

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

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): June 10, 2024

FORUM ENERGY TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	001-35504 (Commission File Number)	61-1488595 (I.R.S. Employer Identification No.)
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10344 Sam Houston Park Drive (Address of Principal Executive Offices)	Suite 300	Houston	TX	77064 (Zip Code)
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281 949-2500

Registrant's telephone number, including area code

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	FET	NYSE

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 2.02 Results of Operations and Financial Condition.

This Current Report on Form 8-K provides unaudited pro forma condensed combined financial statements of Forum Energy Technologies, Inc., a Delaware corporation (“Forum”), for the year ended December 31, 2023, as described in Item 9.01 below and which is incorporated into this Item 2.02 by reference, giving effect to the completion of the acquisition (the “Acquisition”) by Forum Canada ULC, an Alberta corporation and a wholly owned subsidiary of Forum (the “Purchaser”), of all of the issued and outstanding common shares of Variperem Holdings Ltd., an Alberta corporation (“Variperem”), in accordance with the terms of a Stock Purchase Agreement, dated as of November 1, 2023 (the “Agreement”), by and among Forum, the Purchaser, Variperem Energy Services Partnership, Jamie Olson, Elise Robertson, Slotting RemainCo Limited Partnership and Variperem Energy Services Partnership, as the representative of the sellers named therein. Upon consummation of the Acquisition and the other transactions contemplated by the Agreement on January 4, 2024, Variperem became a wholly owned subsidiary of the Purchaser.

In addition, to the extent required, the information contained in Item 8.01 of this Current Report on Form 8-K is incorporated into this Item 2.02 by reference.

The information contained in this Item 2.02 shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”) or otherwise subject to the liabilities of that section, nor shall it be incorporated by reference into a filing under the Securities Act of 1933 or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 8.01 Other Events.

Pro Forma Financial Statements

This Current Report on Form 8-K provides a pro forma condensed combined balance sheet of Forum as of December 31, 2023 and a pro forma condensed combined statement of operations of Forum for the year ended December 31, 2023, as described in Item 9.01 below, which is incorporated into this Item 8.01 by reference.

Registration Statement

On March 27, 2024, Forum filed a Registration Statement on Form S-3 (the “Registration Statement”) relating to the registration of certain shares of Forum’s common stock, \$0.01 par value, to be offered after the Registration Statement is declared effective by the selling stockholders identified therein.

The Registration Statement will incorporate this Current Report on Form 8-K by reference, including (i) the audited historical financial statements of Variperem and (ii) the pro forma condensed combined financial statements of Forum, as described in Item 9.01.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired

The historical audited consolidated financial statements and accompanying notes of Variperem as of and for the years ended December 31, 2023 and 2022 and the Independent Auditor's Report issued by Deloitte LLP are filed as Exhibit 99.1 hereto and are incorporated herein by reference.

(b) Pro Forma Financial Information

The unaudited pro forma condensed combined financial statements of Forum as of and for the year ended December 31, 2023 are filed as Exhibit 99.2 hereto and are incorporated herein by reference.

(d) Exhibits:

Exhibit No.	Exhibit Title or Description
23.1	Consent of Deloitte LLP.
99.1	Audited consolidated financial statements and accompanying notes of Variperem as of and for the years ended December 31, 2023 and 2022.
99.2	Unaudited pro forma condensed combined financial statements of Forum as of and for the year ended December 31, 2023.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURE

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

Date: June 10, 2024

FORUM ENERGY TECHNOLOGIES, INC.

/s/ John C. Ivascu

John C. Ivascu

Executive Vice President, General Counsel, Chief Compliance Officer and Corporate Secretary

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in Registration Statement Nos. 333-213158, 333-231525, 333-239257, 333-264934, 333-276390 and 333-279837 on Form S-8 and Registration Statement No. 333-278284 on Form S-3 of Forum Energy Technologies, Inc. of our report dated June 6, 2024, relating to the financial statements of Variperm Holdings Ltd. appearing in this Current Report on Form 8-K of Forum Energy Technologies, Inc. dated June 10, 2024.

/s/ Deloitte LLP

Chartered Professional Accountants

Calgary, Canada

June 10, 2024

Consolidated financial statements of
Variperm Holdings Ltd.

December 31, 2023 and 2022

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Variperem Holdings Ltd.

Opinion

We have audited the consolidated financial statements of Variperem Holdings Ltd. and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of earnings and retained earnings, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with Accounting Standards for Private Enterprises in Canada.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Company prepares its financial statements in accordance with Accounting Standards for Private Enterprises in Canada, which differs from accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards for Private Enterprises in Canada, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

/s/ Deloitte LLP

Chartered Professional Accountants

Calgary, Canada

June 6, 2024

Variperm Holdings Ltd.
Consolidated balance sheets
As at December 31, 2023 and 2022

	Notes	2023	2022
Assets			
Current assets			
Cash		\$ 7,186,353	\$ —
Accounts receivable		31,542,640	30,200,371
Inventories	3	17,745,879	19,176,915
Prepaid expenses and deposits	2	2,076,798	6,372,272
Due from Variperm Energy Services Partnership	12	155,764	—
		58,707,434	55,749,558
Property and equipment	4	27,509,889	30,121,968
Intangible assets	5	1,011,000	1,011,000
Goodwill		8,975,381	8,975,381
		\$ 96,203,704	\$ 95,857,907
Liabilities			
Current liabilities			
Short-term borrowings	6	\$ —	\$ 12,314,086
Accounts payable and accrued liabilities	7	8,394,891	6,333,118
Income taxes payable		6,147,765	9,090,767
Deferred revenue		395,216	1,246,714
		14,937,872	28,984,685
Future income taxes	8	4,860,000	4,890,000
Due to Variperm Energy Services Partnership	12	—	10
		19,797,872	33,874,695
Commitments and contingencies	10		
Shareholders' equity			
Share capital	9	4,057,990	20,596,806
Contributed surplus	9	1,498,946	1,349,741
Retained earnings		70,848,896	40,036,665
		76,405,832	61,983,212
		\$ 96,203,704	\$ 95,857,907

The accompanying notes are an integral part of the consolidated financial statements.

Variperm Holdings Ltd.**Consolidated statements of earnings and retained earnings**

Years ended December 31, 2023 and 2022

	Notes	2023	2022
Revenue			
Service		\$ 164,272,514	\$ 145,797,515
Product		10,019,783	7,387,697
Total revenue		174,292,297	153,185,212
Direct costs		81,686,683	81,955,388
Depreciation of property and equipment		4,184,719	3,850,880
Gross profit		88,420,895	67,378,944
General and administrative expenses		19,120,859	17,825,159
Earnings from operations before the following		69,300,036	49,553,785
Other expenses (income)			
(Gain) loss on disposal of property and equipment		(28,248)	551,298
Interest (income) expense and fees		(5,140)	345,989
Stock-based compensation	9	196,105	296,400
Foreign exchange (income) loss		(50,217)	(155,595)
Transaction costs		2,533,831	—
		2,646,331	1,038,092
Earnings before income taxes		66,653,705	48,515,693
Income taxes			
Current		16,337,529	10,327,521
Future	8	(30,000)	1,238,000
		16,307,529	11,565,521
Net earnings		50,346,176	36,950,172
Retained earnings, beginning of year		40,036,665	3,101,482
Dividends		(19,414,283)	(14,989)
Foreign currency translation		(119,662)	—
Retained earnings, end of year		\$ 70,848,896	\$ 40,036,665

The accompanying notes are an integral part of the consolidated financial statements.

Variperm Holdings Ltd.
Consolidated statements of cash flows
Years ended December 31, 2023 and 2022

	Notes	2023	2022
Operating activities			
Net earnings		\$ 50,346,176	\$ 36,950,172
Items not affecting cash			
Depreciation of property and equipment		4,184,719	3,850,880
(Gain) loss on disposal of property and equipment		(28,248)	551,298
Future income taxes		(30,000)	1,238,000
Other		(119,662)	—
Stock-based compensation		196,105	296,400
		<u>54,549,090</u>	<u>42,886,750</u>
Changes in non-cash operating working capital items			
Accounts receivable		(1,342,269)	(5,925,567)
Inventories		1,431,036	(9,441,443)
Prepaid expenses, deposits and other current assets		4,139,700	(3,955,889)
Accounts payable and accrued liabilities		2,061,773	(1,001,990)
Income taxes payable		(2,943,002)	9,611,232
Deferred revenue		(851,498)	(590,955)
		<u>2,495,740</u>	<u>(11,304,612)</u>
		<u>57,044,830</u>	<u>31,582,138</u>
Investing activities			
Purchase of property and equipment		(1,602,707)	(3,318,465)
Proceeds on disposal of property and equipment		58,315	119,782
		<u>(1,544,392)</u>	<u>(3,198,683)</u>
Financing activities			
Return of capital	9	(16,585,716)	(31,985,012)
Dividends paid	9	(19,414,283)	(14,989)
		<u>(35,999,999)</u>	<u>(32,000,001)</u>
Increase (decrease) in cash		19,500,439	(3,616,546)
(Short-term borrowings) cash, beginning of year		(12,314,086)	(8,697,540)
Cash (short-term borrowings), end of year		<u>\$ 7,186,353</u>	<u>\$ (12,314,086)</u>

The accompanying notes are an integral part of the consolidated financial statements.

Variperem Holdings Ltd. (the "Company") was incorporated under the Business Corporations Act of Alberta on January 20, 2014. The Company, through its wholly owned subsidiaries, Variperem Energy Services Inc., 2357835 Alberta Ltd., and Pacific Perforating Inc., provides sand control and related downhole products and services to the oilfield and agricultural industries in Western Canada as well as California, USA.

1. Accounting policies

Basis of presentation

The consolidated financial statements have been prepared in accordance with accounting standards for private enterprises ("ASPE") in Canada and include the consolidated financial position, results of operations, and cash flows of the Company and its wholly owned subsidiaries. All intercompany balances, transactions and profits have been eliminated.

Principles of consolidation

The consolidated financial statements comprise the accounts of the Company and its subsidiaries.

The Company's subsidiaries are those entities over which the Company has control and has the right and ability to obtain future economic benefits, and is exposed to the related risks. Control is the continuing power to determine the strategic operating, investing and financing policies of the other entity without the co-operation of others, and may be achieved through voting rights, contractual rights, potential voting rights or a combination thereof.

Use of estimates

The preparation of financial statements in conformity with ASPE requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Key components of the consolidated financial statements requiring management to make estimates include the net realizable value of inventories, the useful life of long-lived assets, the potential impairment of goodwill and indefinite-life intangible assets, income taxes, the fair value of certain financial instruments and liabilities for contingencies. Actual results could differ from these estimates.

Financial instruments

The Company's financial instruments recognized in the balance sheet consists of cash, accounts receivable, short-term borrowings, accounts payable and accrued liabilities, and amounts due to Variperem Energy Services Partnership, a shareholder of the Company. Financial instruments are recorded at fair value when acquired or issued. All other financial instruments are reported at amortized cost, and tested for impairment when there are indicators of possible impairment. A previously recognized impairment loss may be reversed to a maximum of the original impairment. The amount of the write-down and any subsequent reversal is recognized in income in the period realized. Transaction costs on the acquisition, sale, or issue of financial instruments which are subsequently measured at fair value, are expensed when incurred. Transaction costs on the acquisition, sale or issue of all other financial instruments are added to or netted with the cost and are recognized straight-line over the expected life of the instrument.

1. Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit in banks, cash on hand, borrowings of a short-term nature through revolving bank facilities and highly liquid investments maturing in 60 days or less.

Inventories

Inventories are valued at the lower of cost and market. Work in progress cost consists of direct material and labor. Direct material cost is determined on a first-in, first-out basis. Market is defined as net realizable value.

Property and equipment

Property and equipment are recorded at cost. Repairs and maintenance expenditures that do not extend the useful life or improve the efficiency of the asset are expensed. Depreciation is provided by the Company at rates determined to depreciate the cost of the assets over their estimated useful lives as follows:

Equipment	10 years straight line
Rental tools	20 years straight line
Automotive	5 years straight line
Office equipment	5 years straight line
Leasehold improvements	Over the term of the lease

Intangible assets

Intangible assets are trade names and are recorded at cost, which have an indefinite life and therefore are not amortized.

Goodwill

The excess cost of assets acquired over the fair value of the identifiable assets acquired is recorded as goodwill. The value of goodwill of individual reporting units is assessed when events occur which indicate that there may have been impairment in the value. Goodwill is assessed by comparing the fair value of a reporting unit to the carrying value of its net assets. Where carrying value exceeds fair value, the carrying value is written down to equal fair value. Fair value of a reporting unit is determined by reference to discounted cash flow estimates, or other methods such as reference to recent market transactions involving similar assets.

Long-lived assets

When events indicate that a decrease in the net recoverable value of long-lived assets, which include property and equipment and intangible assets, may have occurred, management assesses the carrying value for indications of impairment. Impairment is tested by comparing the carrying value of the asset to its net recoverable value, the carrying value is written down to equal net recoverable value. The net recoverable value is determined by reference to cash flow estimates. There is no impairment for the years ended December 31, 2023 or 2022.

1. Accounting policies (continued)

Income taxes

The Company uses the future tax method of accounting for income taxes. Under this method, temporary differences arising between the tax basis of an asset or liabilities and its carrying amount on the balance sheet are used to calculate the future income tax liabilities or assets. Future income tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse.

Revenue recognition and deferred revenue

Revenue from slotting, seaming, wire-wrap, punch screen, flow control and machining is recognized when the service or product is complete and control is transferred to the customer where contractual arrangements permit, otherwise recognition occurs when products are shipped. All revenues are recognized only when evidence of an arrangement exists, the sales price is fixed or determinable and collectability is reasonably assured.

Any advance payment that the Company receives for products that are to be delivered in the future is deferred on the balance sheet until such time that the product is completed and shipped.

Stock-based compensation

The Company has a stock-based compensation plan described in Note 9. The fair value method of accounting is applied for awards and options awarded to directors, officers, employees and providers of service. Compensation is recorded based on the estimated fair value of the option on the grant date. Consideration paid on the exercise of options is recorded as contributed capital. Forfeitures are accounted for as an adjustment to expense when incurred.

Foreign currency translation

The consolidated financial statements of the Company are reported in Canadian dollars. One of the Company's subsidiaries uses the US dollar as their measurement currency which is translated into Canadian dollars on consolidation using the temporal method. The subsidiary is considered to be a fully integrated foreign operation. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rate prevailing at the consolidated balance sheet date. Non-monetary items are translated at the exchange rate prevailing on the transaction date. Income and expenses are translated at the average exchange rate prevailing during the period in which the transactions take place. Unrealized gains and losses arising from foreign currency translation are included in the consolidated statements of earnings and retained earnings.

Employee benefit plan

The Company has a defined contribution RRSP plan that all employees can participate in. Employer contributions to the plan are expensed as employees earn the entitlement and contributions are made. Under the plan, the Company matches individual contributions annually up to a specified percentage of employee's compensation. The total expense under the defined contribution plan was \$478,016 (\$259,024 in 2022).

2. Prepaid expenses and deposits

	December 31,	
	2023	2022
Prepaid - insurance	\$ 569,490	\$ 490,864
Prepaid - other	162,811	111,292
Deposits	1,344,497	5,770,116
	<u>\$ 2,076,798</u>	<u>\$ 6,372,272</u>

3. Inventories

	December 31,	
	2023	2022
Direct materials	\$ 17,310,593	\$ 18,603,716
Work in progress	435,286	573,199
	<u>\$ 17,745,879</u>	<u>\$ 19,176,915</u>

Inventories expensed in direct costs for the year were \$80,608,481 (\$72,716,930 in 2022).

4. Property and equipment

	December 31, 2023		
	Cost	Accumulated depreciation	Net book value
Equipment	\$ 38,838,180	\$ 15,747,509	\$ 23,090,671
Rental tools	3,442,000	—	3,442,000
Automotive	1,596,115	841,657	754,458
Office equipment	612,918	562,486	50,432
Leasehold improvements	2,387,840	2,386,833	1,007
Assets under construction	171,321	—	171,321
	<u>\$ 47,048,374</u>	<u>\$ 19,538,485</u>	<u>\$ 27,509,889</u>

4. Property and equipment (continued)

	December 31, 2022		
	Cost	Accumulated depreciation	Net book value
Equipment	\$ 39,858,097	\$ 13,829,782	\$ 26,028,315
Rental tools	3,442,000	—	3,442,000
Automotive	1,451,652	978,178	473,474
Office equipment	474,984	385,247	89,737
Leasehold improvements	1,670,544	1,647,646	22,898
Assets under construction	65,544	—	65,544
	<u>\$ 46,962,821</u>	<u>\$ 16,840,853</u>	<u>\$ 30,121,968</u>

Assets under construction include equipment purchased but not yet installed or put into operation and are not depreciated until put into operations.

5. Intangible assets

	December 31, 2023		
	Cost	Accumulated impairment	Net book value
Trade name	\$ 1,577,000	\$ 566,000	\$ 1,011,000

	December 31, 2022		
	Cost	Accumulated impairment	Net book value
Trade name	\$ 1,577,000	\$ 566,000	\$ 1,011,000

6. Short term borrowings

The Company has available an operating loan facility authorized up to \$30,000,000 CAD or \$22,617,000 USD, in the form of a demand revolving loan which bears interest at prime plus 0.60%. The prime rate ranged from 6.45% to 7.2% in 2023 and 2.45% to 6.45% in 2022. The amounts drawn are in CAD and USD, and are repayable in that currency. The facility matures September 30, 2024. The Company was in compliance with all covenants and conditions for 2023 and 2022. The amount drawn under the operating loan facility was nil and \$12,314,086 as of December 31, 2023 and 2022, respectively.

7. Accounts payable and accrued liabilities

	December 31,	
	2023	2022
Accounts payable	\$ 6,840,624	\$ 5,225,991
Accrued liabilities	1,414,754	788,174
Government remittances payable	139,513	318,953
	<u>\$ 8,394,891</u>	<u>\$ 6,333,118</u>

8. Future income taxes

The Company uses the future income tax method to determine future income tax on temporary differences between the carrying amounts of assets and liabilities on the consolidated financial statements and their respective tax bases. Future income tax is calculated using the enacted or substantively enacted tax rates that are expected to apply in the period when the liability is settled or the asset is realized. If expected tax rates change, future income taxes are adjusted to the new rates.

The composition of the net future tax liability consists of:

	December 31,	
	2023	2022
Property and equipment	\$ 4,863,850	\$ 4,880,720
Deferred financing fees	(3,850)	(3,979)
Loss carryforwards	—	(61,260)
Other	—	74,519
	<u>\$ 4,860,000</u>	<u>\$ 4,890,000</u>

The movement in the future tax liability account is as follows:

	December 31,	
	2023	2022
Future tax liability - opening balance	\$ 4,890,000	\$ 3,652,000
Future tax (recovery) expense	(30,000)	1,238,000
	<u>\$ 4,860,000</u>	<u>\$ 4,890,000</u>

9. Share capital

Authorized

Unlimited Common shares, issuable in series.

	# of shares	\$
Class A common shares		
January 1, 2022	3,150,001	\$ 23,759,519
Return of capital	—	(17,271,906)
December 31, 2022	3,150,001	6,487,613
Return of capital	—	(2,523,423)
December 31, 2023	3,150,001	3,964,190
Class B common shares		
January 1, 2022	2,683,334	28,775,399
Return of capital	—	(14,713,106)
December 31, 2022	2,683,334	14,062,293
Return of capital	—	(14,062,293)
December 31, 2023	2,683,334	—
Class C common shares		
January 1, 2022	—	—
Issued through stock awards	4,375	46,900
December 31, 2022	4,375	46,900
Issued through stock awards	4,375	46,900
December 31, 2023	8,750	93,800
	<u>5,842,085</u>	<u>\$ 4,057,990</u>

Issued

Any distributions, either by way of dividend or return of capital, are recorded when declared and approved by the Board of Directors. During the year ended December 31, 2023, dividends and return of capital in the amount of \$19,414,283 and \$16,585,716 were paid on the common shares, respectively (\$14,989 and \$31,985,012 in 2022, respectively).

The Company has established a stock option plan for directors, officers and key employees. The Board of Directors may periodically designate which directors, officers and employees of the Company are to be granted options. The terms and conditions are determined by the Board of Directors and are issued with the exercise price being equal to estimated fair value of the Company's units at the time of issue, expire 10 years from the issue date and vest over 4 years.

9. Share capital (continued)

Details of the option agreements outstanding are as follows:

Price range \$	Outstanding #	Average life remaining (years)	Weighted average strike price \$	Vested #	Weighted average strike price of vested options \$
\$7.63 - \$10.00	299,500	6.50	\$ 9.64	217,375	\$ 9.71

During the year ended December 31, 2023, no options were granted to employees (44,500 in 2022) and no (nil in 2022) options were forfeited. Compensations costs of \$149,205 (\$249,500 in 2022) determined using the calculated value method were charged to net earnings in the current year. Assumptions under the fair value method for the options when originally granted were a risk free rate between 1.10% and 2.18%, expected life of the options of 10 years, a 0% forfeiture rate, a volatility rate of 46% - 59% and no expected dividends. The Company recognizes compensation costs on a straight-line basis.

Changes to contributed surplus relating to these costs are as follows:

January 1, 2022	\$ 1,100,241
Stock-based compensation costs for options	249,500
December 31, 2022	1,349,741
Stock-based compensation costs for options	149,205
December 31, 2023	<u>\$ 1,498,946</u>

On September 1, 2021 the Company granted two employees stock awards. A total of 17,500 Class C common shares were awarded to these employees, which will vest over four years. On each anniversary of the agreement, providing that the employees still work for the Company, 4,375 shares will be issued. During the year ended December 31, 2023, 4,375 (4,375 in 2022) of these stock awards were issued with a value of \$113,543. Dividends on these stock awards paid during the year were \$38,942 (\$14,989 in 2022).

Included in the stock based compensation expense on the consolidated statements of earnings and retained earnings is the expense for both the stock options of \$149,205 (\$249,500 in 2022), and the stock awards of \$46,900 (\$46,900 in 2022).

10. Commitments and contingencies

(i) The Company has various operating lease commitments with minimum payments of:

2024	\$	2,161,404
2025		1,844,502
2026		862,535
2027		26,383
2028		—
Thereafter		—

(ii) The Company, through performance of its services and product sales obligations, is sometimes named as a defendant in litigation. The Company maintains a level of insurance coverage deemed appropriate by management and for matters for which insurance coverage can be maintained.

(iii) The Company is a party to two legal proceedings. Although the ultimate result of the legal proceedings cannot be predicted with certainty, it is the opinion of the Company's management that the outcome of these claims will not have a material effect on the financial position of the Company, its cash flows or net earnings.

11. Risk management activities

The Company is exposed to financial risks that are managed as follows:

Credit risk

Accounts receivable include balances from a large number of customers. The Company assesses the credit worthiness of its customers on an on-going basis as well as monitoring the amount and age of balances outstanding. Accordingly, the Company views the credit risk associated with these amounts as normal for the industry. Primarily all of the Company's trade receivables are from customers in or related to the oil and gas industry. At year-end, two customers (four in 2022) accounted for 35% (55% in 2022) of trade accounts receivable. As at December 31, 2023, the Company had an allowance for doubtful accounts of \$nil on outstanding trade receivables (\$nil in 2022).

Interest rate risk

Interest rate risk refers to the consequences of interest rate changes on the Company's cash flows, financial position and earnings. The risk relates primarily to the Company's short-term borrowings financed at floating rates of interest. Management monitors interest rate trends and will fix rates or enter into hedging transactions as deemed necessary. No derivative financial instruments for hedging purposes are outstanding at year-end. At December 31, 2023, the operating facility was undrawn.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of the Company's cash requirements. Additional cash requirements are met with the use of the available credit facilities. The available credit facility provides flexibility in the short-term to meet operational needs and bridge long-term financing.

11. Risk management activities (continued)

Currency risk

Currency risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has currency risk relating to purchases and sales of product in foreign currencies. Management monitors the prevailing exchange rates and has the ability to enter into derivative contracts to attempt to mitigate currency risk if deemed appropriate. At year end, the Company has no forward contracts in place.

Market risk

The Company's primary customer base is involved in the oil and gas sector in Western Canada and as such the Company's revenues are exposed to fluctuations in prices for natural gas, crude oil and natural gas liquids. Commodity prices are affected by many factors including supply, demand and the Canadian and U.S. dollar exchange rate.

Insurance

The Company purchases discretionary insurance to cover property damage, business interruption and liability risk of loss exposure.

12. Related parties

The Company rents property from Nurco Holdings Ltd. which is owned by James Nurcombe (Company's Founder and former Chairman). These transactions were made in the normal course of business and have been recorded at the exchange amounts. The amount paid for rent was \$480,630 for the year ended December 31, 2023 (\$480,630 in 2022).

Amounts due from Variperm Energy Services Partnership, a shareholder of the Company, are non-interest bearing with no fixed terms of repayment.

13. Reconciliation to United States generally accepted accounting principles

These consolidated financial statements for years ended December 31, 2023 and 2022 have been prepared in accordance with ASPE which differs in certain respects from generally accepted accounting principles in the United States ("U.S. GAAP"). These consolidated financial statements are reported in Canadian dollars and the effects of price level changes and foreign currency translations are not considered in this reconciliation.

The following is a summary of material adjustments to net earnings for the years ended December 31, 2023 and 2022 and shareholders' equity as of December 31, 2023 and 2022, necessary to reconcile those to net earnings and shareholders' equity determined in accordance with U.S. GAAP.

13. Reconciliation to United States generally accepted accounting principles (continued)

Reconciliation of net earnings under ASPE to U.S. GAAP

	December 31,	
	2023	2022
Net earnings as reported under ASPE	\$ 50,346,176	\$ 36,950,172
Operating lease expense	2,057,963	2,014,256
Amortization of leased assets	(2,114,189)	(2,100,833)
Accretion of lease liabilities	(38,191)	(40,144)
Net earnings under U.S. GAAP	<u>\$ 50,251,759</u>	<u>\$ 36,823,451</u>

Reconciliation of shareholders' equity under ASPE to U.S. GAAP

	December 31,	
	2023	2022
Shareholders' equity as reported under ASPE	\$ 76,405,832	\$ 61,983,212
Opening retained earnings	231,477	104,756
Operating lease assets	4,697,103	5,800,665
Operating lease liabilities	(4,791,520)	(5,927,386)
Shareholders' equity under U.S. GAAP	<u>\$ 76,542,892</u>	<u>\$ 61,961,247</u>

Operating leases

In these consolidated financial statements, lease rentals related to operating leases were recognized in net earnings over the lease term on a straight-line basis. No assets or liabilities were recognized on the balance sheet.

Under U.S. GAAP, assets and liabilities are recognized on the balance sheet for the rights and obligations created by operating leases and the operating lease expense is recognized on a straight-line basis over the term of the lease.

Consolidated statements of cash flows

In respect of the adjustments above, the differences between cash flows reported in the consolidated statements of cash flows in accordance with ASPE versus that under U.S. GAAP is an increase of operating cash flows and a reduction in financing cash flows in the amount of \$94,417 for the year ended December 31, 2023, and \$126,721 for the year ended December 31, 2022.

Aside from the above, there are no material differences between cash flows reported in the consolidated statements of cash flows under ASPE and the consolidated statements of cash flows prepared in accordance with U.S. GAAP.

14. Subsequent events

On November 1, 2023, the Company entered into an agreement to sell all the shares of the Company to an entity whose shares are traded on the New York Stock Exchange. The transaction closed on January 4, 2024.

Unaudited Pro Forma Condensed Combined Financial Information

Introduction

On November 1, 2023, Forum Energy Technologies, Inc., a Delaware corporation (“Forum”) and Forum Canada ULC, an Alberta corporation and a wholly owned subsidiary of Forum (the “Purchaser”), entered into a Stock Purchase Agreement (the “Purchase Agreement”) with (i) Variperem Holdings Ltd., an Alberta corporation (“Variperem”), (ii) Variperem Energy Services Partnership, an Alberta general partnership (“VES Partnership”), (iii) Jamie Olson, a resident of Alberta (“Olson”), (iv) Elise Robertson, a resident of Alberta (“Robertson”), (v) Slotting RemainCo Limited Partnership, an Alberta limited partnership (“RemainCo” and together with VES Partnership, Olson and Robertson, the “Sellers”), and (vi) VES Partnership in its capacity as the representative of the Sellers. Pursuant to the Purchase Agreement, the Purchaser purchased from the Sellers all of the issued and outstanding common shares of Variperem (the “Transaction”) on January 4, 2024 (the “Closing Date”) and Variperem became a wholly owned subsidiary of the Purchaser.

The base purchase price for the Transaction was (i) 2.0 million shares of common stock, par value \$0.01 per share, of Forum (the “Stock Consideration”) and (ii) an amount of cash equal to \$150.3 million (the “Cash Consideration”), subject to customary purchase price adjustments for cash, indebtedness, transaction expenses and working capital as set forth in the Purchase Agreement (collectively, the “Purchase Price”). The Cash Consideration was funded from cash on hand, borrowings under the ABL facility (as defined herein), and the Seller Term Loan (as defined herein) (collectively, the “Debt Financing”).

The unaudited pro forma condensed combined financial information has been prepared by Forum in accordance with Article 11 of Regulation S-X, Pro Forma Financial Information. The following unaudited pro forma condensed combined financial information as of and for the year ended December 31, 2023 is derived from:

- the historical audited consolidated financial statements and accompanying notes as of and for the year ended December 31, 2023, included in Forum’s Annual Report on Form 10-K for the year ended December 31, 2023 filed with the Securities and Exchange Commission (“SEC”) on May, 2024; and
- the historical audited consolidated financial statements and accompanying notes as of and for the year ended December 31, 2023 of Variperem, incorporated as Exhibit 99.1 herein Forum’s Current Report on Form 8-K.

The historical financial statements of Forum and Variperem have been adjusted in the accompanying unaudited pro forma condensed combined financial information to give pro forma effect to events which are necessary to account for the Transaction and the Debt Financing, in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The unaudited pro forma adjustments are based upon available information and certain assumptions that management believes are reasonable under the circumstances. The pro forma balance sheet as at March 31, 2024 and the statement of comprehensive income (loss) for the three months ended March 31, 2024, have not been reflected herein as the Transaction has been reflected in Forum’s Form 10-Q for the quarter ended March 31, 2024 and the activity prior to the acquisition date of January 4, 2024, is immaterial.

The Transaction is accounted for as a business combination using the acquisition method with Forum assumed as the accounting acquirer in accordance with Accounting Standards Codification (“ASC”) Topic 805, *Business Combinations* (“ASC 805”). Under this method of accounting, the total consideration will be allocated to Variperem’s assets acquired and liabilities assumed based upon their estimated fair values at the Closing Date. The process of valuing the net assets of Variperem at the Closing Date, as well as evaluating accounting policies for conformity, is preliminary. Any differences between the fair value of the consideration transferred and the fair value of the assets acquired, and liabilities assumed was recorded as goodwill. Accordingly, the purchase price allocation reflected in this unaudited pro forma condensed combined financial information is preliminary and represents Forum’s current best estimate of fair value and is subject to revision.

As a result of the foregoing, the unaudited pro forma condensed combined financial information is based on the preliminary information available and management’s preliminary valuation of the fair value of tangible and intangible assets acquired and liabilities assumed. The actual purchase accounting assessment may vary based on final analyses of the valuation of assets to be acquired and liabilities to be assumed.

The unaudited pro forma condensed combined financial information and related notes are provided for illustrative purposes only and do not purport to represent what the combined company's actual results of operations or financial position would have been had the Transaction and the Debt Financing been completed on the dates indicated, nor are they necessarily indicative of the combined company's future results of operations or financial position for any future period. The actual financial position and results of operations may differ significantly from the pro forma amounts reflected herein.

The following unaudited pro forma condensed combined financial information gives effect to the Transaction and the Debt Financing, which includes adjustments for the following:

- Certain reclassifications and U.S. GAAP adjustments to conform Variperm's historical financial statement presentation to Forum's presentation and accounting policies.
- Application of the acquisition method of accounting under the provisions of ASC 805 and to reflect estimated consideration of approximately \$194.6 million.
- Proceeds and uses of the drawdown from the Credit Agreement Amendment (as defined herein) and Seller Term Loan (as defined herein) entered in connection with the Transaction; and
- Non-recurring transaction costs in connection with the Transaction.

Unaudited Pro Forma Condensed Combined Balance Sheet
As of December 31, 2023
(in Thousands)

	Forum Energy Technologies, Inc. (Historical) - USD	Variper Holdings Ltd. - CAD (See Note 3)	Variper Holdings Ltd. - USD	Transaction Adjustments - USD (See Note 4)	Notes	Financing Adjustments - USD (See Note 4)	Notes	Pro Forma Combined for Transaction and Financing Adjustments - USD
Assets								
Current assets								
Cash and cash equivalents	46,165	7,186	5,418	(154,474)	A	150,000	I	44,199
				—		(2,910)	I	
Accounts receivable—trade, net of allowances	146,747	31,543	23,780	—		—		170,527
Inventories, net	299,639	17,746	13,379	—		—		313,018
Prepaid expenses and other current assets	21,887	2,233	1,683	—		—		23,570
Accrued revenue	1,801	—	—	—		—		1,801
Costs and estimated profits in excess of billings	13,365	—	—	—		—		13,365
Total current assets	529,604	58,708	44,260	(154,474)		147,090		566,480
Property and equipment, net of accumulated depreciation	61,401	27,510	20,740	5,440	B	-		87,581
Operating lease assets	55,399	4,697	3,541	(332)	H	-		58,608
Deferred financing costs, net	1,159	—	—	—		-		1,159
Intangible assets, net	167,970	1,011	762	103,838	C	-		272,570
Goodwill	—	8,975	6,766	32,217	D	-		38,983
Deferred tax assets, net	368	—	—	—		-		368
Other long-term assets	5,160	—	—	—		-		5,160
Total assets	821,061	100,901	76,069	(13,311)		147,090		1,030,909
Liabilities and equity								
Current liabilities								
Current portion of long-term debt	1,186	—	—	—		2,500	I	3,686
Accounts payable trade	125,918	8,395	6,329	—		-		132,247
Income taxes payable	—	6,148	4,635	—		-		4,635
Accrued liabilities	62,463	2,096	1,580	5,538	E	-		69,581
Deferred revenue	10,551	395	298	—		-		10,849
Billings in excess of costs and profits recognized	4,221	-	-	-		-		4,221
Total current liabilities	204,339	17,034	12,842	5,538		2,500		225,219

Unaudited Pro Forma Condensed Combined Balance Sheet
As of December 31, 2023
(in Thousands)

	Forum Energy Technologies, Inc. (Historical) – USD	Variper Holdings Ltd. – CAD (See Note 3)	Variper Holdings Ltd. – USD	Transaction Adjustments - USD (See Note 4)	Notes	Financing Adjustments - USD (See Note 4)	Notes	Pro Forma Combined for Transaction and Financing Adjustments - USD
Long-term debt, net of current portion	129,567	-	-	-		147,500	I	274,157
						(2,910)	I	
Deferred tax liabilities, net	940	4,860	3,664	25,058	F	-		29,662
Operating lease liabilities	61,450	2,695	2,032	—		-		63,482
Other long-term liabilities	12,132	—	—	—		-		12,132
Total liabilities	408,428	24,589	18,538	30,596		147,090		604,652
Commitments and contingencies								
Equity								
Common stock, \$ 0.01 par value	109	—	—	20	A	-		129
Additional paid-in capital	1,369,288	4,058	3,059	44,200	A	-		1,413,487
				(3,129)	D	-		
				69	G	-		
Treasury stock at cost	(142,057)	—	—	—		-		(142,057)
Retained earnings/(deficit)	(699,471)	70,755	53,342	(53,272)	D	-		(730,066)
				(5,538)	E	-		
				(25,058)	F	-		
				(69)	G	-		
Contributed surplus/(deficit)	—	1,499	1,130	(1,130)	D	-		—
Accumulated other comprehensive loss	(115,236)	—	—	—		-		(115,236)
Total equity	412,633	76,312	57,531	(43,907)		—		426,257
Total liabilities and equity	821,061	100,901	76,069	(13,311)		147,090		1,030,909

See accompanying notes to unaudited pro forma condensed combined financial information.

Unaudited Pro Forma Condensed Combined Statement of Comprehensive Income (Loss)
For the Year Ended December 31, 2023
(in Thousands, except share and per share data)

	Forum Energy Technologies, Inc. (Historical) - USD	Variper Holdings Ltd. – CAD (See Note 3)	Variper Holdings Ltd. - USD	Transaction Adjustments - USD (See Note 5)	Notes	Financing Adjustments - USD (See Note 5)	Notes	Pro Forma Combined for Transaction and Financing Adjustments - USD
Revenue	738,864	174,293	129,151	—		-		868,015
Cost of sales	534,711	85,454	63,321	1,677	AA	-		599,709
Gross profit	204,153	88,839	65,830	(1,677)		-		268,306
Operating expenses								
Selling, general and administrative expenses	180,389	19,735	14,624	187	AA	-		217,182
				16,108	BB	-		
				5,538	CC	-		
				502	DD	-		
				(166)	EE	-		
Transaction expenses	2,892	2,534	1,878	—		-		4,770
Loss/(Gain) on disposal of assets and other	156	(28)	(21)	—		-		135
Total operating expenses	183,437	22,241	16,481	22,169		-		222,087
Operating income (loss)	20,716	66,598	49,349	(23,846)		-		46,219
Other expense (income)								
Interest expense	18,297	(5)	(4)	—		17,678	GG	36,735
				—		764	GG	
Foreign exchange losses (gains) and other, net	10,233	(50)	(37)	—		-		10,196
Total other expense (income)	28,530	(55)	(41)	—		18,442		46,931
Income (loss) before income taxes	(7,814)	66,653	49,390	(23,846)		(18,442)		(712)
Income tax expense	11,062	16,307	12,084	(5,485)	FF	(4,242)	HH	13,419
Net income (loss)	(18,876)	50,346	37,306	(18,361)		(14,200)		(14,131)
Weighted average shares outstanding								
Basic	10,212,000		-	-		-		12,212,000
Diluted	10,212,000		-	-		-		12,212,000
Earnings (loss) per share								
Basic	\$ (1.85)		-	-		-		\$ (1.16)
Diluted	\$ (1.85)		-	-		-		\$ (1.16)

See accompanying notes to unaudited pro forma condensed combined financial information.

Notes to Unaudited Pro Forma Condensed Combined Financial Information

Note 1. Basis of Presentation

The unaudited pro forma condensed combined financial information and related notes are prepared in accordance with Article 11 of Regulation S-X, *Pro Forma Financial Information*.

Forum's historical financial statements were prepared in accordance with U.S. GAAP and presented in U.S. dollars ("USD"). Variper's financial statements were prepared in accordance with Accounting Standards for Private Enterprises in Canada ("ASPE") and presented in Canadian dollars ("CAD"). The financial information of Variper has been translated from CAD to USD including certain reclassifications and U.S. GAAP adjustments to conform Variper's historical financial statement presentation to Forum's financial statement presentation.

The unaudited pro forma condensed combined financial information was prepared using the acquisition method of accounting in accordance with ASC 805, with Forum assumed as the accounting acquirer and based on the historical consolidated financial statements of Forum and Variper. Under ASC 805, assets acquired, and liabilities assumed in a business combination are recognized and measured at their assumed Closing Date fair value, while transaction costs associated with a business combination are expensed as incurred. The excess of Transaction consideration over the fair value of assets acquired and liabilities assumed, if any, is allocated to goodwill.

The Unaudited Pro Forma Condensed Combined Balance Sheet is presented as if the Transaction and the Debt Financing had occurred on December 31, 2023, and the Unaudited Pro Forma Condensed Combined Statements of Comprehensive Income (Loss) for the year ended December 31, 2023, give effect to the Transaction and the Debt Financing as if they occurred on January 1, 2023.

The unaudited pro forma condensed combined financial information does not reflect any anticipated synergies or dis-synergies, operating efficiencies or cost savings that may result from the Transaction and integration costs that may be incurred. The pro forma adjustments represent Forum's best estimates and are based upon currently available information and certain assumptions that Forum believes are reasonable under the circumstances. There are no material transactions between Forum and Variper during the periods presented.

For purposes of preparing the pro forma financial information, the historical financial information of Variper and related pro forma adjustments was translated from CAD to USD using the following historical exchange rates:

Closing exchange rate as of December 31, 2023	0.7539
Average exchange rate for the year ended December 31, 2023	0.7410

These exchange rates may differ from future exchange rates which would have an impact on the pro forma financial information and would also impact purchase accounting.

Note 2. Description of the Debt Financing

Seller Term Loan

Forum entered into the Second Lien Seller Term Loan Credit Agreement (the "Seller Term Loan") by and among Forum, as borrower, the Sellers and certain of the option holders (as defined in the Purchase Agreement), as lenders (the "Lenders"), and VES Partnership, as administrative and collateral agent for each of the Lenders. Pursuant to the Seller Term Loan, Forum borrowed \$60.0 million aggregate principal amount of term loans (the "Term Loans"), which mature in December 2026. The Term Loans bear interest at the rate of (i) 11.0% per year for the period commencing on the Closing Date through the first anniversary of the Closing Date, (ii) 17.0% per annum for the period commencing on the first anniversary of the Closing Date through the second anniversary of the Closing Date and (iii) 17.5% per annum for the period commencing on the second anniversary of the Closing Date through the maturity date. Forum incurred approximately \$1.5 million in fees in connection with the Seller Term Loan.

Credit Agreement Amendment

Additionally, in connection with the Transaction, Forum entered into an amendment (the “Credit Agreement Amendment”) to the Third Amended and Restated Credit Agreement, dated as of October 30, 2017 (as amended, restated and supplemented or otherwise modified, the “Credit Agreement”), among Forum, as borrower, the other borrowers party thereto, the guarantors party thereto, the lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, and the other parties named therein. Pursuant to the Credit Agreement Amendment, the Credit Agreement (i) was modified to, among other things, (a) permit the incurrence of new secured notes in an amount not to exceed \$200.0 million and (b) update the CDOR provisions with Term Canadian Overnight Repo Rate Average (“CORRA”) and (ii) was modified as of the Closing Date, to, among other things, (a) extend the maturity date of the Credit Agreement to September 8, 2028, (b) permit the Transaction, (c) permit the incurrence of the Seller Term Loan in an amount not to exceed \$60.0 million, in connection with the consummation of the Transaction, and (d) increase the aggregate revolving commitments from \$179.0 million to \$250.0 million. The financing commitments under the Credit Agreement (the “ABL facility”) are subject to various customary conditions set forth therein. The unaudited pro forma condensed combined financial information reflects that Forum borrowed \$90.0 million under the Credit Agreement in connection with the Transaction. Forum incurred approximately \$1.4 million in fees in connection with the Credit Agreement Amendment.

Note 3. Reclassification and U.S. GAAP Adjustments

During the preparation of this unaudited pro forma condensed combined financial information, management performed a preliminary review of Variperms’ financial information to identify differences in accounting policies compared to those of Forum’s and differences in financial statement presentation compared to the presentation of Forum. At the time of preparing the unaudited pro forma condensed combined financial information, other than the adjustments described herein, Forum is not aware of any other material differences. However, Forum will continue to perform its detailed review of Variperms’ accounting policies, including compliance with U.S. GAAP standards. Upon completion of that review, differences may be identified between the accounting policies of the two companies that when confirmed could have a material impact on the unaudited pro forma condensed combined financial information.

Unaudited Pro Forma Condensed Combined Balance Sheet As of December 31, 2023 (in Thousands)

Forum Energy Technologies, Inc.	Variperms Holdings Ltd.	Historical - CAD	Re-classification Adjustments	Notes	U.S. GAAP Adjustments	Notes	Variperms Holdings Ltd. - CAD
Assets							
Current assets							
Cash and cash equivalents	Cash	7,186					7,186
Accounts receivable—trade, net of allowances	Accounts receivable	31,543					31,543
Inventories, net	Inventories	17,746					17,746
Prepaid expenses and other current assets	Prepaid expenses and deposits	2,233					2,233
Total current assets		58,708	—		—		58,708
Property and equipment, net of accumulated depreciation	Property and equipment	27,510					27,510
Operating lease assets		—			4,697 (b)		4,697
Intangible assets, net	Intangible assets	1,011					1,011
	Goodwill	8,975					8,975
Total assets		96,204	—		4,697		100,901
Liabilities and equity							

Current liabilities				
Accounts payable trade	Accounts payable	8,395		8,395
	Income taxes payable	6,148		6,148
Accrued liabilities	Current portion of long-term lease liability	—	2,096 (b)	2,096
Deferred revenue	Deferred revenue	395		395
Total current liabilities		14,938	—	17,034
	Future income taxes	4,860	(4,860) (a)	
Deferred tax liabilities, net		—	4,860 (a)	4,860
Operating lease liabilities	Operating lease liabilities	—	2,695 (b)	2,695
Total liabilities		19,798	—	24,544
Equity				
Additional paid-in capital	Share capital	4,058		4,058
Retained earnings/(deficit)	Retained earnings	70,849	(94) (b)	70,755
	Contributed surplus	1,499		1,499
Total equity		76,406	(94)	76,312
Total liabilities and equity		96,204	—	100,856

(a) Reclassification of future income taxes to Deferred tax liabilities, net.

(b) Adjustment for recognition of Operating lease assets and lease liabilities in accordance with U.S. GAAP.

Unaudited Pro Forma Condensed Combined Statement of Comprehensive Income (Loss)
For the twelve months ended December 31, 2023
(in Thousands, except per share amounts)

Forum Energy Technologies, Inc.	Variperem Holdings Ltd.	Historical - CAD	Reclassification Adjustments	Notes	Variperem Holdings Ltd. - CAD
Revenue	Revenue		174,293	(a)	174,293
	Service	164,273	(164,273)	(a)	—
	Product	10,020	(10,020)	(a)	—
Cost of sales	Direct costs	81,687	3,767	(b)	85,454
	Depreciation of property and equipment	4,185	(4,185)	(b)	—
Gross profit		88,421	418		88,839
Operating expenses					
Selling, general and administrative expenses	General and administrative expenses	19,121	196	(c)	19,735
			418	(b)	
Transaction expenses	Transaction expenses	2,534			2,534
Loss/(Gain) on disposal of assets and other	Gain on disposal of property and equipment	(28)			(28)
Total operating expenses		21,627	614		22,241
Operating income (loss)		66,794	(196)		66,598
Other expense (income)					
Interest expense	Interest and fees	(5)			(5)
	Stock-based compensation	196	(196)	(c)	—
	Other (income)/ expense	—			—
Foreign exchange losses (gains) and other, net	Foreign exchange	(50)			(50)
Income (loss) before income taxes		66,653	—		66,653
Income tax expense	Income taxes	16,307			16,307
Net income (loss)		50,346	—		50,346

(a) Reclassification of revenue bifurcations between Product and Service to Revenue.

(b) Reclassification of Depreciation of property and equipment to Cost of sales and Selling, general and administrative expenses.

(c) Reclassification of Stock-based compensation to Selling, general and administrative expenses

Note 4. Adjustments to Unaudited Pro Forma Condensed Combined Balance Sheet

Transaction Adjustments

The Transaction is accounted for using the acquisition method of accounting in accordance with ASC 805, which requires, among other things, that the assets acquired, and liabilities assumed be recognized at their Closing Date fair values, with any excess of the consideration transferred over the estimated fair values of the identifiable net assets acquired, if any, recorded as goodwill.

(A) The accounting for the Transaction is based on currently available information and is considered preliminary. The final accounting for the Transaction may differ materially from that presented in this unaudited pro forma condensed combined financial information. The adjustment reflects the impact of the Cash Consideration, the Stock Consideration and all transaction expenses. Refer to the following table for the computation of the preliminary estimated fair value of consideration transferred:

<i>(in thousands, except share count and per share data)</i>	
Forum shares issued ⁽¹⁾	2,000,000
Forum common stock price ⁽²⁾	22.11
Equity portion of consideration	44,220
Cash consideration ⁽³⁾	154,474
Fair value of consideration transferred	198,694

(1) Forum shares issued for Variper's common stock outstanding as defined in the Purchase Agreement.

(2) Forum common stock price per share as of January 4, 2024.

(3) Cash consideration includes settlement of Variper's options that vested and were settled as part of the Transaction and includes cash acquired.

The following table summarizes the preliminary accounting for the Transaction:

<i>(in thousands)</i>	Fair value*
Cash & cash equivalents	\$ 5,418
Accounts receivable—trade	23,780
Inventories	13,379
Prepaid expenses and other current assets	4,892
Property and equipment	26,180
Intangible assets	104,600
Total Assets	178,249
Accounts payable - trade	6,329
Income taxes payable	4,635
Accrued liabilities	1,580
Deferred revenue	298
Operating lease liabilities	2,032
Deferred tax liabilities, net	3,664
Net assets acquired	159,711
Goodwill	38,983
Fair value of consideration transferred	\$ 198,694

*Adjusted for rounding difference

The determination of the fair value of the identifiable assets of Variper and the allocation of the estimated consideration to these identifiable assets and liabilities is preliminary and is pending finalization of various estimates, inputs and analyses. The final purchase price allocation will be determined when Forum has completed the detailed valuations and necessary calculations, which will be completed prior to December 31, 2024. The final Transaction consideration allocation may be materially different than that reflected in the

preliminary estimated Transaction consideration allocation presented herein. Any increase or decrease in fair values of the net assets as compared with the unaudited condensed combined pro forma financial information may change the amount of the total Transaction consideration allocated to goodwill and other assets and liabilities and may impact the combined company statements of comprehensive income (loss) due to adjustments in the depreciation and amortization of the adjusted assets.

(B) Reflects the preliminary estimated fair value adjustment to property and equipment acquired in the Transaction. The fair value of property and equipment is preliminary and subject to change.

The general categories of the acquired identified tangible assets are expected to be the following:

<i>(in thousands)</i>	Useful Life (Average)		Fair value
Leasehold improvements	18	\$	773
Mobile equipment	8		1,455
Machinery & equipment	8		23,661
Computer equipment & other	4		133
Construction in progress			158
Total property and equipment acquired		\$	26,180

(C) Reflects the preliminary estimated asset fair value adjustment to the identifiable intangible assets acquired, primarily consisting of customer relationships, backlog and tradenames. The fair value of intangible assets is preliminary and subject to change.

The general categories of the acquired identified intangible assets are expected to be the following:

<i>(in thousands)</i>	Useful Life (Average)		Fair value
Customer relationships	8	\$	95,000
Backlog	1.5		5,600
Trade names	8		4,000
Total identifiable intangible assets		\$	104,600

(D) Reflects the elimination of Variperem's historical goodwill and equity and elimination of shares issued by Variperem on accelerated vesting of equity awards upon closing of the Transaction.

<i>(in thousands)</i>	Notes	Fair value
Purchase consideration	A	\$ 198,694
Historical book value of Variperem equity		
Share capital		3,059
Retained earnings		53,342
Contributed surplus		1,130
Elimination of historical goodwill		(6,766)
Estimated fair value adjustment on property and equipment	B	5,440
Estimated fair adjustment on operating lease asset	H	(332)
Elimination of other intangible assets	C	103,838
Preliminary estimate of fair value of identifiable net assets acquired		159,711
Goodwill		38,983
Historical goodwill		(6,766)
Net adjustments		<u>\$ 32,217</u>

(E) Reflects one-time transaction-related costs of approximately \$5.5 million incurred prior to, or concurrent with, the closing of the Transaction including bank fees, legal fees, consulting fees, and other transaction expenses by Forum.

(F) Reflects estimated deferred taxes related to the purchase price allocation and income tax impact effect related to the pro forma adjustments. Tax-related adjustments are based upon a blended statutory tax rate of approximately 23% which represents the adjustment to the deferred tax liability balances associated with the incremental differences in the book and tax basis created from the preliminary purchase price allocation, primarily resulting from the preliminary fair value of intangible assets and property, plant and equipment. The effective tax rate of Forum following the Transaction could be significantly different (either higher or lower) depending on post-acquisition activities, including the geographical mix of income.

(G) Represents the adjustment for equity awards that automatically vest and are settled in common shares by Variperem at the time of the closing of the Transaction.

(H) Reflects adjustment to the operating lease asset on account of unfavorable lease arrangements acquired as part of the Transaction.

Financing Adjustments

(I) Reflects the adjustment to cash in connection with the Seller Term Loan and the ABL facility as follows:

<i>(in thousands)</i>	As of December 31, 2023
Proceeds from the Seller Term Loan and ABL facility ⁽¹⁾	\$ 150,000
Payment of financing costs ⁽²⁾	(1,500)
New deferred debt issuance costs for Credit Agreement Amendment ⁽³⁾	(1,410)
Pro forma adjustment	<u>\$ 147,090</u>

(1) Forum used proceeds from the Debt Financing to pay cash consideration to the Sellers.

(2) Represents the payment of capitalized financing costs incurred related to the Seller Term Loan. The debt issuance costs are included within long-term debt.

(3) Represents additional debt issuance costs incurred for the Credit Agreement Amendment.

Note 5. Adjustments to Unaudited Pro Forma Condensed Combined Statements of Comprehensive Income (Loss)

Transaction Adjustments

(AA) Represents a net increase in depreciation expense on a straight-line basis of \$1.7 million based on the preliminary step-up in fair value of the property and equipment and the related assigned estimated useful life for the year ended December 31, 2023.

(BB) Represents the pro forma adjustment to record amortization expense of \$16.1 million for the year ended December 31, 2023 based on the fair value of identified intangible assets.

<i>(in thousands)</i>	Useful Life (Average)	Fair value	Amortization Expense for the Year Ended December 31, 2023
Customer relationships	8	\$ 95,000	\$ 11,875
Backlog	1.5	5,600	3,733
Trade names	8	4,000	500
Total identifiable intangible assets		\$ 104,600	\$ 16,108

(CC) Reflects estimated nonrecurring transaction-related expenses of \$5.5 million incurred by Forum. These nonrecurring expenses are not anticipated to affect the Unaudited Pro Forma Condensed Combined Statement of Comprehensive Income (Loss) beyond twelve months after the Closing Date.

(DD) Represents the adjustment to record the share-based compensation expense related to equity awards that automatically vested and were settled in common shares by Variperm at the Closing Date and restricted stock units provided to Variperm's employees as an inducement to continue to provide service to Forum following the acquisition.

(EE) Reflects adjustment for amortization of unfavorable lease terms for operating leases acquired as part of the Transaction.

(FF) Reflects estimated income tax impact effect related to the pro forma transaction accounting adjustments. Tax-related adjustments are based upon a blended statutory tax rate of approximately 23% is assumed for the amortization of intangible assets and other pro forma adjustments. The applicable blended statutory tax rates are based on the jurisdictions in which the assets are located and are not necessarily indicative of the effective tax rate of Forum following the Transaction, which could be significantly different depending on post-acquisition activities, including the geographical mix of income.

Financing Adjustments

(GG) Reflects the adjustment to the estimated interest expense to be incurred by Forum as a result of the Seller Term Loan and the ABL facility as follows:

<i>(in thousands)</i>	For the Year Ended December 31, 2023
Interest expense on the Seller Term Loan	\$ 10,154
Interest expense on the ABL facility ⁽¹⁾	7,524
Amortization of debt issuance costs related to the Seller Term Loan	482
Amortization of deferred issuance fees on Credit Agreement Amendment ⁽²⁾	282
Pro forma adjustment	18,442

(1) Represents the estimated interest expense on the ABL facility. An increase/ decrease of 1/8th percent in the interest rate results in an increase or decrease in interest expense, net of \$0.2 million for the year ended

December 31, 2023.

(2) Represents the amortization of deferred issuance on the Credit Agreement Amendment.

(HH) Reflects estimated income tax impact effect related to the pro forma financing adjustments. Tax-related adjustments are based upon a blended statutory tax rate of approximately 23% which is assumed for the amortization of intangible assets and other pro forma adjustments. The applicable blended statutory tax rates are based on the jurisdictions in which the assets are located and are not necessarily indicative of the effective tax rate of Forum following the Transaction, which could be significantly different depending on post-acquisition activities, including the geographical mix of income.

Note 6. Earnings (Loss) Per Share

The following tables set forth the computation of pro forma basic and diluted earnings per share post transaction and financing adjustments for year ended December 31, 2023.

(in thousands, except share and per share data)	For the Year Ended December 31, 2023	
Numerator:		
Pro forma Net loss attributable to common stockholders	\$	(14,131)
Denominator:		
Weighted average common shares outstanding:		
Basic ⁽¹⁾		12,212,000
Diluted ⁽²⁾		12,212,000
Pro forma net income per share:		
Basic:	\$	(1.16)
Diluted:	\$	(1.16)

⁽¹⁾ Basic weighted average shares outstanding includes 2.0 million shares of common stock issued as the Stock Consideration of the purchase price.

⁽²⁾ Diluted weighted average shares outstanding includes 2.0 million shares of common stock issued as the Stock Consideration of the purchase price and the dilutive effect of stock options and restricted stock.