

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**Form 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2023

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
OR

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-09397

**Baker Hughes Holdings LLC**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction  
of incorporation or organization)

**76-0207995**  
(I.R.S. Employer Identification No.)

**575 N. Dairy Ashford Rd., Suite 100**  
**Houston, Texas**  
(Address of principal executive offices)

**77079-1121**  
(Zip Code)

**Registrant's telephone number, including area code: (713) 439-8600**

**17021 Aldine Westfield**  
**Houston, Texas 77073-5101**

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
5.125% Senior Notes due 2040	-	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  
Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  
Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer" "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

As of October 19, 2023, the registrant had outstanding 1,006,233,893 common units. None of the common units are publicly traded.

**Baker Hughes Holdings LLC**  
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**PART I — FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)**

**Baker Hughes Holdings LLC**  
**Condensed Consolidated Statements of Income (Loss)**  
*(Unaudited)*

<i>(In millions, except per unit amounts)</i>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Revenue:</b>				
Sales of goods	\$ 4,044	\$ 3,084	\$ 11,320	\$ 8,710
Sales of services	2,597	2,285	7,351	6,541
<b>Total revenue</b>	<b>6,641</b>	<b>5,369</b>	<b>18,671</b>	<b>15,251</b>
<b>Costs and expenses:</b>				
Cost of goods sold	3,467	2,639	9,704	7,502
Cost of services sold	1,831	1,606	5,163	4,686
Selling, general and administrative	627	620	1,977	1,865
Restructuring, impairment and other	2	235	161	676
<b>Total costs and expenses</b>	<b>5,927</b>	<b>5,100</b>	<b>17,005</b>	<b>14,729</b>
Operating income	714	269	1,666	522
Other non-operating income (loss), net	94	(60)	638	(657)
Interest expense, net	(49)	(65)	(171)	(188)
Income (loss) before income taxes	759	144	2,133	(323)
Provision for income taxes	(222)	(145)	(534)	(422)
Net income (loss)	537	(1)	1,599	(745)
Less: Net income attributable to noncontrolling interests	6	8	16	20
<b>Net income (loss) attributable to Baker Hughes Holdings LLC</b>	<b>\$ 531</b>	<b>\$ (9)</b>	<b>\$ 1,583</b>	<b>\$ (765)</b>
Cash distribution per common unit	\$ 0.20	\$ 0.18	\$ 0.58	\$ 0.54

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

**Baker Hughes Holdings LLC**  
**Condensed Consolidated Statements of Comprehensive Income (Loss)**  
*(Unaudited)*

<i>(In millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income (loss)	\$ 537	\$ (1)	\$ 1,599	\$ (745)
Less: Net income attributable to noncontrolling interests	6	8	16	20
Net income (loss) attributable to Baker Hughes Holdings LLC	531	(9)	1,583	(765)
Other comprehensive income (loss):				
Investment securities	—	—	1	—
Foreign currency translation adjustments	(122)	(321)	46	(474)
Cash flow hedges	(14)	—	(3)	1
Benefit plans	24	(27)	20	5
Other comprehensive income (loss)	(112)	(348)	64	(468)
Less: Other comprehensive income (loss) attributable to noncontrolling interests	—	1	—	(2)
Other comprehensive income (loss) attributable to Baker Hughes Holdings LLC	(112)	(349)	64	(466)
Comprehensive income (loss)	425	(349)	1,663	(1,213)
Less: Comprehensive income attributable to noncontrolling interests	6	9	16	18
Comprehensive income (loss) attributable to Baker Hughes Holdings LLC	\$ 419	\$ (358)	\$ 1,647	\$ (1,231)

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

**Baker Hughes Holdings LLC**  
**Condensed Consolidated Statements of Financial Position**  
*(Unaudited)*

<i>(In millions)</i>	September 30, 2023	December 31, 2022
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 3,201	\$ 2,485
Current receivables, net	6,517	5,974
Inventories, net	4,964	4,587
All other current assets	1,491	1,559
<b>Total current assets</b>	<b>16,173</b>	<b>14,605</b>
Property, plant and equipment (net of accumulated depreciation of \$5,545 and \$5,121)	4,768	4,538
Goodwill	5,809	5,691
Other intangible assets, net	4,104	4,180
Contract and other deferred assets	1,778	1,503
All other assets	3,301	2,998
Deferred income taxes	687	657
<b>Total assets</b>	<b>\$ 36,620</b>	<b>\$ 34,172</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 4,123	\$ 4,298
Short-term and current portion of long-term debt	792	677
Progress collections and deferred income	5,187	3,822
All other current liabilities	2,479	2,235
<b>Total current liabilities</b>	<b>12,581</b>	<b>11,032</b>
Long-term debt	5,857	5,980
Deferred income taxes	133	135
Liabilities for pensions and other postretirement benefits	952	960
All other liabilities	1,385	1,406
Members' Equity:		
Members' capital, common units, 1,006 issued and outstanding as of September 30, 2023 and December 31, 2022	33,728	34,336
Retained loss	(15,254)	(16,837)
Accumulated other comprehensive loss	(2,907)	(2,971)
<b>Baker Hughes Holdings LLC equity</b>	<b>15,567</b>	<b>14,528</b>
Noncontrolling interests	145	131
<b>Total equity</b>	<b>15,712</b>	<b>14,659</b>
<b>Total liabilities and equity</b>	<b>\$ 36,620</b>	<b>\$ 34,172</b>

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

**Baker Hughes Holdings LLC**  
**Condensed Consolidated Statements of Changes in Members' Equity**  
*(Unaudited)*

<i>(In millions, except per unit amounts)</i>	Members' Capital	Retained Loss	Accumulated Other Comprehensive Loss	Non- controlling Interests	Total Equity
Balance at December 31, 2022	\$ 34,336	\$ (16,837)	\$ (2,971)	\$ 131	\$ 14,659
Comprehensive income:					
Net income		1,583		16	1,599
Other comprehensive income			64		64
Regular cash distribution to Members (\$0.58 per unit)	(586)				(586)
Repurchase and cancellation of common units	(219)				(219)
Baker Hughes Company stock-based compensation cost	148				148
Other	49			(2)	47
Balance at September 30, 2023	\$ 33,728	\$ (15,254)	\$ (2,907)	\$ 145	\$ 15,712

<i>(In millions, except per unit amounts)</i>	Members' Capital	Retained Loss	Accumulated Other Comprehensive Loss	Non- controlling Interests	Total Equity
Balance at June 30, 2023	\$ 33,981	\$ (15,785)	\$ (2,795)	\$ 137	\$ 15,538
Comprehensive income (loss):					
Net income		531		6	537
Other comprehensive loss			(112)		(112)
Regular cash distribution to Members (\$0.20 per unit)	(202)				(202)
Repurchase and cancellation of common units	(119)				(119)
Baker Hughes Company stock-based compensation cost	51				51
Other	17			2	19
Balance at September 30, 2023	\$ 33,728	\$ (15,254)	\$ (2,907)	\$ 145	\$ 15,712

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

**Baker Hughes Holdings LLC**  
**Condensed Consolidated Statements of Changes in Members' Equity**  
*(Unaudited)*

*(In millions, except per unit amounts)*

	Members' Capital	Retained Loss	Accumulated Other Comprehensive Loss	Non- controlling Interests	Total Equity
Balance at December 31, 2021	\$ 35,589	\$ (16,311)	\$ (2,691)	\$ 139	\$ 16,726
Comprehensive loss:					
Net income (loss)		(765)		20	(745)
Other comprehensive loss			(466)	(2)	(468)
Regular cash distribution to Members (\$0.54 per unit)	(552)				(552)
Repurchase and cancellation of common units	(727)				(727)
Baker Hughes Company stock-based compensation cost	155				155
Other	95	1	(1)	(25)	70
Balance at September 30, 2022	\$ 34,560	\$ (17,075)	\$ (3,158)	\$ 132	\$ 14,459

*(In millions, except per unit amounts)*

	Members' Capital	Retained Loss	Accumulated Other Comprehensive Loss	Non- controlling Interests	Total Equity
Balance at June 30, 2022	\$ 34,923	\$ (17,067)	\$ (2,809)	\$ 108	\$ 15,155
Comprehensive loss:					
Net income (loss)		(9)		8	(1)
Other comprehensive income (loss)			(349)	1	(348)
Regular cash distribution to Members (\$0.18 per unit)	(183)				(183)
Repurchase and cancellation of common units	(265)				(265)
Baker Hughes Company stock-based compensation cost	52				52
Other	33	1		15	49
Balance at September 30, 2022	\$ 34,560	\$ (17,075)	\$ (3,158)	\$ 132	\$ 14,459

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

**Baker Hughes Holdings LLC**  
**Condensed Consolidated Statements of Cash Flows**  
*(Unaudited)*

<i>(In millions)</i>	<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
Cash flows from operating activities:		
Net income (loss)	\$ 1,599	\$ (745)
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Depreciation and amortization	813	806
(Gain) loss on equity securities	(639)	164
Provision for deferred income taxes	5	22
Stock-based compensation cost	148	155
Loss on assets held for sale	—	426
Property, plant and equipment impairment, net	10	168
Inventory impairment	33	31
Changes in operating assets and liabilities:		
Current receivables	(507)	(452)
Inventories	(410)	(626)
Accounts payable	(209)	263
Progress collections and deferred income	1,375	705
Contract and other deferred assets	(270)	(151)
Other operating items, net	195	231
<b>Net cash flows from operating activities</b>	<b>2,143</b>	<b>997</b>
Cash flows from investing activities:		
Expenditures for capital assets	(868)	(720)
Proceeds from disposal of assets	150	189
Proceeds from sale of equity securities	372	26
Proceeds from business dispositions	293	—
Net cash paid for acquisitions	(301)	(86)
Other investing items, net	(149)	11
<b>Net cash flows used in investing activities</b>	<b>(503)</b>	<b>(580)</b>
Cash flows from financing activities:		
Distributions to Members	(586)	(552)
Repurchase of common units	(219)	(727)
Other financing items, net	(66)	(18)
<b>Net cash flows used in financing activities</b>	<b>(871)</b>	<b>(1,297)</b>
Effect of currency exchange rate changes on cash and cash equivalents	(53)	(115)
Increase (decrease) in cash and cash equivalents	716	(995)
Cash and cash equivalents, beginning of period	2,485	3,843
<b>Cash and cash equivalents, end of period</b>	<b>\$ 3,201</b>	<b>\$ 2,848</b>
Supplemental cash flows disclosures:		
Income taxes paid, net of refunds	\$ 456	\$ 395
Interest paid	\$ 205	\$ 190

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.



## **NOTE 1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **DESCRIPTION OF THE BUSINESS**

Baker Hughes Holdings LLC, a Delaware limited liability company ("the Company", "BHH LLC", "we", "us", or "our") and the successor to Baker Hughes Incorporated ("BHI"), is an energy technology company with a diversified portfolio of technologies and services that span the energy and industrial value chain. BHH LLC is a Securities and Exchange Commission ("SEC") Registrant with separate filing requirements with the SEC and its separate financial information can be obtained from [www.sec.gov](http://www.sec.gov).

### **BASIS OF PRESENTATION**

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S." and such principles, "U.S. GAAP") and pursuant to the rules and regulations of the SEC for interim financial information. Accordingly, certain information and disclosures normally included in our annual financial statements have been condensed or omitted. Therefore, these unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022 (the "2022 Annual Report").

In the opinion of management, the condensed consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) considered necessary by management to fairly state our results of operations, financial position and cash flows of the Company and its subsidiaries for the periods presented and are not indicative of the results that may be expected for a full year. The Company's financial statements have been prepared on a consolidated basis. The condensed consolidated financial statements include the accounts of BHH LLC and all of its subsidiaries and affiliates which it controls or variable interest entities for which we have determined that we are the primary beneficiary. All intercompany accounts and transactions have been eliminated.

In the Company's financial statements and notes, certain prior year amounts have been reclassified to conform to the current year presentation. In the notes to the unaudited condensed consolidated financial statements, all dollar and common unit amounts in tabulations are in millions of dollars and units, respectively, unless otherwise indicated. Certain columns and rows in our financial statements and notes thereto may not add due to the use of rounded numbers.

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Please refer to "Note 1. Basis of Presentation and Summary of Significant Accounting Policies," to our consolidated financial statements from our 2022 Annual Report for the discussion of our significant accounting policies.

#### **Goodwill**

During the third quarter of 2023, we completed our annual goodwill impairment test and as a result, we concluded that there are no events or circumstances that existed that would lead to a determination that it is more likely than not that the fair value of any of our reporting units is less than its carrying value.

#### **Supply Chain Finance Programs**

On January 1, 2023, we adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. ASU 2022-04, Liabilities – Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations, which enhances the transparency of supplier finance programs and requires certain disclosures for a buyer in a supplier finance program.

Under the supply chain finance ("SCF") programs, administered by a third party, our suppliers are given the opportunity to sell receivables from us to participating financial institutions at their sole discretion at a rate that leverages our credit rating and thus might be more beneficial to our suppliers. Our responsibility is limited to making

**Baker Hughes Holdings LLC**  
**Notes to Unaudited Condensed Consolidated Financial Statements**

payment on the terms originally negotiated with our supplier, regardless of whether the supplier sells its receivable to a financial institution. The range of payment terms we negotiate with our suppliers is consistent, irrespective of whether a supplier participates in the program.

As of September 30, 2023 and December 31, 2022, \$323 million and \$275 million of SCF program liabilities are recorded in "Accounts payable" in our condensed consolidated statements of financial position, respectively, and reflected in net cash flows from operating activities in our condensed consolidated statements of cash flows when settled.

**NEW ACCOUNTING STANDARDS TO BE ADOPTED**

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. CURRENT RECEIVABLES**

Current receivables are comprised of the following:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Customer receivables	\$ 5,570	\$ 5,083
Other	1,294	1,232
Total current receivables	6,864	6,315
Less: Allowance for credit losses	(347)	(341)
Total current receivables, net	\$ 6,517	\$ 5,974

Customer receivables are recorded at the invoiced amount. The "Other" category consists primarily of advance payments to suppliers, indirect taxes, related parties, and customer retentions.

**NOTE 3. INVENTORIES**

Inventories, net of reserves of \$391 million and \$396 million as of September 30, 2023 and December 31, 2022, respectively, are comprised of the following:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Finished goods	\$ 2,594	\$ 2,419
Work in process and raw materials	2,370	2,168
Total inventories, net	\$ 4,964	\$ 4,587

During the three and nine months ended September 30, 2023, we recorded inventory impairments of nil and \$33 million, respectively, primarily in our Oilfield Services & Equipment ("OFSE") segment. During the three and nine months ended September 30, 2022, we recorded inventory impairments of nil and \$31 million, respectively, primarily in our Industrial & Energy Technology ("IET") segment. See "Note 16. Restructuring, Impairment, and Other" for further information.

**Baker Hughes Holdings LLC**  
**Notes to Unaudited Condensed Consolidated Financial Statements**

**NOTE 4. OTHER INTANGIBLE ASSETS**

Intangible assets are comprised of the following:

	September 30, 2023			December 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Customer relationships	\$ 1,925	\$ (791)	\$ 1,135	\$ 1,917	\$ (729)	\$ 1,189
Technology	1,240	(870)	371	1,212	(803)	409
Trade names and trademarks	289	(183)	106	287	(175)	112
Capitalized software	1,384	(1,094)	290	1,308	(1,040)	268
Finite-lived intangible assets	4,839	(2,937)	1,902	4,725	(2,747)	1,978
Indefinite-lived intangible assets	2,202	—	2,202	2,202	—	2,202
<b>Total intangible assets</b>	<b>\$ 7,041</b>	<b>\$ (2,937)</b>	<b>\$ 4,104</b>	<b>\$ 6,927</b>	<b>\$ (2,747)</b>	<b>\$ 4,180</b>

Intangible assets are generally amortized on a straight-line basis with estimated useful lives ranging from 1 to 35 years. Amortization expense for the three months ended September 30, 2023 and 2022 was \$64 million and \$54 million, respectively, and \$190 million and \$164 million for the nine months ended September 30, 2023 and 2022, respectively.

Estimated amortization expense for the remainder of 2023 and each of the subsequent five fiscal years is expected to be as follows:

Year	Estimated Amortization Expense
Remainder of 2023	\$ 63
2024	237
2025	197
2026	151
2027	126
2028	111

**Baker Hughes Holdings LLC**  
**Notes to Unaudited Condensed Consolidated Financial Statements**

**NOTE 5. CONTRACT AND OTHER DEFERRED ASSETS**

Contract assets reflect revenue earned in excess of billings on our long-term contracts to construct technically complex equipment, provide long-term product service and maintenance or extended warranty arrangements and other deferred contract related costs. Our long-term product service agreements are provided by our IET segment. Our long-term equipment contracts are provided by both our IET and OFSE segments. Contract assets are comprised of the following:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Long-term product service agreements	\$ 397	\$ 392
Long-term equipment contracts and certain other service agreements	1,224	955
Contract assets (total revenue in excess of billings)	1,621	1,347
Deferred inventory costs	122	125
Other costs to fulfill or obtain a contract <sup>(1)</sup>	35	31
<b>Contract and other deferred assets</b>	<b>\$ 1,778</b>	<b>\$ 1,503</b>

<sup>(1)</sup> Other costs to fulfill or obtain a contract consist primarily of non-recurring engineering costs incurred and expected to be recovered.

Revenue recognized during the three months ended September 30, 2023 and 2022 from performance obligations satisfied (or partially satisfied) in previous periods related to our long-term service agreements was \$6 million and \$2 million, respectively, and \$20 million and \$14 million during the nine months ended September 30, 2023 and 2022, respectively. This includes revenue recognized from revisions to cost or billing estimates that may affect a contract's total estimated profitability resulting in an adjustment of earnings.

**NOTE 6. PROGRESS COLLECTIONS AND DEFERRED INCOME**

Contract liabilities include progress collections, which reflects billings in excess of revenue, and deferred income on our long-term contracts to construct technically complex equipment, long-term product maintenance or extended warranty arrangements. Contract liabilities are comprised of the following:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Progress collections	\$ 5,046	\$ 3,713
Deferred income	141	109
<b>Progress collections and deferred income (contract liabilities)</b>	<b>\$ 5,187</b>	<b>\$ 3,822</b>

Revenue recognized during the three months ended September 30, 2023 and 2022 that was included in the contract liabilities at the beginning of the period was \$881 million and \$467 million, respectively, and \$2,349 million and \$1,720 million during the nine months ended September 30, 2023 and 2022, respectively.

**NOTE 7. LEASES**

Our leasing activities primarily consist of operating leases for administrative offices, manufacturing facilities, research centers, service centers, sales offices and certain equipment.

<b>Operating Lease Expense</b>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Long-term fixed lease	\$ 69	\$ 65	\$ 206	\$ 190
Long-term variable lease	18	14	53	36
Short-term lease	126	127	377	351
<b>Total operating lease expense</b>	<b>\$ 213</b>	<b>\$ 206</b>	<b>\$ 636</b>	<b>\$ 577</b>

**Baker Hughes Holdings LLC**  
**Notes to Unaudited Condensed Consolidated Financial Statements**

Cash flows used in operating activities for operating leases approximates our expense for the three and nine months ended September 30, 2023 and 2022.

The weighted-average remaining lease term as of September 30, 2023 and December 31, 2022 was approximately seven years for our operating leases. The weighted-average discount rate used to determine the operating lease liability as of September 30, 2023 and December 31, 2022 was 3.1%.

**NOTE 8. DEBT**

The carrying value of our short-term and long-term debt are comprised of the following:

	September 30, 2023	December 31, 2022
<b>Short-term and current portion of long-term debt</b>		
1.231% Senior Notes due December 2023	\$ 650	\$ 649
8.55% Debentures due June 2024	110	—
Other debt	32	29
<b>Total short-term and current portion of long-term debt</b>	<b>792</b>	<b>677</b>
<b>Long-term debt</b>		
8.55% Debentures due June 2024	—	114
2.061% Senior Notes due December 2026	598	597
3.337% Senior Notes due December 2027	1,276	1,277
6.875% Notes due January 2029	269	273
3.138% Senior Notes due November 2029	523	523
4.486% Senior Notes due May 2030	498	497
5.125% Senior Notes due September 2040	1,282	1,286
4.080% Senior Notes due December 2047	1,338	1,338
Other long-term debt	73	75
<b>Total long-term debt</b>	<b>5,857</b>	<b>5,980</b>
<b>Total debt</b>	<b>\$ 6,649</b>	<b>\$ 6,658</b>

The estimated fair value of total debt at September 30, 2023 and December 31, 2022 was \$5,804 million and \$5,863 million, respectively. For a majority of our debt the fair value was determined using quoted period-end market prices. Where market prices are not available, we estimate fair values based on valuation methodologies using current market interest rate data adjusted for our non-performance risk.

We have a \$3 billion committed unsecured revolving credit facility ("the Credit Agreement") with commercial banks maturing in December 2024. In addition, we have a commercial paper program with authorization up to \$3 billion under which we may issue from time to time commercial paper with maturities of no more than 397 days. The Credit Agreement contains certain customary representations and warranties, certain customary affirmative covenants and certain customary negative covenants. Upon the occurrence of certain events of default, our obligations under the Credit Agreement may be accelerated. Such events of default include payment defaults to lenders under the Credit Agreement and other customary defaults. No such events of default have occurred. At September 30, 2023 and December 31, 2022, there were no borrowings under either the Credit Agreement or the commercial paper program.

Baker Hughes Co-Obligor, Inc. is a co-obligor, jointly and severally with BHH LLC on our long-term debt securities. This co-obligor is a 100%-owned finance subsidiary of BHH LLC that was incorporated for the sole purpose of serving as a corporate co-obligor of debt securities and has no assets or operations other than those related to its sole purpose. As of September 30, 2023, Baker Hughes Co-Obligor, Inc. is a co-obligor of certain debt securities totaling \$6,544 million.

**Baker Hughes Holdings LLC**  
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Certain Senior Notes contain covenants that restrict our ability to take certain actions, including, but not limited to, the creation of certain liens securing debt, the entry into certain sale-leaseback transactions, and engaging in certain merger, consolidation and asset sale transactions in excess of specified limits. At September 30, 2023, we were in compliance with all debt covenants.

**NOTE 9. INCOME TAXES**

For the three and nine months ended September 30, 2023, the provision for income taxes was \$222 million and \$534 million, respectively. The difference between the U.S. statutory tax rate of 21% and the effective tax rate is primarily related to income in jurisdictions with tax rates higher than in the U.S. and losses with no tax benefit due to valuation allowances, partially offset by income subject to U.S. tax at an effective rate less than 21% due to valuation allowances. In addition, since we are a partnership for U.S. federal tax purposes, any tax impacts associated with U.S. income or losses are recognized by our Members and not reflected in our tax expense.

For the three and nine months ended September 30, 2022, the provision for income taxes was \$145 million and \$422 million, respectively. The difference between the U.S. statutory tax rate of 21% and the effective tax rate is primarily related to losses with no tax benefit due to valuation allowances, restructuring charges for which a majority has no tax benefit, and income in jurisdictions with tax rates higher than in the U.S.

**NOTE 10. MEMBERS' EQUITY**

**COMMON UNITS**

The BHH LLC Agreement provides that there is one class of common units ("Units") and the holders of the Units are referred to as Members. As of September 30, 2023 and December 31, 2022, all outstanding Units are held by Baker Hughes Company ("Baker Hughes") or one of its direct subsidiaries. If Baker Hughes issues a share of Class A common stock, including in connection with an equity incentive or similar plan, we will also issue a corresponding Unit to Baker Hughes or one of its direct subsidiaries. For the nine months ended September 30, 2023 and 2022, we issued 7,467 thousand and 9,069 thousand Units, respectively, to Baker Hughes or one of its direct subsidiaries in connection with the issuance of its Class A common stock. The Members are entitled through their Units to receive distributions on an equal amount of any dividend paid by Baker Hughes to its Class A shareholders.

We have a Unit repurchase program which we expect to fund from cash generated from operations, and we expect to make Unit repurchases from time to time subject to the Company's capital plan, market conditions, and other factors, including regulatory restrictions. The repurchase program may be suspended or discontinued at any time and does not have a specified expiration date. During the three and nine months ended September 30, 2023, we repurchased and canceled 3.4 million and 7.0 million Units for \$119 million and \$219 million, representing an average price per Unit of \$35.50 and \$31.45, respectively. During the three and nine months ended September 30, 2022, we repurchased and canceled 10.7 million and 25.5 million Units for \$265 million and \$727 million, representing an average price per Unit of \$24.79 and \$28.47, respectively. As of September 30, 2023, we had authorization remaining to repurchase up to approximately \$2.5 billion of our Units.

**Baker Hughes Holdings LLC**  
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The following table presents the changes in the number of Units outstanding (in thousands):

	Units Held by Baker Hughes		Units Held by General Electric Company	
	2023	2022	2023	2022
Balance at January 1	1,005,960	909,142	—	116,548
Issue of Units to Baker Hughes under equity incentive plan	7,467	9,069	—	—
Exchange of Units <sup>(1)</sup>	—	109,548	—	(109,548)
Repurchase and cancellation of Units	(6,956)	(25,532)	—	—
Balance at September 30	1,006,471	1,002,227	—	7,000

<sup>(1)</sup> When shares of Baker Hughes' Class B common stock, together with associated Units, are exchanged for shares of Baker Hughes' Class A common stock, such shares of Class B common stock are canceled.

**ACCUMULATED OTHER COMPREHENSIVE LOSS (AOCL)**

The following tables present the changes in accumulated other comprehensive loss, net of tax:

	Investment Securities	Foreign Currency Translation Adjustments	Cash Flow Hedges	Benefit Plans	Accumulated Other Comprehensive Loss
Balance at December 31, 2022	\$ —	\$ (2,665)	\$ (10)	\$ (296)	\$ (2,971)
Other comprehensive income (loss) before reclassifications	1	46	(7)	(6)	34
Amounts reclassified from accumulated other comprehensive loss	—	—	—	25	25
Deferred taxes	—	—	4	1	5
Other comprehensive income (loss)	1	46	(3)	20	64
Balance at September 30, 2023	\$ 1	\$ (2,619)	\$ (13)	\$ (276)	\$ (2,907)

	Foreign Currency Translation Adjustments	Cash Flow Hedges	Benefit Plans	Accumulated Other Comprehensive Loss
Balance at December 31, 2021	\$ (2,398)	\$ (12)	\$ (281)	\$ (2,691)
Other comprehensive income before reclassifications	(509)	(2)	(1)	(512)
Amounts reclassified from accumulated other comprehensive loss	35	3	19	57
Deferred taxes	—	—	(13)	(13)
Other comprehensive income (loss)	(474)	1	5	(468)
Less: Other comprehensive loss attributable to noncontrolling interests	(2)	—	—	(2)
Less: Other adjustments	—	—	1	1
Balance at September 30, 2022	\$ (2,870)	\$ (11)	\$ (277)	\$ (3,158)

The amounts reclassified from accumulated other comprehensive loss during the nine months ended September 30, 2023 and 2022 represent (i) gains (losses) reclassified on cash flow hedges when the hedged transaction occurs, (ii) the amortization of net actuarial gain (loss), prior service credit, settlements, and curtailments which are included in the computation of net periodic pension cost, and (iii) the release of foreign currency translation adjustments.

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**NOTE 11. FINANCIAL INSTRUMENTS**

**RECURRING FAIR VALUE MEASUREMENTS**

Our assets and liabilities measured at fair value on a recurring basis consists of derivative instruments and investment securities.

	September 30, 2023				December 31, 2022			
	Level 1	Level 2	Level 3	Net Balance	Level 1	Level 2	Level 3	Net Balance
<b>Assets</b>								
Derivatives	\$ —	\$ 30	\$ —	\$ 30	\$ —	\$ 18	\$ —	\$ 18
Investment securities	1,100	—	2	1,102	748	—	—	748
<b>Total assets</b>	<b>1,100</b>	<b>30</b>	<b>2</b>	<b>1,132</b>	<b>748</b>	<b>18</b>	<b>—</b>	<b>766</b>
<b>Liabilities</b>								
Derivatives	—	(95)	—	(95)	—	(86)	—	(86)
<b>Total liabilities</b>	<b>\$ —</b>	<b>\$ (95)</b>	<b>\$ —</b>	<b>\$ (95)</b>	<b>\$ —</b>	<b>\$ (86)</b>	<b>\$ —</b>	<b>\$ (86)</b>

	September 30, 2023				December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<b>Investment securities <sup>(1)</sup></b>								
Non-U.S. debt securities <sup>(2)</sup>	\$ 48	\$ 2	\$ —	\$ 50	\$ —	\$ —	\$ —	\$ —
Equity securities	519	533	—	1,052	557	191	—	748
<b>Total</b>	<b>\$ 567</b>	<b>\$ 535</b>	<b>\$ —</b>	<b>\$ 1,102</b>	<b>\$ 557</b>	<b>\$ 191</b>	<b>\$ —</b>	<b>\$ 748</b>

<sup>(1)</sup> Gains (losses) recorded to earnings related to these securities were \$99 million and \$(52) million for the three months ended September 30, 2023 and 2022, respectively, and \$489 million and \$(170) million for the nine months ended September 30, 2023 and 2022.

<sup>(2)</sup> As of September 30, 2023, our non-U.S. debt securities are classified as available for sale securities and mature within one year.

As of September 30, 2023 and December 31, 2022, the balance of our equity securities with readily determinable fair values were \$1,052 million and \$748 million, respectively, and are comprised primarily of our investment in ADNOC Drilling, and are recorded in "All other current assets" in the condensed consolidated statements of financial position. We measured our investments to fair value based on quoted prices in active markets.

Gains (losses) recorded to earnings for our equity securities with readily determinable fair values were \$99 million and \$(52) million for the three months ended September 30, 2023 and 2022, respectively, and \$520 million and \$(163) million for the nine months ended September 30, 2023 and 2022, respectively. Gains (losses) related to our equity securities with readily determinable fair values are reported in "Other non-operating income (loss), net" in our condensed consolidated statements of income (loss).

**OTHER EQUITY INVESTMENTS**

As of September 30, 2023 and December 31, 2022, the carrying amount of equity securities without readily determinable fair values was \$42 million and \$60 million, respectively. During the second quarter of 2023, certain of these equity securities were remeasured to fair value as of the date that an observable transaction occurred, which resulted in the Company recording a gain of \$118 million. Gains (losses) related to our equity securities without



**Baker Hughes Holdings LLC**  
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readily determinable fair values are reported in "Other non-operating income (loss), net" in our condensed consolidated statements of income (loss).

**FAIR VALUE DISCLOSURE OF FINANCIAL INSTRUMENTS**

Our financial instruments include cash and cash equivalents, current receivables, certain investments, accounts payable, short and long-term debt, and derivative financial instruments. Except for long-term debt, the estimated fair value of these financial instruments as of September 30, 2023 and December 31, 2022 approximates their carrying value as reflected in our condensed consolidated financial statements. For further information on the fair value of our debt, see "Note 8. Debt."

**DERIVATIVES AND HEDGING**

We use derivatives to manage our risks and do not use derivatives for speculation. The table below summarizes the fair value of all derivatives, including hedging instruments and embedded derivatives.

	September 30, 2023		December 31, 2022	
	Assets	Liabilities	Assets	Liabilities
<b>Derivatives accounted for as hedges</b>				
Currency exchange contracts	\$	— \$	1 \$	—
Interest rate swap contracts		9	—	(69)
<b>Derivatives not accounted for as hedges</b>				
Currency exchange contracts and other		22	17	(17)
<b>Total derivatives</b>	<b>\$</b>	<b>30 \$</b>	<b>18 \$</b>	<b>(86)</b>

Derivatives are classified in the condensed consolidated statements of financial position depending on their respective maturity date. As of September 30, 2023 and December 31, 2022, \$30 million and \$17 million of derivative assets are recorded in "All other current assets" and nil and \$1 million are recorded in "All other assets" in the condensed consolidated statements of financial position, respectively. As of September 30, 2023 and December 31, 2022, \$22 million and \$17 million of derivative liabilities are recorded in "All other current liabilities" and \$73 million and \$69 million are recorded in "All other liabilities" in the condensed consolidated statements of financial position, respectively.

**FORMS OF HEDGING**

**Cash Flow Hedges**

We use cash flow hedging primarily to mitigate the effects of foreign exchange rate changes on purchase and sale contracts. Accordingly, the vast majority of our derivative activity in this category consists of currency exchange contracts. In addition, we are exposed to interest rate risk fluctuations in connection with long-term debt that we issue from time to time to fund our operations. During the nine months ended September 30, 2023, the Company executed interest rate swap contracts designated as cash flow hedges with a notional amount of \$375 million. Changes in the fair value of cash flow hedges are recorded in a separate component of equity (referred to as "Accumulated Other Comprehensive Income" or "AOCI") and are recorded in earnings in the period in which the hedged transaction occurs. See "Note 10. Members' Equity" for further information on activity in AOCI for cash flow hedges. As of September 30, 2023 and December 31, 2022, the maximum term of derivative instruments that hedge forecasted transactions was approximately two years and one year, respectively.

**Fair Value Hedges**

All of our long-term debt is comprised of fixed rate instruments. We are subject to interest rate risk on our debt portfolio and may use interest rate swaps to manage the economic effect of fixed rate obligations associated with certain debt. Under these arrangements, we agree to exchange, at specified intervals, the difference between fixed and floating interest amounts calculated by reference to an agreed-upon notional principal amount.

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As of September 30, 2023 and December 31, 2022, we had interest rate swaps with a notional amount of \$500 million that converted a portion of our \$1,350 million aggregate principal amount of 3.337% fixed rate Senior Notes due 2027 into a floating rate instrument with an interest rate based on a LIBOR index as a hedge of its exposure to changes in fair value that are attributable to interest rate risk. As of July 1, 2023, the interest rate is based on a Secured Overnight Financing Rate ("SOFR") index. We concluded that the interest rate swap met the criteria necessary to qualify for the short-cut method of hedge accounting, and as such, an assumption is made that the change in the fair value of the hedged debt, due to changes in the benchmark rate, exactly offsets the change in the fair value of the interest rate swaps. Therefore, the derivative is considered to be effective at achieving offsetting changes in the fair value of the hedged liability, and no ineffectiveness is recognized. The mark-to-market of this fair value hedge is recorded as gains or losses in interest expense and is equally offset by the gain or loss of the underlying debt instrument, which also is recorded in interest expense.

**NOTIONAL AMOUNT OF DERIVATIVES**

The notional amount of a derivative is used to determine, along with the other terms of the derivative, the amounts to be exchanged between the counterparties. We disclose the derivative notional amounts on a gross basis to indicate the total counterparty risk but it does not generally represent amounts exchanged by us and the counterparties. A substantial majority of the outstanding notional amount of \$5.6 billion and \$3.8 billion at September 30, 2023 and December 31, 2022, respectively, is related to hedges of anticipated sales and purchases in foreign currency, commodity purchases, changes in interest rates, and contractual terms in contracts that are considered embedded derivatives and for intercompany borrowings in foreign currencies.

**COUNTERPARTY CREDIT RISK**

Fair values of our derivatives can change significantly from period to period based on, among other factors, market movements and changes in our positions. We manage counterparty credit risk (the risk that counterparties will default and not make payments to us according to the terms of our agreements) on an individual counterparty basis.

**NOTE 12. REVENUE RELATED TO CONTRACTS WITH CUSTOMERS**

**DISAGGREGATED REVENUE**

We disaggregate our revenue from contracts with customers by product line for both our OFSE and IET segments, as we believe this best depicts how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors. In addition, management views revenue from contracts with customers for OFSE by geography. The series of tables below present our revenue disaggregated by these categories.

<b>Total Revenue</b>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Well Construction	\$ 1,128	\$ 991	\$ 3,265	\$ 2,810
Completions, Intervention & Measurements	1,085	920	3,084	2,587
Production Solutions	967	931	2,863	2,622
Subsea & Surface Pressure Systems	770	561	2,192	1,631
<b>Oilfield Services &amp; Equipment</b>	<b>3,951</b>	<b>3,403</b>	<b>11,405</b>	<b>9,650</b>
Gas Technology Equipment	1,254	610	3,080	1,709
Gas Technology Services	637	629	1,886	1,752
<b>Total Gas Technology</b>	<b>1,892</b>	<b>1,239</b>	<b>4,967</b>	<b>3,461</b>
Condition Monitoring	157	131	451	390
Inspection	322	259	894	728
Pumps, Valves & Gears	232	199	650	614
PSI & Controls <sup>(1)</sup>	88	138	305	409
<b>Total Industrial Technology</b>	<b>799</b>	<b>728</b>	<b>2,300</b>	<b>2,140</b>
<b>Industrial &amp; Energy Technology</b>	<b>2,691</b>	<b>1,967</b>	<b>7,267</b>	<b>5,601</b>
<b>Total</b>	<b>\$ 6,641</b>	<b>\$ 5,369</b>	<b>\$ 18,671</b>	<b>\$ 15,251</b>

<sup>(1)</sup> The Nexus Controls business was sold to General Electric on April 1, 2023.

<b>Oilfield Services &amp; Equipment Geographic Revenue</b>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
North America	\$ 1,064	\$ 986	\$ 3,097	\$ 2,734
Latin America	695	549	2,053	1,498
Europe/CIS/Sub-Saharan Africa	695	586	1,948	1,906
Middle East/Asia	1,497	1,282	4,306	3,512
<b>Oilfield Services &amp; Equipment</b>	<b>\$ 3,951</b>	<b>\$ 3,403</b>	<b>\$ 11,405</b>	<b>\$ 9,650</b>

**REMAINING PERFORMANCE OBLIGATIONS**

As of September 30, 2023, the aggregate amount of the transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations was \$32.4 billion. As of September 30, 2023, we expect to recognize revenue of approximately 62%, 75% and 91% of the total remaining performance obligations within 2, 5, and 15 years, respectively, and the remaining thereafter. Contract modifications could affect both the timing to complete as well as the amount to be received as we fulfill the related remaining performance obligations.

## **OTHER EVENTS**

In the third quarter of 2023, we announced a realignment of our IET product lines. Effective October 1, 2023, IET began operating through five product lines - *Gas Technology Equipment*, which will now include the Pumps business; *Gas Technology Services*; *Industrial Solutions*, which brings together the Condition Monitoring and PSI businesses, along with IET Digital initiatives; *Industrial Products*, which brings together the Inspection business merging with the Valves and Gears businesses; and a newly formed product line, *Climate Technology Solutions* ("CTS"), which will combine our CCUS, hydrogen, clean power and emissions abatement capabilities that previously was reported in each of the individual IET product lines into one business focused on serving the energy transition. This revised view of our IET product lines will be included in our disclosures starting in the fourth quarter of 2023.

## **NOTE 13. SEGMENT INFORMATION**

The Company's segments are determined as those operations whose results are reviewed regularly by the chief operating decision maker ("CODM"), who is our Chief Executive Officer, in deciding how to allocate resources and assess performance. We report our operating results through two operating segments, Oilfield Services & Equipment and Industrial & Energy Technology. Each segment is organized and managed based upon the nature of our markets and customers and consists of similar products and services. These products and services operate across upstream oil and gas and broader energy and industrial markets.

### **OILFIELD SERVICES & EQUIPMENT ("OFSE")**

Oilfield Services & Equipment provides products and services for onshore and offshore oilfield operations across the lifecycle of a well, ranging from exploration, appraisal, and development, to production, rejuvenation, and decommissioning. OFSE is organized into four product lines: *Well Construction*, which encompasses drilling services, drill bits, and drilling & completions fluids; *Completions, Intervention, and Measurements*, which encompasses well completions, pressure pumping, and wireline services; *Production Solutions*, which spans artificial lift systems and oilfield & industrial chemicals; and *Subsea & Surface Pressure Systems*, which encompasses subsea projects services and drilling systems, surface pressure control, and flexible pipe systems. Beyond its traditional oilfield concentration, OFSE is expanding its capabilities and technology portfolio to meet the challenges of a net-zero future. These efforts include expanding into new energy areas such as geothermal and carbon capture, utilization and storage, strengthening its digital architecture and addressing key energy market themes.

### **INDUSTRIAL & ENERGY TECHNOLOGY ("IET")**

Industrial & Energy Technology provides technology solutions and services for mechanical-drive, compression and power-generation applications across the energy industry, including oil and gas, liquefied natural gas ("LNG") operations, downstream refining and petrochemical markets, as well as lower carbon solutions to broader energy and industrial sectors. IET also provides equipment, software, and services that serve a wide range of industries including petrochemical and refining, nuclear, aviation, automotive, mining, cement, metals, pulp and paper, and food and beverage. IET is organized into six product lines - *Gas Technology Equipment* and *Gas Technology Services*, collectively referred to as Gas Technology, and *Condition Monitoring, Inspection, Pumps Valves & Gears*, and *PSI & Controls*, collectively referred to as Industrial Technology. See the "Other Events" section above in "Note 12. Revenue Related to Contracts with Customers" for a summary of the changes in the IET product lines effective October 1, 2023.

Revenue and operating income for each segment are determined based on the internal performance measures used by the CODM to assess the performance of each segment in a financial period. The performance of our operating segments is evaluated based on segment operating income (loss), which is defined as income (loss) before income taxes before the following: net interest expense, net other non-operating income (loss), corporate expenses, restructuring, impairment and other charges, inventory impairments, and certain gains and losses not allocated to the operating segments. Consistent accounting policies have been applied by all segments within the Company, for all reporting periods. Intercompany revenue and expense amounts have been eliminated within each segment to report on the basis that management uses internally for evaluating segment performance.

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Summarized financial information for the Company's segments is shown in the following tables.

Revenue	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Oilfield Services & Equipment	\$ 3,951	\$ 3,403	\$ 11,405	\$ 9,650
Industrial & Energy Technology	2,691	1,967	7,267	5,601
<b>Total</b>	<b>\$ 6,641</b>	<b>\$ 5,369</b>	<b>\$ 18,671</b>	<b>\$ 15,251</b>

Income before income taxes	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Oilfield Services & Equipment	\$ 465	\$ 324	\$ 1,253	\$ 785
Industrial & Energy Technology	346	282	898	758
Total segment	811	606	2,151	1,544
Corporate	(95)	(103)	(292)	(316)
Inventory impairment <sup>(1)</sup>	—	—	(33)	(31)
Restructuring, impairment and other	(2)	(235)	(161)	(676)
Other non-operating income (loss), net	94	(60)	638	(657)
Interest expense, net	(49)	(65)	(171)	(188)
<b>Income (loss) before income taxes</b>	<b>\$ 759</b>	<b>\$ 144</b>	<b>\$ 2,133</b>	<b>\$ (323)</b>

<sup>(1)</sup> Charges for inventory impairments are reported in the "Cost of goods sold" caption in the condensed consolidated statements of income (loss).

The following table presents depreciation and amortization by segment:

Depreciation and amortization	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Oilfield Services & Equipment	\$ 206	\$ 204	\$ 632	\$ 647
Industrial & Energy Technology	57	45	166	144
Total segment	263	249	798	791
Corporate	4	5	15	15
<b>Total</b>	<b>\$ 267</b>	<b>\$ 254</b>	<b>\$ 813</b>	<b>\$ 806</b>

#### NOTE 14. RELATED PARTY TRANSACTIONS

We have an aeroderivative joint venture ("Aero JV") we formed with General Electric Company ("GE") in 2019. The Aero JV is jointly controlled by GE and us, each with ownership interest of 50%, and therefore, we do not consolidate the JV. We had purchases from the Aero JV of \$136 million and \$106 million during the three months ended September 30, 2023 and 2022, respectively, and \$381 million and \$360 million during the nine months ended September 30, 2023 and 2022, respectively. We have \$60 million and \$110 million of accounts payable at September 30, 2023 and December 31, 2022, respectively, for goods and services provided by the Aero JV in the ordinary course of business. Sales of products and services and related receivables with the Aero JV were immaterial for the three and nine months ended September 30, 2023 and 2022.

## **NOTE 15. COMMITMENTS AND CONTINGENCIES**

### **LITIGATION**

We are subject to legal proceedings arising in the ordinary course of our business. Because legal proceedings are inherently uncertain, we are unable to predict the ultimate outcome of such matters. We record a liability for those contingencies where the incurrence of a loss is probable and the amount can be reasonably estimated. Based on the opinion of management, we do not expect the ultimate outcome of currently pending legal proceedings to have a material adverse effect on our results of operations, financial position or cash flows. However, there can be no assurance as to the ultimate outcome of these matters.

On July 31, 2018, International Engineering & Construction S.A. ("IEC") initiated arbitration proceedings in New York administered by the International Center for Dispute Resolution ("ICDR") against the Company and its subsidiaries arising out of a series of sales and service contracts entered between IEC and the Company's subsidiaries for the sale and installation of LNG plants and related power generation equipment in Nigeria ("Contracts"). Prior to the filing of the IEC Arbitration, the Company's subsidiaries made demands for payment due under the Contracts. On August 15, 2018, the Company's subsidiaries initiated a separate demand for ICDR arbitration against IEC for claims of additional costs and amounts due under the Contracts. On October 10, 2018, IEC filed a Petition to Compel Arbitration in the United States District Court for the Southern District of New York against the Company seeking to compel non-signatory Baker Hughes entities to participate in the arbitration filed by IEC. The complaint is captioned International Engineering & Construction S.A. et al. v. Baker Hughes, a GE company, LLC, et al. No. 18-cv-09241 ("S.D.N.Y 2018"); this action was dismissed by the Court on August 13, 2019. In the arbitration, IEC alleges breach of contract and other claims against the Company and its subsidiaries and seeks recovery of alleged compensatory damages, in addition to reasonable attorneys' fees, expenses and arbitration costs. On March 15, 2019, IEC amended its request for arbitration to alleged damages of \$591 million of lost profits plus unspecified additional costs based on alleged non-performance of the contracts in dispute. The arbitration hearing was held from December 9, 2019 to December 20, 2019. On March 3, 2020, IEC amended their damages claim to \$700 million of alleged loss cash flow or, in the alternative, \$244.9 million of lost profits and various costs based on alleged non-performance of the contracts in dispute, and in addition \$4.8 million of liquidated damages, \$58.6 million in take-or-pay costs of feed gas, and unspecified additional costs of rectification and take-or-pay future obligations, plus unspecified interest and attorneys' fees. On May 3, 2020, the arbitration panel dismissed IEC's request for take-or-pay damages. On May 29, 2020, IEC quantified their claim for legal fees at \$14.2 million and reduced their alternative claim from \$244.9 million to approximately \$235 million. The Company and its subsidiaries have contested IEC's claims and are pursuing claims for compensation under the contracts. On October 31, 2020, the ICDR notified the arbitration panel's final award, which dismissed the majority of IEC's claims and awarded a portion of the Company's claims. On January 27, 2021, IEC filed a petition to vacate the arbitral award in the Supreme Court of New York, County of New York. On March 5, 2021, the Company filed a petition to confirm the arbitral award, and on March 8, 2021, the Company removed the matter to the United States District Court for the Southern District of New York. On November 16, 2021, the court granted the Company's petition to confirm the award and denied IEC's petition to vacate. During the second quarter of 2022, IEC paid the amounts owed under the arbitration award, which had an immaterial impact on the Company's financial statements. On February 3, 2022, IEC initiated another arbitration proceeding in New York administered by the ICDR against certain of the Company's subsidiaries arising out of the same project which formed the basis of the first arbitration. On March 25, 2022, the Company's subsidiaries initiated a separate demand for ICDR arbitration against IEC for claims of additional costs and amounts due; such claims against IEC have now been resolved, with any consideration having an immaterial impact on the Company's financial statements. At this time, we are not able to predict the outcome of the proceeding which is pending against the Company's subsidiaries.

On March 15, 2019 and March 18, 2019, the City of Riviera Beach Pension Fund and Richard Schippnick, respectively, filed in the Delaware Court of Chancery shareholder derivative lawsuits for and on Baker Hughes' behalf against GE, the then-current members of the Board of Directors of Baker Hughes and Baker Hughes as a nominal defendant, related to the decision to (i) terminate the contractual prohibition barring GE from selling any of Baker Hughes' shares before July 3, 2019; (ii) repurchase \$1.5 billion in Baker Hughes' stock from GE; (iii) permit GE to sell approximately \$2.5 billion in Baker Hughes' stock through a secondary offering; and (iv) enter into a series of other agreements and amendments that will govern the ongoing relationship between Baker Hughes and GE (collectively, the "2018 Transactions"). The complaints in both lawsuits allege, among other things, that GE, as

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Baker Hughes' controlling stockholder, and the members of Baker Hughes' Board of Directors breached their fiduciary duties by entering into the 2018 Transactions. The relief sought in the complaints includes a request for a declaration that the defendants breached their fiduciary duties, that GE was unjustly enriched, disgorgement of profits, an award of damages sustained by Baker Hughes, pre- and post-judgment interest, and attorneys' fees and costs. On March 21, 2019, the Chancery Court entered an order consolidating the Schippnick and City of Riviera Beach complaints under consolidated C.A. No. 2019-0201-AGB, styled in re Baker Hughes, a GE company derivative litigation. On May 10, 2019, Plaintiffs voluntarily dismissed their claims against the members of Baker Hughes' Conflicts Committee, and on May 15, 2019, Plaintiffs voluntarily dismissed their claims against former Baker Hughes director Martin Craighead. On June 7, 2019, the defendants and nominal defendant filed a motion to dismiss the lawsuit on the ground that the derivative plaintiffs failed to make a demand on Baker Hughes' Board of Directors to pursue the claims itself, and GE and Baker Hughes' Board of Directors filed a motion to dismiss the lawsuit on the ground that the complaint failed to state a claim on which relief can be granted. The Chancery Court denied the motions on October 8, 2019, except granted GE's motion to dismiss the unjust enrichment claim against it. On October 31, 2019, Baker Hughes' Board of Directors designated a Special Litigation Committee and empowered it with full authority to investigate and evaluate the allegations and issues raised in the derivative litigation. The Special Litigation Committee filed a motion to stay the derivative litigation during its investigation. On December 3, 2019, the Chancery Court granted the motion and stayed the derivative litigation until June 1, 2020. On May 20, 2020, the Chancery Court granted an extension of the stay to October 1, 2020, and on September 29, 2020, the Court granted a further extension of the stay to October 15, 2020. On October 13, 2020, the Special Litigation Committee filed its report with the Court. On April 17, 2023, the Court granted the Special Litigation Committee's motion to terminate the litigation. On May 16, 2023, the plaintiffs filed a notice of appeal. At this time, we are not able to predict the outcome of these proceedings.

On or around February 15, 2023, the lead plaintiff and three additional named plaintiffs in a putative securities class action styled *The Reckstin Family Trust, et al., v. C3.ai, Inc., et al.*, No. 4:22-cv-01413-HSG, filed an amended class action complaint (the "Amended Complaint") in the United States District Court for the Northern District of California. The Amended Complaint names the following as defendants: (i) C3.ai, Inc. ("C3 AI"), (ii) certain of C3 AI's current and/or former officers and directors, (iii) certain underwriters for the C3 AI initial public offering (the "IPO"), and (iv) Baker Hughes, and its President and CEO (who formerly served as a director on the board of C3 AI). The Amended Complaint alleges violations of the Securities Act of 1933 and the Securities Exchange Act of 1934 (the "Exchange Act") in connection with the IPO and the subsequent period between December 9, 2020 and December 2, 2021, during which BHH LLC held equity investments in C3 AI. The action seeks unspecified damages and the award of costs and expenses, including reasonable attorneys' fees. At this time, we are not able to predict the outcome of these proceedings.

We insure against risks arising from our business to the extent deemed prudent by our management and to the extent insurance is available, but no assurance can be given that the nature and amount of that insurance will be sufficient to fully indemnify us against liabilities arising out of pending or future legal proceedings or other claims. Most of our insurance policies contain deductibles or self-insured retentions in amounts we deem prudent and for which we are responsible for payment. In determining the amount of self-insurance, it is our policy to self-insure those losses that are predictable, measurable and recurring in nature, such as claims for automobile liability, general liability and workers compensation.

## **OTHER**

In the normal course of business with customers, vendors and others, we have entered into off-balance sheet arrangements, such as surety bonds for performance, letters of credit and other bank issued guarantees. We also provide a guarantee to GE Capital on behalf of a customer who entered into a financing arrangement with GE Capital. Total off-balance sheet arrangements were approximately \$5 billion at September 30, 2023. It is not practicable to estimate the fair value of these financial instruments. As of September 30, 2023, none of the off-balance sheet arrangements either has, or is likely to have, a material effect on our financial position, results of operations or cash flows.

We sometimes enter into consortium or similar arrangements for certain projects primarily in our OFSE segment. Under such arrangements, each party is responsible for performing a certain scope of work within the total scope of the contracted work, and the obligations expire when all contractual obligations are completed. The failure

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or inability, financially or otherwise, of any of the parties to perform their obligations could impose additional costs and obligations on us. These factors could result in unanticipated costs to complete the project, liquidated damages or contract disputes.

**NOTE 16. RESTRUCTURING, IMPAIRMENT AND OTHER**

We recorded restructuring, impairment and other charges of \$2 million and \$161 million during the three and nine months ended September 30, 2023, respectively, and \$235 million and \$676 million during the three and nine months ended September 30, 2022, respectively.

**RESTRUCTURING AND IMPAIRMENT CHARGES**

We recorded restructuring and impairment charges of \$5 million and \$158 million for the three and nine months ended September 30, 2023, respectively. In 2022, we announced a corporate restructuring plan in conjunction with a change in our operating segments (the "2022 Plan"). We continued to incur charges in the third quarter of 2023 related to our 2022 Plan primarily for employee termination expenses. Restructuring charges for the nine months ended September 30, 2023 include costs related to the 2022 Plan as well as costs incurred under a new plan (the "2023 Plan") related to exit activities at specific locations in our segments to align with our market outlook and rationalize our manufacturing supply chain footprint. These actions also included inventory impairments of \$33 million, recorded in "Cost of goods sold" in our condensed consolidated statements of income (loss). We expect to incur additional restructuring charges of approximately \$30 million in the fourth quarter of 2023 related to these plans, and currently expect these plans to be substantially complete by the end of 2023.

We recorded restructuring and impairment charges of \$146 million and \$174 million for the three and nine months ended September 30, 2022, respectively. The charges are related to our 2022 Plan and are primarily for employee termination expenses driven by actions taken by the Company to facilitate the reorganization into two segments and corporate restructuring. In addition, property, plant and equipment ("PP&E") impairments and other costs were recorded related to exit activities at specific locations in the OFSE segment.

The following table presents restructuring and impairment charges by the impacted segment; however, these net charges are not included in the reported segment results:

<b>Segments</b>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Oilfield Services & Equipment	\$ 4	\$ 102	\$ 46	\$ 120
Industrial & Energy Technology	2	25	68	27
Corporate	(1)	19	44	27
<b>Total</b>	<b>\$ 5</b>	<b>\$ 146</b>	<b>\$ 158</b>	<b>\$ 174</b>

The following table presents restructuring and impairment charges by type, and includes gains on the dispositions of certain facilities as a consequence of exit activities:

<b>Charges by Type</b>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Property, plant & equipment, net	\$ (5)	\$ 65	\$ 9	\$ 59
Employee-related termination costs	7	77	117	106
Other incremental costs	3	4	32	9
<b>Total</b>	<b>\$ 5</b>	<b>\$ 146</b>	<b>\$ 158</b>	<b>\$ 174</b>



## **OTHER**

We recorded (gains) charges of \$(3) million and \$3 million for the three and nine months ended September 30, 2023, respectively, and \$89 million and \$501 million for the three and nine months ended September 30, 2022, respectively.

Other charges for the three months ended September 30, 2022 were related to the impairment of certain long-lived assets, primarily PP&E of \$62 million and intangibles of \$17 million, in the OFSE segment for the subsea production systems ("SPS") business due to a decrease in the estimated future cash flows driven by a decline in our long-term market outlook for this business.

Other charges for the nine months ended September 30, 2022 were primarily associated with the discontinuation of our Russia operations. As a result of the conflict between Russia and Ukraine, we took actions to suspend substantially all of our operational activities related to Russia. These actions resulted in other charges of \$334 million recorded in the second quarter of 2022 primarily associated with the suspension of contracts including all our IET LNG contracts, and the impairment of assets consisting primarily of contract assets, PP&E and reserve for accounts receivable. In addition to these charges, we recorded inventory impairments in the second quarter of 2022 of \$31 million primarily in IET as part of suspending our Russia operations, which were reported in the "Cost of goods sold" caption in the condensed consolidated statements of income (loss).

## **NOTE 17. BUSINESS ACQUISITIONS AND DISPOSITIONS**

### **ACQUISITIONS**

During the first nine months of 2023, we completed the acquisition of businesses for total cash consideration of \$301 million, net of cash acquired, which consisted primarily of the acquisition of Altus Intervention in the OFSE segment in the second quarter of 2023. Altus Intervention is a leading international provider of well intervention services and downhole technology. The assets acquired and liabilities assumed in these acquisitions were recorded based on preliminary estimates of their fair values as of the acquisition date. As a result of these acquisitions, we recorded \$115 million of goodwill and \$45 million of intangible assets, subject to final fair value adjustments. Pro forma results of operations for these acquisitions have not been presented because the effects of these acquisitions were not material to our consolidated financial statements.

### **DISPOSITIONS**

During the first nine months of 2023, we completed the sale of businesses and received total cash consideration of \$293 million. The dispositions consisted primarily of the sale of our Nexus Controls business in the IET segment to GE in April 2023, which resulted in an immaterial gain in the second quarter of 2023. Nexus Controls specializes in scalable industrial controls systems, safety systems, hardware, and software cybersecurity solutions and services. GE will continue to provide Baker Hughes with GE's Mark™ controls products currently in the Nexus Controls portfolio, and we will be the exclusive supplier and service provider of such GE products for our oil and gas customers' control needs.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the condensed consolidated financial statements and the related notes included in Item 1 thereto, as well as our Annual Report on Form 10-K for the year ended December 31, 2022 ("2022 Annual Report").

We are an energy technology company with a broad and diversified portfolio of technologies and services that span the energy and industrial value chain. We conduct business in more than 120 countries and employ approximately 57,000 employees. We operate through our two business segments: Oilfield Services & Equipment ("OFSE") and Industrial & Energy Technology ("IET"). We sell products and services primarily in the global oil and gas markets, within the upstream, midstream and downstream segments, and broader industrial and new energy markets.

### EXECUTIVE SUMMARY

#### Market Conditions

As we look to the fourth quarter of 2023 and into 2024, we remain positive on the oil and gas outlook and continue to see momentum across our portfolio despite persisting economic uncertainty. We continue to believe in a multiyear upstream spending cycle, which, we believe, will be more durable and less sensitive to commodity price swings relative to prior cycles and led by international and offshore markets.

Oil prices have strengthened during the second half of this year as the combination of oil demand and production cuts have tightened the market. Higher oil and gas prices support a positive outlook for operators' development plans next year; however, we do not expect this to impact the fourth quarter of 2023 as development plans are mostly set through year end. Continued discipline from the world's largest producers and the pace of oil demand growth in the face of economic uncertainty will be important factors to monitor as we look into 2024. Additionally, the recent conflict in the Middle East has added another element of uncertainty across the oil and gas markets. While the conflict in the Middle East has not had a material impact on our operations, a further escalation in geopolitical tensions could impact the Company. We will continue to monitor and assess the impact of the conflict in the Middle East on our business.

We also remain optimistic on the LNG outlook as we continue to see the shift towards the development of natural gas and LNG. As a result, the LNG project pipeline remains strong, both in the U.S. and internationally. We continue to see solid demand growth this year led by Europe and Asia with momentum across the industry for projects reaching final investment decisions. As the world increasingly recognizes the crucial role natural gas is expected to play in the energy transition, serving as both a transition and destination fuel, we believe it will be fundamental in satisfying the world's energy needs for many decades to come.

#### Financial Results and Key Company Initiatives

In the third quarter of 2023, we generated revenue of \$6,641 million compared to \$5,369 million in the third quarter of 2022, increasing \$1,272 million or 24%. The increase in revenue was primarily driven by higher volume in both segments. Income before income taxes was \$759 million for the third quarter of 2023 compared to \$144 million in the third quarter of 2022, increasing \$615 million. The increase in income before income taxes was driven by higher volume and price in both segments and structural cost-out initiatives, lower restructuring and impairment charges, and a positive effect from the change in fair value on certain equity securities.

Our results in the first nine months of 2023 were impacted by the discontinuation of our Russia operations that occurred in 2022. Russia represented approximately 1% and 2% of our total revenue in the three and nine months ended September 30, 2022, respectively, the majority of which was in our OFSE segment.

Our journey of transformation continues. We see the cost-out performance coming through our operating results, and we have made significant progress in identifying areas to simplify and create efficiencies, structurally removing costs and modernizing how the business operates. During the third quarter of 2023, we announced a realignment of our IET product lines, effective October 1, 2023, which further streamlines our organizational structure to focus operations and decision-making on driving margin and returns higher. Through this realignment,

we will be providing increased transparency for our CTS business, a key growth area for Baker Hughes.

## Outlook

Our business is exposed to a number of macro factors, which influence our outlook and expectations given the current volatile conditions in the industry. All of our outlook expectations are purely based on the market as we see it today and are subject to changing conditions in the industry.

- OFSE North America activity: North American activity levels are trending lower due to lower activity from private operators and in gas basins.
- OFSE International activity: We expect spending outside of North America to experience strong growth in 2023, as compared to 2022.
- IET LNG projects: We remain optimistic on the LNG market long-term and view natural gas as a transition and destination fuel. We continue to view the long-term economics of the LNG industry as positive.

We have other businesses in our portfolio that are more correlated with various industrial metrics, including global GDP growth. We also have businesses within our portfolio that are exposed to new energy solutions, specifically focused around reducing carbon emissions of the energy and broader industry, including hydrogen, geothermal, carbon capture, utilization and storage, energy storage, clean power and emissions abatement solutions. We expect to see continued growth in these businesses as new energy solutions become a more prevalent part of the broader energy mix.

Overall, we believe our portfolio is well positioned to compete across the energy value chain and deliver comprehensive solutions for our customers. We remain optimistic about the long-term economics of the oil and gas industry, but we are continuing to operate with flexibility. Over time, we believe the world's demand for energy will continue to rise, and that hydrocarbons will play a major role in meeting the world's energy needs for the foreseeable future. As such, we remain focused on delivering innovative, low-emission, and cost-effective solutions that deliver step changes in operating and economic performance for our customers.

## Corporate Responsibility

We believe we have an important role to play in society as an industry leader and partner. We view environmental, social, and governance as a key lever to transform the performance of our Company and our industry. In January 2019, we made a commitment to reduce Scope 1 and 2 carbon dioxide equivalent emissions from our operations by 50% by 2030, achieving net zero emissions by 2050. We continue to make progress on emissions reductions, and reported in our 2022 Corporate Sustainability Report a 28% reduction in our Scope 1 and 2 carbon dioxide equivalent emissions compared to our 2019 base year.

## BUSINESS ENVIRONMENT

The following discussion and analysis summarizes the significant factors affecting our results of operations, financial condition and liquidity position as of and for the three and nine months ended September 30, 2023 and 2022, and should be read in conjunction with the condensed consolidated financial statements and related notes of the Company.

Our revenue is predominately generated from the sale of products and services to major, national, and independent oil and natural gas companies worldwide, and is dependent on spending by our customers for oil and natural gas exploration, field development and production. This spending is driven by a number of factors, including our customers' forecasts of future energy demand and supply, their access to resources to develop and produce oil and natural gas, their ability to fund their capital programs, the impact of new government regulations, and their expectations for oil and natural gas prices as a key driver of their cash flows.

## Oil and Natural Gas Prices

Oil and natural gas prices are summarized in the table below as averages of the daily closing prices during each of the periods indicated.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Brent oil price (\$/Bbl) <sup>(1)</sup>	\$ 86.65	\$ 100.71	\$ 81.99	\$ 105.00
WTI oil price (\$/Bbl) <sup>(2)</sup>	82.25	93.06	77.27	98.96
Natural gas price (\$/mmBtu) <sup>(3)</sup>	2.59	8.03	2.46	6.74

<sup>(1)</sup> Energy Information Administration ("EIA") Europe Brent Spot Price per Barrel

<sup>(2)</sup> EIA Cushing, OK West Texas Intermediate ("WTI") spot price

<sup>(3)</sup> EIA Henry Hub Natural Gas Spot Price per million British Thermal Unit

Outside North America, customer spending is influenced by Brent oil prices, which decreased from the same quarter last year, ranging from a high of \$97.10/Bbl in September 2023 to a low of \$74.52/Bbl in July 2023. For the nine months ended September 30, 2023, Brent oil prices averaged \$81.99/Bbl, which represented a decrease of \$23.01/Bbl from the same period last year.

In North America, customer spending is influenced by WTI oil prices, which decreased from the same quarter last year. Overall, WTI oil prices ranged from a high of \$93.67/Bbl in September 2023 to a low of \$69.71/Bbl in July 2023. For the nine months ended September 30, 2023, WTI oil prices averaged \$77.27/Bbl, which represented a decrease of \$21.69/Bbl from the same period last year.

In North America, natural gas prices, as measured by the Henry Hub Natural Gas Spot Price, averaged \$2.59/mmBtu in the third quarter of 2023, representing a 68% decrease from the same quarter in the prior year. Throughout the quarter, Henry Hub Natural Gas Spot Prices ranged from a high of \$2.92/mmBtu in early August 2023 to a low of \$2.42/mmBtu in late August 2023.

## Baker Hughes Rig Count

The Baker Hughes rig counts are an important business barometer for the drilling industry and its suppliers. When drilling rigs are active they consume products and services produced by the oil service industry. Rig count trends are driven by the exploration and development spending by oil and natural gas companies, which in turn is influenced by current and future price expectations for oil and natural gas. The counts may reflect the relative strength and stability of energy prices and overall market activity; however, these counts should not be solely relied on as other specific and pervasive conditions may exist that affect overall energy prices and market activity.

We have been providing rig counts to the public since 1944. We gather all relevant data through our field service personnel, who obtain the necessary data from routine visits to the various rigs, customers, contractors and other outside sources as necessary. We base the classification of a well as either oil or natural gas primarily upon filings made by operators in the relevant jurisdiction. This data is then compiled and distributed to various wire services and trade associations and is published on our website. We believe the counting process and resulting data is reliable; however, it is subject to our ability to obtain accurate and timely information. Rig counts are compiled weekly for the U.S. and Canada and monthly for all international rigs. Published international rig counts do not include rigs drilling in certain locations, such as onshore China because this information is not readily available.

Rigs in the U.S. and Canada are counted as active if, on the day the count is taken, the well being drilled has been started but drilling has not been completed and the well is anticipated to be of sufficient depth to be a potential consumer of our drill bits. In international areas, rigs are counted on a weekly basis and deemed active if drilling activities occurred during the majority of the week. The weekly results are then averaged for the month and published accordingly. The rig count does not include rigs that are in transit from one location to another, rigging up, being used in non-drilling activities including production testing, completion and workover, and are not expected to be significant consumers of drill bits.

The rig counts are summarized in the table below as averages for each of the periods indicated.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	% Change	2023	2022	% Change
North America	836	960	(13)%	885	876	1 %
International	951	857	11 %	942	832	13 %
Worldwide	1,787	1,817	(2)%	1,827	1,708	7 %

The worldwide rig count was 1,787 for the third quarter of 2023, a decrease of 2% as compared to the same period last year primarily due to a decrease in North America. Within North America, the decrease was primarily driven by the U.S. rig count, which was down 15% when compared to the same period last year, and a decrease in the Canada rig count, which was down 6% when compared to the same period last year. Internationally, the rig count increase was driven primarily by an increase in the Africa, Europe, and Asia Pacific regions of 34%, 21%, and 10%, respectively.

The worldwide rig count was 1,827 for the nine months ended September 30, 2023, an increase of 7% as compared to the same period last year primarily due to an increase internationally. Within North America, the increase was primarily driven by the Canada rig count, which was up 3% when compared to the same period last year, and an increase in the U.S. rig count, which was up 1% when compared to the same period last year. Internationally, the rig count increase was primarily driven by the Europe, Africa, and Asia Pacific regions of 27%, 23%, and 12%, respectively.

## RESULTS OF OPERATIONS

The discussions below relating to significant line items from our condensed consolidated statements of income (loss) are based on available information and represent our analysis of significant changes or events that impact the comparability of reported amounts. Where appropriate, we have identified specific events and changes that affect comparability or trends and, where reasonably practicable, have quantified the impact of such items. In addition, the discussions below for revenue and cost of revenue are on a total basis as the business drivers for product sales and services are similar. All dollar amounts in tabulations in this section are in millions of dollars, unless otherwise stated. Certain columns and rows may not add due to the use of rounded numbers.

Our condensed consolidated statements of income (loss) displays sales and costs of sales in accordance with SEC regulations under which "goods" is required to include all sales of tangible products and "services" must include all other sales, including other service activities. For the amounts shown below, we distinguish between "equipment" and "product services", where product services refer to sales under product services agreements, including sales of both goods (such as spare parts and equipment upgrades) and related services (such as monitoring, maintenance and repairs), which is an important part of our operations. We refer to "product services" simply as "services" within the Business Environment section of Management's Discussion and Analysis.

Our results of operations are evaluated by the Chief Executive Officer on a consolidated basis as well as at the segment level. The performance of our operating segments is primarily evaluated based on segment operating income (loss), which is defined as income (loss) before income taxes and before the following: net interest expense, net other non-operating income (loss), corporate expenses, restructuring, impairment and other charges, inventory impairments, and certain gains and losses not allocated to the operating segments.

In evaluating the segment performance, the Company primarily uses the following:

**Volume:** Volume is the increase or decrease in products and/or services sold period-over-period excluding the impact of foreign exchange and price. The volume impact on profit is calculated by multiplying the prior period profit rate by the change in revenue volume between the current and prior period. It also includes price, defined as the change in sales price for a comparable product or service period-over-period and is calculated as the period-over-period change in sales prices of comparable products and services.

**Foreign Exchange ("FX"):** FX measures the translational foreign exchange impact, or the translation impact of the period-over-period change on sales and costs directly attributable to change in the foreign exchange rate

compared to the U.S. dollar. FX impact is calculated by multiplying the functional currency amounts (revenue or profit) with the period-over-period FX rate variance, using the average exchange rate for the respective period.

**(Inflation)/Deflation:** (Inflation)/deflation is defined as the increase or decrease in direct and indirect costs of the same type for an equal amount of volume. It is calculated as the year-over-year change in cost (i.e. price paid) of direct material, compensation and benefits and overhead costs.

**Productivity:** Productivity is measured by the remaining variance in profit, after adjusting for the period-over-period impact of volume and price, foreign exchange and (inflation)/deflation as defined above. Improved or lower period-over-period cost productivity is the result of cost efficiencies or inefficiencies, such as cost decreasing or increasing more than volume, or cost increasing or decreasing less than volume, or changes in sales mix among segments. This also includes the period-over-period variance of transactional foreign exchange, aside from those foreign currency devaluations that are reported separately for business evaluation purposes.

### **Orders and Remaining Performance Obligations**

**Orders:** For the three months ended September 30, 2023, we recognized total orders of \$8.5 billion, an increase of \$2.4 billion, or 40%, from the three months ended September 30, 2022.

For the three months ended September 30, 2023, our OFSE segment recognized orders of \$4.2 billion, an increase of \$0.5 billion, or 13%, and our IET segment recognized orders of \$4.3 billion, an increase of \$2.0 billion, or 84% compared to the three months ended September 30, 2022. Within IET, Gas Technology Equipment orders were \$2.8 billion and Gas Technology Services orders were \$0.7 billion for the three months ended September 30, 2023.

For the nine months ended September 30, 2023, we recognized total orders of \$23.6 billion, an increase of \$4.9 billion, or 26%, from the nine months ended September 30, 2022.

For the nine months ended September 30, 2023, our OFSE segment recognized orders of \$12.5 billion, an increase of \$2.1 billion, or 20%, and our IET segment recognized orders of \$11.1 billion, an increase of \$2.8 billion, or 33% compared to the nine months ended September 30, 2022. Within IET, Gas Technology Equipment orders were \$6.3 billion and Gas Technology Services orders were \$2.2 billion for the nine months ended September 30, 2023.

**Remaining Performance Obligations ("RPO"):** As of September 30, 2023, the aggregate amount of the transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations was \$32.4 billion. As of September 30, 2023, OFSE remaining performance obligations totaled \$3.6 billion, and IET remaining performance obligations totaled \$28.8 billion.

## Revenue and Operating Income (Loss)

Summarized financial information for the Company's segments is shown in the following tables.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	\$ Change	2023	2022	\$ Change
Revenue:						
Well Construction	\$ 1,128	\$ 991	\$ 137	\$ 3,265	\$ 2,810	\$ 455
Completions, Intervention & Measurements	1,085	920	166	3,084	2,587	498
Production Solutions	967	931	36	2,863	2,622	241
Subsea & Surface Pressure Systems	770	561	209	2,192	1,631	561
<b>Oilfield Services &amp; Equipment</b>	<b>3,951</b>	<b>3,403</b>	<b>548</b>	<b>11,405</b>	<b>9,650</b>	<b>1,755</b>
Gas Technology Equipment	1,254	610	644	3,080	1,709	1,371
Gas Technology Services	637	629	9	1,886	1,752	135
Total Gas Technology	1,892	1,239	653	4,967	3,461	1,506
Condition Monitoring	157	131	26	451	390	62
Inspection	322	259	63	894	728	166
Pumps, Valves & Gears	232	199	32	650	614	36
PSI & Controls <sup>(1)</sup>	88	138	(50)	305	409	(104)
Total Industrial Technology	799	728	71	2,300	2,140	160
<b>Industrial &amp; Energy Technology</b>	<b>2,691</b>	<b>1,967</b>	<b>724</b>	<b>7,267</b>	<b>5,601</b>	<b>1,665</b>
<b>Total</b>	<b>\$ 6,641</b>	<b>\$ 5,369</b>	<b>\$ 1,272</b>	<b>\$ 18,671</b>	<b>\$ 15,251</b>	<b>\$ 3,420</b>

<sup>(1)</sup> The Nexus Controls business was sold to GE in April 2023.

The following table presents Oilfield Services & Equipment revenue by geographic region:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	\$ Change	2023	2022	\$ Change
North America	\$ 1,064	\$ 986	\$ 78	\$ 3,097	\$ 2,734	\$ 364
Latin America	695	549	146	2,053	1,498	555
Europe/CIS/Sub-Saharan Africa <sup>(1)</sup>	695	586	109	1,948	1,906	42
Middle East/Asia	1,497	1,282	214	4,306	3,512	794
<b>Oilfield Services &amp; Equipment</b>	<b>\$ 3,951</b>	<b>\$ 3,403</b>	<b>\$ 548</b>	<b>\$ 11,405</b>	<b>\$ 9,650</b>	<b>\$ 1,755</b>
North America	\$ 1,064	\$ 986	\$ 78	\$ 3,097	\$ 2,734	\$ 364
International	2,887	2,417	470	8,308	6,916	1,392

<sup>(1)</sup> Impacted by the discontinuation of our Russia operations that occurred in 2022.

The following table presents segment operating income through to net income (loss) for the Company.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	\$ Change	2023	2022	\$ Change
Segment operating income:						
Oilfield Services & Equipment	\$ 465	\$ 324	\$ 140	\$ 1,253	\$ 785	468
Industrial & Energy Technology	346	282	64	898	758	140
Total segment operating income	811	606	204	2,151	1,544	608
Corporate	(95)	(103)	8	(292)	(316)	24
Inventory impairment	—	—	—	(33)	(31)	(2)
Restructuring, impairment and other	(2)	(235)	233	(161)	(676)	515
Operating income	714	269	445	1,666	522	1,144
Other non-operating income (loss), net	94	(60)	154	638	(657)	1,295
Interest expense, net	(49)	(65)	16	(171)	(188)	17
Income (loss) before income taxes	759	144	615	2,133	(323)	2,456
Provision for income taxes	(222)	(145)	(77)	(534)	(422)	(112)
<b>Net income (loss)</b>	<b>\$ 537</b>	<b>\$ (1)</b>	<b>\$ 538</b>	<b>\$ 1,599</b>	<b>\$ (745)</b>	<b>2,344</b>

## Segment Revenues and Segment Operating Income

### Third Quarter of 2023 Compared to the Third Quarter of 2022

Revenue increased \$1,272 million, or 24%, driven by increased activity in OFSE and IET. OFSE increased \$548 million and IET increased \$724 million. Total segment operating income increased \$204 million, driven by growth in OFSE and IET.

#### Oilfield Services & Equipment

OFSE revenue of \$3,951 million increased \$548 million, or 16%, in the third quarter of 2023 compared to the third quarter of 2022, primarily as a result of increased international activity as evidenced by an increase in the international rig count. North America revenue was \$1,064 million in the third quarter of 2023, an increase of \$78 million from the third quarter of 2022. International revenue was \$2,887 million in the third quarter of 2023, an increase of \$470 million from the third quarter of 2022, driven by volume growth in all regions, primarily Middle East/Asia and Latin America regions, partially offset by lower volume due to the discontinuation of our Russia operations that occurred in 2022.

OFSE segment operating income was \$465 million in the third quarter of 2023 compared to \$324 million in the third quarter of 2022. The increase in operating income was primarily driven by higher volume, price, increased cost productivity, and cost-out initiatives, partially offset by cost inflation.

#### Industrial & Energy Technology

IET revenue of \$2,691 million increased \$724 million, or 37%, in the third quarter of 2023 compared to the third quarter of 2022. The increase was primarily driven by higher volume in Gas Technology Equipment and, to a lesser extent, in Industrial Technology and Gas Technology Services.

IET segment operating income was \$346 million in the third quarter of 2023 compared to \$282 million in the third quarter of 2022. The operating income performance in the third quarter of 2023 was driven by higher volume, price and cost-out initiatives, partially offset by unfavorable business mix, decreased cost productivity, inflationary pressure, and higher research and development costs related to new energy investments.



## Corporate

In the third quarter of 2023, corporate expenses were \$95 million compared to \$103 million in the third quarter of 2022. The decrease of \$8 million was driven by savings related to our corporate optimization process.

## Restructuring, Impairment and Other

In the third quarter of 2023, we recognized \$2 million of restructuring, impairment, and other charges, compared to \$235 million in the third quarter of 2022. In 2022, we announced a corporate restructuring plan in conjunction with a change in our operating segments (the "2022 Plan"). We continued to incur charges in the third quarter of 2023 related to our 2022 Plan primarily for employee termination expenses. The charges in the third quarter of 2022 primarily related to the 2022 Plan as well as the impairment of certain long-lived assets in the OFSE segment for the SPS business due to a decrease in the estimated future cash flows driven by a decline in our long-term market outlook for this business.

## Other Non-Operating Income (loss), Net

In the third quarter of 2023, we incurred \$94 million of other non-operating income. Included in this amount was a net gain of \$99 million from the change in fair value for certain equity investments. For the third quarter of 2022, we incurred \$60 million of other non-operating losses. Included in this amount was a loss of \$52 million from the change in fair value for certain equity investments.

## Interest Expense, Net

In the third quarter of 2023, we incurred interest expense, net of interest income, of \$49 million, which decreased \$16 million compared to the third quarter of 2022, primarily driven by higher interest income.

## Income Taxes

In the third quarter of 2023, the provision for income taxes was \$222 million. The difference between the U.S. statutory tax rate of 21% and the effective tax rate is primarily related to income in jurisdictions with tax rates higher than in the U.S. and losses with no tax benefit due to valuation allowances, partially offset by income subject to U.S. tax at an effective rate less than 21% due to valuation allowances. In addition, since we are a partnership for U.S. federal tax purposes, any tax impacts associated with U.S. income or losses are recognized by our Members and not reflected in our tax expense.

In the third quarter of 2022, the provision for income taxes was \$145 million. The difference between the U.S. statutory tax rate of 21% and the effective tax rate is primarily related to losses with no tax benefit due to valuation allowances, restructuring charges for which a majority has no tax benefit, and income in jurisdictions with tax rates higher than in the U.S.

## The First Nine Months of 2023 Compared to the First Nine Months of 2022

Revenue increased \$3,420 million, or 22%, driven by increased activity across both segments. OFSE increased \$1,755 million and IET increased \$1,665 million. Total segment operating income increased \$608 million, primarily driven by OFSE.

## Oilfield Services & Equipment

OFSE revenue of \$11,405 million increased \$1,755 million, or 18%, in the first nine months of 2023 compared to the first nine months of 2022, as a result of increased activity as evidenced by an increase in the global rig count. North America revenue was \$3,097 million in the first nine months of 2023, an increase of \$364 million from the first nine months of 2022. International revenue was \$8,308 million in the first nine months of 2023, an increase of \$1,392 million from the first nine months of 2022, driven by the Middle East/Asia and Latin America regions, partially offset by lower volume due to the discontinuation of our Russia operations that occurred in 2022.

OFSE segment operating income was \$1,253 million in the first nine months of 2023 compared to \$785 million in the first nine months of 2022. The increase in operating income was primarily driven by higher volume, price and cost-out initiatives, partially offset by cost inflation.

### **Industrial & Energy Technology**

IET revenue of \$7,267 million increased \$1,665 million, or 30%, in the first nine months of 2023 compared to the first nine months of 2022. The increase was primarily driven by higher volume in Gas Technology Equipment and, to a lesser extent, in Industrial Technology and Gas Technology Services.

IET segment operating income was \$898 million in the first nine months of 2023 compared to \$758 million in the first nine months of 2022. The operating income performance in the first nine months of 2023 was driven by higher volume, price and cost-out initiatives, partially offset by unfavorable business mix and cost productivity, inflationary pressure, higher research and development costs related to new energy investments, and unfavorable foreign currency translation impact.

### **Corporate**

In the first nine months of 2023, corporate expenses were \$292 million compared to \$316 million in the first nine months of 2022. The decrease of \$24 million was driven by savings related to our corporate optimization process.

### **Inventory Impairment**

In the first nine months of 2023, we recorded inventory impairments of \$33 million, predominately in the OFSE segment related to exit activities at specific locations. In the first nine months of 2022, we recorded inventory impairments of \$31 million, primarily in the IET segment as part of suspending our Russia operations. Charges for inventory impairments are reported in the "Cost of goods sold" caption in the condensed consolidated statements of income (loss).

### **Restructuring, Impairment and Other**

In the first nine months of 2023, we recognized \$161 million of restructuring, impairment, and other charges, compared to \$676 million in the first nine months of 2022. We continued to incur charges in the first nine months of 2023 related to our 2022 Plan that consisted primarily of employee termination expenses driven by actions taken to facilitate our reorganization into two segments and to optimize our corporate structure. In addition, costs were incurred related to exit activities at specific locations in our segments to align with our current market outlook and to rationalize our manufacturing supply chain footprint. The charges in the first nine months of 2022 primarily related to the suspension of substantially all of our operations in Russia in the second quarter of 2022, and the impairment of certain long-lived assets in the OFSE segment for the SPS business due to a decrease in the estimated future cash flows driven by a decline in our long-term market outlook for this business in the third quarter of 2022.

### **Other Non-Operating Income (loss), Net**

In the first nine months of 2023, we incurred \$638 million of other non-operating income. Included in this amount was a gain of \$639 million from the change in fair value for certain equity investments. For the first nine months of 2022, we incurred \$657 million of other non-operating losses. Included in this amount was a loss of \$426 million related to the OFSE Russia business, which was classified as held for sale at the end of the second quarter of 2022, and a loss of \$164 million from the change in fair value for certain equity investments.

### **Interest Expense, Net**

In the first nine months of 2023, we incurred interest expense, net of interest income, of \$171 million, which decreased \$17 million compared to the first nine months of 2022, primarily driven by higher interest income.

### **Income Taxes**

In the first nine months of 2023, the provision for income taxes was \$534 million. The difference between the U.S. statutory tax rate of 21% and the effective tax rate is primarily related to income in jurisdictions with tax rates

higher than in the U.S. and losses with no tax benefit due to valuation allowances, partially offset by income subject to U.S. tax at an effective rate less than 21% due to valuation allowances.

In the first nine months of 2022, the provision for income taxes was \$422 million. The difference between the U.S. statutory tax rate of 21% and the effective tax rate is primarily related to losses with no tax benefit due to valuation allowances, restructuring charges for which a majority has no tax benefit, and income in jurisdictions with tax rates higher than in the U.S.

## LIQUIDITY AND CAPITAL RESOURCES

Our objective in financing our business is to maintain sufficient liquidity, adequate financial resources and financial flexibility in order to fund the requirements of our business. We continue to maintain solid financial strength and liquidity. At September 30, 2023, we had cash and cash equivalents of \$3.2 billion compared to \$2.5 billion at December 31, 2022.

In the U.S. we held cash and cash equivalents of approximately \$0.9 billion and \$0.6 billion and outside the U.S. of approximately \$2.3 billion and \$1.9 billion as of September 30, 2023 and December 31, 2022, respectively. A substantial portion of the cash held outside the U.S. at September 30, 2023 has been reinvested in active non-U.S. business operations. If we decide at a later date to repatriate certain cash to the U.S., we may incur other additional taxes that would not be significant to the total tax provision.

As of September 30, 2023 and December 31, 2022, we had \$561 million and \$605 million, respectively, of cash held in countries with currency controls that limit the flow of cash out of the jurisdiction or limit our ability to transfer funds without potentially incurring substantial costs. These funds are available to fund operations and growth in their respective jurisdictions, and we do not currently anticipate a need to transfer these funds to the U.S.

We have a \$3 billion committed unsecured revolving credit facility ("the Credit Agreement") with commercial banks maturing in December 2024. The Credit Agreement contains certain customary representations and warranties, certain customary affirmative covenants and certain customary negative covenants. Upon the occurrence of certain events of default, our obligations under the Credit Agreement may be accelerated. Such events of default include payment defaults to lenders under the Credit Agreement and other customary defaults. No such events of default have occurred. In addition, we have a commercial paper program with authorization up to \$3 billion under which we may issue from time to time commercial paper with maturities of no more than 397 days. At September 30, 2023 and December 31, 2022, there were no borrowings under either the Credit Agreement or the commercial paper program.

Certain Senior Notes contain covenants that restrict our ability to take certain actions. See "Note 8. Debt" of the Notes to Unaudited Condensed Consolidated Financial Statements in this Quarterly Report for further details. At September 30, 2023, we were in compliance with all debt covenants. Our next debt maturity is in December 2023, and we expect to use available cash on hand to repay this debt upon its maturity.

We continuously review our liquidity and capital resources. If market conditions were to change, for instance due to the uncertainty created by geopolitical events, a global pandemic or a significant decline in oil and gas prices, and our revenue was reduced significantly or operating costs were to increase significantly, our cash flows and liquidity could be negatively impacted. Additionally, it could cause the rating agencies to lower our credit ratings. There are no ratings triggers that would accelerate the maturity of any borrowings under our committed credit facility; however, a downgrade in our credit ratings could increase the cost of borrowings under the credit facility and could also limit or preclude our ability to issue commercial paper. Should this occur, we could seek alternative sources of funding, including borrowing under the credit facility.

During the nine months ended September 30, 2023, we dispersed cash to fund a variety of activities including certain working capital needs, capital expenditures, business acquisitions, distributions to Members, and repurchases of our Units.

## Cash Flows

Cash flows provided by (used in) each type of activity were as follows for the nine months ended September 30:

<i>(In millions)</i>		<b>2023</b>		<b>2022</b>
Operating activities	\$	2,143	\$	997
Investing activities		(503)		(580)
Financing activities		(871)		(1,297)

### Operating Activities

Cash flows from operating activities generated cash of \$2,143 million and \$997 million for the nine months ended September 30, 2023 and 2022, respectively.

Our largest source of operating cash is payments from customers, of which the largest component is collecting cash related to our sales of products and services including advance payments or progress collections for work to be performed. The primary use of operating cash is to pay our suppliers, employees, tax authorities, and others for a wide range of goods and services.

For the nine months ended September 30, 2023, cash generated from operating activities were primarily driven by net income adjusted for certain noncash items (including depreciation, amortization, gain on equity securities, stock-based compensation cost, deferred tax provision, and the impairment of certain assets). Net working capital cash usage was \$21 million for the nine months ended September 30, 2023, mainly due to an increase in receivables and inventory as we continue to build for growth, partially offset by strong progress collections on equipment contracts.

For the nine months ended September 30, 2022, cash generated from operating activities were primarily driven by net losses adjusted for certain noncash items (including depreciation, amortization, loss on assets held for sale, loss on equity securities, stock-based compensation costs, deferred tax provision, and the impairment of certain assets). Net working capital cash usage was \$261 million for the nine months ended September 30, 2022, mainly due to the increase in receivables and inventory as we build for growth, partially offset by strong progress collections on equipment contracts.

### Investing Activities

Cash flows from investing activities used cash of \$503 million and \$580 million for the nine months ended September 30, 2023 and 2022, respectively.

Our principal recurring investing activity is the funding of capital expenditures including property, plant and equipment ("PP&E") and software, to support and generate revenue from operations. Expenditures for capital assets were \$868 million and \$720 million for the nine months ended September 30, 2023 and 2022, respectively, partially offset by cash flows from the disposal of PP&E of \$150 million and \$189 million for the nine months ended September 30, 2023 and 2022, respectively. Proceeds from the disposal of assets are primarily related to equipment that was lost-in-hole, predominantly in OFSE, and PP&E no longer used in operations that was sold throughout the period.

We had proceeds from the sale of certain equity securities of \$372 million and \$26 million during the nine months ended September 30, 2023 and 2022, respectively.

During the nine months ended September 30, 2023, we completed the acquisition of businesses for total cash consideration of \$301 million, net of cash acquired, which consisted primarily of the acquisition of Altus Intervention in the OFSE segment in the second quarter of 2023. We also completed the sale of businesses and received total cash consideration of \$293 million, which consisted primarily of the sale of our Nexus Controls business in the IET segment in the second quarter of 2023. During the nine months ended September 30, 2022, we completed several acquisitions for total cash consideration of \$86 million, including Qi2 Elements and Mosaic Materials.

## Financing Activities

Cash flows from financing activities used cash of \$871 million and \$1,297 million for the nine months ended September 30, 2023 and 2022, respectively.

We increased our quarterly distribution in the third quarter of 2023 by one cent to \$0.20 per Unit. We made distributions to our Members of \$586 million and \$552 million during the nine months ended September 30, 2023 and 2022, respectively.

We repurchased and canceled 3.4 million Units for a total of \$219 million during the nine months ended September 30, 2023. During the nine months ended September 30, 2022, we repurchased and canceled 25.5 million Units for a total of \$727 million.

## Cash Requirements

We believe cash on hand, cash flows from operating activities, the available revolving credit facility, access to both our commercial paper program or our uncommitted lines of credit, and availability under our existing shelf registrations of debt will provide us with sufficient capital resources and liquidity in the short-term and long-term to manage our working capital needs, meet contractual obligations, fund capital expenditures and distributions, repay debt, repurchase our common units, and support the development of our short-term and long-term operating strategies. When necessary, we issue commercial paper or other short-term debt to fund cash needs in the U.S. in excess of the cash generated in the U.S.

Our capital expenditures can be adjusted and managed by us to match market demand and activity levels. We continue to believe that based on current market conditions, capital expenditures in 2023 are expected to be made at a rate that would equal up to 5% of annual revenue. The expenditures are expected to be used primarily for normal, recurring items necessary to support our business. We currently anticipate making income tax payments in the range of \$575 million to \$625 million in 2023.

## Other Factors Affecting Liquidity

*Customer receivables:* In line with industry practice, we may bill our customers for services provided in arrears dependent upon contractual terms. In a challenging economic environment, we may experience delays in the payment of our invoices due to customers' lower cash flow from operations or their more limited access to credit markets. While historically there have not been material non-payment events, we attempt to mitigate this risk through working with our customers to restructure their debts. A customer's failure or delay in payment could have a material adverse effect on our short-term liquidity and results of operations. Our gross customer receivables in the U.S. were 18% and in Mexico 13% as of September 30, 2023. No other country accounted for more than 10% of our gross customer receivables at this date.

*International operations:* Our cash that is held outside the U.S. is 71% of the total cash balance as of September 30, 2023. Depending on the jurisdiction or country where this cash is held, we may not be able to use this cash quickly and efficiently due to exchange or cash controls that could make it challenging. As a result, our cash balance may not represent our ability to quickly and efficiently use this cash.

## CRITICAL ACCOUNTING ESTIMATES

Our critical accounting estimation processes are consistent with those described in Item 7 of Part II, "Management's discussion and analysis of financial condition and results of operations" of our 2022 Annual Report.

## FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act of 1934, as amended, (each a "forward-looking statement"). All statements, other than historical facts, including statements regarding the presentation of the Company's operations in future reports and any assumptions underlying any of the foregoing, are forward-looking statements. Forward-looking statements concern future circumstances and results and other statements that are not historical facts and are sometimes identified by the words "may," "will," "should," "potential,"

"intend," "expect," "would," "seek," "anticipate," "estimate," "overestimate," "underestimate," "believe," "could," "project," "predict," "continue," "target," "goal" or other similar words or expressions. Forward-looking statements are based upon current plans, estimates and expectations that are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated or anticipated by such forward-looking statements. The inclusion of such statements should not be regarded as a representation that such plans, estimates or expectations will be achieved. Important factors that could cause actual results to differ materially from such plans, estimates or expectations include, among others, the risk factors identified in the "Risk Factors" section of Part II of Item 1A of this report and Part 1 of Item 1A of our 2022 Annual Report and those set forth from time-to-time in other filings by the Company with the SEC. These documents are available through our website or through the SEC's Electronic Data Gathering and Analysis Retrieval (EDGAR) system at <http://www.sec.gov>.

Any forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. The Company does not undertake any obligation to update any forward-looking statements, whether as a result of new information or developments, future events or otherwise, except as required by law. Readers are cautioned not to place undue reliance on any of these forward-looking statements.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

For quantitative and qualitative disclosures about market risk affecting us, see Item 7A. "Quantitative and Qualitative Disclosures about Market Risk," in our 2022 Annual Report. Our exposure to market risk has not changed materially since December 31, 2022.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Evaluation of disclosure controls and procedures**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures (as defined in Rule 15d-15(e) of the Exchange Act) were effective at a reasonable assurance level.

There has been no change in our internal controls over financial reporting during the quarter ended September 30, 2023 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

See discussion of legal proceedings in "Note 15. Commitments and Contingencies" of the Notes to Unaudited Condensed Consolidated Financial Statements in this Quarterly Report, Item 3 of Part I of our 2022 Annual Report and Note 17 of the Notes to Consolidated Financial Statements included in Item 8 of our 2022 Annual Report.

### ITEM 1A. RISK FACTORS

As of the date of this filing, the Company and its operations continue to be subject to the risk factors previously discussed in the "Risk Factors" sections contained in the 2022 Annual Report.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. MINE SAFETY DISCLOSURES

Our barite mining operations, in support of our OFSE segment, are subject to regulation by the Federal Mine Safety and Health Administration under the Federal Mine Safety and Health Act of 1977. Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95 to this Quarterly Report.

### ITEM 5. OTHER INFORMATION

None.

### ITEM 6. EXHIBITS

Each exhibit identified below is filed as a part of this report. Exhibits designated with an "\*" are filed as an exhibit to this Quarterly Report on Form 10-Q and Exhibits designated with an "\*\*\*" are furnished as an exhibit to this Quarterly Report on Form 10-Q. Exhibits designated with a "+" are identified as management contracts or compensatory plans or arrangements. Exhibits previously filed are incorporated by reference.

<a href="#">31.1*</a>	<a href="#">Certification of Lorenzo Simonelli, President and Chief Executive Officer, pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.</a>
<a href="#">31.2*</a>	<a href="#">Certification of Nancy Buese, Chief Financial Officer, pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.</a>
<a href="#">32**</a>	<a href="#">Certification of Lorenzo Simonelli, President and Chief Executive Officer, and Nancy Buese, Chief Financial Officer, pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended.</a>
<a href="#">95*</a>	<a href="#">Mine Safety Disclosure</a>
101.INS*	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	XBRL Schema Document
101.CAL*	XBRL Calculation Linkbase Document
101.DEF*	XBRL Definition Linkbase Document
101.LAB*	XBRL Label Linkbase Document
101.PRE*	XBRL Presentation Linkbase Document
104*	Cover Page Interactive Data File (Embedded within the Inline XBRL document and included in Exhibit 101)

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

### **Baker Hughes Holdings LLC (Registrant)**

Date: October 26, 2023

By: /s/ NANCY BUESE

Nancy Buese

Chief Financial Officer

Date: October 26, 2023

By: /s/ REBECCA CHARLTON

Rebecca Charlton

Senior Vice President, Controller and Chief Accounting Officer



**CERTIFICATION**

I, Lorenzo Simonelli, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Baker Hughes Holdings LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 26, 2023

By: /s/ Lorenzo Simonelli  
Lorenzo Simonelli  
President and Chief Executive Officer

**CERTIFICATION**

I, Nancy Buese, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Baker Hughes Holdings LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 26, 2023

By: /s/ Nancy Buese  
Nancy Buese  
Chief Financial Officer

**CERTIFICATION PURSUANT TO**

**18 U.S.C. SECTION 1350**

**AS ADOPTED PURSUANT TO**

**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Baker Hughes Holdings LLC (the "Company") on Form 10-Q for the period ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Lorenzo Simonelli, President and Chief Executive Officer of the Company, and Nancy Buese, the Chief Financial Officer of the Company, each of the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (i) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

The certification is given to the knowledge of the undersigned.

Name: /s/ Lorenzo Simonelli  
Lorenzo Simonelli  
Title: President and Chief Executive Officer  
Date: October 26, 2023

Name: /s/ Nancy Buese  
Nancy Buese  
Title: Chief Financial Officer  
Date: October 26, 2023

Mine Safety Disclosure

The following disclosures are provided pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K, which require certain disclosures by companies required to file periodic reports under the Securities Exchange Act of 1934, as amended, that operate mines regulated under the Federal Mine Safety and Health Act of 1977.

The table that follows reflects citations, orders, violations and proposed assessments issued by the Mine Safety and Health Administration (the "MSHA") for each mine of which Baker Hughes Holdings LLC and/or its subsidiaries is an operator. The disclosure is with respect to the three months ended September 30, 2023. Due to timing and other factors, the data may not agree with the mine data retrieval system maintained by the MSHA at www.MSHA.gov.

Three Months Ended September 30, 2023

Mine or Operating Name/MSHA Identification Number	Section 104 S&S Citations	Section 104(b) Orders	Section 104(d) Citations and Orders	Section 110(b)(2) Violations	Section 107(a) Orders	Proposed MSHA Assessments <sup>(1)</sup>	Mining Related Fatalities	Received Notice of Pattern of Violations Under Section 104(e) (yes/no)	Received Notice of Potential to Have Pattern Under Section 104(e) (yes/no)	Legal Actions Pending as of Last Day of Period	Legal Actions Initiated During Period	Legal Actions Resolved During Period
Morgan City Grinding Plant/1601357	1	—	—	—	—	\$ —	—	N	N	—	—	—
Argenta Mine and Mill/2601152	—	—	—	—	—	\$ —	—	N	N	—	—	—

<sup>(1)</sup> Amounts included are the total dollar value of proposed assessments received from MSHA during the three months ended September 30, 2023, regardless of whether the assessment has been challenged or appealed. Citations and orders can be contested and appealed, and as part of that process, are sometimes reduced in severity and amount, and sometimes dismissed. The number of citations, orders, and proposed assessments vary by inspector and also vary depending on the size and type of the operation.