

NOV Flexibles Holding ApS

**Priorparken 480
2605 Brøndby**

CVR no. 33 85 83 88

**Annual report for the period
1. januar to 31. december 2020**

Adopted at the annual general
meeting on 8 July 2021

Michael Wellington Hart
chairman

Table of contents

	Page
Statements	
Statement by management on the annual report	1
Independent auditor's report	2
Management's review	
Company details	5
Financial highlights	6
Management's review	7
Financial statements	
Income statement 1 January - 31 December	8
Balance sheet 31 December	9
Statement of changes in equity	11
Notes to the annual report	12
Accounting policies	17

Statement by management on the annual report

The supervisory and executive boards have today discussed and approved the annual report of NOV Flexibles Holding ApS for the financial year 1. januar - 31. december 2020.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31. december 2020 and of the results of the company's operations for the financial year 1. januar - 31. december 2020.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved by the company in general meeting.

Copenhagen, 8 July 2021

Executive board

Michael Halberg
Managing director

Supervisory board

Michael Wellington Hart
Chairman

Robbert Oudendijk

Michael Halberg

Independent auditor's report

To the shareholder of NOV Flexibles Holding ApS

Opinion

We have audited the financial statements of NOV Flexibles Holding ApS for the financial year 1. januar - 31. december 2020, which comprise income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31. december 2020 and of the results of the company's operations for the financial year 1. januar - 31. december 2020 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements, that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent auditor's report

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

Statement on management's review

Management is responsible for management's review.

Our opinion on the financial statements does not cover management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of management's review.

Frederiksberg, 8 July 2021

EY
Godkendt Revisionspartnerselskab
CVR no. 30 70 20 28

Rasmus Bloch Jespersen
state authorised public accountant
MNE no. mne35503

Company details

The company	NOV Flexibles Holding ApS Priorparken 480 2605 Brøndby Telephone: +45 43483000 Website: www.nov.com/flexibles CVR no.: 33 85 83 88 Reporting period: 1. januar - 31. december 2020 Domicile: Brøndby
Supervisory board	Michael Wellington Hart, chairman Robbert Oudendijk Michael Halberg
Executive board	Michael Halberg
Shareholders	National Oilwell Varco Denmark I/S
Group entities	NOV Flexibles Equipamentos e Serviços Ltda.
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36 2000 Frederiksberg
Bankers	DNB Bank ASA

Financial highlights

Seen over a 5-year period, the development of the Company may be described by means of the following financial highlights:

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Gross profit/loss	-38	-15	-33	-17	-18
Net financials	-142,253	5,159	364,134	182,788	-30,112
Profit/loss for the year	-134,306	962	345,401	161,558	-23,435
Balance sheet					
Balance sheet total	1,905,734	2,013,801	2,556,889	2,566,064	2,563,925
Equity	277,209	411,515	410,553	65,151	-96,407
Financial ratios					
Solvency ratio	14.5%	20.4%	16.1%	2.5%	-3.8%
Return on equity	-39.0%	0.2%	145.2%	-1,033.8%	27.7%

The financial ratios are calculated in accordance with the Danish Finance Society's recommendations and guidelines. For definitions, see the summary of significant accounting policies..

Management's review

Business review

The company's significant activity is its 99.9% stake in NOV Flexibles Equipamentos e Serviços Ltda. established in 2011. NOV Flexibles Equipamentos e Serviços Ltda., engineers, manufactures and delivers flexible pipe systems for the purpose of recovering hydrocarbon oil and gas from offshore fields as well as solutions for the purpose of transporting chemicals and water to in-shore installations based on the use of flexible pipe products. The company is ultimately owned by NOV Inc.

Financial review

The company's income statement for the year ended 31 December 2020 shows a loss of DKK 134,306,125, and the balance sheet at 31. december 2020 shows equity of DKK 277,209,019.

Pre tax result before income for dividends and impairment losses are above expectations primarily due to unrealised currency exchange gains and lower interest expenses.

COVID-19

While the company has not experienced a materially adverse impact from COVID-19 on the financial statement for 2020, the company is closely monitoring the potential of COVID-19 on its financial reporting for 2021 and beyond, as the impact of the COVID-19 pandemic continues to unfold.

Significant events occurring after the end of the financial year

No events have occurred after the balance sheet date which could significantly affect the company's financial position.

Expected development of the company, including specific prerequisites and uncertainties

For the financial year 2021 management expects the company to realize a pre-tax result for the year, before potential income from dividends and impairment losses, at the same level as in 2020 (DKK 22 million +/- 10%)

Income statement 1 January - 31 December

	Note	2020 DKK	2019 DKK
Gross profit		-38,049	-15,375
Profit/loss before net financials		-38,049	-15,375
Income from investments in subsidiaries		20,934,145	273,414,266
Impairment losses on financial assets		-129,224,299	-233,048,330
Financial income	1	6,957,951	0
Financial costs	2	-40,920,387	-35,206,830
Profit/loss before tax		-142,290,639	5,143,731
Tax on profit/loss for the year	3	7,984,514	-4,181,279
Profit/loss for the year		-134,306,125	962,452
Distribution of profit	4		

Balance sheet 31 December

	<u>Note</u>	<u>2020</u> DKK	<u>2019</u> DKK
Assets			
Investments in subsidiaries	5	<u>1,873,959,279</u>	<u>2,003,183,579</u>
Fixed asset investments		<u>1,873,959,279</u>	<u>2,003,183,579</u>
Total non-current assets		<u>1,873,959,279</u>	<u>2,003,183,579</u>
Receivables from group enterprises		20,102,544	9,963,027
Joint taxation contributions receivable		<u>11,672,670</u>	<u>654,871</u>
Receivables		<u>31,775,214</u>	<u>10,617,898</u>
Total current assets		<u>31,775,214</u>	<u>10,617,898</u>
Total assets		<u>1,905,734,493</u>	<u>2,013,801,477</u>

Balance sheet 31 December

	Note	<u>2020</u> DKK	<u>2019</u> DKK
Equity and liabilities			
Share capital		500,000	500,000
Retained earnings		<u>276,709,019</u>	<u>411,015,144</u>
Equity	6	<u>277,209,019</u>	<u>411,515,144</u>
Payables to group enterprises		<u>1,616,845,619</u>	<u>1,602,270,333</u>
Total non-current liabilities	7	<u>1,616,845,619</u>	<u>1,602,270,333</u>
Payables to group enterprises		11,663,856	0
Other payables		<u>15,999</u>	<u>16,000</u>
Total current liabilities		<u>11,679,855</u>	<u>16,000</u>
Total liabilities		<u>1,628,525,474</u>	<u>1,602,286,333</u>
Total equity and liabilities		<u>1,905,734,493</u>	<u>2,013,801,477</u>
Use of derivative financial instruments	8		
Contingent assets	9		
Long term debt	7		
Contingent liabilities	10		
Related parties and ownership structure	11		

Statement of changes in equity

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2020	500,000	411,015,144	411,515,144
Net profit/loss for the year	0	-134,306,125	-134,306,125
Equity at 31 December 2020	<u>500,000</u>	<u>276,709,019</u>	<u>277,209,019</u>

Notes

	<u>2020</u>	<u>2019</u>
	DKK	DKK
1 Financial income		
Exchange adjustment gains	6,957,951	0
	<u>6,957,951</u>	<u>0</u>
	<u>2020</u>	<u>2019</u>
	DKK	DKK
2 Financial costs		
Exchange adjustments costs	0	1,063,982
Financial expenses to group entites	29,209,878	34,002,144
Other financial costs	67,651	77,681
Fair value adjustment of derivative financial instruments	11,642,858	0
Exchange loss	0	63,023
	<u>40,920,387</u>	<u>35,206,830</u>
3 Tax on profit/loss for the year		
Foreign paid tax (without credit possibility)	3,140,331	4,836,150
Adjustment of tax concerning previous year	-11,124,845	0
Joint taxation contribution	0	-654,871
	<u>-7,984,514</u>	<u>4,181,279</u>
	<u>2020</u>	<u>2019</u>
	DKK	DKK
4 Distribution of profit		
Retained earnings	-134,306,125	962,452
	<u>-134,306,125</u>	<u>962,452</u>

Notes

	2020	2019
	DKK	DKK
5 Investments in subsidiaries		
Cost at 1 January 2020	2,236,231,909	2,556,888,855
Disposals for the year	0	-320,656,946
Cost at 31 December 2020	<u>2,236,231,909</u>	<u>2,236,231,909</u>
Revaluations at 1 January 2020	-233,048,330	0
Impairment losses	<u>-129,224,300</u>	<u>-233,048,330</u>
Revaluations at 31 December 2020	<u>-362,272,630</u>	<u>-233,048,330</u>
Carrying amount at 31 December 2020	<u>1,873,959,279</u>	<u>2,003,183,579</u>

Management has identified indicators of impairment of equity investments in group enterprises. Consequently, management has prepared an impairment test and thereby calculated the recoverable amount of the Company's investment in group enterprises at 31 December 2020. The calculation of the recoverable amount is based on the value in use of the investments applying a discounted cash flow model (DCF). Expected net future cash flows are determined on basis for budgets for the period 2021-2024 followed by a terminal period. The applied discount factor and inflation rates are estimated by management. Annual revenue and profitability in the model is based on managements visibility of future projects. Annual revenue growth varies from 2% to 3% and a growth rate of 3% has been applied for the terminal period. A WACC after tax of 15% has been applied as a discount factor. As result of the impairment test the investment in subsidiaries have been affected by an impairment of 126 mDKK.

Investments in subsidiaries are specified as follows:

Name	Registered office	Ownership interest	Equity	Profit/loss for the year
NOV FlexiblesEquipament os e Serviços Ltda.	Rio de Janeiro, Brazil	99.99%	1,135,645,884	190,662,215

Notes

6 Equity

The share capital consists of 500 shares of a nominal value of DKK 1,000. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

7 Long term debt

	2020	2019
	DKK	DKK
Payables to group enterprises		
Due after 5 years	543,988,642	1,602,270,333
Due Within 5 years	1,072,856,977	0
Non-current portion	1,616,845,619	1,602,270,333
Other short-term debt to subsidiaries	11,663,856	0
Current portion	11,663,856	0
	<u>1,628,509,475</u>	<u>1,602,270,333</u>

8 Use of derivative financial instruments

In 2020, the Company entered a hedging instrument with National Oilwell Varco Norway AS, in the form of a forward exchange contract, as a hedge of the foreign currency exposure inherent in the Company's investment in its Brazilian subsidiary, NOV Flexibles Equipamentos e Servicos Ltda. The forward exchange contract is entered as part of NOV Inc's hedging of in NOV Inc Groups foreign currency exposure inherent in the Group's net investment in NOV Flexibles Equipamentos e Servicos Ltda. Since the Company measures its investment in NOV Flexibles Equipamentos e Servicos Ltda at cost, fair value adjustments related to the forward exchange contract are recognized in the income statement. According to the forward exchange contract, at 31 December 2021, the Company's payable and receivable to and from National Oilwell Varco Norway AS is BRL 383,761,700 and DKK 434,975,540 respectively. The forward exchange contract settlement date is 30 March 2021. The fair value of the forward exchange contract is determined using level 2 inputs of the fair value hierarchy as the fair value is based on publicly available foreign exchange rates at 31 December 2020. At 31 December 2020, the Company determined that the fair value of the forward exchange contract represented a liability of DKK 11,642,858, recognized as payables to group enterprises. The Fair value adjustment recognized in the income statement in 2020 amounted DKK 11,642,858.

Notes

9 Contingent assets

The company has tax loss carry-forwards totalling 15,557,399 DKK. The nominal value thereof is 22%, totalling 3,422,628 DKK. DKK 0 of the amount has been recognised in the balance sheet under deferred tax / deferred tax asset, whereas DKK 3,422,628 has not been recognised in the balance sheet due to the uncertainty as to application of the tax losses.

10 Contingent liabilities

The company is jointly taxed with its parent company, SubseaFlex Holding ApS and other Danish subsidiaries of NOV Inc., and has limited and secondary liability together with other jointly taxed entities for payment of income taxes for income year 2013 onwards as well as for payment of withholding taxes.

Other contingent liabilities not recognised in balance sheet

The company has no contingent liabilities.

11 Related parties and ownership structure

Controlling interest

National Oilwell Varco Denmark I/S

Other related parties

Companies owned directly or indirectly by NOV Flexibles Holding ApS:

Transactions

Transactions	Parent company	Subsidiary	Group Enterprises
Interest, cost	29,209,878		
Dividen, income		20,934,145	
Fair value adjustment of hedge instrument	11,642,858		
Management fee, cost			21,000
Balance 31, December 2020	Parent company	Subsidiary	Group Enterprises
Loan, liabilities	1,616,845,619		
Cash pool/ Joint taxation, receivables			31,775,214
Fair value adjustment of hedge instrument, liability	11,642,858		

Notes

11 Related parties and ownership structure (continued)

Ownership structure

According to the company's register of shareholders, the following shareholder holds at least 5% of the votes or at least 5% of the share capital:

National Oilwell Varco Denmark I/S
Priorparken 480
2605 Brøndby
Denmark

Consolidated financial statements

The ultimate parent company preparing consolidated financial statements is NOV Inc., 7909 Parkwood Circle Drive, Houston, Texas 77036-6565, US.

The consolidated financial statements for NOV Inc. can be obtained from National Oilwell Varco Denmark I/S on request at the company's address:

Priorparken 480
2605 Brøndby
Denmark
<http://investors.nov.com/investor-overview>

Notes

12 Accounting policies

The annual report of NOV Flexibles Holding ApS for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The annual report for 2020 is presented in DKK.

Pursuant to sections §112, of the Danish Financial Statements Act, the company has not prepared consolidated financial statements.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any installments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Other external expenses

Other external expenses include expenses related to administration, etc.

Notes

12 Accounting policies

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses, realised and unrealised capital/exchange gains and losses on securities and foreign currency transactions and fair value adjustments of derivative financial instruments that do not qualify for hedge accounting.

Income from investments in subsidiaries

Dividend from investments is recognised in the reporting year in which the dividend is declared.

Tax on profit/loss for the year

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Balance sheet

Impairment of non-current assets

The carrying amount of investments in subsidiaries is tested annually for evidence of impairment, other than what is reflected through normal amortisation and depreciation, on an annual basis.

Where there is evidence of impairment, an impairment test is performed for each individual asset or group of assets, respectively. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price and the value in use. The value in use is determined as the present value of the anticipated net cash flows from the use of the asset or group of assets and the anticipated net cash flows from the disposal of the asset or group of assets after the end of their useful life. Impairment losses on investments in subsidiaries are recognised in the income statement as Impairment losses on financial assets.

Investment in subsidiaries

Investment in subsidiaries are measured at cost. If cost exceeds the recoverable amount, a write-down is made to this lower value.

Dividend from investments in subsidiaries are always be recognised in the income statement. If the carrying amount of the net assets of subsidiaries exceeds cost, or if dividend exceeding the profit for the year is distributed, there will be evidence of impairment, meaning that an impairment test must be conducted.

Notes

12 Accounting policies

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable is impaired, an impairment loss for that individual asset is recognised.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received, using the effective interest rate of individual receivables or portfolios of receivables as discount rate.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are presented as separate items in the balance sheet.

Fair value adjustments of derivative financial instruments designated and qualifying as hedging of the fair value of a recognised asset or liability are recognised in the income statement together with fair value adjustments of the hedged asset or liability.

Fair value adjustments of derivative financial instruments designated and qualifying as hedging of future assets or liabilities are recognised as separate items in the balance sheet and in the hedging reserve under equity. If the forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the forecast transaction results in income or expenses, amounts previously recognised in equity are transferred to the income statement in the period in which the hedged item affects the income statement.

Fair value adjustments of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement on an ongoing basis.

Cash and cash equivalents

Deposits on the group cash-pool account are not considered as cash and cash equivalents. The group's cash-pool structure is based on a balance netting principle and therefore deposits and withdrawals on the cash-pool account are considered as either receivables from or payables to group companies.

Notes

12 Accounting policies

Equity

Dividends

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability when declared by the annual general meeting of shareholders.

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively. Deferred tax is measured at net realisable value.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Fair value

Fair value is determined based on the principal market. If no principal market exists, the measurement is based on the most advantageous market, i.e. the market that maximises the price of the asset or liability less transaction and/or transport costs.

All assets and liabilities that are measured at fair value or whose fair value is disclosed are classified based on the fair value hierarchy, see below:

Level 1: Value based on the fair value of similar assets/liabilities in an active market.

Level 2: Value based on generally accepted valuation methods on the basis of observable market information.

Level 3: Value based on generally accepted valuation methods and reasonable estimates based on non-observable market information.

Notes

12 Accounting policies

Cash flow statement

With reference to § 86 paragraph 4 of the Danish Financial Statements Act, no cash flow statement has been prepared. The entity's cash flows are part of the consolidated cash flow statement prepared in a higher-ranking group.

Definitions of financial ratios.

Equity ratio	$\frac{\text{Equity at year-end} \times 100}{\text{Total assets at year-end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$