluxos de caixa para o exercício findo nessa data, bem como as correspondentes notas explicativas, compreendendo as políticas contábeis significativas e outras informações elucidativas.

Em nossa opinião, as demonstrações financeiras acima referidas apresentam adequadamente, em todos os aspectos relevantes, a posição patrimonial e financeira da MHWIRTH do Brasil Equipamentos Ltda. em 31 de dezembro de 2022, o desempenho de suas operações e os seus fluxos de caixa para o exercício findo nessa data, de acordo com as práticas contábeis adotadas no Brasil.

Base para opinião

Nossa auditoria foi conduzida de acordo com as normas brasileiras e internacionais de auditoria. Nossas responsabilidades, em conformidade com tais normas, estão descritas na seção a seguir intitulada "Responsabilidades dos auditores pela auditoria das demonstrações financeiras". Somos independentes em relação à Empresa, de acordo com os princípios éticos relevantes previstos no Código de Ética Profissional do Contador e nas normas profissionais emitidas pelo Conselho Federal de Contabilidade, e cumprimos com as demais responsabilidades éticas de acordo com essas normas. Acreditamos que a evidência de auditoria obtida é suficiente e apropriada para fundamentar nossa opinião.

Responsabilidades da administração pelas demonstrações financeiras

A administração é responsável pela elaboração e adequada apresentação das demonstrações financeiras de acordo com as práticas contábeis adotadas no Brasil e pelos controles internos que ela determinou como necessários para permitir a elaboração de demonstrações financeiras livres de distorção relevante, independentemente se causada por fraude ou erro.

Na elaboração das demonstrações financeiras, a administração é responsável pela avaliação da capacidade de a Empresa continuar operando, divulgando, quando aplicável, os assuntos relacionados com a sua continuidade operacional e o uso dessa base contábil na elaboração das demonstrações financeiras, a não ser que a administração pretenda liquidar a Empresa ou cessar suas operações, ou não tenha nenhuma alternativa realista para evitar o encerramento das operações.

Responsabilidades dos auditores pela auditoria das demonstrações financeiras

Nossos objetivos são obter segurança razoável de que as demonstrações financeiras, tomadas em conjunto, estão livres de distorção relevante, independentemente se causada por fraude ou erro, e emitir relatório de auditoria contendo nossa opinião. Segurança razoável é um alto nível de segurança, mas não uma garantia de que a auditoria realizada de acordo com as normas brasileiras e internacionais de auditoria sempre detectam as eventuais distorções relevantes existentes. As distorções podem ser decorrentes de fraude ou erro e são consideradas relevantes quando, individualmente ou em conjunto, possam influenciar, dentro de uma perspectiva razoável, as decisões econômicas dos usuários tomadas com base nas referidas demonstrações financeiras.

Como parte da auditoria realizada de acordo com as normas brasileiras e internacionais de auditoria, exercemos julgamento profissional e mantemos ceticismo profissional ao longo da auditoria. Além disso:

- Identificamos e avaliamos os riscos de distorção relevante nas demonstrações financeiras, independentemente se causada por fraude ou erro, planejamos e executamos procedimentos de auditoria em resposta a tais riscos, bem como obtemos evidência de auditoria apropriada e suficiente para fundamentar nossa opinião. O risco de não detecção de distorção relevante resultante de fraude é maior do que o proveniente de erro, já que a fraude pode envolver o ato de burlar os controles internos, conluio, falsificação, omissão ou representações falsas intencionais.

- Obtemos entendimento dos controles internos relevantes para a auditoria para planejarmos procedimentos de auditoria apropriados às circunstâncias, mas, não, com o objetivo de expressarmos opinião sobre a eficácia dos controles internos da Empresa.

- Avaliamos a adequação das políticas contábeis utilizadas e a razoabilidade das estimativas contábeis e respectivas divulgações feitas pela administração.

- Concluímos sobre a adequação do uso, pela administração, da base contábil de continuidade operacional e, com base nas evidências de auditoria obtidas, se existe incerteza relevante em relação a eventos ou condições que possam levantar dúvida significativa em relação à capacidade de continuidade operacional da Empresa. Se concluirmos que existe incerteza relevante, devemos chamar atenção em nosso relatório de auditoria para as respectivas divulgações nas demonstrações financeiras ou incluir modificação em nossa opinião, se as divulgações forem inadequadas. Nossas conclusões estão fundamentadas nas evidências de auditoria obtidas até a data de nosso relatório. Todavia, eventos ou condições futuras podem levar a Empresa a não mais se manter em continuidade operacional.

- Avaliamos a apresentação geral, a estrutura e o conteúdo das demonstrações financeiras, inclusive as divulgações e se as demonstrações financeiras representam as correspondentes transações e os eventos de maneira compatível com o objetivo de apresentação adequada.

Comunicamo-nos com a administração a respeito, entre outros aspectos, do alcance planejado, da época da auditoria e das constatações significativas de auditoria, inclusive as eventuais deficiências significativas nos controles internos que identificamos durante nossos trabalhos.

Rio de Janeiro, 24 de maio de 2023

KPMG Auditores Independentes Ltda.
CRC SP-014428/O-6 F-RJ

Bernardo Moreira Peixoto Neto
Contador CRC RJ-064887/O-8

MHWIRTH do Brasil Equipamentos Ltda.

Balanços patrimoniais em 31 de dezembro 2022 e 2021

(Em milhares de Reais)

Ativo	**Nota**	**2022**	**2021**
Circulante			
Caixa e equivalentes de caixa	5	13.616	8.225
Contas a receber	6	39.144	19.817
Contas a receber - Partes relacionadas	17	1.466	1.876
Estoques	7	9.170	12.041
Imposto de renda e contribuição social a recuperar	8	2.412	466
Outros impostos a recuperar	8	1.259	2.272
Adiantamento a fornecedores	9	44.270	51.638
Adiantamento a fornecedores - Partes relacionadas	17	316	-
Outros ativos	-	296	355
		111.949	**96.690**
Não circulante			
Outros impostos a recuperar	8	115	151
Imobilizado	10	145.845	146.556
Intangível	-	-	1.400
		145.960	**148.107**
Total do ativo		**257.909**	**244.797**

Passivo	**Nota**	**2022**	**2021**
Circulante			
Fornecedores	11	4.332	1.723
Fornecedores - Partes relacionadas	17	415	1.060
Imposto de renda e contribuição social a recolher	8	70	486
Outros impostos a recolher	8	2.259	594
Obrigações sociais e trabalhistas	12	9.688	5.130
Provisões	13	26.691	30.389
Adiantamento de clientes	-	547	-
Adiantamento de clientes - Partes relacionadas	17	14.129	18.087
Outros passivos	-	62	33
		58.193	**57.502**
Não circulante			
Provisões	13	1.759	1.877
Patrimônio líquido			
Capital social	15	208.498	208.498
Prejuízos acumulados		(10.541)	(23.080)
		197.957	**185.418**
Total do passivo e patrimônio líquido		**257.909**	**244.797**

As notas explicativas são parte integrante das demonstrações financeiras.

MHWIRTH do Brasil Equipamentos Ltda.

Demonstrações do resultado do exercício

Exercícios findos em 31 de dezembro de 2022 e 2021

(Em milhares de Reais)

	Nota	2022	2021
Receita líquida de venda de mercadorias e serviços prestados	18	120.659	89.064
Custos dos produtos vendidos e dos serviços prestados	19	(51.284)	(52.723)
Lucro bruto		69.375	36.341
Receitas (despesas) operacionais			
Despesas gerais e administrativas	20	(46.662)	(34.855)
Outras receitas operacionais	20	2.911	169
		(43.751)	(34.686)
Resultado antes das receitas e despesas financeiras		25.624	1.655
Receitas financeiras	21	9.909	4.565
Despesas financeiras	21	(6.830)	(3.723)
		3.079	842
Lucro antes do imposto de renda e da contribuição social		28.703	2.497
Imposto de renda e contribuição social corrente	14	(4.093)	(1.179)
Lucro líquido do Exercício		24.610	1.318

As notas explicativas são parte integrante das demonstrações financeiras.

MHWIRTH do Brasil Equipamentos Ltda.

Demonstrações do resultado abrangente

Exercícios findos em 31 de dezembro de 2022 e 2021

(Em milhares de Reais)

	2022	2021
Lucro líquido do Exercício	24.610	1.318
Outros resultados abrangentes	-	-
Resultado abrangente total do exercício	24.610	1.318

As notas explicativas são parte integrante das demonstrações financeiras

MHWIRTH do Brasil Equipamentos Ltda.

Demonstrações das mutações do patrimônio líquido

Exercícios findos em 31 de dezembro de 2022 e 2021

(Em milhares de Reais)

	Capital social	Prejuízos acumulados	Total
Saldos em 1 de janeiro de 2021	208.498	(24.398)	184.100
Aumento de capital	-	-	-
Lucro líquido do exercício	-	1.318	1.318
Saldos em 31 de dezembro de 2021	208.498	(23.080)	185.418
Lucro do exercício	-	24.610	24.610
Pagamento de dividendos	-	(12.072)	(12.072)
Saldos em 31 de dezembro de 2022	208.498	(10.542)	197.956

As notas explicativas são parte integrante das demonstrações financeiras.

MHWIRTH do Brasil Equipamentos Ltda.

Demonstrações dos fluxos de caixa

Exercícios findos em 31 de dezembro de 2022 e 2021

(Em milhares de Reais)

	2022	2021
Fluxos de caixa das atividades operacionais		
Lucro líquido do Exercício	24.610	1.318
Itens de resultado que não afetam o caixa:		
Depreciação	8.673	7.397
Provisões diversas	(3.816)	
Provisão para obsolescência	-	4.077
	29.467	12.792
Variações em:		
Contas a receber	(19.327)	(4.068)
Contas a receber - Partes relacionadas	410	(1.322)
Estoques	2.871	17.427
Imposto de renda e contribuição social a recuperar	(1.946)	(85)
Outros impostos a recuperar	1.049	(1.593)
Adiantamento de fornecedores	7.368	(3.523)
Adiantamento de fornecedores com partes relacionadas	(316)	656
Outros ativos	59	(13)
Fornecedores	2.609	(32.602)
Fornecedores - Partes relacionadas	(645)	26
Imposto de renda e contribuição social a recolher	(416)	406
Outros impostos a recolher	1.665	(1.793)
Obrigações sociais e trabalhistas	4.558	2.056
Adiantamento de clientes com terceiros	547	(2.263)
Adiantamento de clientes com partes relacionadas	(3.958)	(2.545)
Outros Passivos	29	33
Caixa líquido proveniente das (utilizado nas) atividades operacionais	24.024	(16.411)
Fluxos de caixa das atividades de investimento		
Aquisições de bens do imobilizado / intangível	(6.561)	(1.548)
Caixa líquido utilizado nas atividades de investimento	(6.561)	(1.548)
Fluxos de caixa das operações financeiras		
Pagamento de dividendos	(12.072)	-
Caixa líquido utilizado nas atividades de financiamentos	(12.072)	-
Aumento (Redução) no caixa e equivalentes de caixa no exercício	5.391	(17.959)
Demonstração da redução (aumento) do caixa e equivalentes de caixa		
No início do exercício	8.225	39.200
No fim do exercício	13.616	8.225
Aumento (Redução) no caixa e equivalentes de caixa no exercício	5.391	(30.975)

As notas explicativas são parte integrante das demonstrações financeiras.

Notas explicativas às demonstrações financeiras

(Em milhares de Reais, exceto quando indicado em contrário).

1 Contexto operacional

A MHWIRTH do Brasil Equipamentos Ltda. ("Empresa") é uma sociedade empresarial limitada, com sede na Rua Sérgio Roberto Franco, s/n, Quadra 03, parte, fazenda Boa Vista, Imboassica, Macaé-RJ.

A Empresa iniciou suas operações em 1º de janeiro de 2018 com a incorporação do patrimônio líquido cindido da AK Operações relativo aos ativos de perfuração (drilling) da unidade MHWIRTH que desde 1997 está instalada no Brasil, e a sócia única MHWIRTH AS firmou um acordo de Joint Venture entre a MHWIRTH AS e a Subsea Drilling Systems (ex-Baker Hughes) em 1 de outubro de 2021, o impacto desta reestruturação no Brasil verificou-se com a entrada dos funcionários da Subsea Drilling Systems que trabalhavam dedicados a esta unidade de negócios na Baker Hughes e com a compra do estoque de peças utilizadas nas operações e atividades dessa unidade.

O estatuto social da Empresa não foi alterado e autoriza a realização das atividades a seguir:

(a) Compra, venda, fabricação, importação, exportação, engenharia, consultoria, gerenciamento, instalação, manutenção, assistência técnica, prestação de serviços de treinamento, supervisão, operação e locação de equipamentos, máquinas e acessórios concernentes às indústrias petrolífera e de mineração, direta ou indiretamente, incluindo a prestação de serviços em mar aberto (offshore); (b) Locação de imóveis; (c) Participação em outras sociedades, como sócia quotista ou acionista.

Atualmente as principais atividades da empresa são fabricação e manutenção de equipamentos, máquinas e acessórios; assistência técnica onshore e offshore; e revenda de equipamentos, partes e peças.

A Empresa apresentou lucro líquido em 2022 de R$ 24.610 (R$ 1.318 em 2021).

2 Base de preparação

Declaração de conformidade com relação às normas do Comitê de Pronunciamentos Contábeis - CPC

As demonstrações financeiras da Empresa foram elaboradas de acordo com as práticas contábeis adotadas no Brasil, as quais abrangem, os Pronunciamentos, as Orientações e as Interpretações emitidas pelo Comitê de Pronunciamentos Contábeis (CPC) e as normas contábeis expedidas pelo Conselho Federal de Contabilidade (CFC).

Em 24 de maio de 2023, a Administração da Empresa autorizou a conclusão destas demonstrações financeiras.

Todas as informações relevantes próprias das demonstrações financeiras, e somente elas, estão sendo evidenciadas, e correspondem àquelas utilizadas pela Administração na sua gestão.

Base de mensuração
As demonstrações financeiras foram preparadas com base no custo histórico.

Moeda funcional e moeda de apresentação
Estas demonstrações financeiras estão apresentadas em Reais, que é a moeda funcional da Empresa. Todos os saldos foram arredondados para o milhar mais próximo, exceto quando indicado de outra forma.

Uso de estimativas e julgamentos
Na preparação destas demonstrações financeiras, a Administração utilizou julgamentos, estimativas e premissas que afetam a aplicação das políticas contábeis da Empresa e os valores reportados dos ativos, passivos, receitas e despesas. Os resultados reais podem divergir dessas estimativas. As estimativas e premissas são revisadas de forma continua. As revisões das estimativas são reconhecidas prospectivamente.

As informações sobre incertezas sobre premissas e estimativas que possuam um risco significativo de resultar em um ajuste material dentro do próximo exercício financeiro estão incluídas nas seguintes notas explicativas:

- Nota Explicativa nº 10 – Imobilizado (depreciação and impairment);
- Nota Explicativa nº 13 - Provisões;

3 Principais políticas contábeis
As políticas contábeis descritas em detalhes abaixo têm sido aplicadas de maneira consistente a todos os exercícios apresentados nessas demonstrações financeiras.

3.1 Moeda estrangeira
Transações em moeda estrangeira são convertidas para a moeda funcional da Empresa pelas taxas de câmbio nas datas das transações.

Ativos e passivos monetários denominados e apurados em moedas estrangeiras na data do balanço são reconvertidos para a moeda funcional à taxa de câmbio naquela data. Ativos e passivos não monetários que são mensurados pelo valor justo em moeda estrangeira são reconvertidos para a moeda funcional à taxa de câmbio na data em que o valor justo foi determinado. Itens não monetários que são mensurados com base no custo histórico em moeda estrangeira são convertidos pela taxa de câmbio na data da transação. As diferenças de moedas estrangeiras resultantes da conversão são geralmente reconhecidas no resultado**.** No entanto, as diferenças cambiais resultantes da reconversão dos hedges de fluxos de caixa qualificados e efetivos são reconhecidas em outros resultados abrangentes.

3.2 Instrumentos financeiros

3.2.1 Ativos financeiros
Um ativo financeiro é reconhecido quando a entidade se tornar parte das disposições contratuais do instrumento. No reconhecimento inicial, ativos financeiros são mensurados a valor justo adicionado ou deduzidos dos custos de transação que sejam diretamente atribuíveis à aquisição ou à emissão de tais ativos, exceto por contas a receber de clientes que não contiverem componente de financiamento significativo.

3.2.2 Passivos financeiros

Um passivo financeiro é reconhecido quando a entidade se tornar parte das disposições contratuais do instrumento. No reconhecimento inicial, passivos financeiros são mensurados a valor justo adicionado ou deduzido dos custos de transação que sejam diretamente atribuíveis à aquisição ou à emissão de tais passivos, exceto por passivos financeiros mensurados a valor justo.

3.2.3 Classificação e mensuração subsequente de ativos e passivos financeiros

Os ativos financeiros não são reclassificados subsequentemente ao reconhecimento inicial, a não ser que a Empresa mude o modelo de negócios para a gestão de ativos financeiros, e neste caso todos os ativos financeiros afetados são reclassificados no primeiro dia do período de apresentação posterior à mudança no modelo de negócios.

A Empresa realiza uma avaliação do objetivo do modelo de negócios em que um ativo financeiro é mantido em carteira porque isso reflete melhor a maneira pela qual o negócio é gerido e as informações são fornecidas à Administração.

A Empresa considera os termos contratuais do instrumento para avaliar se os fluxos de caixa contratuais são somente pagamentos do principal e de juros. Isso inclui a avaliação sobre se o ativo financeiro contém um termo contratual que poderia mudar o momento ou o valor dos fluxos de caixa contratuais de forma que ele não atenderia essa condição.
A Empresa desreconhece um ativo financeiro quando os direitos contratuais aos fluxos de caixa do ativo expiram, ou quando a Empresa transfere os direitos ao recebimento dos fluxos de caixa contratuais sobre um ativo financeiro em uma transação no qual essencialmente todos os riscos e benefícios da titularidade do ativo financeiro são transferidos. Qualquer participação que seja criada ou retida pela Empresa em tais ativos financeiros transferidos é reconhecida como um ativo ou passivo separado.

A Empresa desreconhece um passivo financeiro quando sua obrigação contratual é retirada, cancelada ou expira. A Empresa também desreconhece um passivo financeiro quando os termos são modificados e os fluxos de caixa do passivo modificado são substancialmente diferentes, caso em que um novo passivo financeiro baseado nos termos modificados é reconhecido a valor justo.

Os ativos ou passivos financeiros são compensados e o valor líquido apresentado no balanço patrimonial quando, e somente quando, a Empresa tenha o direito legal de compensar os valores e tenha a intenção de liquidá-los em uma base líquida ou de realizar o ativo e liquidar o passivo simultaneamente.

Em 31 de dezembro de 2022, os passivos financeiros não derivativos da Empresa estavam representados por fornecedores terceiros e parte relacionada e provisões. Os ativos financeiros são representados por caixa e equivalentes de caixa, contas a receber de clientes terceiros e de partes relacionadas.

3.2.4 Categorias de instrumentos financeiros

- Custo amortizado: ativo financeiro (instrumento financeiro de dívida) cujo o fluxo de caixa contratual resulta somente do pagamento de principal e juros sobre o principal em datas específicas e, cujo modelo de negócios objetiva manter o ativo com o fim de receber seus fluxos de caixa contratuais.

- Valor justo por meio do resultado: todos os demais ativos financeiros. Esta categoria geralmente inclui instrumentos financeiros derivativos.

- Ativos financeiros mensurados pelo valor justo por meio de outros resultados abrangentes: Os ativos financeiros devem ser mensurados pelo valor justo por meio de outros resultados abrangentes, se as duas condições a seguir forem atendidas; (a) o ativo financeiro é mantido dentro de um modelo de negócios cujo objetivo é alcançado tanto pelo recebimento de fluxos de caixa contratuais quanto pela venda de ativos financeiros; e (b) os termos contratuais do ativo financeiro dão origem, em datas especificadas, a fluxos de caixa que compreendem exclusivamente pagamentos de principal e juros sobre o valor principal em aberto.

3.2.5 Redução ao valor recuperável de ativos financeiros (Impairment)

A Empresa avalia a perda por redução ao valor recuperável do ativos financeiros baseado em expectativas futuras ou perdas de crédito esperadas tanto em nível individual como em nível coletivo, para o contas a receber utiliza o prazo de vencidos há mais de 90 dias. Todos os ativos individualmente significativos são avaliados quanto à perda por redução ao valor recuperável. Ativos que não são individualmente significativos são avaliados coletivamente quanto à perda de valor com base no agrupamento de ativos com características de riscos similares.
Ao avaliar a perda por redução ao valor recuperável, a empresa utiliza tendências históricas do prazo de recuperação e valores de perda incorridos, ajustados para refletir o julgamento da Administração se as condições econômicas e de crédito atuais são tais que as perdas reais provavelmente serão maiores ou menores que as sugeridas pelas tendências históricas.

Uma perda por redução ao valor recuperável é calculada como a diferença entre o valor contábil e o valor presente dos fluxos de caixa futuros estimados, descontados à taxa de juros efetiva original do ativo. As perdas são reconhecidas no resultado e refletidas em uma conta de provisão. Quando a Empresa considera que não há expectativas razoáveis de recuperação, os valores são baixados. Quando um evento subsequente indica uma redução da perda, a provisão é revertida através do resultado.

As transações são com empresas de grande porte e historicamente não há casos de perdas, e a avalição da Administração é que qualquer registro de provisão para crédito de liquidação duvidosa é imaterial nos exercícios findos em 31 de dezembro de 2022 e 2021.

3.3 Redução ao valor recuperável de ativos não financeiros (*Impairment*)

Os valores contábeis dos ativos não financeiros da Empresa, com exceção dos estoques são revistos a cada data de balanço para apurar se há indicação de perda no valor recuperável. Caso ocorra tal indicação, então o valor recuperável do ativo é estimado.

Para testes de redução ao valor recuperável, os ativos são agrupados no menor grupo possível de ativos que gera entradas de caixa pelo seu uso contínuo, entradas essas que são em grande parte independentes das entradas de caixa de outros ativos, ou UGCs.

O valor recuperável de um ativo ou UGC é o maior entre o seu valor em uso e o seu valor justo menos custos para vender. O valor em uso é baseado em fluxos de caixa futuros estimados, descontados a valor presente usando uma taxa de desconto antes dos impostos que reflita as avaliações atuais de mercado do valor do dinheiro no tempo e os riscos específicos do ativo ou da UGC.

Uma perda por redução ao valor recuperável é reconhecida se o valor contábil do ativo ou UGC exceder o seu valor recuperável.

Perdas por redução ao valor recuperável são reconhecidas no resultado.

As perdas por redução ao valor recuperável são revertidas somente na extensão em que o novo valor contábil do ativo não exceda o valor contábil que teria sido apurado, líquido de depreciação ou amortização, caso a perda de valor não tivesse sido reconhecida.

Durante 2014 e 2015, a MHWirth construiu uma nova instalação para suportar suas operações no Brasil. Em 31 de dezembro de 2022, o valor contábil líquido da fábrica, máquinas, equipamentos e ferramentas é de R$ 145.844 líquido de uma redução de valor recuperável de R$ 98.948 contabilizada em dezembro de 2016 e que vem sendo atualizada com base nas condições de mercado anualmente (em 31 de dezembro de 2021, o valor contábil líquido da fábrica era de R$ 146.556 líquido).

O negócio petrolífero tem, em geral e especificamente no Brasil desde 2016, experimentado ciclos de baixo investimento em novos equipamentos de perfuração e uma tendência de evolução nos negócios de aftermarket e de manutenção de equipamentos, mas, de um modo geral, a demanda ainda é similar aos últimos anos.

Foi realizada uma pesquisa do mercado imobiliário, onde documenta que os preços atuais do metro quadrado em Macaé continuam similares ao preço avaliado em 2016, muitas áreas e edifícios ainda estão vazios e as taxas de mercado são muito baixas. Além disso, vários dos nossos concorrentes têm uma significativa capacidade operacional disponível.

Com base no exposto acima, não há indicação de que o ativo possa ter sofrido desvalorização ou que o ajuste feito anteriormente possa ser revertido.

3.4 Imposto de renda e contribuição social

O imposto de renda e a contribuição social do exercício corrente são calculados com base nas alíquotas de 15%, acrescidas do adicional de 10% sobre o lucro tributável excedente de R$ 240 para imposto de renda e 9% sobre o lucro tributável para contribuição social sobre o lucro líquido, e consideram a compensação de prejuízos fiscais e base negativa de contribuição social, limitada a 30% do lucro real do exercício.

A despesa com imposto de renda e contribuição social compreende os impostos de renda e contribuição social corrente sobre apuração anual. Os impostos diferidos e corrente são reconhecidos no resultado.

3.5 Provisões

As provisões são determinadas por meio do desconto dos fluxos de caixa futuros estimados a uma taxa antes de impostos que reflita as avaliações atuais de mercado quanto ao valor do dinheiro no tempo e riscos específicos para o passivo relacionado. Os efeitos do não reconhecimento do desconto pela passagem do tempo são reconhecidos no resultado como despesa financeira.

3.6 Venda de bens e serviços

A Empresa reconhece a sua receita de acordo com o CPC 47 – Receita de Contratos com Clientes. Neste sentido, os efeitos decorrentes dos contratos com os clientes somente são registrados quando todos os critérios estabelecidos pela norma são atendidos, incluindo a aprovação do contrato, a identificação dos direitos de cada parte frente aos bens a serem transferidos, quando os termos de pagamento são identificáveis e quando se observar que é provável que a Empresa receberá pela contraprestação à qual terá direito em troca dos ativos a serem transferidos ao cliente.

A Empresa reconhece receitas quando ou à medida que seja satisfeita a obrigação de performance, ou seja, quando transferir o controle do serviço prometido ao cliente. O serviço é considerado transferido quando ou a medida que o cliente obtém o controle do mesmo.

No Brasil os principais contratos e obrigações de desempenho são:

- Contratos de serviços (revisão e reparo de equipamentos, serviços de engenharia onshore e offshore e treinamentos): A receita é reconhecida ao longo do tempo conforme o andamento dos serviços. O andamento do serviço é determinado com base no método dos custos incorridos. Se os serviços sob um único contrato ocorrem em períodos diferentes, a contraprestação será alocada com base em seus preços de venda individuais. O preço de venda individual é determinado na proposta de venda do serviço apresentada ao cliente.

- Revenda de parte e peças: A receita é reconhecida no momento em que as mercadorias são transferidas e/ou entregues ao cliente.

- Contrato de construção (fabricação de coluna de Riser): A receita é reconhecida ao longo do tempo com base no método de custo incorrido ou progresso físico, quando “a unidade não cria um ativo com um uso alternativo para a unidade e a unidade tem um direito aplicável ao pagamento por desempenho concluído até a data;

3.7 Outras fontes de Receitas

Outras fontes de receitas incluem receita de aluguel de parte de propriedade arrendada, e valores relacionados a variação cambial e rendimentos sobre aplicação financeira.

3.8 Arrendamentos

O CPC 06 (R2) / IFRS 16 introduziu um modelo único de contabilização de arrendamentos no balanço patrimonial de arrendatários. Como resultado em suas políticas contábeis, a Empresa, como arrendatário, reconhece os ativos de direito de uso que representam seus direitos de utilizar os ativos subjacentes e os passivos de arrendamento que representam sua obrigação de efetuar pagamentos de arrendamento. A contabilidade do arrendador permanece semelhante às políticas contábeis anteriores.

A Empresa não dispôs de transações de arredamentos sujeitas ao CPC 06 (R2) / IFRS 16 nos exercícios findos em 31 de dezembro de 2022 e 2021.

4 Novas normas e operação ainda não vigentes

A companhia é regida pelos regramentos publicados pelo CPC, que emite pronunciamentos e interpretações análogos às IFRS, tal como emitidas pelo IASB. A seguir são apresentados os normativos contábeis ainda em análise pelo CPC, que não entraram em vigor e não tiveram sua adoção antecipada pela companhia até 31 de dezembro de 2022

(i) Classificação dos passivos como circulante ou não circulante (alteração ao CPC26/IAS 1) – Data de vigência 1º de janeiro de 2023;

(ii) Imposto diferido relacionado a ativos e passivos decorrentes de uma única transação (alteração ao CPC 32/IAS 12) – Data de vigência 1º de janeiro de 2023;

(iii) IFRS 17 contratos de seguros – Data de vigência 1º de janeiro de 2023;

(iv) Divulgação de Políticas Contábeis (Alteração ao CPC 26/IAS 1 e IFRS Practice Statement 2) – Data de vigência 1º de janeiro de 2023;

(v) Definição de Estimativas Contábeis (alteração ao CPC 23/IAS 8) – Data de vigência 1º de janeiro de 2023;

5 Caixa e equivalentes de caixa

O saldo da conta "caixa e equivalentes de caixa" inclui depósitos bancários e aplicações financeiras de liquidação imediata. Conforme registrado na demonstração dos fluxos de caixa, esse saldo pode ser conciliado com os respectivos itens dos balanços patrimoniais, como demonstrado a seguir:

	2022	**2021**
Conta-corrente	-	3
Aplicações financeiras (a)	13.616	8.222
	13.616	**8.225**

(a) As aplicações financeiras em 2022 e 2021 são representadas por um fundo de investimento do Banco Itaú S/A, gerando uma rentabilidade média de 13,30% em 2022 (5,10% em 2021). O referido fundo possui liquidez imediata com risco insignificante de mudança de valor.

6 Contas a receber

	2022	**2021**
Contas a receber no país	21.084	10.006

Contas a receber no exterior	18.060	9.811
	39.144	**19.817**

O aging list referente vencimentos dos valores a receber:

	2022	2021
A vencer	29.891	15.527
Vencidos inferior à 30 dias	7.257	4.290
Vencidos de 31 a 60 dias	1.545	-
Vencidos de 61 a 90 dias	451	-
	39.144	**19.817**

A administração não identificou nenhum evento ou mudança nas circunstâncias que indicasse risco na recuperabilidade do contas a receber em 31 de dezembro de 2022 e 2021.

7 Estoques

O estoque está segregado conforme segue:

	2022	2021
Matéria prima e materiais de consumo	49	1.225
Produtos para revenda	15.606	13.486
Estoque de Projeto	1.661	5.476
	17.316	**20.187**
Provisão para obsolescência	(8.146)	(8.146)
	9.170	**12.041**

8 Impostos de renda, contribuição social e outros impostos

A classificação entre circulante e não circulante foi baseada na expectativa de utilização dos créditos, conforme regulamentação específica de cada tributo.

(i) Imposto de Renda e Contribuição Social a recuperar

	2022	2021
IR – Imposto de renda a recuperar	1.780	78
CSLL – Contribuição social a recuperar	632	388
	2.412	**466**
Circulante	2.412	466
Não circulante	-	-

(ii) Outros impostos a recuperar

	2022	2021
PIS – Programa de Integração Social	222	98
COFINS – Contribuição para o Financiamento da Seguridade Social	1.102	451
ICMS – Imposto sobre Circulação de Mercadorias e Serviços	45	1.872
IPI – Imposto sobre Produtos Industrializados	5	2
	1.374	**2.423**
Circulante	1.259	2.272
Não circulante	115	151

(iii) Imposto de renda e Contribuição social a recolher

	2022	2021
IR – Imposto de renda retido na fonte	70	40
IRPJ – Imposto de renda sobre lucro	-	446
	70	**486**
Circulante	70	486
Não circulante	-	-

(iv) Outros impostos a recolher

	2022	2021
PIS – Programa de Integração Social	8	4
COFINS – Contribuição para o Financiamento da Seguridade Social	34	21
ICMS – Imposto sobre Circulação de Mercadorias e Serviços	1.190	78
IPI – Imposto sobre Produtos Industrializados	182	55
ISS – Imposto sobre serviço	782	395
CIDE – Contribuições de Intervenção no Domínio Econômico	40	24
CSRF – Contribuições sociais retidas na fonte	23	17
	2.259	**594**
Circulante	2.259	594
Não circulante	-	-

9 Adiantamento a fornecedores

Nº do projeto	2022	2021
104574 DRU 3 (a)	41.477	48.391
100824 Projeto Awilco II	-	2.976
Outros	2.793	271
	44.270	**51.638**
Circulante	44.270	51.638
Não circulante	-	-

(a) Projeto de fabricação de 1 coluna de Riser - Projeto DRU 3, com os seguintes detalhes:

(i) Fornecedor contratado: Matrix Composites & Engineering Ltd

(ii) Produção por encomenda - Cliente: MHWIRTH AS (Noruega)

Situação com o cliente: Este projeto encontra-se temporariamente suspenso e a MHWIRTH AS está negociando com o cliente final sobre os valores a receber referente as despesas incorridas e reembolsará a MHWIRTH do Brasil.

10 Imobilizado

Imobilizado	**Edificação e construção**	**Terreno e bens imóveis**	**Instalações e melhorias**	**Máquinas e equipamentos Industrial**	**Ativos em andamento**	**Veículos**	**Móveis e utensílios**	**Arrendamento Melhorias**	**Ferramentas**	**Computadores**	**Total**
Saldo em 31 de Dezembro 2020	**201.268**	**54.538**	**4.585**	**27.715**	**2.055**	**113**	**3.613**	**16**	**2.598**	**3.501**	**300.003**
Adições	-	-	-		147	-	-	-	-	-	147
Transferência de ativo em construção para definitivo	9	-	-	1.868	(2.080)	-	9	-	194	-	-
Baixas	-	-	-	-	-	-	-	-	-	-	-
Saldo em 31 de Dezembro 2021	**201.278**	**54.538**	**4.585**	**29.583**	**122**	**113**	**3.622**	**16**	**2.792**	**3.501**	**300.151**
Adições	-	-	-	-	6.562	-	-	-	-	-	6.562
Transferência de ativo em construção para definitivo	-	-	-	-	(148)	-	-	-	148	-	-
Baixas	-	-	-	-	-	-	-	-	-	(425)	(425)
Saldo em 31 de Dezembro 2022	**201.278**	**54.538**	**4.585**	**29.583**	**6.536**	**113**	**3.622**	**16**	**2.940**	**3.076**	**306.287**

Depreciação acumulada e perdas por redução ao valor recuperável	**Edificação e construção**	**Terreno e bens imóveis**	**Instalações e melhorias**	**Máquinas e equipamentos Industrial**	**Ativos em construção**	**Veículos**	**Móveis e utensílios**	**Arrendamento Melhorias**	**Ferramentas**	**Computadores**	**Total**
Saldo em 31 de Dezembro 2020	**(92.190)**	**(22.059)**	**(3.111)**	**(21.267)**	**-**	**(113)**	**(2.338)**	**(4)**	**(2.310)**	**(2.804)**	**(146.198)**
Adições	(5.416)	-	(233)	(1.153)	-	-	(308)	(2)	(104)	(183)	(7.397)
Baixas	-	-	-	-	-	-	-	-	-	-	-
Saldo em 31 de Dezembro 2021	**(97.606)**	**(22.059)**	**(3.344)**	**(22.420)**	**-**	**(113)**	**(2.645)**	**(6)**	**(2.414)**	**(2.987)**	**(153.594)**
Adições	(5.416)	-	(224)	(1.043)	-	-	(290)	(1)	(132)	(167)	(7.273)
Baixas										425	425
Saldo em 31 de Dezembro 2022	**(103.022)**	**(22.059)**	**(3.568)**	**(23.463)**	**-**	**(113)**	**(2.935)**	**(7)**	**(2.546)**	**(2.729)**	**(160.442)**
Saldo líquido em 31 de Dezembro 2020	**109.078**	**32.479**	**1.474**	**6.448**	**2.055**	**-**	**1.275**	**11**	**288**	**697**	**153.805**
Saldo líquido em 31 de Dezembro 2021	**103.671**	**32.479**	**1.241**	**7.163**	**122**	**-**	**977**	**10**	**378**	**514**	**146.556**
Saldo líquido em 31 de Dezembro 2022	**98.256**	**32.479**	**1.017**	**6.120**	**6.536**	**-**	**687**	**9**	**394**	**347**	**145.847**

O ativo imobilizado suporta todas as operações no Brasil, como entrega de produtos (fabricação de risers de perfuração e equipamentos de perfuração), serviços de perfuração (revisão, manutenção, suporte onshore, peças sobressalentes e treinamento) e projetos globais (suporte a entregas de pacotes de perfuração no Brasil).

Indicações de Impairment

De acordo com o CPC 01, a administração revisou uma lista de indicadores externos e internos de impairment , destacando, dentre os principais, os seguintes:

- Redução significativa no valor de mercado do ativo;
- Tecnologia obsoleta;
- Valor contábil líquido > valor de mercado; e
- Reduzido potencial de venda / geração de caixa no futuro próximo;

Com base na avaliação acima de indicadores a estratégia de longo prazo e o plano de negócios para o ativo permanecem inalterados, tendo em vista que a planta de Macaé se mantém como principal instalação para a fabricação de “Risers”. A Empresa também aluga parte de suas instalações em Macaé para a AK Operações e o contrato de aluguel com a CSE/Aker Solutions será encerrado em janeiro/2023.

O valor contábil do terreno, das edificações, instalações, máquinas e equipamentos industriais tiveram anteriormente “redução ao valor recuperável de ativos – ajuste de Impairment” no valor de R$ 98.948 devido à baixa no negócio petrolífero durante o período 2015 -2018.

A avaliação do valor de mercado do consultor externo CBRE realizada para 31 dezembro de 2022 apresentou uma estimativa de R$ 190.200 (R$ 176.900 em 2021). Embora a avaliação da CBRE mostre um aumento de 8% na avaliação em comparação com a avaliação feita em 2021, se tivéssemos de vender as instalações teríamos de aumentar consideravelmente o fator de marketing (desconto) para tentar atrair um comprador, porque a liquidez é baixa, existem actualmente poucas empresas à procura deste tipo de propriedades, e existem muitas ofertas no mercado imobiliário da região que pressionam o valor e o fator de marketing (desconto) para tentar ser bem sucedido.

Considerando o aumento do fator de comercialização (desconto) entre 15% e 20%, o preço de venda estimado encontrar-se-ia no intervalo entre R$ 142.680 e 154.570. Com base nesse cenário a administração da Empresa optou por manter sem alteração o valor da provisão registrada, conforme segue em 31 de dezembro de 2022 e 2021:

	2022	**2021**
Saldo do imobilizado sem impairment	244.793	245.504
Redução ao valor recuperável	(98.948)	(98.948)
Valor contábil líquido do imobilizado em 31 de dezembro	**145.845**	**146.556**

11 Fornecedores

	2022	**2021**
No país	3.997	1.480
No exterior	335	243
	4.332	**1.723**
Circulante	4.332	1.723
Não circulante	-	-
	4.332	**1.723**

12 Obrigações sociais e trabalhistas

	2022	**2021**
IRRF – Imposto de renda retido na fonte sobre a folha de pagamento	630	539
INSS - Instituto Nacional do Seguro Social	651	551
FGTS - Fundo de Garantia do Tempo de Serviço	225	202
Benefícios a pagar	130	96
Bonus	4.205	601
Provisão para férias e encargos	3.847	3.141
	9.688	**5.130**
Circulante	9.688	5.130
Não circulante	-	-

13 Provisões

	2022	**2021**
Provisão para garantia	1.743	1.877
Provisão custo de projeto (a)	19.302	27.187
Outras provisões	7.229	3.201
Provisão para processos judiciais	175	-
	28.450	**32.265**
Circulante	26.691	30.388
Não circulante	1.759	1.877

(a) Provisão de custo pelo método de reconhecimento ao longo do tempo dos projetos: Awilco no valor total de R$ 1.936 (R$ 4.562 em 2021) e DRU 3 no valor total de R$ 17.366 (R$ 22.625 em 2021).

Descrição da Provisão	Provisão para garantia	Provisão de custo de projetos	Outras Provisões	Provisão para processos judiciais	TOTAL
Saldo em 31 de dezembro de 2020	**1.861**	**40.326**	**3.096**	**-**	**45.283**
Provisões registradas durante o ano	15	3.322	11.164	-	14.501
Provisões utilizadas durante o ano	-	(15.230)	(8.911)	-	(24.141)
Ajuste provisões iniciais	-	(1.230)	(2.148)	-	(3.378)
Saldo em 31 de dezembro de 2021	**1.876**	**27.188**	**3.201**	**-**	**32.265**
Provisões registradas durante o ano	-	-	18.733	175	18.908
Provisões utilizadas durante o ano	(133)	(6.302)	(11.317)	-	(17.752)
Ajuste provisões iniciais	-	(1.584)	(3.388)	-	(4.972)
Saldo em 31 de dezembro de 2022	**1.743**	**19.302**	**7.229**	**175**	**28.450**

Provisão para garantias

A provisão para garantias refere-se principalmente a garantias de projetos encerrados no exercício de 2016, 2017, 2018 e 2019. A provisão é baseada em estimativas de dados históricos de garantias associadas com produtos e serviços semelhantes. A Empresa espera liquidar esses passivos em 2023 e 2024.

Provisão de custo de projetos

A provisão de projetos refere-se principalmente ao reconhecimento de custo pelo método de progresso físico para contrato de construção. A provisão é baseada em estimativas do resultado final dos projetos. A Empresa espera liquidar esses passivos em 2023.

Outras provisões

A rubrica outras provisões refere-se a: contratação de serviços e materiais não finalizados em 2022 relacionados aos departamentos de suporte: manutenção da base, TI (tecnologia da informação), jurídico, finanças, entre outros. A Empresa espera liquidar esses passivos no primeiro trimestre de 2023.

Provisão para processos judiciais

A provisão para processos judiciais refere-se a contingência trabalhista de ações judiciais que estão classificadas como perda provável. A provisão é baseada em estimativas do escritório de advocacia que representa a empresa. A empresa espera liquidar esse passivo em 2023. A Administração estima que há uma possibilidade de perda possível, cujo o valor totaliza R$ 135 em 31 de dezembro de 2022 (R$ 450 em 2021).

14 Imposto de renda e contribuição social

A empresa apresenta em 31 de dezembro de 2022 e de 2021 prejuízo fiscal acumulado e base negativa de contribuição social, conforme demonstrado a seguir:

	2022	**2021**
Prejuízo fiscal acumulado	25.922	31.732
Base negativa de contribuição social	25.922	31.732

Os valores de imposto de renda e contribuição social são demonstrado com segue:

	2022	**2021**
Lucro líquido antes do imposto de renda e da contribuição social	28.703	2.497
Despesas indedutíveis:		
* Ajuste de preço de transferência (transfer pricing)	-	1.041
* Caráter fiscal	1.214	329
Multas	97	61
* Outros	35	4
* Diferenças (reversão) temporárias líquidas	(721)	1.028
	29.328	**4.960**
Dedução da base de cálculo		
* Pagamento de juros sobre capital próprio (JCP)	(12.072)	-
Base de cálculo do imposto de renda e da contribuição social	**17.256**	**4.960**
Compensação de prejuízo fiscal – 30%	**(5.177)**	**(1.488)**
Lucro Real líquido	**12.079**	**3.472**
Despesa de imposto de renda e contribuição social	**4.093**	**1.179**
Alíquota efetiva	**14%**	**47%**

Composição da receita e/ou despesa (-) de imposto de renda e contribuição social

	2022	**2021**
* Despesa de imposto de renda e contribuição social corrente sobre a apuração	(4.093)	(1.179)
* Despesa de imposto de renda e contribuição social diferido sobre prejuízo fiscal compensado	(1.760)	(506)
* Receita ou (despesa) de imposto de renda e contribuição social diferido sobre as diferenças temporárias líquidas	(245)	350
* Receita de reversão do ajuste valor recuperável ou despesa de ajuste do valor recuperável de imposto de renda e contribuição social diferido sobre o prejuízo (tax loss)	1.760	506
* Receita ou (despesa) de reversão do ajuste valor recuperável ou despesa de ajuste do valor recuperável de imposto de renda e contribuição social diferido sobre as diferenças temporárias (tax loss)	245	(350)
Despesa de imposto de renda e contribuição social do exercício	**(4.093)**	**(1.179)**

Os saldos de imposto de renda e contribuição social diferidos ativos são como segue:

	2022	**2021**
* Diferido sobre prejuízos fiscais (imposto de renda) e sobre base negativa de contribuição social	8.814	10.782
* Redução ao valor recuperável diferido sobre prejuízos fiscais (imposto de renda) e sobre base negativa de contribuição social	(8.814)	(10.782)
* Diferido sobre as diferenças temporárias líquidas de imposto de renda e contribuição social	30.981	31.225
* Redução ao valor recuperável diferido sobre as diferenças temporárias líquidas de imposto de renda e contribuição social	(30.981)	(31.225)
	-	-

15 Patrimônio líquido

Capital social

Em 31 de dezembro de 2022 e 2021 o capital social subscrito e integralizado é de R$ 208.498, correspondentes a 208.497.585quotas, respectivamente, sendo 100% das quotas pertencentes a MHWIRTH AS.

Dividendos/reserva legal

No termo de resolução de quotista de 1º de dezembro de 2022, foi aprovado o pagamento de juros sobre capital próprio relativo ao resultado do exercício de 2022, no valor de R$ 12.072. Os juros sobre capital próprio foram inteiramente pagos no mês de dezembro de 2022.

16 Instrumentos financeiros

Gestão de risco de capital

A Empresa administra seu capital para assegurar que continue com suas atividades normais, ao mesmo tempo em que maximizam o retorno a todas as partes interessadas ou envolvidas em suas operações, por meio da otimização do saldo das dívidas e do patrimônio.

A estrutura de capital da Empresa é formada pelo endividamento líquido, deduzidos pelo caixa e saldos de bancos e pelo patrimônio líquido da Empresa (que inclui capital emitido e reservas), conforme apresentado na demonstração da mutação do patrimônio líquido.

A Empresa não está sujeita a nenhum requerimento externo sobre o capital.

A Administração revisa constantemente a sua estrutura de capital. Como parte dessa revisão, a Administração considera o custo de capital e os riscos associados a cada classe de capital.

(a) Caixa e equivalentes conforme Nota Explicativa nº 5.

(b) O patrimônio líquido inclui todo o capital e as reservas da Empresa, gerenciados como capital.

Categorias de instrumentos financeiros

	Categoria e nível	**Custo amortizado 2022**	**Valor Justo 2022**	**Custo amortizado 2021**	**Valor Justo 2021**
Ativos					
Caixa e equivalentes de caixa	Valor justo por meio do resultado - 2	13.616	13.616	8.225	8.225
Contas a receber - terceiros	Custo amortizado - 2	39.144	39.144	19.817	19.817
Contas a receber - partes relacionadas	Custo amortizado - 2	1.466	1.466	1.876	1.876
Passivos					
Fornecedores - terceiros	Custo amortizado - 2	4.332	4.332	1.723	1.723
Fornecedores - partes relacionadas	Custo amortizado - 2	415	415	1.060	1.060

- Caixas e equivalentes de caixa: valores contábeis idênticos ao valor justo em virtude de taxas de remuneração baseadas na variação do Certificado de Depósito Interbancário (CDI).

- Contas a receber e fornecedores: decorrem diretamente da operação da Empresa, sendo mensurados pelo custo amortizado e estão registrados pelo valor original, deduzido de provisão para perdas e ajuste a valor presente, quando aplicável.

  Os valores de realização estimados de ativos e passivos financeiros da Empresa foram determinados por meio de informações disponíveis no mercado e metodologias apropriadas de avaliações. Julgamentos foram requeridos na interpretação dos dados de mercado para produzir as estimativas dos valores de realização mais adequada. Como consequência, as estimativas não indicam, necessariamente, os montantes que poderão ser realizados no mercado de troca corrente. O uso de diferentes metodologias de mercado pode ter um efeito material nos valores de realização estimados.

  O nível de mensuração de cada instrumento financeiro respeita a seguinte hierarquia de valor justo:

- Nível 2 – para informações observáveis para o ativo ou passivo, direta ou indiretamente, exceto preços cotados incluídos no nível anterior (1).

Objetivos da administração dos riscos financeiros
O departamento de tesouraria corporativa da Empresa coordena o acesso aos mercados financeiros domésticos e estrangeiros, e monitora e administra os riscos financeiros relacionados às operações da Empresa por meio de relatórios de riscos internos que analisam as exposições por grau e relevância dos riscos. Esses riscos incluem o risco de mercado (inclusive risco de moeda, risco de taxa de juros e outros riscos de preços), o risco de crédito e o risco de liquidez.

(i) Risco de mercado
Risco de mercado é o risco de que alterações nos preços de mercado - tais como taxas de câmbio - irão afetar os ganhos da Empresa ou o valor de seus instrumentos financeiros. O objetivo do gerenciamento de risco de mercado é gerenciar e controlar as exposições a riscos de mercado, dentro de parâmetros aceitáveis, e ao mesmo tempo otimizar o retorno. A Empresa utiliza derivativos para gerenciar riscos de mercado. As exposições ao risco de mercado são mensuradas em bases contínuas e acompanhadas pela Administração da Empresa.

Risco de taxa de câmbio
A Empresa está exposta ao risco cambial decorrente de diferenças entre as moedas nas quais algumas vendas e compras são denominados, e as respectivas moedas funcionais da entidade. A moeda funcional da Empresa é o Real (R$). As moedas nas quais algumas transações da Empresa ocorrem são denominadas em: Dólar Americano (USD), Dólar Mexicano (MXN), Euro (€) e Coroa Norueguesa (NOK).

A empresa contrata instrumentos financeiros derivativos junto a instituições financeiras com classificações de crédito de grau de investimento. Em 31 de dezembro de 2022, a Empresa avaliou o impacto do ajuste ao efetuar o cálculo de valor justo dos derivativos e concluiu que ele não resultou em um impacto significativo. Adicionalmente, as mudanças no risco de crédito da contraparte não tiveram efeito significativo sobre a avaliação da efetividade do hedge para os derivativos designados como relações de hedge reconhecidos ao valor justo.

Um resumo da exposição e análise da sensibilidade ao risco cambial da Empresa está apresentado abaixo:

	Valor Base	**Cotação 31/12/2022**	**Cenário I**	**Cenário II**
Ativo – Contas a receber de Clientes				
NOK	905	0,5294	633	453
Dólar	3.367	5,2177	2.357	1.683
TOTAL (Ativo)	**4.272**		**2.990**	**2.136**
Passivo - Fornecedores				
Euros	(2)	5,5694	(1)	(1)
Dólar	(420)	5,2177	(294)	(210)
Coroa norueguesa	(328)	0,5294	(230)	(164)
TOTAL (Passivo)	**(750)**		**(525)**	**(375)**
Exposição líquida do balanço patrimonial	**3.522**		**2.465**	**1.761**

	Valor Base	**Cotação 31/12/2021**	**Cenário I**	**Cenário II**
Ativo – Contas a receber de Clientes				
Dólar	5.153	5,5805	3.607	2.577
Passivo - Fornecedores				
Euros	(78)	6,3238	(55)	(39)
Dólar	(36)	5,5805	(25)	(18)
Coroa norueguesa	(1.174)	0,6337	(822)	(587)
TOTAL (Passivo)	(1.288)		(902)	(644)
Exposição líquida do balanço patrimonial	**3.865**	-	**2.705**	**1.933**

(i) (Cenário I): Considera a redução de 30% na cotação da moeda base em relação ao Real

(ii) (Cenrário II): Considera a redução de 50% na cotação da moeda base em relação ao Real

(ii) Gestão de risco de crédito

O risco de crédito refere-se ao risco de uma contraparte não cumprir com suas obrigações contratuais, levando a Empresa incorrer em perdas financeiras. A Empresa adotou a política de apenas negociar com contrapartes que possuam capacidade de crédito e obter garantias suficientes, quando apropriado, como meio de mitigar o risco de perda financeira por motivo de inadimplência. A Empresa utiliza informações financeiras disponíveis publicamente e seus próprios registros para avaliar seus principais clientes. A exposição da Empresa e as avaliações de crédito de suas contrapartes são continuamente monitoradas e o valor agregado das transações concluídas é dividido entre as contrapartes aprovadas. A exposição do crédito é controlada pelos limites das contrapartes, que são revisados e aprovados pela Administração.

No que diz respeito às aplicações financeiras e aos demais investimentos, a Empresa tem como política trabalhar com instituições tradicionais evitando a concentração desses investimentos em um único grupo econômico. Durante o ano de 2022, a empresa manteve investimentos de baixo risco nos bancos Bradesco e Itaú.

Os prazos de vencimento de contas a receber (terceiros e partes relacionadas) são conforme abaixo:

	2022	2021
A vencer	31.357	17.402
Vencidos inferior à 30 dias	7.257	4.290
Vencidos de 31 a 60 dias	1.545	-
Vencidos de 61 a 90 dias	451	-
	40.610	**21.692**
Terceiros	39.144	19.817
Partes relacionadas	1.466	1.875
	40.610	**21.692**

Adicionalmente, a Empresa não detém nenhuma garantia de crédito para cobrir seus riscos de crédito associados aos seus ativos financeiros.

(iii) Gestão do risco de liquidez

Risco de liquidez é o risco de que a Empresa irá encontrar dificuldades em cumprir as obrigações associadas com seus passivos financeiros que são liquidados com pagamentos em caixa ou com outro ativo financeiro. A abordagem da Empresa na administração da liquidez é de garantir, na medida do possível, que sempre terá liquidez suficiente para cumprir com suas obrigações no vencimento, tanto em condições normais como de estresse, sem causar perdas inaceitáveis ou risco de prejudicar a reputação da Empresa.

A Empresa gerencia o risco de liquidez mantendo adequadas reservas, linhas de crédito bancárias e linhas de crédito para captação de empréstimos que julgue adequados, através do monitoramento contínuo dos fluxos de caixa previstos e reais, e pela combinação dos perfis de vencimento dos ativos e passivos financeiros. A seguir, estão os vencimentos contratuais de passivos financeiros na data da demonstração financeira. Esses valores são brutos e não-descontados, e incluem pagamentos de juros contratuais incorridos até o fim do exercício e excluem o impacto dos acordos de compensação:

Fluxos futuros projetados para os passivos financeiros	Até 12 meses	De 1 a 2 anos	De 2 a 3 anos	Total
Fornecedores terceiros	4.332	-	-	4.332
Fornecedores partes relacionadas	415	-	-	415
	4.747	**-**	**-**	**4.747**

17 Partes relacionadas

17.1 Ativo

	2022	2021
MHWirth AS	1.015	1.739
MHH Holding B.V.	-	136
Hydril USA Distribution LLC	324	-
MHWirth LLC	127	-
Contas a receber – parte relacionada	**1.466**	**1.875**

	2022	2021
MHWirth AS	225	-
MHWirth Gmbh	91	-
Adiantamento a fornecedores – parte relacionada	**316**	**-**

17.2 Passivo

	2022	2021
MHWirth AS	-	983
Hydril USA Distribution LLC	383	-
Hydril Pressure Control, S. de R.L.	30	-
HWirth Gmbh	2	77
Fornecedores	**415**	**1.060**
MHWirth AS	14.129	18.087
Adiantamento de clientes – Passivo circulante	**14.129**	**18.087**

17.3 Vendas de serviços e mercadorias para partes relacionadas

	2022	2021
MHWirth AS	4.358	5.246
MHWirth Gmbh	-	617
MHWirth LLC	194	319
MHWirth (Singapore) Pte Ltd	137	-
MHH Holding B.V.	-	131
Receita de venda de serviços	**4.689**	**6.313**
MHWirth AS	389	-
MHWirth LLC	-	1
Receita de venda de partes e peças	**389**	**1**
MHWirth AS	8.029	10.078
Receita de projetos	**8.029**	**10.078**
	13.107	**16.392**

17.4 Remuneração da Administração

	2022	2021
Remuneração	1.001	700

Inclui a remuneração fixa (salários, bônus, férias, 13º salário) e encargos sociais (contribuições para a seguridade social - INSS, FGTS, dentre outros). O total de benefícios de curto prazo pagos a Administração em 2022 foi de R$ 1.362 (R$ 1.208 em 31 de dezembro de 2021).

18 Receita operacional líquida

O detalhamento da receita operacional líquida apresentada na demonstração de resultado do exercício é como segue:

	2022	2021
Receita bruta		
Receita serviços (a)	82.786	56.961
Receita venda de produtos (b)	57.267	38.966
Receita de projeto (c)	8.029	10.079
	148.082	**106.006**
(-) **Deduções**		
(-) Impostos sobre venda (d)	(17.536)	(16.361)
(-) Devoluções, deduções e abatimentos	(9.888)	(581)
	(27.424)	**(16.942)**
Receita líquida	**120.659**	**89.064**

(a) Receitas de serviços de manutenção, reparação e conserto de equipamentos de terceiros; treinamento em operação de equipamentos; e assistência técnica.

(b) Receitas relativas às vendas de equipamentos, partes e peças, entre outros.

(c) Receita relativa ao projeto Awilco (reconhecida pelo método de progresso físico para contrato de construção - fabricação de 28 juntas de Riser)

(d) Os impostos sobre venda referem-se a: ICMS R$ 7.897 (R$ 7.446 em 2021), ISS R$ 2.999 (R$ 2.087 em 2021) e PIS/COFINS R$ 6.640 (R$ 6.828 em 2021).

19 Custos dos produtos vendidos e dos serviços prestados

	2022	2021
Custos dos serviços prestados		
Salários e encargos	(18.370)	(14.357)
Subcontratação de fornecedores	(7.348)	(1.150)
Insumos e materiais de uso operacional	(3.074)	(5.212)
	(28.792)	**(20.719)**
Custos dos produtos vendidos		
Equipamentos e peças vendidos	**(15.682)**	**(21.069)**

	2022	2021
Custos de Projeto		
Salários e encargos	(1.248)	(518)
Insumos e materiais de uso operacional (a)	(5.562)	(10.417)
	(6.810)	**(10.935)**
Custos Totais	**(51.284)**	**(52.723)**

O custo dos produtos vendidos (CPV) foi de 43% em relação a Receita (59% em 2021). A variação vertical do CPV de 16% foi decorrente da receita do novo portfólio de produtos e serviços da Joint Venture firmada entre a MHWIRTH e a Subsea Drilling Systems (ex-Baker Hughes) em 1 de outubro de 2021.

20 Despesas gerais e administrativas, e outras receitas operacionais

	2022	2021
Consultoria, auditoria, legal, terceiros e outros serviços	(2.019)	(1.919)
Salários, férias e encargos	(22.591)	(14.153)
Aluguel de imóveis	(2)	(21)
Custos de TI (consultoria, serviços e peças e acessórios)	(5.335)	(5.489)
Aluguel e arrendamento de máquinas e equipamentos	(214)	(255)
Manutenção	(835)	(697)
Viagem e hospedagem	(2.914)	(789)
Seguros	(482)	(544)
Limpezas e segurança patrimonial	(1.071)	(1.037)
Despesas com energia	(1.183)	(1.075)
Depreciação	(8.673)	(7.397)
Outras despesas gerais e administrativas	(1.343)	(1.479)
	(46.662)	**(34.855)**
Restituição de PIS/COFINS referente a exclusão do ICMS da base de cálculo	2.548	-
Outras despesas gerais e administrativas	363	-
	2.911	**-**

21 Resultado financeiro, líquido

	2022	2021
Receitas financeiras		
Variação cambial ativa	4.962	3.655
Rendimento aplicações	2.895	745
Outras receitas financeiras	2.052	165
	9.909	**4.565**
Despesas financeiras		
Variação cambial passiva	(6.198)	(2.372)
Outras despesas financeiras	(632)	(1.351)
	(6.830)	**(3.723)**
Resultado financeiro, líquido	**3.079**	**842**

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Contador CRC RJ-120996/O-2

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Trond Hugo Fiskum
Diretor-Presidente

MHWIRTH do

Brasil Equipamentos Ltda.

Financial statements

on 31 December 2022 and 2021

KPDS 1189743

Contents

[logo:] KPMG

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Independent auditors' report on the financial statements

To the Directors and Shareholders of
MHWIRTH do Brasil Equipamentos Ltda
Macaé- RJ

Opinion

We have audited the financial statements of MHWIRTH do Brasil Equipamentos Ltda ("the Company"), which comprise the balance sheet as at 31 December 2022 and the respective statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including the material accounting policies and other explanatory information.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MHWIRTH do Brasil Equipamentos Ltda. as at 31 December 2022 , and the performance of its operations and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Basis for Opinion

Our audit was conducted in accordance with Brazilian and International auditing standards. Our responsibilities, in accordance with these standards, are described in the following section entitled "Auditors' responsibilities for the audit of the financial statements". We are independent of the Company, in accordance with the relevant ethical principles set out in the Code of Professional Ethics for Accountants and the professional standards issued by the Federal Accounting Council, and we fulfil our other ethical responsibilities in accordance with these standards. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting practices adopted in Brazil and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In drawing up the financial statements, management is responsible for assessment of the capacity of the Company to continue as an ongoing concern, disclosing, where applicable, matters related to its operational continuity and the use of this accounting base for the drawing up of financial statements, unless management intends to dissolve the Company or to cease operations, or has no other realistic alternative but to do so.

Auditors' Responsibilities for Auditing the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but not a guarantee that an audit carried out in accordance with Brazilian and International auditing standards will always detect any material misstatements. 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.

As part of the audit conducted in accordance with Brazilian and international auditing standards, we exercised professional judgement and maintained professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is greater than that resulting from error, since fraud can involve the act of circumventing internal controls, collusion, forgery, omission or intentional misrepresentations.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Assess the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the ongoing concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as an ongoing concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or to modify our opinion if the disclosures are inadequate. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may lead to the Company no longer being able to continue as an ongoing concern.

- Assess the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the corresponding transactions and events in a manner consistent with the objective of fair presentation.

We communicate with management regarding, among other things, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our work.

Rio de Janeiro, 24 May 2023
KPMG Auditores Independentes Ltda.
CRC SP-014428/0-6 F-RJ
[signature]

Bernardo Moreira Peixoto Neto
Accountant CRC RJ-064887/0-8

MHWIRTH do Brasil Equipamentos Ltda.
Balance Sheets as at 31 December 2022 and 2021
(In thousands of Reais)

Asset	**Note**	**2022**	**2021**
Current			
Cash and Cash equivalents	5	13,616	8,225
Accounts receivable	6	39,144	19,817
Accounts receivable – related parties	17	1,466	1,876
Inventories	7	9,170	12,041
Income tax and social contribution recoverable	8	2,412	466
Other recoverable taxes	8	1,259	2,272
Advance payment to suppliers	9	44,270	51,638
Advance payment to suppliers – related parties	17	316	-
Other assets	-	296	355
		111,949	**96,690**
Non current			
Other recoverable taxes	8	115	151
Fixed Assets	10	145,845	146,556
Intangible Assets	-	-	1,400
		145,960	**148,107**
Total Assets		**257,909**	**244,797**

Liabilities	**Note**	**2022**	**2021**
Current			
Suppliers	11	4,332	1,723
Suppliers – related parties	17	415	1,060
Income tax and social contribution payable	8	70	486
Other recoverable taxes	8	2,259	594
Social and labour obligations	12	9,688	5,130
Provisions	13	26,691	30,389
Advance payment from customers	-	547	-
Advance payment -from customers – related parties	17	14,129	18,087
Other liabilities	-	62	33
		58,193	**57,502**
Non-current asset			
Provisions	13	1,759	1,877
Net assets			
Share capital	15	208,498	208,498
Accumulated debt		(10,541)	(23,080)
		197,957	**185,418**
Total liabilities and net assets		**257,909**	**244,797**

The explanatory notes are an integral part of the financial statements.

MHWIRTH do Brasil Equipamentos Ltda.

Income Statements

Years ended 31 December 2022 and 2021

(In thousands of Reais)

	Note	2022	2021
Net revenue from sale of goods and services rendered	18	120,659	89,064
Cost of goods sold and services rendered	19	(51,284)	(52,723)
Gross profit		69,375	36,341
Operating (expenses) and income			
General and administrative expenses	20	(46,662)	(34,855)
Other operational revenues	20	2,911	169
		(43,751)	(34,686)
Income before financial income and expenses		25,624	1,655
Financial income	21	9,909	4,565
Financial expenses	21	(6,830)	(3,723)
		3,079	842
Income before income tax and social contribution		28,703	2,497
Current income tax and social contribution	14	(4,093)	(1,179)
Net income for the period		24,610	1,318

The explanatory notes are an integral part of the financial statements.

MHWIRTH do Brasil Equipamentos Ltda.

Statements of Comprehensive income

Years ended 31 December 2022 and 2021

(In thousands of Reais)

	2022	2021
Net income for the period	24,610	1,318
Other comprehensive profit	-	-
Total comprehensive income for the period	24,610	1,318

The explanatory notes are an integral part of the financial statements.

MHWIRTH do Brasil Equipamentos Ltda.

Statements of changes in equity

Years ended 31 December 2022 and 2021

(In thousands of Reais)

	Share capital	Accumulated losses	Total
Balances on 1 January 2021	208,498	(24,398)	184,100
Capital increase	-	-	-
Net profit for the period	-	1,318	1,318
Balances on 31 December 2021	208,498	(23.080)	185,418
Profit for the period	-	24,610	24,610
Dividend payments	-	(12,072)	(12,072)
Balances on 31 December 2022	208,498	(10,542)	197,956

The explanatory notes are an integral part of the financial statements.

MHWIRTH do Brasil Equipamentos Ltda.

Cash flow statements

Years ended 31 December 2022 and 2021

(In thousands of Reais)	**2022**	**2021**
Cash flows from operating activities		
Net profit for the period	24,610	1,318
Items that do not affect cash:		
Depreciation	8,673	7,397
Miscellaneous provisions	(3,816)	
Provision for obsolescence	-	4,077
	29,467	12,792
Variations in:		
Accounts receivable	(19,327)	(4,068)
Accounts receivable – related parties	410	(1,322)
Inventories	2,871	17,427
Income tax and social contribution recoverable	(1,946)	(85)
Other recoverable taxes	1,049	(1,593)
Advance payment to suppliers	7,368	(3,523)
Advance payment to suppliers – related parties	(316)	656
Other assets	59	(13)
Suppliers	2,609	(32,602)
Suppliers - related parties	(645)	26
Income tax and social contribution payable	(416)	406
Other taxes to collect	1,665	(1,793)
Social and labour obligations	4,558	2,056
Advance payment from customers – third parties	547	(2,263)
Advance payment from customers – related parties	(3,958)	(2,545)
Other Liabilities	29	33
Net cash provided by (used in) operating activities	24,024	(16,411)
Cash flows from investing activities		
Acquisitions of property, plant and equipment / intangible assets	(6,561)	(1,548)
Cash flows used in investing activities	(6,561)	(1,548)
Cash flows from financial operations		
Dividend payments	(12,072)	-
Cash flow used in financing activities	(12,072)	-
Increase (Decrease) in cash and cash equivalents for the period	5,391	(17,959)
Increase (decrease) statements for cash and cash equivalents		
Beginning of period	8,225	39,200
End of period	13,616	8,225
Increase (Decrease) in cash and cash equivalents for the period	5,391	(30,975)

The explanatory notes are an integral part of the financial statements.

Explanatory notes to the financial statements

(In thousands of Reais, unless otherwise stated).

1. Operational context

MHWIRTH do Brasil Equipamentos Ltda. ("the Company") is a limited liability company with its head office at Rua Sérgio Roberto Franco, s/n, Quadra 03, parte, fazenda Boa Vista, Imboassica, Macaé-RJ.

The Company began operations on 1 January 2018 with the incorporation of the demerged net assets of AK Operações relating to the drilling assets of the MHWIRTH unit, which has been based in Brazil since 1997, and the sole shareholder MHWIRTH AS signed a joint venture agreement between MHWIRTH AS and Subsea Drilling Systems (formerly Baker Hughes) on 1 October 2021, the impact of this restructuring in Brazil was the entry of Subsea Drilling Systems employees who worked dedicated to this business unit at Baker Hughes and the purchase of the stock of parts used in the operations and activities of this unit.

The company's articles of association have not been amended and authorise the following activities:

(a) Purchase, sale, manufacture, import, export, engineering, consultancy, management, installation, maintenance, technical assistance, provision of training services, supervision, operation and leasing of equipment, machinery and accessories relating to the oil and mining industries, directly or indirectly, including the provision of offshore services; (b) Leasing of real estate; (c) Participation in other companies, as a quotaholder or shareholder.

Currently, the company's main activities are manufacturing and maintaining equipment, machinery and accessories; onshore and offshore technical assistance; and reselling equipment, parts and pieces.

The company reported a net profit in 2022 of R$24,610 (R$1,318 in 2021).

2 Preparation basis

Statement of compliance with the standards of the Accounting Pronouncements Committee - CPC

The Company's financial statements were prepared in accordance with accounting practices adopted in Brazil, which include the Pronouncements, Guidelines and Interpretations issued by the Accounting Pronouncements Committee (CPC) and the accounting standards issued by the Federal Accounting Council (CFC).

On 24 May 2023, the Company's Board of Directors authorised the completion of these financial statements.

All relevant information specific to the financial statements, and only this information, is being disclosed, and corresponds to that used by the Board of Directors in its management.

Basis of measurement

The financial statements have been prepared on a historical cost basis.

Functional currency and presentation currency

These financial statements are presented in Reais, which is the Company's functional currency. All balances have been rounded to the nearest thousand, unless otherwise stated.

Use of estimates and judgements

In preparing these financial statements, management has used judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information on uncertainties about assumptions and estimates that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- Note 10 - Property, plant and equipment (depreciation and impairment);
- Note 13 - Provisions;

3 Main accounting policies

The accounting policies described in detail below have been applied consistently to all the years presented in these financial statements.

3.1 Foreign currency

Foreign currency transactions are translated into the Company's functional currency at the exchange rates on the dates of the transactions.

Monetary assets and liabilities denominated and calculated in foreign currencies on the balance sheet date are reconverted to the functional currency at the exchange rate on that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are reconverted to the functional currency at the exchange rate on the date the fair value was determined. Non-monetary items that are measured based on historical cost in foreign currency are translated at the exchange rate on the date of the transaction. Foreign currency differences resulting from translation are generally recognised in the income statement. However, exchange differences resulting from the reconversion of qualifying and effective cash flow hedges are recognised in other comprehensive income.

3.2. Financial instruments

3.2.1. *Financial assets*

A financial asset is recognised when the entity becomes a party to the contractual provisions of the instrument. On initial recognition, financial assets are measured at fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of such assets, except for trade receivables that do not contain a significant financing component.

3.2.2. ***Financial liabilities***

A financial liability is recognised when the entity becomes a party to the contractual provisions of the instrument. On initial recognition, financial liabilities are measured at fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of such liabilities, except for financial liabilities measured at fair value.

3.2.3. ***Classification and subsequent measurement of financial assets and liabilities***

Financial assets are not reclassified subsequent to initial recognition, unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period following the change in business model.

The Company carries out an assessment of the purpose of the business model in which a financial asset is held in portfolio because this better reflects the way in which the business is managed, and information is provided to Management.

The Company considers the contractual terms of the instrument to assess whether the contractual cash flows are solely payments of principal and interest. This includes assessing whether the financial asset contains a contractual term that could change the timing or value of the contractual cash flows in such a way that it would not fulfil this condition.

The Company derecognises a financial asset when the contractual rights to the asset's cash flows expire, or when the Company transfers the rights to receive the contractual cash flows on a financial asset in a transaction in which essentially all the risks and rewards of ownership of the financial asset are transferred. Any interest that is created or retained by the Company in such transferred financial assets is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligation is withdrawn, cancelled or expires. The Company also derecognises a financial liability when the 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 recognised at fair value.

Financial assets or liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has the legal right to offset the amounts and intends to settle them on a net basis or to realise the asset and settle the liability simultaneously.

On 31 December 2022, the Company's non-derivative financial liabilities were represented by third-party suppliers and related parties and provisions. Financial assets are represented by cash and cash equivalents, accounts receivable from third party clients and related parties.

3.2.4. *Categories of financial instruments*

- Amortised cost: financial asset (debt financial instrument) whose contractual cash flow results only from the payment of principal and interest on the principal on specific dates and whose business model aims to hold the asset in order to receive its contractual cash flows.
- Fair value through profit or loss: all other financial assets. This category generally includes derivative financial instruments.
- Financial assets measured at fair value through other comprehensive income: Financial assets should be measured at fair value through other comprehensive income if the following two conditions are met; (a) the financial asset is held within a business model whose objective is achieved by both the receipt of contractual cash flows and the sale of financial assets; and (b) the contractual terms of the financial asset give rise, on specified dates, to cash flows comprising exclusively payments of principal and interest on the principal amount outstanding.

3.2.5. *Impairment of financial assets*

The company assesses the impairment loss of financial assets based on future expectations or expected credit losses at both an individual and collective level, for accounts receivable it uses the term overdue by more than 90 days. All individually significant assets are assessed for impairment. Assets that are not individually significant are assessed collectively for impairment based on the grouping of assets with similar risk characteristics.

When assessing impairment, the Company uses historical trends of the recovery period and incurred loss amounts, adjusted to reflect management's judgement as to whether current economic and credit conditions are such that actual losses are likely to be greater or less than those suggested by historical trends.

An impairment loss is calculated as the difference between the book value and the present value of estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in the income statement and reflected in a provision account. When the Company considers that there are no reasonable expectations of recovery, the amounts are written off. When a subsequent event indicates a reduction in the loss, the provision is reversed through profit or loss.

The transactions are with large companies and historically there have been no cases of losses, and Management's assessment is that any recording of a provision for doubtful accounts is immaterial in the years ending 31 December 2022 and 2021.

3.3. *Impairment* of non-financial assets

The carrying amounts of the Company's non-financial assets, with the exception of inventories, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication occurs, then the recoverable value of the asset is estimated.

For impairment tests, assets are grouped into the smallest possible group of assets that generate cash inflows from their continuous use, inflows that are largely independent of the cash inflows from other assets, or CGUs.

The recoverable amount of an asset or CGU is the higher of its value in use and its fair value less costs to sell. Value in use is based on estimated future cash flows, discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the specific risks of the asset or CGU.

An impairment loss is recognised if the carrying amount of the asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in the income statement.

Impairment losses are reversed only to the extent that the new book value of the asset does not exceed the book value that would have been determined, net of depreciation or amortisation, if the loss in value had not been recognised.

During 2014 and 2015, MHWirth built a new facility to support its operations in Brazil. On 31 December 2022, the net book value of the plant, machinery, equipment and tools is R$145,844, net of an impairment charge of R$98,948 booked in December 2016, which is being updated annually based on market conditions (on 31 December 2021, the net book value of the plant was R$146,556).

The oil business has, in general and specifically in Brazil since 2016, experienced cycles of low investment in new drilling equipment and a trend towards evolution in the aftermarket and equipment maintenance business, but in general demand is still similar to recent years.

A property market survey was carried out, which documents that current square metre prices in Macaé remain similar to the price assessed in 2016, many areas and buildings are still empty and market rates are very low. In addition, several of our competitors have significant operational capacity available.

Based on the above, there is no indication that the asset may have been devalued or that the adjustment made previously can be reversed.

3.4. Income tax and social contribution

Income tax and social contribution for the current year are calculated based on the rates of 15%, plus an additional 10% on taxable profit in excess of R$ 240 for income tax and 9% on taxable profit for social contribution on net profit and take into account the offsetting of tax losses and negative social contribution base, limited to 30% of actual profit for the year.

Income tax and social contribution expenses comprise current income tax and social contribution on the annual calculation. Deferred and current taxes are recognised in the income statement.

3.5. Provisions

Provisions are determined by discounting estimated future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the related liability. The effects of not recognising the discount for the passage of time are recognised in the income statement as a financial expense.

3.6. Sale of goods and services

The company recognises its revenue in accordance with CPC 47 Revenue from Contracts with Customers. In this sense, the effects arising from contracts with customers are only recognised when all the criteria established by the standard are met, including approval of the contract, identification of the rights of each party to the assets to be transferred, when the payment terms are identifiable and when it is probable that the Company will receive the consideration to which it is entitled in exchange for the assets to be transferred to the customer.

The Company recognises revenue when or as the performance obligation is satisfied, i.e. when it transfers control of the promised service to the customer. The service is considered to be transferred when or to the extent that the customer obtains control of it.

In Brazil, the main performance contracts and obligations are:

- Service contracts (overhaul and repair of equipment, onshore and offshore engineering services and training): Revenue is recognised over time according to the progress of the services. The progress of the service is determined using the cost-incurred method. If the services under a single contract take place in different periods, the consideration will be allocated on the basis of their individual sales prices. The individual sales price is determined in the sales proposal for the service presented to the customer.
- Resale of parts and pieces: Revenue is recognised when the goods are transferred and/or delivered to the customer.
- Construction contract (manufacture of riser column): Revenue is recognised over time based on the incurred cost or physical progress method, when "the unit does not create an asset with an alternative use for the unit and the unit has an enforceable right to payment for performance completed to date;

3.7. Other Sources of Revenue

Other sources of income include rental income from part of the leased property, and amounts related to exchange rate variations and income on financial investments.

3.8 Leases

CPC 06 (R2) / IFRS 16 introduced a single model for accounting for leases on the balance sheet of lessees. As a result of its accounting policies, the Company, as lessee, recognises right-of-use assets that represent its rights to use the underlying assets and lease liabilities that represent its obligation to make lease payments. The lessor's accounting remains similar to previous accounting policies.

The company had no lease transactions subject to CPC 06 (R2) / IFRS 16 in the years ended 31 December 2022 and 2021.

4. New regulations and operations not yet in force

The company is governed by the rules published by the CPC, which issues pronouncements and interpretations similar to the IFRS, as issued by the IASB. The following are the accounting standards still being analysed by the CPC, which have not come into force and have not been early adopted by the company until 31 December 2022

(i) Classification of liabilities as current or non-current (amendment to CPC26/IAS 1) Effective date 1 January 2023;

(ii) Deferred tax related to assets and liabilities arising from a single transaction (amendment to CPC 32/IAS 12) Effective date 1 January 2023;

(iii) IFRS 17 Insurance contracts Effective date 1 January 2023;

(iv) Disclosure of Accounting Policies (Amendment to CPC 26/IAS 1 and IFRS Practice Statement 2)-Effective date 1 January 2023;

(v) Definition of Accounting Estimates (amendment to CPC 23/IAS 8) Effective date 1 January 2023;

5. Cash and cash equivalents

The balance of the "cash and cash equivalents" account includes bank deposits and short-term investments. As recorded in the cash flow statement, this balance can be reconciled with the respective items in the balance sheets, as shown below:

	2022	**2021**
Current account	-	3
Financial investments (a)	13,616	8,222
	13,616	**8,225**

(a) Financial investments in 2022 and 2021 are represented by an investment fund from Banco Itaú S/A, generating an average return of 13.30 per cent in 2022 (5.10 per cent in 2021). This fund has immediate liquidity with insignificant risk of change in value.

6. Accounts receivable

	2022	**2021**
Domestic accounts receivable	21,084	10,006

Foreign accounts receivable	18,060	9,811
	39,144	**19,817**

The aging list for due dates of receivables:

	2022	2021
Due	29,891	15,527
Overdue less than 30 days	7,257	4,290
Overdue from 31 to 60 days	1,545	-
Overdue from 61 to 90 days	451	-
	39,144	**19,817**

Management has not identified any event or change in circumstances that would indicate a risk to the recoverability of the accounts receivable on 31 December 2022 and 2021.

7. Inventories

The inventories are segregated as follows:

	2022	2021
Raw materials and consumables	49	1,225
Products for resale	15,606	13,486
Project stock	1,661	5,476
	17,316	**20,187**
Provision for obsolescence	(8,146)	(8,146)
	9,170	**12,041**

8. Income tax, social contribution and other taxes

The classification between current and non-current was based on the expected use of the credits, according to the specific regulations for each tax.

(i) Recoverable income tax and social contribution

	2022	2021
IR - Income tax	1,780	78
CSSL - Social contributionrecoverable	632	388
	2,412	**466**
Current	2,412	466
Non-current	-	-

(ii) Other accounts receivable

	2022	2021
PIS - Social Integration Programme	222	98
COFINS – Contribution for the Financing of Social Security	1,102	451
ICMS – Tax on Circulation of Goods and Services	45	1,872
IPI – Tax on Industrialized Products	5	2
	1,374	**2,423**
Current	1,259	2,272
Non-current	115	151

(iii) Income tax and social contribution payable

	2022	2021
IR - Withholding income tax	70	40
IRPJ - Income tax on profit	-	446
	70	**486**
Current	70	486
Non-current	-	

(iv) Other taxes to collect

	2022	2021
PIS - Social Integration Programme	8	4
COFINS – Contribution for the Financing of Social Security	34	21
ICMS – Tax on Circulation of Goods and Services	1,190	78
IPI – Tax on Industrialized Products	182	55
ISS – Tax on Service	782	395
CIDE - Contributions for Intervention in the Economic Domain	40	24
CSRF – Social Contribution withheld at source	23	17
	2,259	**594**
Current	2,259	594
Non-current	-	-

9 Advance payment to suppliers

Project no.	2022	2021
104574 DRU 3 (a)	41,477	48,391
100824 Project Awilco II	-	2,976
Others	2,793	271
	44,270	**51,638**
Current	44,270	51,638
Non-current	-	-

(a) Manufacturing project of 1 Riser column – DRU 3 project, with the following details:

(i) Supplier: Matrix Composites & Engineering Ltd

(ii) Customer: MHWIRTH AS (Norway)

Situation with the customer: This project is temporarily suspended and MHWIRTH AS is negotiating with the final customer about the amounts to be received regarding the expenses incurred and will reimburse MHWIRTH in Brazil.

10 Fixed Assets

Fixed Assets	**Buildings & Construction**	**Land & Property**	**Facilities & improvements**	**Industrial machinery & equipment**	**Assets in progress**	**Vehicles**	**Furniture & utensils**	**Leasehold improvements**	**Tools**	**Computers**	**Total**
Balance on 31 December 2020	**201,268**	**54,538**	**4,585**	**27,715**	**2,055**	**113**	**3,613**	**16**	**2,598**	**3,501**	**300,003**
Additions	-	-	-		147	-	-	-	-	-	147
Transfer of assets under construction to permanent	9	-	-	1,868	(2,080)	-	9	-	194	-	-
Write-offs	-	-	-	-	-	-	-	-	-	-	-
Balance on 31 December 2021	**201,278**	**54,538**	**4,585**	**29,583**	**122**	**113**	**3,622**	**16**	**2,792**	**3,501**	**300,151**
Additions	-	-	-	-	6,562	-	-	-	-	-	6,562
Transfer of assets under construction to permanent	-	-	-	-	(148)	-	-	-	148	-	-
Write-offs	-	-	-	-	-	-	-	-	-	(425)	(425)
Balance on 31 December 2022	**201,278**	**54,538**	**4,585**	**29,583**	**6,536**	**113**	**3,622**	**16**	**2,940**	**3,076**	**306,287**
Accumulated depreciation & losses due to reduction in recoverable value	**Buildings & Construction**	**Land & Property**	**Facilities & improvements**	**Industrial machinery & equipment**	**Assets in progress**	**Vehicles**	**Furniture & utensils**	**Leasehold improvements**	**Tools**	**Computers**	**Total**
Balance on 31 December 2020	**(92,190)**	**(22,059)**	**(3,111)**	**(21,267)**	**-**	**(113)**	**(2,338)**	**(4)**	**(2,310)**	**(2,804)**	**(146,198)**
Additions	(5,416)	-	(233)	(1,153)	-	-	(308)	(2)	(104)	(183)	(7,397)
Write-offs	-	-	-	-	-	-	-	-	-	-	-
Balance on 31 December 2021	**(97,606)**	**(22,059)**	**(3,344)**	**(22,420)**	**-**	**(113)**	**(2,645)**	**(6)**	**(2,414)**	**(2,987)**	**(153,594)**
Additions	(5,416)	-	(224)	(1,043)	-	-	(290)	(1)	(132)	(167)	(7,273)
Write-offs	-	-	-	-	-	-	-	-	-	425	425
Balance on 31 December 2022	**(103,022)**	**(22,059)**	**(3,568)**	**(23,463)**	**-**	**(113)**	**(2,935)**	**(7)**	**(2,546)**	**(2,729)**	**(160,442)**
Residual value at 31 December 2020	**109,078**	**32,479**	**1,474**	**6,448**	**2,055**	**-**	**1,275**	**11**	**288**	**697**	**153,805**
Residual value at 31 December 2021	**103,671**	**32,479**	**1,241**	**7,163**	**122**	**-**	**977**	**10**	**378**	**514**	**146,556**
Residual value at 31 December 2022	**98,256**	**32,479**	**1,017**	**6,120**	**6,536**	**-**	**687**	**9**	**394**	**347**	**145,847**

Fixed assets support all operations in Brazil, such as product deliveries (manufacture of drilling risers and drilling equipment), drilling services (overhaul, maintenance, onshore support, spare parts and training) and global projects (support for drilling package deliveries in Brazil).

Indications of Impairment

In accordance with CPC 01, management reviewed a list of external and internal indicators of impairment, highlighting the following among the main ones:

- Significant reduction in the market value of the asset;
- Obsolete technology;
- Net book value > market value; and
- Reduced sales potential / cash generation in the near future;

Based on the above assessment of indicators, the long-term strategy and business plan for the asset remain unchanged, given that the Macaé plant remains the main facility for the manufacture of risers. The company also rents part of its facilities in Macaé to AK Operações and the rental agreement with CSE/Aker Solutions will end in January/2023.

The book value of the land, buildings, facilities, machinery and industrial equipment previously had a "write-down to the recoverable value of assets impairment adjustment" in the amount of R$ 98,948 due to the write-down in the oil business during the period 2015-2018.

The market value assessment carried out by external consultant CBRE for 31 December 2022 presented an estimate of R$ 190,200 (R$ 176,900 in 2021). Although CBRE's valuation shows an 8% increase in valuation compared to the appraisal done in 2021, if we were to sell the premises we would have to considerably increase the marketing factor (discount) to try to attract a buyer, because liquidity is low, there are currently few companies looking for this type of property, and there are many offers on the property market in the region that put pressure on the value and the marketing factor (discount) to try to be successful.

Considering an increase in the marketing factor (discount) of between 15% and 20%, the estimated sale price would be in the range between R$ 142,680 and 154,570. Based on this scenario, the Company's management opted to maintain the amount of the provision recorded unchanged, as follows on 31 December 2022 and 2021:

	2022	**2021**
Balance of fixed assets without impairment	244,793	245,504
Accumulated reduction to the recoverable value of assets	(98,948)	(98,948)
Net accounting value of fixed assets as at 31 December	**145,845**	**146,556**

11 Suppliers

	2022	2021
Domestic accounts receivable	3,997	1,480
Foreign accounts receivable	335	243
	4,332	**1,723**
Current	4,332	1,723
Non-current	-	-
	4,332	**1,723**

12 Social and Labour Obligations

	2022	2021
IRRF – Withholding income tax on payroll	630	539
INSS - National Institute of Social Security on payroll	651	551
FGTS – Guarantee Fund for Time of Service on payroll	225	202
Benefits payable	130	96
Bonus	4,205	601
Provision for holiday pay and charges	3,847	3,141
	9,688	**5,130**
Current	9,688	5,130
Non-current	-	-

13 Provisions

	2022	2021
Provision for guarantee	1,743	1,877
Provision for project cost (a)	19,302	27,187
Other provisions	7,229	3,201
Provision for legal labour lawsuits	175	-
	28,450	**32,265**
Current	26,691	30,388
Non-current	1,759	1,877

(a) Cost provision using the method of recognition over time for the projects: Awilco totalling R$1,936 (R$4,562 in 2021) and DRU 3 totalling R$17,366 (R$22,625 in 2021).

	Provision for guarantee	Provision for project costs	Other provisions	Provision for legal proceedings	TOTAL
Balance on 31 December 2020	**1,861**	**40,326**	**3,096**	**-**	**45,283**
Provisions recorded during the year	15	3,322	11,164	-	14,501
Provisions used during the year	-	(15,230)	(8,911)	-	(24,141)
Adjustment of initial provision	-	(1,230)	(2,148)	-	(3,378)
Balance on 31 December 2021	**1,876**	**27,188**	**3,201**	**-**	**32,265**
Provisions recorded during the year	-	-	18,733	175	18,908
Provisions used during the year	(133)	(6,302)	(11,317)	-	(17,752)
Adjustment of initial provision	-	(1,584)	(3,388)	-	(4,972)
Balance on 31 December 2022	**1,743**	**19,302**	**7,229**	**175**	**28,450**

Provision for guarantees
The provision for guarantees refers mainly to guarantees for projects closed in 2016, 2017, 2018 and 2019. The provision is based on estimates of historical data of guarantees associated with similar products and services. The company expects to settle these liabilities in 2023 and 2024.
Provision for project costs
The provision for projects refers mainly to the recognition of cost using the physical progress method for construction contracts. The provision is based on estimates of the final outcome of the projects. The company expects to settle these liabilities in 2023.
Other provisions
The item other provisions refers to: contracting services and materials not finalised in 2022 related to support departments: base maintenance, IT (information technology), legal, finance, among others. The company expects to settle these liabilities in the first quarter of 2023.
Provision for legal proceedings
The provision for legal proceedings refers to the labour contingency of lawsuits that are classified as probable losses. The provision is based on estimates from the law firm representing the company. The company expects to settle this liability in 2023. Management estimates that there is a possibility of a possible loss, the amount of which totalled R$135 on 31 December 2022 (R$450 in 2021).

14 Income tax and social contribution
As at 31 December 2022 and 2021, the company has accumulated tax losses and a negative social contribution base, as shown below:

	2022	**2021**
Accumulated tax loss	25,922	31,732
Negative basis of social contribution	25,922	31,732

The income tax and social contribution amounts are demonstrated as shown below:

	2022	2021
Net profit before income tax and social contribution	28,703	2,497
Non-deductible expenses:		
*Transfer pricing adjustment	-	1,041
*Tax character	1,214	329
Fines	97	61
*Other	35	4
*Net temporary differences or reversal (-)	(721)	1,028
	29,328	**4,960**
Deduction of the tax base		
*Payment of interest on equity (JCP)	(12,072)	-
Income tax and social contribution calculation basis	**17,256**	**4,960**
Tax loss offset – 30%	**(5,177)**	**(1,488)**
Net tax profit for the year	**12,079**	**3,472**
Income tax and social contribution expense	**4,093**	**1,179**
Effective tax rate	**14%**	**47%**

Composition of income and/or expense (-) for income tax and social contribution

	2022	2021
* Current Income tax and social contribution expense	(4,093)	(1,179)
* Deferred income tax and social contribution expense on offset tax loss	(1,760)	(506)
* Income or expense (-) from deferred income tax and social contribution on net temporary differences	(245)	350
*Income from reversal of recoverable value adjustment or expense from adjusting the recoverable value of deferred income tax and social contribution on the loss (tax loss)	1,760	506
*Income from reversal of recoverable value adjustment or expense from adjusting the recoverable value of deferred income tax and social contribution on temporary differences	245	(350)
Expense of income tax and social contribution for the period	**(4,093)**	**(1,179)**

The deferred income tax and social contribution asset balances are as follows:

	2022	2021
* Deferred on tax losses (income tax) and on negative social contribution base	8,814	10,782
* Reduction in the deferred recoverable value on tax losses (income tax) and on negative social contribution base	(8,814)	(10,782)
* Deferred on temporary differences net of income tax and social contribution	30,981	31,225
*Deferred impairment on temporary differences net of income tax and social contribution	(30,981)	(31,225)
	-	-

15 Shareholders' equity

Share capital

As at 31 December 2022 and 2021, the subscribed and paid-up share capital is R$ 208,498, corresponding to 208,497,585 shares, respectively, 100% of which belong to MHWIRTH AS.

Dividends/legal reserve

The shareholder resolution of 1 December 2022 approved the payment of interest on equity relating to the result for 2022, in the amount of R$12,072. The interest on equity was paid in full in December 2022.

16 Financial instruments

Capital risk management

The Company manages its capital to ensure that it continues with its normal activities, while maximising the return to all parties interested or involved in its operations, by optimising the balance of debts and equity.

The Company's capital structure is made up of net debt, less cash and bank balances and the Company's equity (which includes issued capital and reserves), as presented in the statement of changes in equity.

The company is not subject to any external capital requirements.

Management constantly reviews its capital structure. As part of this review, management considers the cost of capital, and the risks associated with each class of capital.

(a) Cash and cash equivalents as per Note 5.

(b) Shareholders' equity includes all the Company's capital and reserves, managed as capital.

Categories of financial instruments

	Category and Level	**Amortized cost 2022**	**Fair value 2022**	**Amortized cost 2021**	**Fair value 2021**
Assets					
Cash & cash equivalents	Fair value through result -2	13,616	13,616	8,225	8,225
Accounts receivable – third parties	Amortized cost -2	39,144	39,144	19,817	19,817
Accounts receivable – related parties	Amortized cost -2	1,466	1,466	1,876	1,876
Liabilities					
Suppliers – third parties	Amortized cost -2	4,332	4,332	1,723	1,723
Suppliers – related parties	Amortized cost -2	415	415	1,060	1,060

- Cash and cash equivalents: book values identical to fair value due to remuneration rates based on the variation of the Interbank Deposit Certificate (CDI).

- Accounts receivable and suppliers: derive directly from the Company's operations, are measured at amortised cost and are recorded at original value, less provision for losses and adjustment to present value, when applicable.

The estimated realisable values of the Company's financial assets and liabilities were determined using information available on the market and appropriate valuation methodologies. Judgement was required in interpreting market data to produce the most appropriate estimates of realisable values. As a result, the estimates do not necessarily indicate the amounts that could be realised in the current exchange market. The use of different market methodologies can have a material effect on the estimated realisation values.

The measurement level of each financial instrument respects the following fair value hierarchy:

- Level 2 for observable information for the asset or liability, directly or indirectly, except quoted prices included in the previous level (1).

Financial risk management objectives

The Company's corporate treasury department coordinates access to domestic and foreign financial markets and monitors and manages the financial risks related to the Company's operations through internal risk reports that analyse exposures by degree and relevance of risk. These risks include market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk.

(i) ***Market risk***

Market risk is the risk that changes in market prices - such as exchange rates - will affect the Company's earnings or the value of its financial instruments. The aim of market risk management is to manage and control exposure to market risks within acceptable parameters while optimising returns. The company uses derivatives to manage market risks. Exposures to market risk are measured on an ongoing basis and monitored by the Company's Management.

Exchange rate risk

The Company is exposed to exchange rate risk arising from differences between the currencies in which some sales and purchases are denominated and the respective functional currencies of the entity. The Company's functional currency is the Real (R$). The currencies in which some of the Company's transactions take place are denominated in: US Dollar (USD), Mexican Dollar (MXN), Euro (€) and Norwegian Krone (NOK).

The company contracts derivative financial instruments with financial institutions with investment grade credit ratings. On 31 December 2022, the Company assessed the impact of the adjustment when calculating the fair value of the derivatives and concluded that it did not result in a significant impact. In addition, changes in the counterparty's credit risk had no significant effect on the assessment of hedge effectiveness for derivatives designated as hedging relationships recognised at fair value.

A summary of the Company's exposure and sensitivity analysis to foreign exchange risk is presented below:

	Value Basis	**Rate 31/12/2022**	**Scenario I**	**Scenario II**
Assets – accounts receivable				
NOK	905	0.5294	633	453
Dollar	3,367	5.2177	2,357	1,683
TOTAL (Assets)	**4,272**		**2,990**	**2,136**
Liabilities – accounts payable				
Euros	(2)	5.5694	(1)	(1)
Dollar	(420)	5.2177	(294)	(210)
Norwegian Krona	(328)	0.5294	(230)	(164)
TOTAL (Liabilities)	**(750)**		**(525)**	**(375)**
Net balance sheet exposure	**3,522**		**2,465**	**1,761**

	Value Basis	**Rate 31/12/2021**	**Scenario I**	**Scenario II**
Assets – accounts receivable				
Dollar	5,153	5.5805	3,607	2,577
TOTAL (Assets)				
Liabilities – accounts payable				
Euros	(78)	6.3238	(55)	(39)
Dollar	(36)	5.5805	(25)	(18)
Norwegian Krona	(1,174)	0.6337	(822)	(587)
TOTAL (Liabilities)	(1,288)		(902)	(644)
Net balance sheet exposure	**3,865**	**-**	**2,705**	**1,933**

(i) (Scenario I): Considers a 30 % reduction in the base currency exchange rate against the Real

(ii) (Scenario II): Considers a 50 % reduction in the base currency rate against the Real

(ii) Credit risk management

Credit risk refers to the risk of a counterparty failing to fulfil its contractual obligations, leading the company to incur financial losses. The Company has adopted a policy of only negotiating with counterparties that have creditworthiness and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss due to default. The Company uses publicly available financial information and its own records to assess its main customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of the transactions concluded is divided between the approved counterparties. Credit exposure is controlled by counterparty limits, which are reviewed and approved by management.

With regard to financial investments and other investments, the Company's policy is to work with traditional institutions, avoiding the concentration of these investments in a single economic group. During 2022, the company maintained low-risk investments with Bradesco and Itaú banks.

The maturities of accounts receivable (third parties and related parties) are as follows:

	2022	2021
Due	31,357	17,402
Overdue less than 30 days	7,257	4,290
Overdue from 31 to 60 days	1,545	-
Overdue from 61 to 90 days	451	-
	40,610	**21,692**
Third parties	39,144	19,817
Related parties	1,466	1,875
	40,610	**21,692**

In addition, the Company does not hold any credit guarantees to cover its credit risks associated with its financial assets.

(iii) Liquidity risk management

Liquidity risk is the risk that the Company will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled with cash payments or another financial asset. The Company's approach to liquidity management is to ensure, as far as possible, that it always has sufficient liquidity to meet its obligations when they fall due, under both normal and stressed conditions, without causing unacceptable losses or risking damaging the Company's reputation.

The Company manages liquidity risk by maintaining adequate reserves, bank credit lines and lines of credit to raise loans that it deems appropriate, by continuously monitoring forecast and actual cash flows, and by combining the maturity profiles of financial assets and liabilities. Below are the contractual maturities of financial liabilities at the date of the financial statement. These amounts are gross and undiscounted, and include contractual interest payments incurred up to the end of the year and exclude the impact of netting agreements:

Projected future cash flows for financial liabilities	Up to 12 months	From 1 to 2 years	From 2 to 3 years	Total
Suppliers - third parties	4,332	-	-	4,332
Suppliers - related parties	415	-	-	415
	4,747	-	-	**4,747**

17 Related Parties

17.1 Assets

	2022	**2021**
MHWirth AS	1,015	1,739
MHH Holding B.V.	-	136
Hydril USA Distribution LLC	324	-
MHWirth LLC	127	-
Accounts receivable from related parties	**1,466**	**1,875**

	2022	**2021**
MHWirth AS	225	-
MHWirth Gmbh	91	-
Advance payments to related parties	**316**	**-**

17.2 Liabilities

	2022	**2021**
MHWirth AS	-	983
Hydril USA Distribution LLC	383	-
Hydril Pressure Control, S. de R.L.	30	-
HWirth Gmbh	2	77
Suppliers	**415**	**1,060**
MHWirth AS	14,129	18,087
Advances from customers Current liabilities	**14,129**	**18,087**

17.3 Sales of services and goods to related parties

	2022	**2021**
MHWirth AS	4,358	5,246
MHWirth Gmbh	-	617
MHWirth LLC	194	319
MHWirth (Singapore) Pte Ltd	137	-
MHH Holding B.V.	-	131
Revenue from sale of services	**4,689**	**6,313**
MHWirth AS	389	-
MHWirth LLC	-	1
Revenue from sales of parts and accessories	**389**	**1**
MHWirth AS	8,029	10,078
Revenue from projects	**8,029**	**10,078**
	13,107	**16,392**

17.4 Management remuneration

	2022	2021
Remuneration	1,001	700

Includes fixed remuneration (salaries, bonuses, holidays, 13th salary) and social charges (social security contributions – INSS, FGTS, amongst others). The total short-term benefits paid to management in 2022 was R$ 1,362 (R$ 1,208 on 31 December 2021).

18 Net operating revenue

The breakdown of net operating revenue presented in the income statement is as follows:

	2022	2021
Gross Revenue		
Service revenue (a)	82,786	56,961
Product sales revenue (b)	57,267	38,966
Project revenue (c)	8,029	10,079
(-) **Deductions**	**148,082**	**106,006**
(-) Taxes on sales (d)	(17,536)	(16,361)
(-) Returns, deductions and rebates	(9,888)	(581)
	(27,424)	**(16,942)**
Net revenue	**120,659**	**89,064**

(a) Revenues from maintenance, repair and servicing of third-party equipment; training in equipment operation; and technical assistance.

(b) Revenues from sales of equipment, parts and pieces, among others.

(c) Revenue relating to the Awilco project (recognised using the physical progress method for the construction contract - manufacture of 28 riser joints).

(d) Sales taxes refer to: ICMS R$ 7,897 (R$ 7,446 in 2021), ISS R$ 2,999 (R$ 2,087 in 2021) and PIS/COFINS R$ 6,640 (R$ 6,828 in 2021).

19 Costs of goods sold and services rendered

	2022	2021
Costs of services rendered		
Salaries and charges	(18,370)	(14,357)
Suppliers subcontracting	(7,348)	(1,150)
Inputs and materials for operational use	(3,074)	(5,212)
	(28,792)	**(20,719)**
Costs of projects sold		
Equipment and parts sold	**(15,682)**	**(21,069)**

Project costs	**2022**	**2021**
Salaries and charges	(1,248)	(518)
Inputs and materials for operational use	(5,562)	(10,417)
	(6,810)	**(10,935)**
Total costs	**(51,284)**	**(52,723)**

The cost of products sold (CPV) was 43% in relation to Revenue (59% in 2021). The vertical variation in COGS of 16% was due to revenue from the new portfolio of products and services from the joint venture signed between MHWIRTH and Subsea Drilling Systems (formerly Baker Hughes) on 1 October 2021.

20 General and Administrative Expenses and other operational revenue

	2022	**2021**
Consulting, auditing, legal, third-party & other services	(2,019)	(1,919)
Salaries, holidays and charges	(22,591)	(14,153)
Property rental	(2)	(21)
IT costs (consulting, services and parts & accessories)	(5,335)	(5,489)
Machinery and equipment rental	(214)	(255)
Maintenance	(835)	(697)
Travel and accommodation	(2,914)	(789)
Insurance	(482)	(544)
Cleaning and property security	(1,071)	(1,037)
Electricity costs	(1,183)	(1,075)
Depreciation	(8,673)	(7,397)
Other general and administrative expenses	(1,343)	(1,479)
	(46,662)	**(34,855)**
		-
Refund of PIS/COFINS relating to the exclusion of ICMS from the calculation base	2,548	-
Other general and administrative expenses	363	**-**
	2,911	

21 Net financial result

	2022	2021
Financial revenues		
Exchange variation gain	4,962	3,655
Financial investment revenue	2,895	745
Other financial revenue	2,052	165
	9,909	**4,565**
Financial expenses		
Exchange variation loss	(6,198)	(2,372)
Other financial expenses	(632)	(1,351)
	(6,830)	**(3,723)**
Net financial result	**3,079**	**842**

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Date: 2023.05.25 09:47:16 -03'00'

Vinícius Mariano Soares
Accountant CRC RJ-120996/O-2

Trond Hugo Fiskum
Director-President

Appendix 37 - Audited Annual Financial Statements as of and for the financial year ended 31 December 2023 for MHWirth do Brasil Equipamentos Ltda

MHWIRTH do Brasil Equipamentos Ltda.

Demonstrações financeiras
em 31 de dezembro de 2023 e 2022

KPDS 1189743

Conteúdo

KPMG Auditores Independentes Ltda.
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Relatório dos auditores independentes sobre as demonstrações financeiras

Aos Diretores e Quotistas da

MHWIRTH do Brasil Equipamentos Ltda.

Macaé – RJ

Opinião

Examinamos as demonstrações financeiras da MHWIRTH do Brasil Equipamentos Ltda. (Empresa), que compreendem o balanço patrimonial em 31 de dezembro de 2023 e as respectivas demonstrações do resultado, do resultado abrangente, das mutações do patrimônio líquido e dos fluxos de caixa para o exercício findo nessa data, bem como as correspondentes notas explicativas, compreendendo as políticas contábeis materiais e outras informações elucidativas.

Em nossa opinião, as demonstrações financeiras acima referidas apresentam adequadamente, em todos os aspectos relevantes, a posição patrimonial e financeira da MHWIRTH do Brasil Equipamentos Ltda. em 31 de dezembro de 2023, o desempenho de suas operações e os seus fluxos de caixa para o exercício findo nessa data, de acordo com as práticas contábeis adotadas no Brasil.

Base para opinião

Nossa auditoria foi conduzida de acordo com as normas brasileiras e internacionais de auditoria. Nossas responsabilidades, em conformidade com tais normas, estão descritas na seção a seguir intitulada "Responsabilidades dos auditores pela auditoria das demonstrações financeiras". Somos independentes em relação à Empresa, de acordo com os princípios éticos relevantes previstos no Código de Ética Profissional do Contador e nas normas profissionais emitidas pelo Conselho Federal de Contabilidade, e cumprimos com as demais responsabilidades éticas de acordo com essas normas. Acreditamos que a evidência de auditoria obtida é suficiente e apropriada para fundamentar nossa opinião.

Responsabilidades da administração pelas demonstrações financeiras

A administração é responsável pela elaboração e adequada apresentação das demonstrações financeiras de acordo com as práticas contábeis adotadas no Brasil e pelos controles internos que ela determinou como necessários para permitir a elaboração de demonstrações financeiras livres de distorção relevante, independentemente se causada por fraude ou erro.

Na elaboração das demonstrações financeiras, a administração é responsável pela avaliação da capacidade de a Empresa continuar operando, divulgando, quando aplicável, os assuntos relacionados com a sua continuidade operacional e o uso dessa base contábil na elaboração das demonstrações financeiras, a não ser que a administração pretenda liquidar a Empresa ou cessar suas operações, ou não tenha nenhuma alternativa realista para evitar o encerramento das operações.

Responsabilidades dos auditores pela auditoria das demonstrações financeiras

Nossos objetivos são obter segurança razoável de que as demonstrações financeiras, tomadas em conjunto, estão livres de distorção relevante, independentemente se causada por fraude ou erro, e emitir relatório de auditoria contendo nossa opinião. Segurança razoável é um alto nível de segurança, mas não uma garantia de que a auditoria realizada de acordo com as normas brasileiras e internacionais de auditoria sempre detectam as eventuais distorções relevantes existentes. As distorções podem ser decorrentes de fraude ou erro e são consideradas relevantes quando, individualmente ou em conjunto, possam influenciar, dentro de uma perspectiva razoável, as decisões econômicas dos usuários tomadas com base nas referidas demonstrações financeiras.

Como parte da auditoria realizada de acordo com as normas brasileiras e internacionais de auditoria, exercemos julgamento profissional e mantemos ceticismo profissional ao longo da auditoria. Além disso:

– Identificamos e avaliamos os riscos de distorção relevante nas demonstrações financeiras, independentemente se causada por fraude ou erro, planejamos e executamos procedimentos de auditoria em resposta a tais riscos, bem como obtemos evidência de auditoria apropriada e suficiente para fundamentar nossa opinião. O risco de não detecção de distorção relevante resultante de fraude é maior do que o proveniente de erro, já que a fraude pode envolver o ato de burlar os controles internos, conluio, falsificação, omissão ou representações falsas intencionais.

– Obtemos entendimento dos controles internos relevantes para a auditoria para planejarmos procedimentos de auditoria apropriados às circunstâncias, mas, não, com o objetivo de expressarmos opinião sobre a eficácia dos controles internos da Empresa.

– Avaliamos a adequação das políticas contábeis utilizadas e a razoabilidade das estimativas contábeis e respectivas divulgações feitas pela administração.

– Concluímos sobre a adequação do uso, pela administração, da base contábil de continuidade operacional e, com base nas evidências de auditoria obtidas, se existe incerteza relevante em relação a eventos ou condições que possam levantar dúvida significativa em relação à capacidade de continuidade operacional da Empresa. Se concluirmos que existe incerteza relevante, devemos chamar atenção em nosso relatório de auditoria para as respectivas divulgações nas demonstrações financeiras ou incluir modificação em nossa opinião, se as divulgações forem inadequadas. Nossas conclusões estão fundamentadas nas evidências de auditoria obtidas até a data de nosso relatório. Todavia, eventos ou condições futuras podem levar a Empresa a não mais se manter em continuidade operacional.

– Avaliamos a apresentação geral, a estrutura e o conteúdo das demonstrações financeiras, inclusive as divulgações e se as demonstrações financeiras representam as correspondentes transações e os eventos de maneira compatível com o objetivo de apresentação adequada.

Comunicamo-nos com a administração a respeito, entre outros aspectos, do alcance planejado, da época da auditoria e das constatações significativas de auditoria, inclusive as eventuais deficiências significativas nos controles internos que identificamos durante nossos trabalhos.

Rio de Janeiro, 19 de junho de 2024

KPMG Auditores Independentes Ltda.
CRC SP-014428/O-6 F-RJ

Bernardo Moreira Peixoto Neto
Contador CRC RJ-064887/0-8

MHWIRTH do Brasil Equipamentos Ltda.

Balanços patrimoniais em 31 de dezembro 2023 e 2022

(Em milhares de Reais)

Ativo	Nota	2023	2022
Circulante			
Caixa e equivalentes de caixa	5	13.243	13.616
Contas a receber	6	40.788	39.144
Contas a receber - Partes relacionadas	17	3.623	1.466
Empréstimo Intercompany	17	9.090	-
Estoques	7	17.727	9.170
Imposto de renda e contribuição social a recuperar	8	950	2.412
Outros impostos a recuperar	8	809	1.259
Adiantamento a fornecedores	9	41.077	44.270
Adiantamento a fornecedores - Partes relacionadas	17	2.559	316
Outros ativos	-	1.398	296
		131.264	**111.949**
Não circulante			
Outros impostos a recuperar	8	87	115
Imobilizado	10	151.377	145.845
		151.464	**145.960**
Total do ativo		**282.728**	**257.909**

Passivo	Nota	2023	2022
Circulante			
Fornecedores	11	3.940	4.332
Fornecedores - Partes relacionadas	17	3.781	415
Imposto de renda e contribuição social a recolher	8	118	70
Outros impostos a recolher	8	2.174	2.259
Obrigações sociais e trabalhistas	12	11.644	9.688
Provisões	13	19.915	26.691
Adiantamento de clientes	-	7.950	547
Adiantamento de clientes - Partes relacionadas	17	14.204	14.129
Outros passivos	-	1	62
		63.727	**58.193**
Não circulante			
Provisões	13	1.759	1.759
Patrimônio líquido			
Capital social	15	208.498	208.498
Lucros ou ( ) Prejuízos acumulados	-	8.744	(10.541)
		217.242	**197.957**
Total do passivo e patrimônio líquido		**282.728**	**257.909**

As notas explicativas da administração são parte integrante das demonstrações financeiras.

MHWIRTH do Brasil Equipamentos Ltda.

Demonstrações do resultado do exercício

Exercícios findos em 31 de dezembro de 2023 e 2022

(Em milhares de Reais)

	Nota	2023	2022
Receita líquida de venda de mercadorias e serviços prestados	18	149.466	120.659
Custos dos produtos vendidos e dos serviços prestados	19	(55.984)	(51.284)
Lucro bruto		93.482	69.375
Receitas (despesas) operacionais			
Despesas gerais e administrativas	20	(53.607)	(46.662)
Outras receitas operacionais	20	403	2.911
		(53.204)	(43.751)
Resultado antes das receitas e despesas financeiras		40.278	25.624
Receitas financeiras	21	5.789	9.909
Despesas financeiras	21	(5.235)	(6.830)
		554	3.079
Lucro antes do imposto de renda e da contribuição social		40.832	28.703
Imposto de renda e contribuição social corrente	14	(8.233)	(4.093)
Lucro líquido do Exercício		32.599	24.610

As notas explicativas da administração são parte integrante das demonstrações financeiras.

MHWIRTH do Brasil Equipamentos Ltda.

Demonstrações do resultado abrangente

Exercícios findos em 31 de dezembro de 2023 e 2022

(Em milhares de Reais)

	2023	2022
Lucro líquido do Exercício	32.599	24.610
Outros resultados abrangentes	-	-
Resultado abrangente total do exercício	32.599	24.610

As notas explicativas da administração são parte integrante das demonstrações financeiras.

MHWIRTH do Brasil Equipamentos Ltda.

Demonstrações das mutações do patrimônio líquido

Exercícios findos em 31 de dezembro de 2023 e 2022

(Em milhares de Reais)

	Capital social	Prejuízos acumulados	Total
Saldos em 31 de dezembro de 2021	208.498	(23.080)	185.418
Lucro do exercício	-	24.610	24.610
Pagamento de dividendos	-	(12.072)	(12.072)
Saldos em 31 de dezembro de 2022	208.498	(10.542)	197.956
Lucro do exercício	-	32.600	32.600
Pagamento de dividendos	-	(13.314)	(13.314)
Saldos em 31 de dezembro de 2023	208.498	8.744	217.242

As notas explicativas da administração são parte integrante das demonstrações financeiras.

MHWIRTH do Brasil Equipamentos Ltda.

Demonstrações dos fluxos de caixa

Exercícios findos em 31 de dezembro de 2023 e 2022

(Em milhares de Reais)

	2023	2022
Fluxos de caixa das atividades operacionais		
Lucro líquido do Exercício	32.599	24.610
Itens de resultado que não afetam o caixa:		
Depreciação	7.311	8.673
Provisões diversas	(6.776)	(3.816)
Provisão para obsolescência	1.978	-
	35.112	29.467
Variações em:		
Contas a receber	(1.644)	(19.327)
Contas a receber - Partes relacionadas	(2.157)	410
Estoques	(10.535)	2.871
Imposto de renda e contribuição social a recuperar	1.462	(1.946)
Outros impostos a recuperar	478	1.049
Adiantamento de fornecedores	3.193	7.368
Adiantamento de fornecedores com partes relacionadas	(2.243)	(316)
Outros ativos	(1.102)	59
Fornecedores	(392)	2.609
Fornecedores - Partes relacionadas	3.366	(645)
Imposto de renda e contribuição social a recolher	48	(416)
Outros impostos a recolher	(85)	1.665
Obrigações sociais e trabalhistas	1.956	4.558
Adiantamento de clientes com terceiros	7.403	547
Adiantamento de clientes com partes relacionadas	75	(3.958)
Outros Passivos	(61)	29
Caixa líquido proveniente das (utilizado nas) atividades operacionais	34.874	24.024
Fluxos de caixa das atividades de investimento		
Mútuo - Intercompany	(9.090)	
Aquisições de bens do imobilizado	(12.843)	(6.561)
Caixa líquido utilizado nas atividades de investimento	(21.933)	(6.561)
Fluxos de caixa das operações financeiras		
Pagamento de dividendos	(13.314)	(12.072)
Caixa líquido utilizado nas atividades de financiamentos	(13.314)	(12.072)
Aumento (Redução) no caixa e equivalentes de caixa no exercício	(373)	5.391
Demonstração da redução (aumento) do caixa e equivalentes de caixa		
No início do exercício	13.616	8.225
No fim do exercício	13.243	13.616
Aumento (Redução) no caixa e equivalentes de caixa no exercício	(373)	5.391

As notas explicativas da administração são parte integrante das demonstrações financeiras.

Notas explicativas às demonstrações financeiras

(Em milhares de Reais, exceto quando indicado em contrário).

1 Contexto operacional

A MHWIRTH do Brasil Equipamentos Ltda. ("Empresa") é uma sociedade empresarial limitada, com sede na Rua Sérgio Roberto Franco, s/n, Quadra 03, parte, fazenda Boa Vista, Imboassica, Macaé-RJ.

A Empresa iniciou suas operações em 1º de janeiro de 2018 com a incorporação do patrimônio líquido cindido da AK Operações relativo aos ativos de perfuração (drilling) da unidade MHWIRTH que desde 1997 está instalada no Brasil, e a sócia única MHWIRTH AS firmou um acordo de Joint Venture entre a MHWIRTH AS e a Subsea Drilling Systems (ex-Baker Hughes) em 1 de outubro de 2021, o impacto desta reestruturação no Brasil verificou-se com a entrada dos funcionários da Subsea Drilling Systems que trabalhavam dedicados a esta unidade de negócios na Baker Hughes e com a compra do estoque de peças utilizadas nas operações e atividades dessa unidade.

O estatuto social da Empresa não foi alterado e autoriza a realização das atividades a seguir:

(a) Compra, venda, fabricação, importação, exportação, engenharia, consultoria, gerenciamento, instalação, manutenção, assistência técnica, prestação de serviços de treinamento, supervisão, operação e locação de equipamentos, máquinas e acessórios concernentes às indústrias petrolífera e de mineração, direta ou indiretamente, incluindo a prestação de serviços em mar aberto (offshore); (b) Locação de imóveis; (c) Participação em outras sociedades, como sócia quotista ou acionista.

Atualmente as principais atividades da empresa são fabricação e manutenção de equipamentos, máquinas e acessórios; assistência técnica onshore e offshore; e revenda de equipamentos, partes e peças.

A Empresa apresentou lucro líquido em 2023 de R$ 32.600 (R$ 24.610 em 2022).

2 Base de preparação

Declaração de conformidade com relação às normas do Comitê de Pronunciamentos Contábeis - CPC

As demonstrações financeiras da Empresa foram elaboradas de acordo com as práticas contábeis adotadas no Brasil, as quais abrangem a Legislação Societária, os Pronunciamentos, as Orientações e as Interpretações emitidas pelo Comitê de Pronunciamentos Contábeis (CPC) e as normas contábeis expedidas pelo Conselho Federal de Contabilidade (CFC).

Em 19 de junho de 2024, a Administração da Empresa autorizou a conclusão destas demonstrações financeiras.

Todas as informações relevantes próprias das demonstrações financeiras, e somente elas, estão sendo evidenciadas, e correspondem àquelas utilizadas pela Administração na sua gestão.

Base de mensuração
As demonstrações financeiras foram preparadas com base no custo histórico.

Moeda funcional e moeda de apresentação
Estas demonstrações financeiras estão apresentadas em Reais, que é a moeda funcional da Empresa. Todos os saldos foram arredondados para o milhar mais próximo, exceto quando indicado de outra forma.

Uso de estimativas e julgamentos
Na preparação destas demonstrações financeiras, a Administração utilizou julgamentos, estimativas e premissas que afetam a aplicação das políticas contábeis da Empresa e os valores reportados dos ativos, passivos, receitas e despesas. Os resultados reais podem divergir dessas estimativas. As estimativas e premissas são revisadas de forma continua. As revisões das estimativas são reconhecidas prospectivamente.

As informações sobre incertezas sobre premissas e estimativas que possuam um risco significativo de resultar em um ajuste material dentro do próximo exercício financeiro estão incluídas nas seguintes notas explicativas:

- Nota Explicativa nº 10 – Imobilizado (depreciação and impairment);
- Nota Explicativa nº 13 - Provisões;

3 Principais políticas contábeis

As políticas contábeis descritas em detalhes abaixo têm sido aplicadas de maneira consistente a todos os exercícios apresentados nessas demonstrações financeiras.

Além disso, a Companhia adotou a divulgação de políticas contábeis (alterações ao CPC 26) a partir de 1º de janeiro de 2023. As alternativas exigem a divulgação de políticas contábeis “materiais”, em vez de “significativas”. Embora as alterações não tenham resultado em nenhuma mudança nas políticas contábeis em si, elas afetaram as informações sobre políticas contábeis divulgadas nesta nota em determinados casos.

3.1 Moeda estrangeira

Transações em moeda estrangeira são convertidas para a moeda funcional da Empresa pelas taxas de câmbio nas datas das transações.

Ativos e passivos monetários denominados e apurados em moedas estrangeiras na data do balanço são reconvertidos para a moeda funcional à taxa de câmbio naquela data. Ativos e passivos não monetários que são mensurados pelo valor justo em moeda estrangeira são reconvertidos para a moeda funcional à taxa de câmbio na data em que o valor justo foi determinado. Itens não monetários que são mensurados com base no custo histórico em moeda estrangeira são convertidos pela taxa de câmbio na data da transação. As diferenças de moedas estrangeiras resultantes da conversão são geralmente reconhecidas no resultado**.** No entanto, as diferenças cambiais resultantes da reconversão dos hedges de fluxos de caixa qualificados e efetivos são reconhecidas em outros resultados abrangentes.

3.2 Instrumentos financeiros

3.2.1 Ativos financeiros

Um ativo financeiro é reconhecido quando a entidade se tornar parte das disposições contratuais do instrumento. No reconhecimento inicial, ativos financeiros são mensurados a valor justo adicionado ou deduzidos dos custos de transação que sejam diretamente atribuíveis à aquisição ou à emissão de tais ativos, exceto por contas a receber de clientes que não contiverem componente de financiamento significativo.

3.2.2 Passivos financeiros

Um passivo financeiro é reconhecido quando a entidade se tornar parte das disposições contratuais do instrumento. No reconhecimento inicial, passivos financeiros são mensurados a valor justo adicionado ou deduzido dos custos de transação que sejam diretamente atribuíveis à aquisição ou à emissão de tais passivos, exceto por passivos financeiros mensurados a valor justo.

3.2.3 Classificação e mensuração subsequente de ativos e passivos financeiros

Os ativos financeiros não são reclassificados subsequentemente ao reconhecimento inicial, a não ser que a Empresa mude o modelo de negócios para a gestão de ativos financeiros, e neste caso todos os ativos financeiros afetados são reclassificados no primeiro dia do período de apresentação posterior à mudança no modelo de negócios.

A Empresa realiza uma avaliação do objetivo do modelo de negócios em que um ativo financeiro é mantido em carteira porque isso reflete melhor a maneira pela qual o negócio é gerido e as informações são fornecidas à Administração.

A Empresa considera os termos contratuais do instrumento para avaliar se os fluxos de caixa contratuais são somente pagamentos do principal e de juros. Isso inclui a avaliação sobre se o ativo financeiro contém um termo contratual que poderia mudar o momento ou o valor dos fluxos de caixa contratuais de forma que ele não atenderia essa condição.
A Empresa desreconhece um ativo financeiro quando os direitos contratuais aos fluxos de caixa do ativo expiram, ou quando a Empresa transfere os direitos ao recebimento dos fluxos de caixa contratuais sobre um ativo financeiro em uma transação no qual essencialmente todos os riscos e benefícios da titularidade do ativo financeiro são transferidos. Qualquer participação que seja criada ou retida pela Empresa em tais ativos financeiros transferidos é reconhecida como um ativo ou passivo separado.

A Empresa desreconhece um passivo financeiro quando sua obrigação contratual é retirada, cancelada ou expira. A Empresa também desreconhece um passivo financeiro quando os termos são modificados e os fluxos de caixa do passivo modificado são substancialmente diferentes, caso em que um novo passivo financeiro baseado nos termos modificados é reconhecido a valor justo.

Os ativos ou passivos financeiros são compensados e o valor líquido apresentado no balanço patrimonial quando, e somente quando, a Empresa tenha o direito legal de compensar os valores e tenha a intenção de liquidá-los em uma base líquida ou de realizar o ativo e liquidar o passivo simultaneamente.

Em 31 de dezembro de 2023, os passivos financeiros não derivativos da Empresa estavam representados por fornecedores terceiros e parte relacionada, impostos a recolher, obrigações sociais e trabalhistas, provisões e adiantamentos de clientes. Os ativos financeiros são representados por caixa e equivalentes de caixa, contas a receber de clientes terceiros e de partes relacionadas, impostos a recuperar e adiantamentos a fornecedores.

3.2.4 *Classificação e mensuração subsequente de ativos e passivos financeiros*

Ativos financeiros são classificados e mensurados com base nas características dos fluxos de caixa contratual e no modelo de negócios para gerir o ativo, conforme segue:

- Custo amortizado: ativo financeiro (instrumento financeiro de dívida) cujo o fluxo de caixa contratual resulta somente do pagamento de principal e juros sobre o principal em datas específicas e, cujo modelo de negócios objetiva manter o ativo com o fim de receber seus fluxos de caixa contratuais.

- Valor justo por meio do resultado: todos os demais ativos financeiros. Esta categoria geralmente inclui instrumentos financeiros derivativos.

- Ativos financeiros mensurados pelo valor justo por meio de outros resultados abrangentes: Os ativos financeiros devem ser mensurados pelo valor justo por meio de outros resultados abrangentes, se as duas condições a seguir forem atendidas; (a) o ativo financeiro é mantido dentro de um modelo de negócios cujo objetivo é alcançado tanto pelo recebimento de fluxos de caixa contratuais quanto pela venda de ativos financeiros; e (b) os termos contratuais do ativo financeiro dão origem, em datas especificadas, a fluxos de caixa que compreendem exclusivamente pagamentos de principal e juros sobre o valor principal em aberto.

3.2.5 *Redução ao valor recuperável de ativos financeiros (Impairment)*

A Empresa avalia a perda por redução ao valor recuperável do ativos financeiros baseado em expectativas futuras ou perdas de crédito esperadas tanto em nível individual como em nível coletivo, para o contas a receber utiliza o prazo de vencidos há mais de 90 dias. Todos os ativos individualmente significativos são avaliados quanto à perda por redução ao valor recuperável. Ativos que não são individualmente significativos são avaliados coletivamente quanto à perda de valor com base no agrupamento de ativos com características de riscos similares.
Ao avaliar a perda por redução ao valor recuperável, a empresa utiliza tendências históricas do prazo de recuperação e valores de perda incorridos, ajustados para refletir o julgamento da Administração se as condições econômicas e de crédito atuais são tais que as perdas reais provavelmente serão maiores ou menores que as sugeridas pelas tendências históricas.

Uma perda por redução ao valor recuperável é calculada como a diferença entre o valor contábil e o valor presente dos fluxos de caixa futuros estimados, descontados à taxa de juros efetiva original do ativo. As perdas são reconhecidas no resultado e refletidas em uma conta de provisão. Quando a Empresa considera que não há expectativas razoáveis de recuperação, os valores são baixados. Quando um evento subsequente indica uma redução da perda, a provisão é revertida através do resultado.

A administração avaliou seus principais instrumentos financeiros de acordo com o IFRS 9 e não identificou indicativos de perdas nos exercícios findos em 31 de dezembro de 2023 e 2022.

3.3 Redução ao valor recuperável de ativos não financeiros (*Impairment*)

Os valores contábeis dos ativos não financeiros da Empresa são revistos a cada data de balanço para apurar se há indicação de perda no valor recuperável. Caso ocorra tal indicação, então o valor recuperável do ativo é estimado.

Para testes de redução ao valor recuperável, os ativos são agrupados no menor grupo possível de ativos que gera entradas de caixa pelo seu uso contínuo, entradas essas que são em grande parte independentes das entradas de caixa de outros ativos, ou UGCs.

O valor recuperável de um ativo ou UGC é o maior entre o seu valor em uso e o seu valor justo menos custos para vender. O valor em uso é baseado em fluxos de caixa futuros estimados, descontados a valor presente usando uma taxa de desconto antes dos impostos que reflita as avaliações atuais de mercado do valor do dinheiro no tempo e os riscos específicos do ativo ou da UGC.

Uma perda por redução ao valor recuperável é reconhecida se o valor contábil do ativo ou UGC exceder o seu valor recuperável.

Perdas por redução ao valor recuperável são reconhecidas no resultado.

As perdas por redução ao valor recuperável são revertidas somente na extensão em que o novo valor contábil do ativo não exceda o valor contábil que teria sido apurado, líquido de depreciação ou amortização, caso a perda de valor não tivesse sido reconhecida.

Durante 2014 e 2015, a MHWirth construiu uma nova instalação para suportar suas operações no Brasil. Em 31 de dezembro de 2023, o valor contábil líquido da fábrica, máquinas, equipamentos e ferramentas é de R$ 149.846 líquido de uma redução de valor recuperável de R$ 98.948 contabilizada em dezembro de 2016 e que vem sendo atualizada com base nas condições de mercado anualmente (em 31 de dezembro de 2022, o valor contábil líquido da fábrica era de R$ 145.844 líquido).

O negócio petrolífero tem, em geral e especificamente no Brasil desde 2016, experimentado ciclos de baixo investimento em novos equipamentos de perfuração, no mercado pós-venda, no que diz respeito ao negócio da manutenção e aos preços do petróleo, registou uma pequena melhoria no último ano e há investimentos com tendência para subir, mas, em geral, o mercado continua a ser altamente competitivo e a pressão sobre os preços é mais forte porque as taxas diárias dos nossos clientes para as suas plataformas no Brasil continuam baixas em comparação com o que era praticado antes da crise do petróleo.

Foi realizada uma pesquisa do mercado imobiliário, onde documenta que os preços atuais do metro quadrado em Macaé continuam similares ao preço avaliado em 2016, muitas áreas e edifícios ainda estão vazios e as taxas de mercado são muito baixas. Além disso, vários dos nossos concorrentes têm uma significativa capacidade operacional disponível.

Com base no exposto acima, não há indicação de que o ativo possa ter sofrido desvalorização ou que o ajuste feito anteriormente possa ser revertido.

3.4 Imposto de renda e contribuição social

O imposto de renda e a contribuição social do exercício corrente são calculados com base nas alíquotas de 15%, acrescidas do adicional de 10% sobre o lucro tributável excedente de R$ 240 para imposto de renda e 9% sobre o lucro tributável para contribuição social sobre o lucro líquido, e consideram a compensação de prejuízos fiscais e base negativa de contribuição social, limitada a 30% do lucro real do exercício.

A despesa com imposto de renda e contribuição social compreende os impostos de renda e contribuição social corrente sobre apuração anual. Os impostos diferidos e corrente são reconhecidos no resultado.

3.5 Provisões

As provisões são determinadas por meio do desconto dos fluxos de caixa futuros estimados a uma taxa antes de impostos que reflita as avaliações atuais de mercado quanto ao valor do dinheiro no tempo e riscos específicos para o passivo relacionado. Os efeitos do não reconhecimento do desconto pela passagem do tempo são reconhecidos no resultado como despesa financeira.

Garantias

Uma provisão para garantia é reconhecida quando os produtos ou serviços a que se referem são vendidos, com base em dados históricos e ponderação de cenários possíveis e suas respectivas probabilidades.

3.6 Venda de bens e serviços

A Empresa reconhece a sua receita de acordo com o CPC 47 – Receita de Contratos com Clientes. Neste sentido, os efeitos decorrentes dos contratos com os clientes somente são registrados quando todos os critérios estabelecidos pela norma são atendidos, incluindo a aprovação do contrato, a identificação dos direitos de cada parte frente aos bens a serem transferidos, quando os termos de pagamento são identificáveis e quando se observar que é provável que a Empresa receberá pela contraprestação à qual terá direito em troca dos ativos a serem transferidos ao cliente.

A Empresa reconhece receitas quando ou à medida que seja satisfeita a obrigação de performance, ou seja, quando transferir o controle do serviço prometido ao cliente. O serviço é considerado transferido quando ou a medida que o cliente obtém o controle do mesmo.

No Brasil os principais contratos e obrigações de desempenho são:

- Contratos de serviços (revisão e reparo de equipamentos, serviços de engenharia onshore e offshore e treinamentos): A receita é reconhecida ao longo do tempo conforme o andamento dos serviços. O andamento do serviço é determinado com base no método dos custos incorridos. Se os serviços sob um único contrato ocorrem em períodos diferentes, a contraprestação será alocada com base em seus preços de venda individuais. O preço de venda individual é determinado na proposta de venda do serviço apresentada ao cliente.

- Revenda de parte e peças: A receita é reconhecida no momento em que as mercadorias são transferidas e/ou entregues ao cliente.

- Contrato de construção (fabricação de coluna de Riser): A receita é reconhecida ao longo do tempo com base no método de custo incorrido ou progresso físico, quando “a unidade não cria um ativo com um uso alternativo para a unidade e a unidade tem um direito aplicável ao pagamento por desempenho concluído até a data;

3.7 Outras fontes de Receitas

Outras fontes de receitas incluem receita de aluguel de parte de propriedade arrendada, e valores relacionados a variação cambial e rendimentos sobre aplicação financeira.

3.8 Arrendamentos

O CPC 06 (R2) / IFRS 16 introduziu um modelo único de contabilização de arrendamentos no balanço patrimonial de arrendatários. Como resultado, a Empresa, como arrendatário, reconheceu os ativos de direito de uso que representam seus direitos de utilizar os ativos subjacentes e os passivos de arrendamento que representam sua obrigação de efetuar pagamentos de arrendamento, nota explicativa 15. A contabilidade do arrendador permanece semelhante às políticas contábeis anteriores.

A Empresa adota o CPC 06 (R2) / IFRS 16 – Arrendamentos , e utiliza a abordagem simplificada.

4 Novas normas e operação ainda não vigentes

A companhia é regida pelos regramentos publicados pelo CPC, que emite pronunciamentos e interpretações análogos às IFRS, tal como emitidas pelo IASB. A seguir são apresentados os normativos contábeis ainda em análise pelo CPC, que não entraram em vigor e não tiveram sua adoção antecipada pela companhia até 31 de dezembro de 2023.

(i) Passivo não circulante com convenants e Classificação de passivos como circulante ou não circulante (alterações ao CPC 26/IAS 1). Data de vigência 1º de janeiro de 2024;

(ii) Passivo de arrendamento em uma venda e leaseback (alterações ao CPC 06/IFRS 16). Data de vigência 1º de janeiro de 2024;

(iii) Acordos de financiamento de fornecedores “Risco Sacado” – (alterações ao CPC 03/IAS 7 e CPC 40/IFRS 7). Data de vigência 1º de janeiro de 2024;

(iv) Ausência de conversibilidade (alterações ao CPC 02/IAS 21). Data de vigência 1º de janeiro de 2025;

(v) Venda ou contribuição de ativos entre um investidor e sua coligada ou empreendimento controlado em conjunto (alterações na IFRS 10 e na IAS 28). Data de vigência: Disponível para adoção opcional/data efetiva diferida por tempo indeterminado.

5 Caixa e equivalentes de caixa

O saldo da conta “caixa e equivalentes de caixa” é como demonstrado a seguir:

	2023	**2022**
Aplicações financeiras (a)	13.243	13.616
	13.243	**13.616**

(a) As aplicações financeiras em 2023 e 2022 são representadas por um fundo de investimento do Banco Itaú S/A, gerando uma rentabilidade média de 12,34% a.m em 2023 (13,30% a.m em 2022). O referido fundo possui liquidez imediata com risco insignificante de mudança de valor.

6 Contas a receber

	2023	2022
Contas a receber no país	34.171	21.084
Contas a receber no exterior	6.617	18.060
	40.788	**39.144**

O aging list referente vencimentos dos valores a receber:

	2023	2022
A vencer	32.743	29.891
Vencidos inferior à 30 dias	5.985	7.257
Vencidos de 31 a 60 dias	1.630	1.545
Vencidos de 91 a 120 dias	80	451
Vencidos de 121 a 240 dias	350	-
	40.788	**39.144**

A administração não identificou nenhum evento ou mudança nas circunstâncias que indicasse risco na recuperabilidade do contas a receber em 31 de dezembro de 2023 e 2022.

7 Estoques

O estoque está segregado conforme segue:

	2023	2022
Matéria prima e materiais de consumo	1.468	49
Produtos para revenda	24.895	15.606
Estoque de Projeto	1.487	1.661
	27.850	**17.316**
Provisão para obsolescência – Saldo inicial	(8.146)	(8.146)
Provisão registradas para obsolescência	(1.977)	-
Provisão utilizadas de obsolescência	-	-
	(10.123)	**(8.146)**
	17.727	**9.170**

8 Impostos de renda, contribuição social e outros impostos

A classificação entre circulante e não circulante foi baseada na expectativa de utilização dos créditos, conforme regulamentação específica de cada tributo.

(i) Imposto de Renda e Contribuição Social a recuperar

	2023	2022
IR – Imposto de renda a recuperar	709	1.780
CSLL – Contribuição social a recuperar	241	632
	950	**2.412**
Circulante	950	2.412
Não circulante	-	-

(ii) Outros impostos a recuperar

	2023	2022
PIS – Programa de Integração Social	124	222
COFINS – Contribuição para o Financiamento da Seguridade Social	571	1.102
ICMS – Imposto sobre Circulação de Mercadorias e Serviços	201	45
IPI – Imposto sobre Produtos Industrializados	-	5
	896	**1.374**
Circulante	809	1.259
Não circulante	87	115

(iii) Imposto de renda e Contribuição social a recolher

	2023	2022
IR – Imposto de renda retido na fonte	6	70
IRPJ – Imposto de renda sobre lucro	82	-
CSLL – Contribuição social sobre lucro	30	-
	118	**70**
Circulante	118	70
Não circulante	-	-

(iv) Outros impostos a recolher

	2023	2022
PIS – Programa de Integração Social	154	8
COFINS – Contribuição para o Financiamento da Seguridade Social	711	34
ICMS – Imposto sobre Circulação de Mercadorias e Serviços	29	1.190
IPI – Imposto sobre Produtos Industrializados	9	182
ISS – Imposto sobre serviço	1.220	782
CIDE – Contribuições de Intervenção no Domínio Econômico	-	40
CSRF – Contribuições sociais retidas na fonte	51	23
	2.174	**2.259**
Circulante	2.174	2.259
Não circulante	-	-

9 Adiantamento a fornecedores

Nº do projeto	**2023**	**2022**
104574 DRU 3 (a)	38.485	41.477
Outros	2.592	2.793
	41.077	**44.270**
Circulante	41.077	44.270
Não circulante	-	-

(a) Projeto de fabricação de 1 coluna de Riser - Projeto DRU 3, com os seguintes detalhes:
   (i) Fornecedor contratado: Matrix Composites & Engineering Ltd
   (ii) Produção por encomenda - Cliente: MHWIRTH AS (Noruega)
   (iii) Situação com o cliente: Este projeto encontra-se temporariamente suspenso e a MHWIRTH AS está negociando com o cliente final sobre os valores a receber referente as despesas incorridas e reembolsará a MHWIRTH no Brasil.

10 Imobilizado

Imobilizado	**Edificação e construção**	**Terreno e bens imóveis**	**Instalações e melhorias**	**Máquinas e equipamentos Industrial**	**Ativos em andamento**	**Veículos**	**Móveis e utensílios**	**Arrendamento Melhorias**	**Ferramentas**	**Computadores**	**Total**
Saldo em 1 de Janeiro 2022	**201.278**	**54.538**	**4.585**	**29.584**	**122**	**113**	**3.622**	**16**	**2.792**	**3.501**	**300.151**
Adições	-	-	-	-	6.562	-	-	-	-	-	6.562
Transferência de ativo em construção para definitivo	-	-	-	-	(148)	-	-	-	148	-	-
Baixas	-	-	-	-	-	-	-	-	-	(425)	(425)
Saldo em 31 de Dezembro 2022	**201.278**	**54.538**	**4.585**	**29.583**	**6.536**	**113**	**3.622**	**16**	**2.940**	**3.076**	**306.287**
Adições	-	-	-	-	12.843	-	-	-	-	-	12.844
Transferência de ativo em construção para definitivo	-	-	-	3.018	(4.347)	-	86	-	259	984	-
Baixas	-	-	-	-	-	-	-	-	-	-	-
Saldo em 31 de Dezembro 2023	**201.278**	**54.538**	**4.585**	**32.602**	**15.032**	**113**	**3.708**	**16**	**3.199**	**4.060**	**319.131**

Depreciação acumulada e perdas por redução ao valor recuperável	**Edificação e construção**	**Terreno e bens imóveis**	**Instalações e melhorias**	**Máquinas e equipamentos Industrial**	**Ativos em construção**	**Veículos**	**Móveis e utensílios**	**Arrendamento Melhorias**	**Ferramentas**	**Computadores**	**Total**
Saldo em 1 de Janeiro 2022	**(97.606)**	**(22.059)**	**(3.344)**	**(22.421)**	**-**	**(113)**	**(2.645)**	**(6)**	**(2.414)**	**(2.987)**	**(153.595)**
Adições	(5.416)	-	(224)	(1.043)	-	-	(290)	(1)	(132)	(167)	(7.273)
Baixas										425	425
Saldo em 31 de Dezembro 2022	**(103.022)**	**(22.059)**	**(3.568)**	**(23.464)**	**-**	**(113)**	**(2.935)**	**(7)**	**(2.546)**	**(2.729)**	**(160.443)**
Adições	(5.416)	-	(221)	(953)	-	-	(290)	(2)	(136)	(293)	(7.311)
Baixas	-	-	-	-	-	-	-	-	-	-	-
Saldo em 31 de Dezembro 2023	**(108.438)**	**(22.059)**	**(3.789)**	**(24.417)**	**-**	**(113)**	**(3.225)**	**(9)**	**(2.682)**	**(3.022)**	**(167.754)**
Saldo líquido em 31 de Dezembro 2022	**98.256**	**32.479**	**1.017**	**6.119**	**6.536**	**-**	**687**	**9**	**394**	**347**	**145.844**
Saldo líquido em 31 de Dezembro 2023	**92.840**	**32.479**	**796**	**8.183**	**15.032**	**-**	**485**	**7**	**517**	**1.038**	**151.377**

O ativo imobilizado suporta todas as operações no Brasil, como entrega de produtos (fabricação de risers de perfuração e equipamentos de perfuração), serviços de perfuração (revisão, manutenção, suporte onshore, peças sobressalentes e treinamento) e projetos globais (suporte a entregas de pacotes de perfuração no Brasil).

Indicações de Impairment

De acordo com o CPC 01, a administração revisou uma lista de indicadores externos e internos de impairment , destacando, dentre os principais, os seguintes:

- Redução significativa no valor de mercado do ativo;
- Tecnologia obsoleta;
- Valor contábil líquido > valor de mercado; e
- Reduzido potencial de venda / geração de caixa no futuro próximo;

Com base na avaliação acima de indicadores a estratégia de longo prazo e o plano de negócios para o ativo permanecem inalterados, tendo em vista que a planta de Macaé se mantém como principal instalação para a fabricação de “Risers”. A Empresa também aluga parte de suas instalações em Macaé para a AK Operações e o contrato de aluguel com a CSE/Aker Solutions foi encerrado em janeiro/2023.

O valor contábil do terreno, das edificações, instalações, máquinas e equipamentos industriais tiveram anteriormente “redução ao valor recuperável de ativos – ajuste de Impairment” no valor de R$ 98.948 devido à baixa no negócio petrolífero durante o período 2015 -2018.

A avaliação do valor de mercado do consultor externo CBRE realizada em 2022 apresentou uma estimativa de R$ 190.200 (R$ 176.900 em 2021). Embora a avaliação da CBRE mostre um aumento de 8% na avaliação em comparação com a avaliação feita em 2021, se tivéssemos de vender as instalações teríamos de aumentar consideravelmente o fator de marketing (desconto) para tentar atrair um comprador, porque a liquidez é baixa, existem atualmente poucas empresas à procura deste tipo de propriedades, e existem muitas ofertas no mercado imobiliário da região que pressionam o valor e o fator de marketing (desconto) para tentar ser bem sucedido.

Considerando o aumento do fator de comercialização (desconto) entre 15% e 20%, o preço de venda estimado encontrar-se-ia no intervalo entre R$ 142.680 e 154.570. Com base nesse cenário a administração da Empresa optou por manter sem alteração o valor da provisão registrada, conforme segue em 31 de dezembro de 2023 e 2022:

	2023	**2022**
Saldo do imobilizado sem impairment	250.329	244.795
Redução ao valor recuperável	(98.948)	(98.948)
Valor contábil líquido do imobilizado em 31 de dezembro	**151.381**	**145.845**

11 Fornecedores

	2023	2022
No país	3.940	3.997
No exterior	-	335
	3.940	**4.332**
Circulante	3.940	4.332
Não circulante	-	-
	3.940	**4.332**

12 Obrigações sociais e trabalhistas

	2023	2022
IRRF – Imposto de renda retido na fonte sobre a folha de pagamento	843	630
INSS - Instituto Nacional do Seguro Social	926	651
FGTS - Fundo de Garantia do Tempo de Serviço	315	225
Benefícios a pagar	162	130
Bonus	4.805	4.205
Provisão para férias e encargos	4.593	3.847
	11.644	**9.688**
Circulante	11.644	9.688
Não circulante	-	-

13 Provisões

	2023	2022
Provisão para garantia	1.743	1.743
Provisão custo de projeto (a)	13.809	19.302
Outras provisões	5.875	7.229
Provisão para processos judiciais	247	175
	21.674	**28.450**
Circulante	19.915	26.691
Não circulante	1.759	1.759

(a) Provisão de custo pelo método de reconhecimento de projetos: DRU 3 no valor total de R$ 13.809 (R$ 17.366 em 2022).

Descrição da Provisão	Provisão para garantia	Provisão de custo de projetos	Outras Provisões	Provisão para processos judiciais	TOTAL
Saldo em 31 de dezembro de 2021	**1.876**	**27.188**	**3.201**	**-**	**32.265**
Provisões registradas durante o ano	-	-	18.733	175	18.908
Provisões utilizadas durante o ano	(133)	(6.302)	(11.317)	-	(17.752)
Ajuste provisões iniciais	-	(1.584)	(3.388)	-	(4.972)
Saldo em 31 de dezembro de 2022	**1.743**	**19.302**	**7.229**	**175**	**28.450**
Provisões registradas durante o ano	-		8.521	72	8.593
Provisões utilizadas durante o ano	-		(9.875)	-	(9.875)
Ajuste provisões iniciais	-	(5.493)	-	-	(5.494)
Saldo em 31 de dezembro de 2023	**1.743**	**13.809**	**5.875**	**247**	**21.674**

Provisão para garantias

A provisão para garantias refere-se principalmente a garantias de projetos encerrados no exercício de 2016, 2017, 2018 e 2019. A provisão é baseada em estimativas de dados históricos de garantias associadas com produtos e serviços semelhantes. A Empresa espera liquidar esses passivos em 2024 e 2025.

Provisão de custo de projetos

A provisão de projetos refere-se principalmente ao reconhecimento de custo pelo método de progresso físico para contrato de construção. A provisão é baseada em estimativas do resultado final dos projetos. A Empresa espera liquidar esses passivos em 2024.

Outras provisões

A rubrica outras provisões refere-se a: contratação de serviços e materiais não finalizados em 2023 relacionados aos departamentos de suporte: manutenção da base, TI (tecnologia da informação), jurídico, finanças, entre outros. A Empresa espera liquidar esses passivos no primeiro trimestre de 2024.

Provisão para processos judiciais

A provisão para processos judiciais refere-se a contingência trabalhista de ações judiciais que estão classificadas como perda provável. A provisão é baseada em estimativas do escritório de advocacia que representa a empresa. A empresa espera liquidar esse passivo em 2024. A Administração estima que há uma possibilidade de perda possível, cujo o valor totaliza R$ 730 em 31 de dezembro de 2023 (R$ 135 em 2022).

14 Imposto de renda e contribuição social

A empresa apresenta em 31 de dezembro de 2023 e de 2022 prejuízo fiscal acumulado e base negativa de contribuição social, conforme demonstrado a seguir:

	2023	**2022**
Prejuízo fiscal acumulado	16.083	25.922
Base negativa de contribuição social	16.083	25.922

Os valores de imposto de renda e contribuição social são demonstrado com segue:

	2023	**2022**
Lucro líquido antes do imposto de renda e da contribuição social	40.832	28.703
Despesas indedutíveis:		
* Ajuste de preço de transferência (transfer pricing)	532	-
* Caráter fiscal	4.126	1.214
* Multas	330	97
* Outros	214	35
* Diferenças (reversão) temporárias líquidas	81	(721)
	46.115	**29.328**
Dedução da base de cálculo		
* Pagamento de juros sobre capital próprio (JCP)	(13.314)	(12.072)
Base de cálculo do imposto de renda e da contribuição social	**32.801**	**17.256**
Compensação de prejuízo fiscal – 30%	**(9.840)**	**(5.177)**
Lucro Real líquido do exercicio	**22.961**	**12.079**
Despesa de imposto de renda e contribuição social dos exercícios	**7.783**	**4.093**
Alíquota efetiva	**19%**	**14%**

Composição da receita e/ou despesa (-) de imposto de renda e contribuição social

	2023	**2022**
* Despesa de imposto de renda e contribuição social corrente sobre a apuração	(7.783)	(4.093)
* Despesa de imposto de renda e contribuição social diferido sobre prejuízo fiscal compensado	(3.346)	(1.760)
* Receita ou ( ) despesa de imposto de renda e contribuição social diferido sobre as diferenças temporárias líquidas	28	(245)
* Receita de reversão do ajuste valor recuperável ou ( ) despesa de ajuste do valor recuperável de imposto de renda e contribuição social diferido sobre o prejuízo (tax loss)	3.346	1.760
* Receita de reversão do ajuste valor recuperável ou ( ) despesa de ajuste do valor recuperável de imposto de renda e contribuição social diferido sobre as diferenças temporárias (tax loss)	(28)	245
* Ajuste, despesa de imposto de renda e contribuição social corrente – apuração período anteriores	(450)	-
Despesa de imposto de renda e contribuição social	**(8.233)**	**(4.093)**

Os saldos de imposto de renda e contribuição social diferidos ativos são como segue:

	2023	**2022**
* Diferido sobre prejuízos fiscais (imposto de renda) e sobre base negativa de contribuição social	5.468	8.814
* Redução ao valor recuperável diferido sobre prejuízos fiscais (imposto de renda) e sobre base negativa de contribuição social	(5.468)	(8.814)
* Diferido sobre as diferenças temporárias líquidas de imposto de renda e contribuição social	31.008	30.981
* Redução ao valor recuperável diferido sobre as diferenças temporárias líquidas de imposto de renda e contribuição social	(31.009)	(30.981)
Despesa de imposto de renda e contribuição social diferido	-	-

15 Patrimônio líquido

Capital social

Em 31 de dezembro de 2023 e 2022 o capital social subscrito e integralizado é de R$ 208.498, correspondentes a 208.497.585 quotas, respectivamente, sendo 100% das quotas pertencentes a MHWIRTH AS.

Dividendos/reserva legal

Nos termos de resolução de quotista de 15 de junho de 2023 e de 14 de dezembro de 2023 foram aprovados pagamentos de juros sobre capital próprio relativo ao resultado do exercício de 2023, nos valores de R$ 6.229 e R$ 7.085 (R$ 12.072 em 2022). Os juros sobre capital próprio foram inteiramente pagos nos meses de junho e dezembro de 2023.

16 Instrumentos financeiros

Gestão de risco de capital

A Empresa administra seu capital para assegurar que continue com suas atividades normais, ao mesmo tempo em que maximizam o retorno a todas as partes interessadas ou envolvidas em suas operações, por meio da otimização do saldo das dívidas e do patrimônio.

A estrutura de capital da Empresa é formada pelo endividamento líquido, deduzidos pelo caixa e saldos de bancos e pelo patrimônio líquido da Empresa (que inclui capital emitido e reservas), conforme apresentado na demonstração da mutação do patrimônio líquido.

A Empresa não está sujeita a nenhum requerimento externo sobre o capital.

A Administração revisa constantemente a sua estrutura de capital. Como parte dessa revisão, a Administração considera o custo de capital e os riscos associados a cada classe de capital.

(a) Caixa e equivalentes conforme Nota Explicativa nº 5.

(b) O patrimônio líquido inclui todo o capital e as reservas da Empresa, gerenciados como capital.

Categorias de instrumentos financeiros

	Categoria	**Custo amortizado 2023**	**Valor Justo 2023**	**Custo amortizado 2022**	**Valor Justo 2022**
Ativos					
Caixa e equivalentes de caixa	Valor justo por meio do resultado	13.243	13.243	13.616	13.616
Contas a receber - terceiros	Custo amortizado	40.788	40.788	39.144	39.144
Contas a receber - partes relacionadas	Custo amortizado	3.623	3.623	1.466	1.466
Passivos					
Fornecedores - terceiros	Custo amortizado	3.940	3.940	4.332	4.332
Fornecedores - partes relacionadas	Custo amortizado	1.022	1.022	415	415

- Caixas e equivalentes de caixa: valores contábeis idênticos ao valor justo em virtude de taxas de remuneração baseadas na variação do Certificado de Depósito Interbancário (CDI).

- Contas a receber e fornecedores: decorrem diretamente da operação da Empresa, sendo mensurados pelo custo amortizado e estão registrados pelo valor original, deduzido de provisão para perdas e ajuste a valor presente, quando aplicável.

Os valores de realização estimados de ativos e passivos financeiros da Empresa foram determinados por meio de informações disponíveis no mercado e metodologias apropriadas de avaliações. Julgamentos foram requeridos na interpretação dos dados de mercado para produzir as estimativas dos valores de realização mais adequada. Como consequência, as estimativas não indicam, necessariamente, os montantes que poderão ser realizados no mercado de troca corrente. O uso de diferentes metodologias de mercado pode ter um efeito material nos valores de realização estimados.

Objetivos da administração dos riscos financeiros

O departamento de tesouraria corporativa da Empresa coordena o acesso aos mercados financeiros domésticos e estrangeiros, e monitora e administra os riscos financeiros relacionados às operações da Empresa por meio de relatórios de riscos internos que analisam as exposições por grau e relevância dos riscos. Esses riscos incluem o risco de mercado (inclusive risco de moeda, risco de taxa de juros e outros riscos de preços), o risco de crédito e o risco de liquidez.

(i) Risco de mercado

Risco de mercado é o risco de que alterações nos preços de mercado - tais como taxas de câmbio e taxas de juros - irão afetar os ganhos da Empresa ou o valor de seus instrumentos financeiros. O objetivo do gerenciamento de risco de mercado é gerenciar e controlar as exposições a riscos de mercado, dentro de parâmetros aceitáveis, e ao mesmo tempo otimizar o retorno. A Empresa utiliza derivativos para gerenciar riscos de mercado. As exposições ao risco de mercado são mensuradas em bases contínuas e acompanhadas pela Administração da Empresa.

Risco de taxa de câmbio

A Empresa está exposta ao risco cambial decorrente de diferenças entre as moedas nas quais algumas vendas e compras são denominados, e as respectivas moedas funcionais da entidade. A moeda funcional da Empresa é o Real (R$). As moedas nas quais algumas transações da Empresa ocorrem são denominadas em: Dólar Americano (USD), Dólar Mexicano (MXN), Euro (€) e Coroa Norueguesa (NOK).

A política de gestão de risco é fazer hedge para os valores de sua exposição esperada em moeda estrangeira acima de USD 50 mil com relação a vendas e compras realizadas para os próximos 24 meses. A empresa utiliza contratos futuros para proteger seu risco cambial, a maioria com vencimento de menos de um ano da data do balanço.

Um resumo da exposição e análise da sensibilidade ao risco cambial da Empresa está apresentado abaixo:

	Valor Base	Cotação 31/12/2023	Cenário I	Cenário II
Ativo – Contas a receber de Clientes				
EUR	15	5,3782	11	19
NOK	288	0,4776	202	374
USD	3.943	4,8413	2.760	5.126
TOTAL (Ativo)	**4.246**	-	**2.973**	**5.519**
Passivo - Fornecedores				
Euros	(232)	5,3782	(162)	(302)
Dólar	(790)	4,8413	(553)	(1.027)
TOTAL (Passivo)	**(1.022)**	-	**(715)**	**(1.329)**
Exposição líquida do balanço patrimonial	**3.224**	-	**2.258**	**4.190**

	Valor Base	Cotação 31/12/2022	Cenário I	Cenário II
Ativo – Contas a receber de Clientes				
NOK	905	0,5294	633	453
Dólar	3.367	5,2177	2.357	1.683
TOTAL (Ativo)	**4.272**	-	**2.990**	**2.136**
Passivo - Fornecedores				
Euros	(2)	5,5694	(1)	(1)
Dólar	(420)	5,2177	(294)	(210)
Coroa norueguesa	(328)	0,5294	(230)	(164)
TOTAL (Passivo)	**(750)**	-	**(525)**	**(375)**
Exposição líquida do balanço patrimonial	**3.522**	-	**2.465**	**1.761**

(i) (Cenário I): Considera a redução de 30% na cotação da moeda base em relação ao Real

(ii) (Cenrário II): Considera a redução de 50% na cotação da moeda base em relação ao Real

(ii) Gestão de risco de crédito

O risco de crédito refere-se ao risco de uma contraparte não cumprir com suas obrigações contratuais, levando a Empresa incorrer em perdas financeiras. A Empresa adotou a política de apenas negociar com contrapartes que possuam capacidade de crédito e obter garantias suficientes, quando apropriado, como meio de mitigar o risco de perda financeira por motivo de inadimplência. A Empresa utiliza informações financeiras disponíveis publicamente e seus próprios registros para avaliar seus principais clientes. A exposição da Empresa e as avaliações de crédito de suas contrapartes são continuamente monitoradas e o valor agregado das transações concluídas é dividido entre as contrapartes aprovadas. A exposição do crédito é controlada pelos limites das contrapartes, que são revisados e aprovados pela Administração.

No que diz respeito às aplicações financeiras e aos demais investimentos, a Empresa tem como política trabalhar com instituições tradicionais evitando a concentração desses investimentos em um único grupo econômico. Durante o ano de 2023, a empresa manteve investimentos de baixo risco nos bancos Bradesco e Itaú.

Os prazos de vencimento de contas a receber (terceiros e partes relacionadas) são conforme abaixo:

	2023	**2022**
A vencer	36.094	31.357
Vencidos inferior à 30 dias	6.129	7.257
Vencidos de 31 a 60 dias	1.757	1.545
Vencidos de 61 a 90 dias	-	451
Vencidos de 91 a 120 dias	80	-
Vencidos de 121 a 240 dias	351	-
	44.411	**40.610**
Terceiros	40.788	39.144
Partes relacionadas	3.623	1.466
	44.411	**40.610**

Adicionalmente, a Empresa não detém nenhuma garantia de crédito para cobrir seus riscos de crédito associados aos seus ativos financeiros.

(iii) Gestão do risco de liquidez

Risco de liquidez é o risco de que a Empresa irá encontrar dificuldades em cumprir as obrigações associadas com seus passivos financeiros que são liquidados com pagamentos em caixa ou com outro ativo financeiro. A abordagem da Empresa na administração da liquidez é de garantir, na medida do possível, que sempre terá liquidez suficiente para cumprir com suas obrigações no vencimento, tanto em condições normais como de estresse, sem causar perdas inaceitáveis ou risco de prejudicar a reputação da Empresa.

A Empresa gerencia o risco de liquidez mantendo adequadas reservas, linhas de crédito bancárias e linhas de crédito para captação de empréstimos que julgue adequados, através do monitoramento contínuo dos fluxos de caixa previstos e reais, e pela combinação dos perfis de vencimento dos ativos e passivos financeiros. A seguir, estão os vencimentos contratuais de passivos financeiros na data da demonstração financeira. Esses valores são brutos e não-descontados, e incluem pagamentos de juros contratuais incorridos até o fim do exercício e excluem o impacto dos acordos de compensação:

Fluxos futuros projetados para os passivos financeiros	**Até 12 meses**	**De 1 a 2 anos**	**De 2 a 3 anos**	**Total**
Fornecedores terceiros	3.940	-	-	3.940
Fornecedores intercompany	1.022	-	-	1.022
	4.962	-	-	**4.962**

17 Partes relacionadas

17.1 Ativo

	2023	2022
MHWirth AS	2.453	1.015
Hydril USA Distribution LLC	299	324
MHWirth LLC	67	127
Hydril PCB Ltd	368	-
MHWirth Dubai	309	-
HMH Drilling Engineering Services	127	-
Contas a receber – parte relacionada	**3.623**	**1.466**

	2023	2022
MHWirth AS	2.054	225
MHWirth Gmbh	-	91
Hydril USA Distribution LLC	505	-
Adiantamento a fornecedores – parte relacionada	**2.559**	**316**

	2023	2022
Mútuo – parte relacionada - MHWirth AS	9.090	-
Mútuo – parte relacionada (a) - MHWIRTH AS	**9.090**	**-**

(a) Em agosto de 2023, a empresa concedeu e celebrou um contrato de mútuo com a MHWIRTH AS no valor de R$ 8.800 com juros de 7,81% a.a. O prazo é 10 meses (junho 2024), sendo o pagamento efetuado no fim do contrato.

17.2 Passivo

	2023	2022
Hydril USA Distribution LLC	1.987	383
Hydril Pressure Control, S. de R.L.	238	30
MHWirth Gmbh	512	2
MHWirth AS	1.044	-
Fornecedores	**3.781**	**415**
MHWirth AS	14.204	14.129
Adiantamento de clientes - Passivo circulante	**14.204**	**14.129**

17.3 Vendas de serviços e mercadorias para partes relacionadas

	2023	2022
MHWirth AS	5.435	4.358
MHWirth LLC	237	194
MHWirth (Singapore) Pte Ltd	-	137
Hydril USA Distribution LLC	1.264	-
Hydril PCB Ltd	934	-
MHWirth Dubai	309	-
HMH Drilling Engineering Services	127	-

Receita de venda de serviços	**8.306**	**4.689**
MHWirth AS	-	389
MHWirth LLC	-	-
Receita de venda de partes e peças	**-**	**389**
MHWirth AS	-	8.029
Receita de projetos	**-**	**8.029**
	8.306	**13.107**

17.4 Remuneração da Administração

	2023	**2022**
Remuneração	1.330	1.001

Inclui a remuneração fixa (salários, bônus, férias, 13º salário) e encargos sociais (contribuições para a seguridade social - INSS, FGTS, dentre outros). O total de benefícios de curto prazo pagos a Administração em 2023 foi de R$ 1.810 (R$ 1.362 em 31 de dezembro de 2022).

18 Receita operacional líquida

O detalhamento da receita operacional líquida apresentada na demonstração de resultado do exercício é como segue:

	2023	**2022**
Receita bruta		
Receita serviços (a)	125.495	82.786
Receita venda de produtos (b)	49.454	57.267
Receita de projeto (c)	-	8.029
	174.949	**148.082**
(-) **Deduções**		
(-) Impostos sobre venda (d)	(24.028)	(17.536)
(-) Devoluções, deduções e abatimentos	(1.455)	(9.888)
	(25.483)	**(27.424)**
Receita líquida	**149.466**	**120.659**

(a) Receitas de serviços de manutenção, reparação e conserto de equipamentos de terceiros; treinamento em operação de equipamentos; e assistência técnica.

(b) Receitas relativas às vendas de equipamentos, partes e peças, entre outros.

(c) Receita relativa ao projeto Awilco (reconhecida pelo método de progresso físico para contrato de construção - fabricação de 28 juntas de Riser)

(d) Os impostos sobre venda referem-se a: ICMS R$ 8.926 (R$ 7.897 em 2022), ISS R$ 4.634 (R$ 2.999 em 2022) e PIS/COFINS R$ 10.467 (R$ 6.640 em 2022).

19 Custos dos produtos vendidos e dos serviços prestados

	2023	2022
Custos dos serviços prestados		
Salários e encargos	(28.379)	(18.370)
Subcontratação de fornecedores	(6.238)	(7.348)
Insumos e materiais de uso operacional	(2.596)	(3.074)
	(37.213)	**(28.792)**
Custos dos produtos vendidos		
Equipamentos e peças vendidos	**(18.771)**	**(15.682)**
Custos de Projeto		
Salários e encargos	-	(1.248)
Insumos e materiais de uso operacional (a)	-	(5.562)
	-	**(6.810)**
Custos Totais	**(55.984)**	**(51.284)**

20 Despesas gerais e administrativas

	2023	2022
Consultoria, auditoria, legal, terceiros e outros serviços	(2.899)	(2.019)
Salários, férias e encargos	(26.531)	(22.591)
Aluguel de imóveis	(5)	(2)
Custos de TI (consultoria, serviços e peças e acessórios)	(3.992)	(5.335)
Aluguel e arrendamento de máquinas e equipamentos	(681)	(214)
Manutenção	(3.032)	(835)
Viagem e hospedagem	(2.804)	(2.914)
Seguros	(678)	(482)
Limpezas e segurança patrimonial	(895)	(1.071)
Despesas com energia	(1.427)	(1.183)
Depreciação	(7.311)	(8.673)
Outras despesas gerais e administrativas	(3.352)	(1.343)
	(53.607)	**(46.662)**

21 Outras receitas operacionais

Restituição de PIS/COFINS referente a exclusão do ICMS da base de cálculo	-	2.548
Outras receitas operacionais	403	363
	403	**2.911**

22 Resultado financeiro, líquido

	2023	2022
Receitas financeiras		
Variação cambial ativa	665	4.962
Rendimento aplicações	2.825	2.895
Outras receitas financeiras	2.299	2.052
	5.789	**9.909**
Despesas financeiras		
Variação cambial passiva	(4.680)	(6.198)
Outras despesas financeiras	(555)	(632)
	(5.235)	**(6.830)**
Resultado financeiro, líquido	**554**	**3.079**

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VINICIUS MARIANO SOARES: 05363524708

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Vinícius Mariano Soares
Contador CRC RJ-120996/O-2

TROND HUGO FISKUM: 74031945191

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Trond Hugo Fiskum
Diretor-Presidente

MHWIRTH do Brasil Equipamentos Ltda.

Financial Statements
For the years ended
December 31, 2023 and 2022
(A free translation of the original report issued in Portuguese)

Content

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Independent auditors' report on the financial statements

(A free translation of the original report issued in Portuguese)

To the Quotaholders and Management
MHWIRTH do Brasil Equipamentos Ltda.
Macaé – RJ

Opinion

We have audited the financial statements of MHWIRTH do Brasil Equipamentos Ltda. ("the Company"), which comprise the balance sheet as of December 31, 2023, and the statements of income and comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including the material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of MHWIRTH do Brasil Equipamentos Ltda. as of December 31, 2023, and its financial performance and its cash flows for the year then ended, in accordance with Brazilian accounting policies.

Basis for Opinion

We conducted our audit in accordance with International and Brazilian Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements and are set forth on the Professional Code of Ethics for Accountants and on the professional standards issued by the Regional Association of Accountants, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Brazilian accounting practices, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with Brazilian and international standards on auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Brazilian and international standards on auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence items obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Rio de Janeiro, June 19, 2024

KPMG Auditores Independentes Ltda.
CRC SP-014428/O-6 F-RJ

Original report in Portuguese was signed by
Bernardo Moreira Peixoto Neto
Accountant CRC RJ-064887/O-8

MHWIRTH do Brasil Equipamentos Ltda.

Balance Sheets on December 31, 2023 and 2022

(In thousands of Reais)

Asset	Note	2023	2022
Current			
Cash and cash equivalents	5	13,243	13,616
Accounts receivable - third parties	6	40,788	39,144
Accounts receivable - related parties	17	3,623	1,466
Loan - related parties	17	9,090	-
Inventories	7	17,727	9,170
Income tax and social contribution recoverable	8	950	2,412
Other recoverable taxes	8	809	1,259
Advance payment to suppliers - third parties	9	41,077	44,270
Advance payment to suppliers - related parties	17	2,559	316
Other assets	-	1,398	296
		131,264	**111,949**
Non-current asset			
Other recoverable taxes	8	87	115
Fixed asset	10	151,377	145,845
		151,464	**145,960**
Total Asset		**282,728**	**257,909**

Liabilities	Note	2023	2022
Current			
Suppliers - third parties	11	3,940	4,332
Suppliers - related parties	17	3,781	415
Income tax and social contribution payable	8	118	70
Other taxes	8	2,174	2,259
Social and labor obligations	12	11,644	9,688
Provisions	13	19,915	26,691
Advance payment from customers - third parties	-	7,950	547
Advance payment from customers - related parties	17	14,204	14,129
Other Liabilities	-	1	62
		63,727	**58,193**
Non-current asset			
Provisions	13	1,759	1,759
Equity			
Quota capital	15	208,498	208,498
Accumulated income (losses)	-	8,744	(10,541)
		217,242	**197,957**
Total liabilities and equity		**282,728**	**257,909**

The explanatory notes are an integral part of the financial statements

MHWIRTH do Brasil Equipamentos Ltda.

Income Statements

Years ended December 31, 2023 and 2022

(In thousands of Reais)

	Note	2023	2022
Net revenue from sales of goods and services rendered	18	149,466	120,659
Cost of goods sold and services rendered	19	(55,984)	(51,284)
Gross profit		93,482	69,375
Operating (expenses) and income			
General and administrative expenses	20	(53,607)	(46,662)
Other operational revenues	20	403	2,911
		(53,204)	(43,751)
Income before financial income and expenses		40,278	25,624
Financial income	21	5,789	9,909
Financial expense	21	(5,235)	(6,830)
		554	3,079
Income before income tax and social contribution		40,832	28,703
Current income tax and social contribution	14	(8,233)	(4,093)
Net income of the year		32,599	24,610

The explanatory notes are an integral part of the financial statements

MHWIRTH do Brasil Equipamentos Ltda.

Statements of comprehensive income

Years ended December 31, 2023 and 2022

(In thousands of Reals)

	2023	2022
Net income of the year	32,599	24,610
Other comprehensive profit	-	-
Total comprehensive income of the year	32,599	24,610

The explanatory notes are an integral part of the financial statements

MHWIRTH do Brasil Equipamentos Ltda.

Statements of changes in equity

Years ended December 31, 2023 and 2022

(In thousands of Reais)

	Quota capital	Accumulated (losses) / Income	Total
Balances on December 31, 2021	208,498	(23,080)	185,418
Income of the year	-	24,610	24,610
Dividend payments	-	(12,072)	(12,072)
Balances on December 31, 2022	208,498	(10,542)	197,956
Income of the year	-	32,600	32,600
Dividend payments	-	(13,314)	(13,314)
Balances on December 31, 2023	208,498	8,744	217,242

The explanatory notes are an integral part of the financial statements

MHWIRTH do Brasil Equipamentos Ltda.

Statements of cash flows

Years ended December 31, 2023 and 2022

(In thousands of Reais)

	2023	2022
Cash flows from operating activities		
Net profit for the year	32,599	24,610
Items that do not affect cash:		
Depreciation	7,311	8,673
Miscellaneous provisions	(6,776)	(3,816)
Obsolescense provisions	1,978	-
	35,112	29,467
Variations in:		
Accounts receivable - third parties	(1,644)	(19,327)
Accounts receivable - related parties	(2,157)	410
Inventories	(10,535)	2,871
Income tax and social contribution recoverable	1,462	(1,946)
Other recoverable taxes	478	1,049
Advance payment to suppliers - third parties	3,193	7,368
Advance payment to suppliers - related parties	(2,243)	(316)
Other assets	(1,102)	59
Suppliers - third parties	(392)	2,609
Suppliers - related parties	3,366	(645)
Income tax and social contribution payable	48	(416)
Other taxes to collect	(85)	1,665
Social and labor obligations	1,956	4,558
Advance payment from customers - third parties	7,403	547
Advance payment from customers - related parties	75	(3,958)
Other Liabilities	(61)	29
Net cash provided by operating activities	34,874	24,024
Cash flows from investing activities		
Loan - related parties	(9,090)	-
Acquisitions fixed asset	(12,843)	(6,561)
Net cash used in investing activities	(21,933)	(6,561)
Cash flows from financing activities		
Dividend payments	(13,314)	(12,072)
Net cash used in financing activities	(13,314)	(12,072)
Increase (decrease) in cash and cash equivalents	(373)	5,391
Statement of changes in cash and cash equivalents		
At the geninning of the year	13,616	8,225
At the end of the year	13,243	13,616
Increase (decrease) in cash and cash equivalents for the year	(373)	5,391

The explanatory notes are an integral part of the financial statements

Notes to the financial statements

(In thousands of Reais, except when otherwise stated)

1 Operational Context

MHWIRTH do Brasil Equipamentos Ltda. ("Company") is a limited liability company, headquartered at Sérgio Roberto Franco Street, square 3, part, Boa Vista Farm, Imboassica Neighborhood, Macaé city, Rio de Janeiro state.

The company began operations on January 1, 2018 with the incorporation of the spun-off net equity of AK Operações related to the drilling assets of the MHWIRTH unit that has been installed in Brazil since 1997. The sole partner MHWIRTH AS entered into a Joint Venture agreement between MHWIRTH AS and Subsea Drilling Systems (formerly Baker Hughes) on October 1, 2021, the impact of this restructuring in Brazil came with the hiring of Subsea Drilling Systems employees who had been working dedicated to this business unit at Baker Hughes and the purchase of the parts inventory used in the operations and activities of this unit.

The Company's bylaws have not been changed and authorize the following activities:

(a) Purchase, sale, manufacture, import, export, engineering, consultancy, management, installation, maintenance, technical assistance, training services, supervision, operation and leasing of equipment, machinery and accessories related to the oil and mining industries, directly or indirectly, including the offshore services; (b) Leasing of real estate; (c) Participation in other companies, as a quota holder or shareholder.

The company's main activities are currently manufacturing and maintaining equipment, machinery and accessories; onshore and offshore technical assistance; and resale of equipment, parts and pieces.

The company presented a net income of R$ 32,600 in 2023 (R$ 24,610 in 2022).

2 Basis of preparation

Declaration of conformity with the standards of the accounting Pronouncements Committee – CPC

The Company's financial statements were prepared in accordance with the accounting practices adopted in Brazil, which include the Corporate Legislation, the Pronouncements, Guidelines and Interpretations issued by the Accounting Pronouncements Committee (CPC) and the accounting standards issued by the Federal Accounting Council (CFC).

On June 19, 2024, the Company's Management authorized the completion of these financial statements.

All relevant information proper of the financial statements, and only the relevant information, is being disclosed and correspond to that used by the Board of Directors in its management.

Measurement basis

The financial statements have been prepared on the historical cost basis.

Functional and reporting currency

These financial statements are presented in Brazilian Reais, which is the Company's functional currency. All balances have been rounded to the nearest thousand, unless otherwise indicated.

Use of estimates and judgments

In preparing these financial statements, management has used judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Information about uncertainties in assumptions and estimates that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 10 – Fixed assets (depreciation and impairment);
- Note nº 13 - Provisions;

3 Material accounting practices

The accounting policies described in detail below have been applied consistently to all the years presented in these financial statements.

In addition, the Company adopted the disclosure of accounting policies (amendments to CPC 26) as of January 1, 2023. The alternatives require the disclosure of "material" rather than "significant" accounting policies. Although the amendments have not resulted in any changes to the accounting policies themselves, they have affected the information on accounting policies disclosed in this note in certain cases.

3.1 Foreign currency

Foreign currency transactions are translated into the Company's functional currency at the exchange rates on the dates of the transactions.

Monetary assets and liabilities denominated and determined in foreign currencies at the balance sheet date are converted to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are converted to the functional currency at the exchange rate on the date the fair value was determined. Non-monetary items that are measured based on historical cost in foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency differences resulting from converted are generally recognized in income statement. However, exchange differences resulting from the conversion of qualifying and effective cash flow hedges are recognized in other comprehensive incomes.

3.2 Financial instruments

3.2.1 Financial assets

A financial asset is recognized when the entity becomes a party to the contractual arrangement of the instrument. On initial recognition, financial assets are measured at fair value plus or minus transaction costs that are directly referred to the acquisition or issue of such assets, except for trade receivables that do not contain a significant financing component.

3.2.2 Financial liabilities

A financial liability is recognized when the entity becomes a party to the contractual arrangement of the instrument. At initial recognition, financial liabilities are measured at fair value plus or minus transaction costs that are directly referred to the acquisition or issue of such liabilities, except for financial liabilities measured at fair value.

3.2.3 Classification and subsequent measurement of financial assets and liabilities

Financial assets are not reclassified subsequent to initial recognition, unless the Company changes the business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period following the change in business model.

The Company performs an assessment of the goal of the business model in which a financial asset is held in the portfolio as this better reflects the manner in which the business is managed and information is provided to Management.

The Company considers the contractual terms of the instrument to assess whether the contractual cash flows are solely payments of principal and interest. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows such that it would not meet this condition.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when the Company transfers the rights to receive the contractual cash flows on a financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest that is created or retained by the Company in such transferred financial assets is recognized as a separate asset or liability.

The Company derecognizes a financial liability when its contractual obligation is withdrawn, cancelled or expires. The Company also derecognizes a financial liability when the 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.

Financial assets or liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has the legal right to offset the amounts and intends either to settle them on a net basis or to recognize the asset and settle the liability simultaneously.

On December 31, 2023, the Company's non-derivative financial liabilities were represented by third-party suppliers and related parties suppliers, taxes payable, social and labor obligations, provisions and customer advances payment. Financial assets are represented by cash and cash equivalents, accounts receivable from third-party and related parties, taxes recoverable and advances to suppliers.

3.2.4 *Classification and subsequent measurement of financial assets and liabilities*

Financial assets are classified and measured based on the characteristics of the contractual cash flows and the business model for managing the asset, as follows:

- Amortized cost: financial asset (debt financial instrument) whose contractual cash flows results only from the payment of principal and interest on the principal on specific dates and whose business model aims to hold the asset in order to receive its contractual cash flows.

- Fair value through profit or loss: all other financial assets. This category generally includes derivative financial instruments.

- Financial assets measured at fair value through other comprehensive incomes: Financial assets should be measured at fair value through other comprehensive incomes if the following two conditions are met; (a) the financial asset is held within a business model whose objective is achieved by both the receipt of contractual cash flows and the sale of financial assets; and (b) the contractual terms of the financial asset leads to, on specified dates, to cash flows comprising exclusively payments of principal and interest on the principal amount outstanding.

3.2.5 *Reduction to the recoverable value of financial assets (Impairment)*

The Company assesses the impairment loss of financial assets based on future expectations or expected credit losses on both an individual and collective level, for accounts receivable overdue uses the term of more than 90 days. All individually significant assets are assessed for impairment. Assets that are not individually significant are collectively assessed for impairment based on the grouping of assets with similar risk characteristics.

When assessing impairment, the Company uses historical trends of recovery period and incurred loss amounts, adjusted to reflect management's judgment as to whether current economic and credit conditions are such that actual losses are likely to be greater or less than those suggested by historical trends.

An impairment loss is calculated as the difference between the book value and the present value of estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognized in the income statement and reflected in an allowance account. When the Company considers that there is no reasonable expectations of recovery, the amounts are written off. When a subsequent event indicates a reduction in the loss, the provision is reversed through profit or loss.

Management has evaluated its major financial instruments in accordance with IFRS 9 and has not identify any indications of losses in the years ended December 31, 2023 and 2022.

3.3 Impairment of non-financial assets

The book values of the Company's non-financial assets are reviewed at each balance sheet date to determine whether there is an indication of impairment. If there is such an indication, then the asset's recoverable value is estimated.

For impairment tests, assets are grouped into the smallest possible group of assets that generate cash inflows from their continuous use, inflows that are largely independent of the cash inflows from other assets, or cash generated unit (“CGU”).

The recoverable amount of an asset or CGU is the higher of its value in use and its fair value less costs to sell. Value in use is based on estimated future cash flows, discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the specific risks to the asset or CGU.

An impairment loss is recognized if the carrying amount of the asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in the result.

Impairment losses are reversed only to the extent that the new carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if the impairment loss had not been recognized.

During 2014 and 2015, MHWirth built a new facility to support its operations in Brazil. On December 31, 2023, the net book value of the plant, machinery, equipment and tools is R$149,846 net of an impairment charge of R$ 98,948 recorded in December 2016, which is being updated annually based on market conditions (on December 31, 2022, the net book value of the plant was R$ 145,844 net).

The oil business has, in general and specifically in Brazil since 2016 experienced cycles of low investment for new drilling equipment, in the after-sales market and equipment maintenance business is concerned and oil prices have seen a small improvement in the last year and there are investments trending upwards, but, in general, the market remains highly competitive and the pressure on prices is stronger because our clients' daily rates for their rigs in Brazil remain low compared to what was practiced before the oil crisis.

A real estate market survey was conducted, which documents that current square meter prices in Macaé remain similar to the price assessed in 2016, many areas and buildings are still vacant, and market rates are very low. In addition, several of our competitors have significant operational capacity available.

Based on the above, there is no indication that the asset may have been devalued or that the adjustment previously made can be reversed.

3.4 Income Tax

Income tax and social contribution for the current year are calculated based on the rates of 15%, plus an additional 10% on taxable income exceeding R$ 240 for income tax and 9% on taxable income for social contribution on net profit, and consider the offset of tax losses and negative social contribution basis, limited to 30% of taxable profit for the year.

Income tax and social contribution expenses comprises current income tax and social contribution on the annual calculation. Deferred and current taxes are recognized in the income statement.

3.5 Provisions

Provisions are determined by discounting estimated future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the related liability. The effects of not recognizing the discount for the passage of time are recognized in the income statement as a financial expense.

Warranties

A provision for warranty is recognized when the products or services to which they refer are sold, based on historical data and weighting of possible scenarios and their respective probabilities.

3.6 Sale of goods and services

The company recognizes revenue in accordance with CPC 47 - Revenue from Contracts with Customers. In this sense, the effects arising from contracts with customers are only recorded when all the criteria established by the standard are met, including approval of the contract, identification of the rights of each party to the assets to be transferred, when the payment terms are identifiable and when it is probable that the Company will receive the consideration to which it is entitled in exchange for the assets to be transferred to the customer.

The Company recognizes revenue when or as the performance obligation is satisfied, i.e. when it transfers control of the promised service to the customer. The service is considered to be transferred when or to the extent that the customer obtains control of it.

In Brazil, the main contracts and performance obligations are:

- Service contracts (equipment overhaul and repair, onshore and offshore engineering services and training): Revenue is recognized over time according to the progress of the services. The progress of the service is determined using the cost-incurred method. If services under a single contract occur in different periods, the consideration is allocated on the basis of their individual selling prices. The individual sales price is determined in the sales proposal for the service made to the customer.

- Resale of parts: Revenue is recognized when the goods are transferred and/or delivered to the customer.

- Construction contract (manufacture of riser column): Revenue is recognized over time based on the incurred cost or physical progress method, when "the unit does not create an asset with an alternative use for the unit and the unit has an enforceable right to payment for performance completed to date.

3.7 Other sources of revenue

Other sources of revenue include rental income from part of the leased property, and amounts related to exchange rate variations and income on financial investments.

3.8 Leases

CPC 06 (R2) / IFRS 16 introduced a single model for accounting for leases in the balance sheet of lessees. As a result, the Company, as a lessee, recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments, note 15. The lessor's accounting remains similar to previous accounting policies.

The company adopts CPC 06 (R2) / IFRS 16 - Leases , and uses the simplified approach.

4 New standards and operations not yet effective

The company is governed by the rules published by the CPC, which issues pronouncements and interpretations similar to the IFRS, as issued by the IASB. The following are the accounting standards still under analysis by the CPC, which have not come into force and have not been early adopted by the company until December 31, 2023.

(i) Non-current liabilities with covenants and Classification of liabilities as current or non-current (amendments to CPC 26/IAS 1). Effective date January 1, 2024;

(ii) Lease liability on a sale and leaseback (amendments to CPC 06/IFRS 16);

(iii) "Drawn risk" supplier financing agreements - (amendments to CPC 03/IAS 7 and CPC 40/IFRS 7);

(iv) Lack of convertibility (amendments to CPC 02/IAS 21). Effective date January 1, 2025;

(v) Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28). Effective date: Available for optional adoption/ indefinite deferred effective date.

5 Cash and cash equivalents

The balance of the "cash and cash equivalents" acccount is as shown below:

	2023	**2022**
Marketable securities (a)	13,243	13,616
	13,243	**13,616**

(a) The marketable securities in 2023 and 2022 are represented by an investment fund of Banco Itaú S/A, generating an average profitability of 12.34% in 2023 (13.30% in 2022). This fund has immediate liquidity with insignificant risk of change in value.

6 Accounts receivable

	2023	**2022**
Domestic accounts receivable	34,171	21,084
Foreign accounts receivable	6,617	18,060
	40,788	**39,144**

The aging list for due dates of receivables:

	2023	2022
Due	32,743	29,891
Over due less than 30 days	5,985	7,257
Over due from 31 to 60 days	1,630	1,545
Over due from 91 to 120 days	80	451
Over due from 121 to 240 days	350	-
	40,788	**39,144**

Management has not identified any event or change in circumstances that would indicate a risk to the recoverability of the accounts receivable on December 31, 2023 and 2022.

7 Inventories

The inventories are segregated as follows:

	2023	2022
Raw materials and consumables	1,468	49
Products for resale	24,895	15,606
Project stock	1,487	1,661
	27,850	**17,316**
Provision for obsolescence – Initial balance	(8,146)	(8,146)
Provision recorded for obsolescence	(1,977)	-
Provision used for obsolescence	-	-
	(10,123)	**(8,146)**
	17,727	**9,170**

8 Income tax, social contribution and other taxes

The classification between current and non-current was based on the expected use of the credits, according to the specific regulations for each tax.

(i) Recoverable income tax and social contribution

	2023	2022
Income tax ("IR")	709	1,780
Social contribution ("CSSL")	241	632
	950	**2,412**
Current	950	2,412
Non-current	-	-

(ii) Other recoverable taxes

	2023	2022
PIS – Social Integration Program	124	222
COFINS – Contribution for the Financing of Social Security	571	1,102
ICMS – Tax on Circulation of Goods and Services	201	45
IPI – Tax on Industrialized Products	-	5
	896	**1,374**
Current	809	1,259
Non-current	87	115

(iii) Income tax and social contribution payable

	2023	2022
Withholding income tax	6	70
Income tax on profit	82	-
Social contribution on profit	30	-
	118	**70**
Current	118	70
Non-current	-	-

(iv) Other taxes payable

	2023	2022
PIS – Social Integration Program	154	8
COFINS – Contribution for the Financing of Social Security	711	34
ICMS – Tax on Circulation of Goods and Services	29	1,190
IPI – Tax on Industrialized Products	9	182
ISS – Tax on Service	1,220	782
CIDE – Contributions for Intervention in the Economic Domain	-	40
CSRF – Social Contribution withheld at source	51	23
	2,174	**2,259**
Current	2,174	2,259
Non-current	-	-

9 Advance payment to suppliers

Project number	2023	2022
104574 DRU 3 (a)	38,485	41,477
Other	2,592	2,793
	41,077	**44,270**
Current	41,077	44,270
Non-current	-	-

(a) Manufacturing project of 1 Riser column - DRU 3 project, with the following details:

(i) Supplier: Matrix Composites & Engineering Ltd

(ii) Customer - MHWIRTH AS (Noruega)

(iii) Situation with the customer: This project is temporarily suspended and MHWIRTH AS is negotiating with the final customer about the amounts to be received regarding the expenses incurred and will reimburse MHWIRTH in Brazil.

10 Property, plant and equipment

Property, plant and equipment	Building and Construction	Land and Real Estate	Facilities and Improvements	Industrial Machinery and Equipment	Assets in progress	Vehicles	Furniture and utensils	Leasehold improvements	Tools	Computers	Total
Balance on January 01, 2022	**201,278**	**54,538**	**4,585**	**29,584**	**122**	**113**	**3,622**	**16**	**2,792**	**3,501**	**300,151**
Additions	-	-	-	-	6,562	-	-	-	-	-	6,562
Transfer of assets under construction to permanent	-	-	-	-	(148)	-	-	-	148	-	-
Write-offs	-	-	-	-	-	-	-	-	-	(425)	(425)
Balance on December 31, 2022	**201,278**	**54,538**	**4,585**	**29,583**	**6,536**	**113**	**3,622**	**16**	**2,940**	**3,076**	**306,287**
Additions	-	-	-	-	12,843	-	-	-	-	-	12,844
Transfer of assets under construction to permanent	-	-	-	3,018	(4,347)	-	86	-	259	984	-
Balance on December 31, 2023	**201,278**	**54,538**	**4,585**	**32,602**	**15,032**	**113**	**3,708**	**16**	**3,199**	**4,060**	**319,131**

Accumulated depreciation	Building and Construction	Land and Real Estate	Facilities and Improvements	Industrial Machinery and Equipment	Assets in progress	Vehicles	Furniture and utensils	Leasehold improvements	Tools	Computers	Total
Balance on January 01, 2022	**(97,606)**	**(22,059)**	**(3,344)**	**(22,421)**	**-**	**(113)**	**(2,645)**	**(6)**	**(2,414)**	**(2,987)**	**(153,595)**
Additions	(5,416)	-	(224)	(1,043)	-	-	(290)	(1)	(132)	(167)	(7,273)
Write-offs										425	425
Balance on December 31, 2022	**(103,022)**	**(22,059)**	**(3,568)**	**(23,464)**	**-**	**(113)**	**(2,935)**	**(7)**	**(2,546)**	**(2,729)**	**(160,443)**
Additions	(5,416)	-	(221)	(953)	-	-	(290)	(2)	(136)	(293)	(7,311)
Balance on December 31, 2023	**(108,438)**	**(22,059)**	**(3,789)**	**(24,417)**	**-**	**(113)**	**(3,225)**	**(9)**	**(2,682)**	**(3,022)**	**(167,754)**
Residual value at December 31, 2022	**98,256**	**32,479**	**1,017**	**6,119**	**6,536**	-	**687**	**9**	**394**	**347**	**145,844**
Net balance on December 31, 2023	**92,840**	**32,479**	**796**	**8,183**	**15,032**	-	**485**	**7**	**517**	**1,038**	**151,377**

Property, plant and equipment support all operations in Brazil, such as product deliveries (manufacture of drilling risers and drilling equipment), drilling services (overhaul, maintenance, onshore support, spare parts and training) and global projects (support for drilling package deliveries in Brazil).

Indications of Impairment

In accordance with CPC 01, management reviewed a list of external and internal impairment indicators, highlighting the following among the main ones:

- Significant reduction in the market value of the asset;;
- Obsolete technology;
- Net book value > market value; and
- Reduced potential for sale / cash generation in the near future;

Based on the above assessment of indicators, the long-term strategy and the business plan for the asset remain unchanged, considering that the Macaé plant remains the main facility for the manufacturing of "Risers." The Company also leases part of its facilities in Macaé to AK Operações, and the lease agreement with CSE/Aker Solutions was terminated in January 2023.

The book value of land, buildings, facilities, machinery, and industrial equipment were previously "impaired - impairment adjustment" in the amount of R$ 98,948 due to the write-off of the oil business during the period 2015-2018.

The market value assessment from the external consultant CBRE performed in 2022 presented an estimate of R$ 190,200 (R$ 176,900 in 2021). Although the CBRE appraisal shows an 8% increase in the valuation compared to the appraisal done in 2021, if we had to sell the facilities, we would have to considerably increase the marketing factor (discount) to try to attract a buyer, because liquidity is low, there are currently few companies looking for this type of property, and there are many offers in the regional real estate market that pressure the value and the marketing factor (discount) to try to be successful.

Considering the increase in the commercialization factor (discount) between 15% and 20%, the estimated selling price would be in the range between R$ 142,680 and 154,570. Based on this scenario, the Company's management opted to maintain the recorded provision value without alteration, as follows on December 31, 2023, and 2022:

	2023	**2022**
Balance of fixed assets without impairment adjustment	250,329	244,795
Accumulated reduction to the recoverable value of assets	(98,948)	(98,948)
Book value of fixed assets as at December 31, 2023	**151,381**	**145,845**

11 Suppliers

	2023	2022
Domestic accounts receivable	3,940	3,997
Foreign accounts Receivable	-	335
	3,940	**4,332**
Current	3,940	4,332
Non-current	-	-
	3,940	**4,332**

12 Social and labor obligations

	2023	2022
IRRF – Withholding income tax on payroll	843	630
INSS - National Institute of Social Security on Payroll	926	651
FGTS – Guarantee Fund for Time of Service on Payroll	315	225
Benefits payable	162	130
Bonus	4,805	4,205
Provision for vacation pay and charges	4,593	3,847
	11,644	**9,688**
Current	11,644	9,688
Non-current	-	-

13 Provisions

	2023	2022
Provision for guarantee	1,743	1,743
Provision for project cost (a)	13,809	19,302
Other provisions	5,875	7,229
Provision for legal labor lawsuits	247	175
	21,674	**28,450**
Current	19,915	26,691
Non-current	1,759	1,759

(a) Cost provision using the project recognition method: DRU 3 with a total value of R$ 13,809 (R$ 17,366 in 2022).

Description of the Provision	Provision for guarantee	Provision of projects cost	Other provisions	Provision for labor lawsuits	TOTAL
Balance on December 31, 2021	**1,876**	**27,188**	**3,201**	**-**	**32,265**
Provisions recorded during the year	-	-	18,733	175	18,908
Provisions used during the year	(133)	(6,302)	(11,317)	-	(17,752)
Adjustment of initial provision	-	(1,584)	(3,388)	-	(4,972)
Balance on December 31, 2022	**1,743**	**19,302**	**7,229**	**175**	**28,450**
Provisions recorded during the year	-		8,521	72	8,593
Provisions used during the year	-		(9,875)	-	(9,875)
Adjustment of initial provision	-	(5,493)	-	-	(5,494)
Balance on December 31, 2023	**1,743**	**13,809**	**5,875**	**247**	**21,674**

Provision for guarantees

The provision for guarantees relates primarily to guarantees for projects concluded in fiscal years 2016, 2017, 2018 and 2019. The provision is based on estimates of historical data for guarantees associated with similar products and services. The Company expects to settle these liabilities in 2024 and 2025.

Provision of projects cost

The provision for projects refers mainly to the recognition of costs under the physical progress method for construction contracts. The provision is based on estimates of the final outcome of the projects. The Company expects to settle these liabilities in 2024.

Other provisions

The other provisions item refers to: contracting of services and materials not completed in 2023 related to support departments: base maintenance, IT (information technology), legal, finance, among others. The Company expects to settle these liabilities in the first quarter of 2024.

Provision for legal labor lawsuits

The provision for legal labor lawsuits refers to labor contingencies for legal actions that are classified as probable losses. The provision is based on estimates from the law firm representing the company. The company expects to settle this liability in 2024. Management estimates that there is a possible loss, the total amount of which is R$730 as of December 31, 2023 (R$135 in 2022).

14 Income Tax

The company presented on December 31, 2023 and 2022 an accumulated tax loss and negative social contribution base, as shown below:

	2023	2022
Accumulated tax loss carryforward	16,083	25,922
Negative basis of social contribution	16,083	25,922

The income tax and social contribution amounts are demonstrated as shown below:

	2023	2022
Net profit before income tax and social contribution	40,832	28,703
Non-deductible expense:		
* Transfer pricing adjustment	532	-
* Tax character	4,126	1,214
* Fines	330	97
* Other	214	35
* Net temporary differences or reversal (-)	81	(721)
	46,115	**29,328**
Deduction of the tax base		
* Payment of interest on equity (JCP)	(13,314)	(12,072)
Income tax and social contribution calculation basis	**32,801**	**17,256**
Tax loss offset – 30%	**(9,840)**	**(5,177)**
Net tax profit for the year	**22,961**	**12,079**
Income tax and social contribution expense	**7,783**	**4,093**
Effective tax rate	**19%**	**14%**

Composition of income and/or expense (-) for income tax and social contribution

	2023	2022
* Current income tax and social contribution expense	(7,783)	(4,093)
* Deferred income tax and social contribution expense on offset tax loss	(3,346)	(1,760)
* Income or expense (-) from deferred income tax and social contribution on net temporary differences	28	(245)
* Income from reversal of recoverable value adjustment or ( ) expense from adjusting the recoverable value of deferred income tax and social contribution on the loss (tax loss)	3,346	1,760
* Income from reversal of recoverable value adjustment or ( ) expense from adjusting the recoverable value of deferred income tax and social contribution on temporary differences	(28)	245
* Adjustment, current income tax and social contribution expense – calculation related previous periods	(450)	-
Despesa de imposto de renda e contribuição social do exercício	**(8,233)**	**(4,093)**

The deferred income tax and social contribution asset balances are as follows::

	2023	2022
* Deferred on tax losses (income tax) and on negative social contribution base	5,468	8,814
* Reduction in the deferred recoverable value on tax losses (income tax) and on negative social contribution base	(5,468)	(8,814)
* Deferred on temporary differences net of income tax and social contribution	31,008	30,981
* Deferred impairment on temporary differences net of income tax and social contribution	(31,009)	(30,981)
	-	-

15 Equity

Quota capital

On December 31, 2023 and 2022, the subscribed and paid-in quota capital is R$ 208,498 corresponding to 208,497,585 quotas, respectively, with 100% of the quotas belonging to MHWIRTH AS.

Dividends/legal reserve

Under the terms of the quotaholder minutes held on June 15, 2023 and December 14, 2023, payments of interest on equity related to the result for the year 2023 were approved, in the amounts of R$ 6,229 and R$ 7,085 (R$ 12,072 in 2022). The interest on equity was fully paid in the months of June and December 2023.

16 Financial instruments

Capital risk management

The Company manages capital to ensure that it continues its normal activities, while maximizing the return to all stakeholders or parties involved in its operations, through the optimization the balance of debt and equity.

The Company's capital structure is made for net debt, less cash and bank balances and the Company's equity (which includes issued capital and reserves), as presented in the statement of changes in equity.

The Company is not subject to any external capital requirements.

Management constantly reviews its capital structure. As part of this review, Management considers the cost of capital and the risks associated with each class of capital.

(a) Cash and cash equivalents according the note 5.

(b) Equity includes all capital and reservers of the Company, managed as capital.

Categories of financial instruments

	Category	Amortized cost 2023	Fair value 2023	Amortized cost 2022	Fair value 2022
Assets					
Cash and cash equivalents	Fair value through result	13,243	13,243	13,616	13,616
Accounts receivable - third parties	Amortized cost	40,788	40,788	39,144	39,144
Accounts receivable - Intercompany	Amortized cost	3,623	3,623	1,466	1,466
Liabilities					
Accounts payable - third parties	Amortized cost	3,940	3,940	4,332	4,332
Accounts payable - Intercompany	Amortized cost	1,022	1,022	415	415

- Cash and cash equivalents: book values identical to the fair value due to remuneration rates based on the variation of the Interbank Deposit Certificate (CDI).

- Accounts receivable and suppliers: arise directly from the Company's operations, and are measured at amortized cost and are recorded at their original value, less the provisions for losses and adjustment to present value, when applicable.

The estimated realizable values of the Company's financial assets and liabilities were determined using information available in the market and appropriate valuation methodologies. Judgments were required in interpreting market data to produce the most adequate estimates of realizable values. As consequence, the estimates do not necessarily indicate the amounts that may be realized in the current market. The use of different market methodologies may have a material effect on the estimated realizable values.

Objectives of financial risk management

The Company's corporate treasury department coordinates access to domestic and foreign financial markets and monitors and manages financial risks related to the Company's operations through internal risk reports that analyze exposures by degree and significance of risks. These risks include market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk.

(i) Market risk

Market risk is the risk that changes in market prices, such as exchange rates and interest rates, will affect the Company's earnings or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing returns. The Company uses derivatives to manage market risk. Market risk exposures are measured on an ongoing basis and are monitored by the Company's management.

Exchange rate risk

The Company is exposed to foreign exchange risk arising from differences between the currencies in which some sales and purchases are denominated, and the entity's respective functional currencies. The Company's functional currency is the Brazilian Real (R$). The currencies in which some of the Company's transactions occur are denominated in: US Dollar (USD), Mexican Dollar (MXN), Euro (€) and Norwegian Krone (NOK).

The company's risk management policy is to hedge its expected foreign currency exposure amounts above USD 50,000 in relation to sales and purchases made for the next 24 months. The company uses futures contracts to hedge its foreign exchange risk, most of which mature less than one year from the balance sheet date.

A summary of the Company's exposure and sensitivity analysis to foreign exchange risk is presented below:

	Value Basis	Quotatin 12/31/2023	Scenario I	Scenario II
Assets – Accounts Receivable				
Euros (EUR)	15	5.3782	11	19
Norwegian Kroner (NOK)	288	0.4776	202	374
Dólar (USD)	3,943	4.8413	2,760	5,126
TOTAL (Assets)	**4,246**	**-**	**2,973**	**5,519**
Liabitities – Accounts Payable				
Euros (EUR)	(232)	5.3782	(162)	(302)
Dólar (USD)	(790)	4.8413	(553)	(1,027)
TOTAL (Liabilities)	**(1,022)**	-	**(715)**	**(1,329)**
Net balance sheet exposure	**3,224**	**-**	**2,258**	**4,190**

	Value Basis	Quotatin 12/31/2022	Scenario I	Scenario o II
Assets – Accounts Receivable				
Norwegian Kroner (NOK)	905	0.5294	633	453
Dólar (USD)	3,367	5.2177	2,357	1,683
TOTAL (Assets)	**4,272**	**-**	**2,990**	**2,136**
Liabitities – Accounts Payable				
Euros (EUR)	(2)	5.5694	(1)	(1)
Dólar (USD)	(420)	5.2177	(294)	(210)
Norwegian Kroner (NOK)	(328)	0.5294	(230)	(164)
TOTAL (Liabilities)	**(750)**	**-**	**(525)**	**(375)**
Net balance sheet exposure	**3,522**	**-**	**2,465**	**1,761**

(i) (Scenario I): Considers a 30% reduction in the base currency exchange rate against the Real

(ii) (Scenario II): Considers a 50% reduction in the base currency exchange rate against the Real

(ii) Credit risk management

Credit risk refers to the risk of a counterparty failing to fulfill its contractual obligations, leading the Company to incur financial losses. The Company has adopted a policy of only dealing with counterparties that have creditworthiness and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss due to default. The Company uses publicly available financial information and its own records to assess its main customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of completed transactions is divided among the approved counterparties. Credit exposure is controlled by counterparty limits, which are reviewed and approved by management.

Regarding financial investments and other investments, the company's policy is to work with traditional institutions, avoiding the concentration of these investments in a single economic group. During 2023, the company maintained low-risk investments with Bradesco and Itaú banks.

The maturity terms for accounts receivable (third parties and related parties) are as follows:

	2023	**2022**
Due	36,094	31,357
Over due less than 30 days	6,129	7,257
Over due from 31 to 60 days	1,757	1,545
Over due from 61 to 90 days	-	451
Over due from 91 to 120 days	80	-
Over due from 121 to 240 days	351	-
	44,411	**40,610**
Third parties	40,788	39,144
Related parties	3,623	1,466
	44,411	**40,610**

Additionally, the Company does not hold any credit guarantees to cover its credit risks associated with its financial assets.

(iii) Liquidity risk management

Liquidity risk is that the Company will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled with cash payments or with another financial asset.The Company's approach to liquidity management is to ensure, as far as possible, that it always has sufficient liquidity to meet its obligations when due, both under normal and stressed conditions, without causing unacceptable losses or risking damage to the Company's reputation.

The company manages liquidity risk by maintaining adequate reserves, bank credit lines and lines of credit to raise loans that it deems appropriate, by continuously monitoring forecast and actual cash flows, and by combining the maturity profiles of financial assets and liabilities. Below are the contractual maturities of financial liabilities at the date of the financial statement. These amounts are gross and undiscounted, and include contractual interest payments incurred up to the end of the year and exclude the impact of netting agreements:

Projected future cash flows for financial liabilities	**Up to 12 months**	**From 1 to 2 years**	**From 2 to 3 years**	**Total**
Suppliers - Third-party	3,940	-	-	3,940
Suppliers - Related parties	1,022	-	-	1,022
	4,962	**-**	**-**	**4,962**

17 Related parties

17.1 Assets

	2023	**2022**
MHWirth AS	2,453	1,015
Hydril USA Distribution LLC	299	324
MHWirth LLC	67	127
Hydril PCB Ltd	368	-
MHWirth Dubai	309	-
HMH Drilling Engineering Services	127	-
Accounts receivable	**3,623**	**1,466**

	2023	**2022**
MHWirth AS	2,054	225
MHWirth Gmbh	-	91
Hydril USA Distribution LLC	505	-
Advance payment to suppliers	**2,559**	**316**

	2023	**2022**
Mutual – MHWirth AS	9,090	-
Mutual – MHWirth AS (a)	**9,090**	**-**

(a) In August 2023, the company granted and entered into a Mutual (loan) agreement with MHWIRTH AS in the amount of R$ 8,800 with interest of 7.81% a.a. The term is 10 months (June 2024), and the payment will be made at the end of the contract.

17.2 Liabilities

	2023	2022
Hydril USA Distribution LLC	1,987	383
Hydril Pressure Control, S. de R.L.	238	30
MHWirth Gmbh	512	2
MHWirth AS	1,044	-
Accounts payable	**3,781**	**415**
MHWirth AS	14,204	14,129
Advances payment from customers	**14,204**	**14,129**

17.3 Revenue of services and goods

	2023	2022
MHWirth AS	5,435	4,358
MHWirth LLC	237	194
MHWirth (Singapore) Pte Ltd	-	137
Hydril USA Distribution LLC	1,264	-
Hydril PCB Ltd	934	-
MHWirth Dubai	309	-
HMH Drilling Engineering Services	127	-
Revenue from sale of services	**8,306**	**4,689**
MHWirth AS	-	389
MHWirth LLC	-	-
Revenue from sale of parts	**-**	**389**
MHWirth AS	-	8,029
Revenue from projects	**-**	**8,029**
	8,306	**13,107**

17.4 Management remuneration

	2023	2022
Remuneration	1,330	1,001

It includes fixed remuneration (salaries, bonus, vacation, 13th salary) and social charges (social security contributions - INSS, FGTS, among others). The total short-term benefits paid to management in 2023 was R$ 1,810 (R$ 1,362 in 2022).

18 Net operating revenue

The breakdown of net operating revenue presented in the income statement is as follows:

	2023	2022
Gross revenue		
Service revenue (a)	125,495	82,786
Product sales revenue (b)	49,454	57,267
Project revenue (c)	-	8,029
	174,949	**148,082**
(-) Deductions		
(-) Taxes on sales (d)	(24,028)	(17,536)
(-) Returns, deductions and rebates	(1,455)	(9,888)
	(25,483)	**(27,424)**
Net revenue	**149,466**	**120,659**

(a) Revenues from maintenance, repair and overhaul services of third-party equipment; and technical assistance.

(b) Revenues related sales of equipment, parts and among others.

(c) Revenue related Awilco project (recognized under the physical progress method of construction contract – manufacture of 28 joints of Riser)

(d) Sales taxes refer to: ICMS R$ 8,926 (R$ 7,897 in 2022), ISS R$ 4,634 (R$ 2,999 in 2022) e PIS/COFINS R$ 10,467 (R$ 6,640 in 2022).

19 Cost of goods sold and services rendered

	2023	2022
Costs of services rendered		
Salaries and charges	(28,379)	(18,370)
Suppliers subcontracting	(6,238)	(7,348)
Inputs and materials for operational use	(2,596)	(3,074)
	(37,213)	**(28,792)**
Cost of goods Sold		
Sold equipment and parts	**(18,771)**	**(15,682)**
Project costs		
Salaries and charges	-	(1,248)
Inputs and materials for operational use	-	(5,562)
	-	**(6,810)**
Total costs	**(55,984)**	**(51,284)**

20 General and administrative expenses

	2023	2022
Consulting, auditing, legal, third-party and other services	(2,899)	(2,019)
Salaries, vacation and charges	(26,531)	(22,591)
Real estate Rental	(5)	(2)
IT costs (consulting, services, and parts & acessories)	(3,992)	(5,335)
Machinery and equipment rental	(681)	(214)
Maintenance	(3,032)	(835)
Travel and Accommodation	(2,804)	(2,914)
Insurance	(678)	(482)
Cleaning and property security	(895)	(1,071)
Electricity costs	(1,427)	(1,183)
Depreciation	(7,311)	(8,673)
Other general and administrative expense	(3,352)	(1,343)
	(53,607)	**(46,662)**

21 Other operating revenue

Refund of PIS/COFINS taxes relating to the exclusion of ICMS from the calculation base	-	2,548
Other operating revenue	403	363
	403	**2,911**

22 Financial result

	2023	2022
Financial revenues		
Exchange variation gain	665	4,962
Financial investment income	2,825	2,895
Other financial income	2,299	2,052
	5,789	**9,909**
Financial expenses		
Exchange variation loss	(4,680)	(6,198)
Other financial expenses	(555)	(632)
	(5,235)	**(6,830)**
Net financial result	**554**	**3,079**

* * *

Accountant
Vinícius Mariano Soares
CRC RJ-120996/O-2

President Director
Trond Hugo Fiskum

MHWIRTH do Brasil Equipamentos Ltda.

Financial Statements
As at September 30, 2024

Content

MHWIRTH do Brasil Equipamentos Ltda.

Balance Sheets on September 30, 2024 and December 31, 2023

(In thousands of Reais)

Asset	Note	2024	2023
Current			
Cash and cash equivalents	5	8.955	13.243
Accounts receivable - third parties	6	72.196	40.788
Accounts receivable - related parties	17	4.104	3.623
Loan - related parties	17	9.660	9.090
Inventories	7	26.484	17.727
Income tax and social contribution recoverable	8	1.135	950
Other recoverable taxes	8	3.070	809
Advance payment to suppliers - third parties	9	1.600	41.077
Advance payment to suppliers - related parties	17	164	2.559
Other assets	-	1.409	1.398
		128.778	**131.264**
Non-current asset			
Other recoverable taxes	8	77	87
Fixed asset	10	152.769	151.377
		152.846	**151.464**
Total Asset		**281.624**	**282.728**

Liabilities	Note	2024	2023
Current			
Suppliers - third parties	11	4.180	3.940
Suppliers - related parties	17	3.064	3.781
Income tax and social contribution payable	8	12	118
Other taxes to collect	8	5.375	2.174
Social and labor obligations	12	10.120	11.644
Provisions	13	6.153	19.915
Advance payment from customers - third parties	-	10.613	7.950
Advance payment from customers - related parties	17	-	14.204
Other Liabilities	-	-	1
		39.518	**63.727**
Non-current asset			
Provisions	13	1.743	1.759
Equity			
Quota capital	15	208.498	208.498
Accumulated profits or ( ) losses	-	31.864	8.744
		240.362	**217.242**
Total liabilities and equity		**281.624**	**282.728**

The explanatory notes are an integral part of the financial statements

MHWIRTH do Brasil Equipamentos Ltda.

Statements of profit or loss

Years ended on September 30, 2024 and September 30, 2023

(In thousands of Reais)

	Note	2024	2023
Net revenue from sales of goods and services rendered	18	121.920	110.776
Cost of goods sold and services rendered	19	(54.811)	(41.406)
Gross profit		67.109	69.370
Operating ( ) expenses and income			
General and administrative expenses	20	(34.315)	(34.662)
Other operational revenues	21	302	244
		(34.014)	(34.418)
Income before financial income and expenses		33.096	34.952
Financial income	22	19.095	4.395
Financial expense	22	(16.053)	(4.823)
		3.042	(428)
Income before income tax and social contribution		36.138	34.524
Current income tax and social contribution	14	(6.388)	(7.192)
Net profit for the year		29.750	27.332

The explanatory notes are an integral part of the financial statements

MHWIRTH do Brasil Equipamentos Ltda.

Statements of comprehensive income

Years ended on September 30, 2024 and September 30, 2023

(In thousands of Reais)

	2024	2023
Net profit for the year	29.750	27.332
Other comprehensive profit	-	-
Total comprehensive profit for the year	29.750	27.332

The explanatory notes are an integral part of the financial statements

MHWIRTH do Brasil Equipamentos Ltda.

Statements of changes in equity

Years ended on September 30, 2024, December 31, 2023 and September 30, 2023

(In thousands of Reais)

	Quota capital	( ) Losses / Profits accumulated	Total
Balances on December 31, 2022	208.498	(10.543)	197.955
Profit for the year	-	27.332	27.332
Dividend payments	-	(6.228)	(6.228)
Balances on September 30, 2023	208.498	10.561	219.059
Profit for the year	-	5.266	5.266
Dividend payments	-	(7.085)	(7.085)
Balances on December 31, 2023	208.498	8.742	217.240
Profit for the year	-	29.750	29.750
Dividend payments	-	(6.628)	(6.628)
Balances on September 30, 2024	208.498	31.864	240.362

The explanatory notes are an integral part of the financial statements

MHWIRTH do Brasil Equipamentos Ltda.

Statements of cash flows

Years ended on September 30, 2024 and September 30, 2023

(In thousands of Reais)

	2024	2023
Cash flows from operating activities		
Net profit for the year	29.750	27.332
Items that do not affect cash:		
Depreciation	5.946	5.453
Miscellaneous provisions	(13.778)	(5.429)
Obsolescense provisions	-	1.659
Interest provision - Loan - related parties (asset)	(570)	(94)
	21.348	28.920
Variations in:		
Accounts receivable - third parties	(31.408)	(6.696)
Accounts receivable - related parties	(481)	(279)
Inventories	(8.757)	(7.311)
Income tax and social contribution recoverable	(186)	1.988
Other recoverable taxes	(2.250)	880
Advance payment to suppliers - third parties	39.477	(1.895)
Advance payment to suppliers - related parties	2.396	316
Other assets	(11)	(557)
Suppliers - third parties	240	(2.782)
Suppliers - related parties	(717)	2.323
Income tax and social contribution payable	(106)	(70)
Other taxes to collect	3.201	585
Social and labor obligations	(1.523)	(2.411)
Advance payment from customers - third parties	2.663	6.683
Advance payment from customers - related parties	(14.204)	75
Other Liabilities	(1)	(54)
Net cash generated from operating activities	9.681	19.716
Cash flows from investing activities		
Loan - related parties	-	(8.800)
Acquisitions fixed asset	(7.341)	(9.854)
Net cash used in investing activities	(7.341)	(18.654)
Cash flows from financing activities		
Dividend payments	(6.628)	(6.228)
Net cash provided by financing activities	(6.628)	(6.228)
Increase or ( ) decrease in cash and cash equivalents	(4.288)	(5.166)
Statement of increase or ( ) decrease in cash and cash equivalents		
At the geninning of the year	13.243	13.616
At the end of the year	8.955	8.450
Increase or (decrease) in cash and cash equivalents for the year	(4.288)	(5.166)

The explanatory notes are an integral part of the financial statements

Notes to the financial statements
(In thousands of Reais, except when otherwise stated)

1 Operational Context
MHWIRTH do Brasil Equipamentos Ltda. ("Company") is a limited liability company, headquartered at Sérgio Roberto Franco Street, square 3, part, Boa Vista Farm, Imboassica Neighborhood, Macaé city, Rio de Janeiro state.

The company began operations on January 1, 2018 with the incorporation of the spun-off net equity of AK Operações related to the drilling assets of the MHWIRTH unit that has been installed in Brazil since 1997. The sole partner MHWIRTH AS entered into a Joint Venture agreement between MHWIRTH AS and Subsea Drilling Systems (formerly Baker Hughes) on October 1, 2021, the impact of this restructuring in Brazil came with the hiring of Subsea Drilling Systems employees who had been working dedicated to this business unit at Baker Hughes and the purchase of the parts inventory used in the operations and activities of this unit.

The Company's bylaws have not been changed and authorize the following activities:

(a) Purchase, sale, manufacture, import, export, engineering, consultancy, management, installation, maintenance, technical assistance, training services, supervision, operation and leasing of equipment, machinery and accessories related to the oil and mining industries, directly or indirectly, including the offshore services; (b) Leasing of real estate; (c) Participation in other companies, as a quota holder or shareholder.

The company's main activities are currently manufacturing and maintaining equipment, machinery and accessories; onshore and offshore technical assistance; and resale of equipment, parts and pieces.

The company presented a net profit of R$ 29,750 on September 30, 2024 (R$ 27,332 on September 30, 2023).

2 Preparation Basis

Declaration of conformity with the standards of the accounting Pronouncements Committee – CPC
The Company's financial statements were prepared in accordance with the accounting practices adopted in Brazil, which include the Corporate Legislation, the Pronouncements, Guidelines and Interpretations issued by the Accounting Pronouncements Committee (CPC) and the accounting standards issued by the Federal Accounting Council (CFC).

On May 14, 2025, the Company's Management authorized the completion of these financial statements.

All relevant information proper of the financial statements, and only the relevant information, is being disclosed and correspond to that used by the Board of Directors in its management.

Measurement basis
The financial statements have been prepared on the historical cost basis.

Functional and reporting currency
These financial statements are presented in Brazilian Reais, which is the Company's functional currency. All balances have been rounded to the nearest thousand, unless otherwise indicated.

Use of estimates and judgments
In preparing these financial statements, management has used judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Information about uncertainties in assumptions and estimates that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 10 – Fixed assets (depreciation and impairment);
- Note nº 13 - Provisions;

3 Significant accounting practices

The accounting policies described in detail below have been applied consistently to all the years presented in these financial statements.

In addition, the Company adopted the disclosure of accounting policies (amendments to CPC 26) as of January 1, 2023. The alternatives require the disclosure of “material” rather than “significant” accounting policies. Although the amendments have not resulted in any changes to the accounting policies themselves, they have affected the information on accounting policies disclosed in this note in certain cases.

3.1 Foreign currency

Foreign currency transactions are translated into the Company's functional currency at the exchange rates on the dates of the transactions.

Monetary assets and liabilities denominated and determined in foreign currencies at the balance sheet date are converted to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are converted to the functional currency at the exchange rate on the date the fair value was determined. Non-monetary items that are measured based on historical cost in foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency differences resulting from converted are generally recognized in income statement. However, exchange differences resulting from the conversion of qualifying and effective cash flow hedges are recognized in other comprehensive incomes.

3.2 Financial instruments

3.2.1 Financial assets

A financial asset is recognized when the entity becomes a party to the contractual arrangement of the instrument. On initial recognition, financial assets are measured at fair value plus or minus transaction costs that are directly referred to the acquisition or issue of such assets, except for trade receivables that do not contain a significant financing component.

3.2.2 Financial liabilities

A financial liability is recognized when the entity becomes a party to the contractual arrangement of the instrument. At initial recognition, financial liabilities are measured at fair value plus or minus transaction costs that are directly referred to the acquisition or issue of such liabilities, except for financial liabilities measured at fair value.

3.2.3 Classification and subsequent measurement of financial assets and liabilities

Financial assets are not reclassified subsequent to initial recognition, unless the Company changes the business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period following the change in business model.

The Company performs an assessment of the goal of the business model in which a financial asset is held in the portfolio as this better reflects the manner in which the business is managed and information is provided to Management.

The Company considers the contractual terms of the instrument to assess whether the contractual cash flows are solely payments of principal and interest. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows such that it would not meet this condition.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when the Company transfers the rights to receive the contractual cash flows on a financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest that is created or retained by the Company in such transferred financial assets is recognized as a separate asset or liability.

The Company derecognizes a financial liability when its contractual obligation is withdrawn, cancelled or expires. The Company also derecognizes a financial liability when the 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.

Financial assets or liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has the legal right to offset the amounts and intends either to settle them on a net basis or to recognize the asset and settle the liability simultaneously.

On September 30, 2024, the Company's non-derivative financial liabilities were represented by third-party suppliers and related parties suppliers, taxes payable, social and labor obligations, provisions and customer advances payment. Financial assets are represented by cash and cash equivalents, accounts receivable from third-party and related parties, taxes recoverable and advances to suppliers.

3.2.4 Classification and subsequent measurement of financial assets and liabilities

Financial assets are classified and measured based on the characteristics of the contractual cash flows and the business model for managing the asset, as follows:

- Amortized cost: financial asset (debt financial instrument) whose contractual cash flows results only from the payment of principal and interest on the principal on specific dates and whose business model aims to hold the asset in order to receive its contractual cash flows.

- Fair value through profit or loss: all other financial assets. This category generally includes derivative financial instruments.

- Financial assets measured at fair value through other comprehensive incomes: Financial assets should be measured at fair value through other comprehensive incomes if the following two conditions are met; (a) the financial asset is held within a business model whose objective is achieved by both the receipt of contractual cash flows and the sale of financial assets; and (b) the contractual terms of the financial asset leads to, on specified dates, to cash flows comprising exclusively payments of principal and interest on the principal amount outstanding.

3.2.5 Reduction to the recoverable value of financial assets (Impairment)

The Company assesses the impairment loss of financial assets based on future expectations or expected credit losses on both an individual and collective level, for accounts receivable overdue uses the term of more than 90 days. All individually significant assets are assessed for impairment. Assets that are not individually significant are collectively assessed for impairment based on the grouping of assets with similar risk characteristics.
When assessing impairment, the Company uses historical trends of recovery period and incurred loss amounts, adjusted to reflect management's judgment as to whether current economic and credit conditions are such that actual losses are likely to be greater or less than those suggested by historical trends.

An impairment loss is calculated as the difference between the book value and the present value of estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognized in the income statement and reflected in an allowance account. When the Company considers that there is no reasonable expectations of recovery, the amounts are written off. When a subsequent event indicates a reduction in the loss, the provision is reversed through profit or loss.

Management has evaluated its major financial instruments in accordance with IFRS 9 and has not identify any indications of losses in the years ended September 30, 2024 and September 30, 2023.

3.3 Impairment of non-financial assets

The book values of the Company's non-financial assets are reviewed at each balance sheet date to determine whether there is an indication of impairment. If there is such an indication, then the asset's recoverable value is estimated.

For impairment tests, assets are grouped into the smallest possible group of assets that generate cash inflows from their continuous use, inflows that are largely independent of the cash inflows from other assets, or CGUs.

The recoverable amount of an asset or CGU is the higher of its value in use and its fair value less costs to sell. Value in use is based on estimated future cash flows, discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the specific risks to the asset or CGU.

An impairment loss is recognized if the carrying amount of the asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in the result.

Impairment losses are reversed only to the extent that the new carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if the impairment loss had not been recognized.

During 2014 and 2015, MHWirth built a new facility to support its operations in Brazil. On September 30, 2024, the net book value of the plant, machinery, equipment and tools is R$151,636 net of an impairment charge of R$ 98,948 recorded in December 2016, which is being updated annually based on market conditions (on December 31, 2023, the net book value of the plant, machinery, equipment and tools was R$ 149,846 net).

The oil business has, in general and specifically in Brazil since 2016 experienced cycles of low investment for new drilling equipment, in the after-sales market and equipment maintenance business is concerned and oil prices have seen a small improvement in the last year and there are investments trending upwards, but, in general, the market remains highly competitive and the pressure on prices is stronger because our clients' daily rates for their rigs in Brazil remain low compared to what was practiced before the oil crisis.

A real estate market survey was conducted, which documents that current square meter prices in Macaé remain similar to the price assessed in 2016, many areas and buildings are still vacant, and market rates are very low. In addition, several of our competitors have significant operational capacity available.

Based on the above, there is no indication that the asset may have been devalued or that the adjustment previously made can be reversed.

3.4 Income Tax

Income tax and social contribution for the current year are calculated based on the rates of 15%, plus an additional 10% on taxable income exceeding R$ 240 for income tax and 9% on taxable income for social contribution on net profit, and consider the offset of tax losses and negative social contribution basis, limited to 30% of taxable profit for the year.

Income tax and social contribution expenses comprises current income tax and social contribution on the annual calculation. Deferred and current taxes are recognized in the income statement.

3.5 Provisions

Provisions are determined by discounting estimated future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the related liability. The effects of not recognizing the discount for the passage of time are recognized in the income statement as a financial expense.

Garantias

A provision for warranty is recognized when the products or services to which they refer are sold, based on historical data and weighting of possible scenarios and their respective probabilities.

3.6 Sale of goods and services

The company recognizes revenue in accordance with CPC 47 - Revenue from Contracts with Customers. In this sense, the effects arising from contracts with customers are only recorded when all the criteria established by the standard are met, including approval of the contract, identification of the rights of each party to the assets to be transferred, when the payment terms are identifiable and when it is probable that the Company will receive the consideration to which it is entitled in exchange for the assets to be transferred to the customer.

The Company recognizes revenue when or as the performance obligation is satisfied, i.e. when it transfers control of the promised service to the customer. The service is considered to be transferred when or to the extent that the customer obtains control of it.

In Brazil, the main contracts and performance obligations are:

- Service contracts (equipment overhaul and repair, onshore and offshore engineering services and training): Revenue is recognized over time according to the progress of the services. The progress of the service is determined using the cost-incurred method. If services under a single contract occur in different periods, the consideration is allocated on the basis of their individual selling prices. The individual sales price is determined in the sales proposal for the service made to the customer.

- Resale of parts: Revenue is recognized when the goods are transferred and/or delivered to the customer.

- Construction contract (manufacture of riser column): Revenue is recognized over time based on the incurred cost or physical progress method, when “the unit does not create an asset with an alternative use for the unit and the unit has an enforceable right to payment for performance completed to date.

3.7 Other sources of revenue

Other sources of revenue include rental income from part of the leased property, and amounts related to exchange rate variations and income on financial investments.

3.8 Leases

CPC 06 (R2) / IFRS 16 introduced a single model for accounting for leases in the balance sheet of lessees. As a result, the Company, as a lessee, recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments, note 15. The lessor's accounting remains similar to previous accounting policies.

The company adopts CPC 06 (R2) / IFRS 16 - Leases , and uses the simplified approach.

4 New standards and operations not yet effective

The company is governed by the rules published by the CPC, which issues pronouncements and interpretations similar to the IFRS, as issued by the IASB. The following are the accounting standards still under analysis by the CPC, which have not come into force and have not been early adopted by the company until September 30, 2024.

(i) Lease liability on a sale and leaseback (amendments to CPC 06/IFRS 16);

(ii) “Drawn risk” supplier financing agreements - (amendments to CPC 03/IAS 7 and CPC 40/IFRS 7);

(iii) Lack of convertibility (amendments to CPC 02/IAS 21). Effective date January 1, 2025;

(iv) Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28). Effective date: Available for optional adoption/ indefinite deferred effective date.

5 Cash and cash equivalents

The balance of the “cash and cash equivalents” acccount is as shown below:

	2024	**2023**
Marketable securities (a)	8,955	13,243
	8,955	**13,243**

(a) The marketable securities on September 30, 2024 and December 31, 2023 are represented by an investment fund of Banco Itaú S/A, generating an average profitability of 11.95% in the last 12 months (12.34% in 2023). This fund has immediate liquidity with insignificant risk of change in value.

6 Accounts receivable

	2024	**2023**
Domestic accounts receivable	35,072	34,171
Foreign accounts receivable	37,124	6,617
	72,196	**40,788**

The aging list for due dates of receivables:

	2024	**2023**
Due	64,785	32,743
Over due less than 30 days	4,587	5,985
Over due from 31 to 60 days	1,484	1,630
Over due from 61 to 90 days	550	-
Over due from 91 to 120 days	655	80
Over due from 121 to 240 days	135	350
	72,196	**40,788**

Management has not identified any event or change in circumstances that would indicate a risk to the recoverability of the accounts receivable on September 30, 2024 and December 31, 2023.

7 Inventories

The inventories are segregated as follows:

	2024	**2023**
Raw materials and consumables	389	1,468
Products for resale	35,203	24,895
Project stock	1,348	1,487
	36,940	**27,850**

Provision for obsolescence – Initial balance	(10,123)	(8,146)
Provision recorded for obsolescence	(333)	(1,977)
Provision used for obsolescence	-	-
	(10,456)	**(10,123)**
	26,484	**17,727**

8 Income tax, social contribution and other taxes

The classification between current and non-current was based on the expected use of the credits, according to the specific regulations for each tax.

(i) Recoverable income tax and social contribution

	2024	**2023**
IR – Recoverable income tax	693	709
CSLL – Recoverable social contribution	442	241
	1,135	**950**
Current	1,135	950
Non-current	-	-

(ii) Other recoverable taxes

	2024	**2023**
PIS – Social Integration Program	381	124
COFINS – Contribution for the Financing of Social Security	1,749	571
ICMS – Tax on Circulation of Goods and Services	925	201
IPI – Tax on Industrialized Products	92	-
	3,147	**896**
Current	3,070	809
Non-current	77	87

(iii) Income tax and social contribution payable

	2024	**2023**
IR – Withholding income tax	12	6
IRPJ – Income tax on profit	-	82
CSLL – Social contribution on profit	-	30
	12	**118**
Current	12	118
Non-current	-	-

(iv) Other taxes payable

	2024	2023
PIS – Social Integration Program	478	154
COFINS – Contribution for the Financing of Social Security	2,205	711
ICMS – Tax on Circulation of Goods and Services	875	29
IPI – Tax on Industrialized Products	107	9
ISS – Tax on Service	1,649	1,220
CIDE – Contributions for Intervention in the Economic Domain	2	-
CSRF – Social Contribution withheld at source	59	51
	5,375	**2,174**
Current	5,375	2,174
Non-current	-	-

9 Advance payment to suppliers

Project number	**2024**	**2023**
104574 DRU 3 (a)	-	38,485
Other	1,600	2,592
	1,600	**41,077**
Current	1,600	41,077
Non-current	-	-

(a) Manufacturing project of 1 Riser column - DRU 3 project, with the following details:

(i) Supplier: Matrix Composites & Engineering Ltd

(ii) Customer - MHWIRTH AS (Noruega)

(iii) Situation with the customer: This project was canceled and MHWIRTH AS reimbursed in September/2024 all expenses and payment incurred at MHWIRTH Brasil.

10 Property, plant and equipment

Property, plant and equipment	Building and Construction	Land and Real Estate	Facilities and Improvements	Industrial Machinery and Equipment	Assets in progress	Vehicles	Furniture and utensils	Leasehold improvements	Tools	Computers	Total
Balance on December 31, 2022	**201,278**	**54,538**	**4,585**	**29,583**	**6,536**	**113**	**3,624**	**16**	**2,940**	**3,077**	**306,290**
Additions	-	-	-	-	12,843	-	-	-	-	-	12,843
Transfer of assets under construction to permanent	-	-	-	3,018	(4,347)	-	86	-	259	984	-
Lows	-	-	-	-	-	-	-	-	-	-	-
Balance on December 31, 2023	**201,278**	**54,538**	**4,585**	**32,601**	**15,032**	**113**	**3,710**	**16**	**3,199**	**4,061**	**319,133**
Additions	-	-	-	-	7,347	-	-	-	-	-	7,347
Transfer of assets under construction to permanent	6,163	-	-	6,646	(12,862)	-	-	-	53	-	-
Lows	-	-	(20)	(21)	-	-	(21)	-	-	-	(62)
Balance on September 30, 2024	**207,441**	**54,538**	**4,565**	**39,226**	**9,517**	**113**	**3,689**	**16**	**3,252**	**4,061**	**326,418**

Accumulated depreciation	Building and Construction	Land and Real Estate	Facilities and Improvements	Industrial Machinery and Equipment	Assets in progress	Vehicles	Furniture and utensils	Leasehold improvements	Tools	Computers	Total
Balance on December 31, 2022	**(103,022)**	**(22,059)**	**(3,568)**	**(23,464)**	**-**	**(113)**	**(2,935)**	**(9)**	**(2,546)**	**(2,729)**	**(160,445)**
Additions	(5,416)	-	(221)	(953)	-	-	(290)	(2)	(136)	(293)	(7,311)
Lows	-	-	-	-	-	-	-	-	-	-	-
Balance on December 31, 2023	**(108,438)**	**(22,059)**	**(3,789)**	**(24,417)**	**-**	**(113)**	**(3,225)**	**(11)**	**(2,682)**	**(3,022)**	**(167,756)**
Additions	(4,186)	-	(142)	(1,070)	-	-	(129)	(1)	(137)	(266)	(5,930)
Lows	-	-	-	18	-	-	20	-	-	-	38
Balance on September 30, 2024	**(112,624)**	**(22,059)**	**(3,931)**	**(25,469)**	**-**	**(113)**	**(3,334)**	**(12)**	**(2,819)**	**(3,288)**	**(173, 648)**
Net balance on December 31, 2023	**92,840**	**32,479**	**796**	**8,184**	**15,032**	**-**	**485**	**5**	**517**	**1,039**	**151,377**
Net balance on September 30, 2024	**94,817**	**32,479**	**634**	**13,757**	**9,517**	**-**	**355**	**4**	**433**	**773**	**152,769**

Property, plant and equipment support all operations in Brazil, such as product deliveries (manufacture of drilling risers and drilling equipment), drilling services (overhaul, maintenance, onshore support, spare parts and training) and global projects (support for drilling package deliveries in Brazil).

Indications of Impairment
In accordance with CPC 01, management reviewed a list of external and internal impairment indicators, highlighting the following among the main ones:

- Significant reduction in the market value of the asset;;
- Obsolete technology;
- Net book value > market value; and
- Reduced potential for sale / cash generation in the near future;

Based on the above assessment of indicators, the long-term strategy and the business plan for the asset remain unchanged, considering that the Macaé plant remains the main facility for the manufacturing of "Risers." The Company also leases part of its facilities in Macaé to AK Operações, and the lease agreement with CSE/Aker Solutions was terminated in January 2023.

The book value of land, buildings, facilities, machinery, and industrial equipment were previously "impaired - impairment adjustment" in the amount of R$ 98,948 due to the write-off of the oil business during the period 2015-2018.

The market value assessment from the external consultant CBRE performed in 2024 presented an estimate of R$ 203,900 (R$ 190,200 in 2022). Although the CBRE appraisal shows an 7% increase in the valuation compared to the appraisal done in 2022, if we had to sell the facilities, we would have to considerably increase the marketing factor (discount) to try to attract a buyer, because liquidity is low, there are currently few companies looking for this type of property, and there are many offers in the regional real estate market that pressure the value and the marketing factor (discount) to try to be successful.

Considering the increase in the commercialization factor (discount) between 20% and 25%, the estimated selling price would be in the range between R$ 152,925 and R$ 163,120. Based on this scenario, the Company's management opted to maintain the recorded provision value without alteration, as follows on September 30, 2024 and December 31, 2023:

	2024	**2023**
Balance of fixed assets without impairment adjustment	251,718	250,325
Accumulated reduction to the recoverable value of assets	(98,948)	(98,948)
Book value of fixed assets	**152,770**	**151,377**

11 Suppliers

	2024	2023
Domestic accounts receivable	3,980	3,940
Foreign accounts Receivable	200	-
	4,180	**3,940**
Current	4,180	3,940
Non-current	-	-
	4,180	**3,940**

12 Social and labor obligations

	2024	2023
IRRF – Withholding income tax on payroll	537	843
INSS - National Institute of Social Security on Payroll	1,051	926
FGTS – Guarantee Fund for Time of Service on Payroll	234	315
Benefits payable	176	162
Bonus	-	4,805
Provision for vacation pay and charges	5,480	4,593
Provision 13º salary	2,642	-
	10,120	**11,644**
Current	10,120	11,644
Non-current	-	-

13 Provisions

	2024	2023
Provision for guarantee	1,743	1,743
Provision for project cost (a)	245	13,809
Other provisions	5,862	5,875
Provision for legal labor lawsuits	46	247
	7,896	**21,674**
Current	6,153	19,915
Non-current	1,743	1,759

(a) The provision of R$ 13,809 from DRU 3 project in 2023 was written off in 2024 due to the closure of the project.

Description of the Provision	**Provision for guarantee**	**Provision of projects cost**	**Other provisions**	**Provision for labor lawsuits**	**TOTAL**
Balance on December 31, 2022	**1,743**	**19,302**	**7,229**	**175**	**28,449**
Provisions recorded during the year	-	-	8,521	72	8,593
Provisions used during the year	-	-	(9,875)	-	(9,875)
Adjustment of initial provision	-	(5,493)	-	-	(5,493)
Balance on December 31, 2023	**1,743**	**13,809**	**5,875**	**247**	**21,674**
Provisions recorded during the year	-	851	8,895	73	9,819
Provisions used during the year	-	(606)	(8,908)	(274)	(9,788)
Adjustment of initial provision	-	(13,809)	-	-	(13,809)
Balance on September 30, 2024	**1,743**	**245**	**5,862**	**46**	**7,896**

Provision for guarantees

The provision for guarantees relates primarily to guarantees for projects concluded in fiscal years 2016, 2017, 2018 and 2019. The provision is based on estimates of historical data for guarantees associated with similar products and services. The Company expects to settle these liabilities in 2026 and 2027.

Provision of projects cost

The provision for projects refers mainly to the recognition of costs under the physical progress method for construction contracts until 2023 and the provision is based on estimates of the final outcome of the projects. The provision in 2024 refers to overhaul completed projects and services. The Company expects to settle these liabilities in 2025.

Other provisions

The other provisions item refers to: contracting of services and materials completed in 2024 related to support departments: base maintenance, IT (information technology), legal, finance, among others. The Company expects to settle these liabilities in the first quarter of 2025.

Provision for legal labor lawsuits

The provision for legal labor lawsuits refers to labor contingencies for legal actions that are classified as probable losses. The provision is based on estimates from the law firm representing the company. The company expects to settle this liability in 2025. Management estimates that there is a possible loss not recognized liabilities, the total amount of which is R$ 495 as of September 30, 2024 (R$ 730 in 2023).

14 Income Tax

The company presented on September 30, 2024 and December 31, 2023 an accumulated tax loss and negative social contribution base, as shown below::

	2024	**2023**
Accumulated tax loss carryforward	8,033	17,176
Negative basis of social contribution	8,033	17,176

The income tax and social contribution amounts are demonstrated as shown below:

	2024	2023
Net profit before income tax and social contribution	36,138	34,523
Non-deductible expense:		
* Transfer pricing adjustment	-	-
* Tax character	3,478	4,007
* Fines	171	268
* Other	257	-
* Net temporary differences or reversal (-)	(6,582)	(3,413)
	33,462	**29,157**
Deduction of the tax base		
* Payment of interest on equity (JCP)	(6,628)	(6,228)
Income tax and social contribution calculation basis	**26,834**	**29,157**
Tax loss offset – 30%	**(8,050)**	**(8,747)**
Net tax profit for the year	**18,783**	**20,410**
Income tax and social contribution expense	**6,368**	**6,921**
Effective tax rate	**18%**	**20%**

Composition of income and/or expense (-) for income tax and social contribution

	2024	2023
* Current income tax and social contribution expense	(6,368)	(6,921)
* Deferred income tax and social contribution expense on offset tax loss	(2,737)	(2,974)
* Income or expense (-) from deferred income tax and social contribution on net temporary differences	(2,238)	(1,160)
* Income from reversal of recoverable value adjustment or ( ) expense from adjusting the recoverable value of deferred income tax and social contribution on the loss (tax loss)	2,737	2,974
* Income from reversal of recoverable value adjustment or ( ) expense from adjusting the recoverable value of deferred income tax and social contribution on temporary differences	2,238	1,160
* Adjustment, current income tax and social contribution expense – calculation related previous periods	(20)	(271)
Income tax and social contribution expense for the year	**(6,388)**	**(7,192)**

The deferred income tax and social contribution asset balances are as follows::

	2024	2023
* Deferred on tax losses (income tax) and on negative social contribution base	2,731	5,468
* Reduction in the deferred recoverable value on tax losses (income tax) and on negative social contribution base	(2,731)	(5,468)
* Deferred on temporary differences net of income tax and social contribution	28,771	31,008
* Deferred impairment on temporary differences net of income tax and social contribution	(28,771)	(31,008)
	-	-

15 Equity

Share capital

On September 30, 2024 and December 31, 2023, the subscribed and paid-in share capital is R$ 208,498 corresponding to 208,497,585 quotas, respectively, with 100% of the quotas belonging to MHWIRTH AS.

Dividends/legal reserve

Under the terms of the shareholder resolution of September 13, 2024 payment of interest on equity (dividends) was approved related to the result for the year-to-date September 2024, in the amount of R$ 6,628 (total R$ 13,314 in 2023). The interest on equity was fully paid in the month of September 2024.

16 Financial instruments

Capital risk management

The Company manages capital to ensure that it continues its normal activities, while maximizing the return to all stakeholders or parties involved in its operations, through the optimization the balance of debt and equity.

The Company's capital structure is made for net debt, less cash and bank balances and the Company's equity (which includes issued capital and reserves), as presented in the statement of changes in equity.

The Company is not subject to any external capital requirements.

Management constantly reviews its capital structure. As part of this review, Management considers the cost of capital and the risks associated with each class of capital.

(a) Cash and cash equivalents according the note 5.

(b) Equity includes all capital and reservers of the Company, managed as capital.

Categories of financial instruments

	Category	**Amortized cost 2024**	**Fair value 2024**	**Amortized cost 2023**	**Fair value 2023**
Assets					
Cash and cash equivalents	Fair value through result	8,955	8,955	13,243	13,243
Accounts receivable - third parties	Amortized cost	72,196	72,196	40,788	40,788
Accounts receivable - Intercompany	Amortized cost	4,104	4,104	3,623	3,623
Liabilities					
Accounts payable - third parties	Amortized cost	4,180	4,180	3,940	3,940
Accounts payable - Intercompany	Amortized cost	3,064	3,064	3,781	3,781

- Cash and cash equivalents: book values identical to the fair value due to remuneration rates based on the variation of the Interbank Deposit Certificate (CDI).

- Accounts receivable and suppliers: arise directly from the Company's operations, and are measured at amortized cost and are recorded at their original value, less the provisions for losses and adjustment to present value, when applicable.

The estimated realizable values of the Company's financial assets and liabilities were determined using information available in the market and appropriate valuation methodologies. Judgments were required in interpreting market data to produce the most adequate estimates of realizable values. As consequence, the estimates do not necessarily indicate the amounts that may be realized in the current market. The use of different market methodologies may have a material effect on the estimated realizable values.

Objectives of financial risk management

The Company's corporate treasury department coordinates access to domestic and foreign financial markets and monitors and manages financial risks related to the Company's operations through internal risk reports that analyze exposures by degree and significance of risks. These risks include market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk.

(i) Market risk

Market risk is the risk that changes in market prices, such as exchange rates and interest rates, will affect the Company's earnings or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing returns. The Company uses derivatives to manage market risk. Market risk exposures are measured on an ongoing basis and are monitored by the Company's management.

Exchange rate risk

The Company is exposed to foreign exchange risk arising from differences between the currencies in which some sales and purchases are denominated, and the entity's respective functional currencies. The Company's functional currency is the Brazilian Real (R$). The currencies in which some of the Company's transactions occur are denominated in: US Dollar (USD), Norwegian Krone (NOK), Euro (€), Mexican Dollar (MXN) and pound sterling (GBP).

The company's risk management policy is to hedge its expected foreign currency exposure amounts above USD 50,000 in relation to sales and purchases made for the next 24 months. The company uses futures contracts to hedge its foreign exchange risk, most of which mature less than one year from the balance sheet date.

A summary of the Company's exposure and sensitivity analysis to foreign exchange risk is presented below:

	Value Basis	Quotatin 09/30/2024	Scenario I	Scenario II
Assets – Accounts Receivable				
Euros (EUR)	2,360	6.0719	1,652	3,069
Norwegian Kroner (NOK)	24	0.5172	17	31
Dólar (USD)	17,777	5.4481	12,444	23,110
TOTAL (Assets)	**20,161**	**-**	**14,113**	**26,210**
Liabitities – Accounts Payable				
Euros (EUR)	(44)	6.0719	(31)	(58)
Dólar (USD)	(1,701)	5.4481	(1,191)	(2,212)
Norwegian Kroner (NOK)	(1,285)	0.5172	(899)	(1,670)
Pound sterling (GBP)	(224)	7.2999	(157)	(291)
TOTAL (Liabilities)	**(3,254)**	**-**	**(2,278)**	**(4,231)**
Net balance sheet exposure	**16,907**	**-**	**11,835**	**21,979**

	Value Basis	Quotatin 12/31/2023	Scenario I	Scenario o II
Assets – Accounts Receivable				
Euros (EUR)	15	5.3782	11	19
Norwegian Kroner (NOK)	288	0.4776	202	374
Dólar (USD)	3,943	4.8413	2,760	5,126
TOTAL (Assets)	**4,246**	**-**	**2,973**	**5,519**
Liabitities – Accounts Payable				
Euros (EUR)	(232)	5.3782	(162)	(302)
Dólar (USD)	(790)	4.8413	(553)	(1,027)
TOTAL (Liabilities)	**(1,022)**	**-**	**(715)**	**(1,329)**
Net balance sheet exposure	**3,224**	**-**	**2,258**	**4,190**

(i) (Scenario I): Considers a 30% reduction in the base currency exchange rate against the Real

(ii) (Scenario II): Considers a 30% increase in the base currency exchange rate against the Real

(ii) Credit risk management

Credit risk refers to the risk of a counterparty failing to fulfill its contractual obligations, leading the Company to incur financial losses. The Company has adopted a policy of only dealing with counterparties that have creditworthiness and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss due to default. The Company uses publicly available financial information and its own records to assess its main customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of completed transactions is divided among the approved counterparties. Credit exposure is controlled by counterparty limits, which are reviewed and approved by management.

Regarding financial investments and other investments, the company's policy is to work with traditional institutions, avoiding the concentration of these investments in a single economic group. During 2023, the company maintained low-risk investments with Bradesco and Itaú banks.

The maturity terms for accounts receivable (third parties and related parties) are as follows:

	2024	2023
Due	68,889	36,094
Over due less than 30 days	4,587	6,129
Over due from 31 to 60 days	1,484	1,757
Over due from 61 to 90 days	550	-
Over due from 91 to 120 days	655	80
Over due from 121 to 240 days	135	351
	76,300	**44,411**
Third parties	72,196	40,788
Related parties	4,104	3,623
	76,300	**44,411**

Additionally, the Company does not hold any credit guarantees to cover its credit risks associated with its financial assets.

(iii) Liquidity risk management

Liquidity risk is that the Company will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled with cash payments or with another financial asset.The Company's approach to liquidity management is to ensure, as far as possible, that it always has sufficient liquidity to meet its obligations when due, both under normal and stressed conditions, without causing unacceptable losses or risking damage to the Company's reputation.

The company manages liquidity risk by maintaining adequate reserves, bank credit lines and lines of credit to raise loans that it deems appropriate, by continuously monitoring forecast and actual cash flows, and by combining the maturity profiles of financial assets and liabilities. Below are the contractual maturities of financial liabilities at the date of the financial statement. These amounts are gross and undiscounted, and include contractual interest payments incurred up to the end of the year and exclude the impact of netting agreements:

Projected future cash flows for financial liabilities	**Up to 12 months**	**From 1 to 2 years**	**From 2 to 3 years**	**Total**
Suppliers - Third-party	4,180	-	-	4,180
Suppliers - Related parties	3,064	-	-	3,064
	7,244	**-**	**-**	**7,244**

17 Related parties

17.1 Assets

	2024	2023
MHWirth AS	3,835	2,453
Hydril USA Distribution LLC	-	299
MHWirth LLC	-	67
Hydril PCB Ltd	262	368
MHWirth Dubai	-	309
MHWirth Gmbh	6	127
HMH Drilling Engineering Services	1	-
Accounts receivable	**4,104**	**3,623**

	2024	2023
MHWirth AS	-	2,054
Hydril USA Distribution LLC	164	505
Advance payment to suppliers	**164**	**2,559**

	2024	2023
Mutual – MHWirth AS	9,660	9,090
Mutual – MHWirth AS (a)	**9,660**	**9,090**

(a) In August 2023, the company granted and entered into a Mutual (loan) agreement with MHWIRTH AS in the amount of R$ 8,800 with interest of 7.81% a.a. The current term is 24 months (August 2025), and the payment will be made at the end of the contract.

17.2 Liabilities

	2024	2023
Hydril USA Distribution LLC	1,242	1,987
Hydril Pressure Control, S. de R.L.	223	238
MHWirth Gmbh	44	512
MHWirth AS	1,555	1,044
Accounts payable	**3,064**	**3,781**
MHWirth AS	-	14,204
Advances payment from customers	**-**	**14,204**

18 Net operating revenue

The breakdown of net operating revenue presented in the income statement is as follows:

	2024	2023
Gross revenue		
Service revenue (a)	98,663	88,580
Product sales revenue (b)	49,254	41,228
	147,917	**129,808**
(-) **Deductions**		
(-) Taxes on sales (c)	(19,780)	(17,619)
(-) Returns, deductions and rebates	(6,217)	(1,413)
	(25,997)	**(19,032)**
Net revenue	**121,920**	**110,776**

(a) Revenues from maintenance, repair and overhaul services of third-party equipment; and technical assistance.

(b) Revenues related sales of equipment, parts and among others.

(c) Sales taxes refer to: ICMS R$ 7,297 (R$ 6,557 in 2023), ISS R$ 3,892 (R$ 3,364 in 2023) e PIS/COFINS R$ 8,591 (R$ 7,698 in 2023).

19 Cost of goods sold and services rendered

	2024	2023
Costs of services rendered		
Salaries and charges	(25,599)	(17,895)
Suppliers subcontracting	(7,563)	(5,103)
Inputs and materials for operational use and other costs	(3,659)	(2,595)
	(36,821)	**(25,593)**
Cost of goods Sold		
Sold equipment and parts	**(17,990)**	**(15,813)**
Total costs	**(54,811)**	**(41,406)**

20 General and administrative expenses

	2024	2023
Consulting, auditing, legal, third-party and other services	(1,418)	(1,940)
Salaries, vacation and charges	(20,944)	(17,193)
IT costs (consulting, services, and parts & acessories)	(489)	(1,054)
Machinery and equipment rental	(106)	(487)
Maintenance	(2,264)	(1,174)
Travel and Accommodation	(1,036)	(2,394)
Insurance	(470)	(520)
Cleaning and property security	(45)	(858)
Electricity costs	(240)	(900)
Depreciation	(5,946)	(5,453)
Other general and administrative expense	(1,358)	(2,689)
	(34,315)	**(34,662)**

21 Other operating revenue

	2024	2023
Other operating revenue	302	244
	302	**244**

22 Financial result

	2024	2023
Financial revenues		
Exchange variation gain	17,215	1,482
Financial investment income	1,144	1,904
Other financial income	736	1.009
	19,095	**4,395**
Financial expenses		
Exchange variation loss	(14,507)	(4,424)
Other financial expenses	(1,546)	(399)
	(16,053)	**(4,823)**
Net financial result	**3,042**	**(428)**

*　　*　　*

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