National Oilwell Varco Denmark I/S

Prioparken 480
2605 Brøndby

CVR no. 24 25 52 98

Annual report for the period 1 January to 31 December 2020

Adopted at the annual general meeting on 14 July 2021

Michael Wellington Hart
chairman

Table of contents

Statement by management on the annual report

The supervisory and executive boards have today discussed and approved the annual report of National Oilwell Varco Denmark I/S for the financial year 1 January - 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 January - 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.

Executive board 14 July 2021

Michael Wellington Hart President, Subsea ProductionSystem	Martha Maria Smorenburg de Haas Finance Director	Michael Halberg VP Operations

Supervisory board

Robbert Oudendijk Chairman	Trevor Brian Martin Deputy chairman

Independent auditor's report

To the shareholder of National Oilwell Varco Denmark I/S

Opinion

We have audited the financial statements of National Oilwell Varco Denmark I/S for the financial year 1 January - 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 January - 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.

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, 14 July 2021

EY
Godkendt Revisionspartnerselskab
CVR no. 30 70 20 28

Rasmus Bloch Jespersen state authorised public accountant MNE no. mne35503	Anders Roe Eriksen state authorised public accountant MNE no. mne46667

Company details

The company	National Oilwell Varco Denmark I/S Prioparken 480 2605 Brøndby	
	Telephone:	+45 4349 3000
	Website:	www.nov.com/flexibles
	CVR no.:	24 25 52 98
	Reporting period: Incorporated:	1 January - 31 December 2020 1 July 1999
	Domicile:	Brøndby
Supervisory board	Robbert Oudendijk, chairman Trevor Brian Martin, deputy chairman	
Executive board	Michael Wellington Hart Martha Maria Smorenburg de Haas Michael Halberg	
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36 2000 Frederiksberg	
Bankers	DNB Bank AS	
General meeting	The annual general meeting is held at the company's address on 14 July 2021.	

Financial highlights

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

	2020	2019	2018	2017	2016
	MDKK	MDKK	MDKK	MDKK	MDKK
Key figures					
Revenue	1,246	1,146	1,057	1,594	1,754
Profit/loss before amortisation/depreciation and impairment losses	-67	-97	121	375	262
Profit/loss before net financials	-417	-190	21	284	171
Profit/loss for the year	-398	-154	58	325	181
Balance sheet					
Non-current assets	1,896	2,324	2,477	2,327	2,308
Current assets	783	700	0	0	0
Investment in property, plant and equipment	52	78	29	20	37
Investments in intangible items	10	12	6	11	16
Balance sheet total	2,679	3,024	3,484	3,518	3,267
Equity	2,133	2,552	3,220	3,272	2,897
Short-term liabilities other than provision	546	472	265	246	370
Financial ratios					
EBIT margin	-33.5%	-16.6%	2.0%	17.8%	9.7%
ROIC	-1.4%	-5.8%	0.6%	8.4%	5.0%
Gross margin	31.8%	27.9%	0.0%	0.0%	0.0%
Current ratio	154.8%	153.1%	0.0%	484.0%	259.0%
Solvency ratio	79.6%	84.4%	92.4%	93.0%	88.7%
Return on equity	-17.0%	-5.3%	1.8%	10.5%	6.2%
Number of employees	693	694	594	659	763

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

Presentation of the company

National Oilwell Varco Denmark I/S 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 National Oilwell Varco Inc. National Oilwell Varco Denmark I/S has established a subsidiary in Brazil with a fully operational production plant.

The existing product range consists of flexible pipe solutions ranging from 2" – 16" (approx. 50 – 406 mm inside diameter) and designed to operate under very demanding offshore conditions in all parts of the world. The products are unique, because they remain flexible even under very high working pressure, up to 1,000 bars, and at the same time they are able to withstand working temperatures up to 130° Celsius. Flexible pipe systems are superior to other pipe solutions in respect of flexibility, ability to withstand different design conditions and capability to convey challenging mixtures of liquid and gaseous fluids.

Today, flexible pipe systems are used to recover oil and gas at water depths down to 2,500 meters, and National Oilwell Varco Denmark I/S' products are qualified for use in water depths down to 2,000 meters.

National Oilwell Varco Denmark I/S also offers a unique condition monitoring solution for its flexible pipe systems based on the use of optical fibers embedded in the pipes' steel armor wires.

Apart from the flexible pipe products manufactured at the Kalundborg factory, National Oilwell Varco Denmark I/S also supplies a wide range of additional equipment to the market, such as accessories and steel structures required in a given system configuration. The ability to correctly design and to procure such elements is an important part of being a solution provider to the offshore oil and gas market.

By the end of December 2020 National Oilwell Varco Denmark, I/S counted approx. 733 employees 50% of the employees work at the Danish factory primarily concerned with the production of flexible pipe products. The remaining 50% of the employees work in the headquarters in Denmark and are engaged in research and development, project management, engineering work, general management, and administration. In addition, National Oilwell Varco Denmark I/S has a small department in Aalborg primarily focused on research and development as well as a fully operational production plant with its subsidiary in in Brazil.

Development in activities and financial conditions

In 2020, National Oilwell Varco Denmark I/S realized revenue of 1.246 million DKK compared to revenue of 1,146 million DKK in 2019, equivalent to an increase of 8.7%.

The loss for the year before amortization and depreciation amounts to 67 million DKK compared to a loss of 97 million DKK in 2019, equivalent to an increase of 18%.

Management's review

Due to changes in market conditions in 2020 there have been write downs on inventories of 25 million DKK and impairment of fixed assets 291 million DKK for further information please refer to note 11 regarding special items

The net loss for 2020 amounts to 398 million DKK compared to a net loss of 154 million DKK in 2019, equivalent to a decrease of 158%.

Given the prevailing market conditions, Management considers the 2020 profit to be satisfactory.

Unusual risks

Project related risks

On a current basis the company evaluates the need for provisions for technical risks on the individual projects.

Customer contracts typically contain a late-delivery clause enabling day fines of up to 10 % of the contract value. If the production schedules indicate delays, the need to make provision is evaluated on a case-by-case basis.

Contracts entered into by the company typically include a provision that the company will be indemnified for consequential losses caused by the use of the company's products.

In the event of a breach of the contract obligations, the overall and cumulative liability of the company is normally limited to the contract amount or lower.

The oil price is the main driver in the SURF (Subsea, umbilical's, riser, flowline) market.

Fluctuation in the oil price has a significant impact on the activity in the market.

Currency related risks

Activities abroad result in earnings and equity to be affected by exchange rate and interest rate developments for a number of currencies. According to the company's policy the company may hedge commercial currency risks. Hedging takes place primarily through forward exchange hedge to hedge expected sales and purchases. The company does not engage in speculative currency positions.

Business related risks

National Oilwell Varco Denmark I/S are dependent upon the level of activity in the oil and gas industry, which is volatile and has caused, and may cause future, fluctuations in our operating results.

Management's review

The oil and gas industry historically has experienced significant volatility. The demand for National Oilwell Varco Denmark I/S products are dependent on the number of oil rigs in operation, the number of oil wells being drilled, and the debt ratio, and drilling characteristics/conditions of these wells reservoirs. The last of which ultimately drives the operating companies decision to not only produce but how the field will be produced, driving subsea infrastructure and architecture decisions.

The willingness of the oil operators to make capital expenditures to explore for and produce oil and the willingness of oilfield service companies to invest in capital equipment will continue to be influenced by numerous factors over which we have no control, the two most critical are capex spend (discipline) and one of these factors are the volatility of the oil prices. Expectations for future oil prices may will cause shifts in the strategies and expenditure levels of oil companies, drilling contractors, service companies, and subsea equipment companies. Particularly with respect to decisions when and how to purchase major.

Capital equipment of the type National Oilwell Varco Denmark I/S manufactures. Oil prices, which are determined by the marketplace, may remain below a range that is acceptable to certain of our customers, which could continue the reduced demand for our products and have a material adverse effect on our financial condition, results of operations and cash flows. Consequently, sustained higher commodity pricing could enable a growth period that has a positive effect on these same business drivers.

Profit for the year compared to previous expectations
The revenue for 2020 was 4% above the expectations and earnings before financial items was in-line with the expectations. As mentioned in last year's report, projects won in an exceptionally competitive market in 2018 and 2019 flowed into production in 2020 reducing the comparative Gross Profit % between 2020 and 2019. During late 2018, Management made the commitment to heavily increase investment in Research & Development activities in future years (further details below) – this effort commenced in 2020..

The company's knowledge resources if of particular importance to its future earnings
It is imperative for National Oilwell Varco Denmark I/S' continued development to attract and maintain highly skilled and specialized employees, including engineers possessing knowledge within the offshore business.

R&D activities are focused on value creating activities meeting the existing or expected future demands in the market. The R&D strategy is organized in line with the corporate strategy as follows:

- Improved technology and cost base are pursued through incremental development of better materials as well as more stable and efficient processes.

- Improved profitability is pursued through the development of escalating technologies.

- Expansion of capabilities is pursued through development of new products and new solutions.

Representative examples of the successful development of new technologies include single layer unplasticized PVDF for high temperature applications, XLPE which is cross-linked as part of the extrusion process, integrated optical condition monitoring systems, appliance of multiple layers of insulation in serial production with tensile armour process, flexible pipe structures for use in water depths down to 2,500 meters, qualification of flexible pipe solutions to be used with supercritical CO2 levels, etc.

Corporate social responsibilities

Corporate social responsibility is an integrated part of the NOV group's strategy. The group will always focus on acting responsibly in terms of clients, employees, business partners as well as surroundings and environment.

Human Rights

For National Oilwell Varco Denmark I/S, the most material risk of violating human rights will exist within our supply chain. As an international company, we value the varied backgrounds and perspectives of each of our employees and we are committed to providing a work environment free of unlawful discrimination and harassment based on any status or activity protected by applicable law. We uphold human rights in all of our facilities and throughout all our commercial (supply chain and client base) and employment (pre-, during and post-) activities.

The company performs annual conduct & ethics training for all employees who have a company email address to ensure everyone has a clear understanding of their obligations in this area. This training was maintained throughout 2020 and no known violations recorded.

Environmental issues

As a large manufacturing company, there is a risk of negatively impacting the environment due our manufacturing activities and testing procedures. At National Oilwell Varco Denmark I/S, we want to avoid any unintentional events that can have an adverse effect on the environment and identify the are as where a positive impact on the environment can be made.

During 2020, we worked on becoming ISO 50001 certified (which we finalised in 2021). ISO 50001 is based on the management system model of continual improvement also used for other well-known standards such as ISO 9001 or ISO 14001. This makes it easier for organizations to integrate energy management into their overall efforts to improve quality and environmental management.

Social & Employee Conditions

As a manufacturing company, the most material risk related to employees is the risk of injuries at work or work-related illnesses. National Oilwell Varco Denmark I/S is committed to providing safe and healthy working conditions for our employees, contractors, customers and vendors in order to achieve zero serious injuries and near misses and work-related illness (both physical and mental). The company is also committed to consult and engage employees, employees' representatives, customers and suppliers to ensure strong partnerships, high satisfaction and longterm sustainability.

Anticorruption

The most material risks in this area relate to the risk of unethical behavior amongst our commercial agents who operate on our behalf in certain jurisdictions. It is the policy of National Oilwell Varco Denmark I/S that the company, its subsidiaries and affiliates and all directors, officers, employees, agents, representatives and joint venture partners of the company shall comply fully with all anti-corruption and anti-bribery laws that are applicable to them.

The company performs annual conduct & ethics training for all employees who have a company email address to ensure everyone has a clear understanding of their obligations in this area. There have been no known breaches of this policy.

Equal opportunities

National Oilwell Varco Denmark I/S is obliged to set target figures and policies for the gender composition cf. the Act on Gender Equality.

The objective of the company is to be a workplace with equal opportunities and rights for women and men. The company policy is based on well-established principles with focus on equal rights, when it comes to recruitment, remuneration and promotion. When employing and promoting managers we strive that both genders are represented amongst the final candidates.

National Oilwell Varco Denmark I/S has the following management levels: 1) Board of Directors, 2) Senior Leadership Team (SLT), 3) Operational Management Team (OPS) and 4)Management Team (MGMT).

Board of Directors

Target figures are only set for those members (Board of Directors) elected at an Annual General Meeting (AGM). The company is run as a partnership where the members of the board are appointed rather than elected at an AGM. The company has set a 33 % goal for the underrepresented gender corresponding to 1 out of 3 members of the board. In 2020, a new female board member was appointed, replacing the resignation of one other male board member, hence the goal to reach 33% by end of 2020/2021 has been reached.

Management team
The company policy regarding the underrepresented gender in management levels is also based on well-established principles with focus on equal rights. For other management levels a qualitative as well as a quantitative level has been set for management level 2 (SLT), management level 3 (OPS) and management level 4 (MGMT).

Qualitative Goals
The Company continuously strive for all employees to experience equal opportunities for development, internal career and promotion. The company posts all positions internally and encourage all relevant candidates to apply, regardless of gender. Any promotion is based on the criteria's – competence, value creation and attitude, but the company has a strong focus on promoting diversity at all levels of the company, and hence the company put special emphasis on identifying and promoting all talents for specialist positions as well as management positions.

The qualitative goals are identical for all three management levels and are:

- All employees in the company should feel that they have equal opportunities with regards to career and management positions.
- Employees should experience that the company has an open and unbiased culture, where everyone can leverage his or her skills regardless of gender or race. This is supported by NOV's equal opportunity policies – locally as well as globally.

Quantitative Goals
The Company has set an 20% goal for representation of the underrepresented gender in level 2, 20% for level 3 and 20% for level 4.

For the Senior Leadership Team (Level 2), which is a team set by the President, women represent 27% of the team which is an increase from 18% in 2019.

At level 3, women are represented by 17% which is a decrease from 20% in 2019.

At level 4, women represent 35% of the Management Team compared to 24% representation in 2019.

The total gender distribution of females in the company is 20%.

Management's review

Unusual circumstances

Management assesses that during the financial year there have not been any unusual circumstances affecting the company's financial position.

Events after the balance sheet date

No events have occurred after the balance sheet data, which materially could affect the assessment of the company's financial position

Expected development

As of quarter 4 2020, oil commodities pricing have been rising. Both WTI and Brent have been consistently climbing during the first half of 2021, having almost doubled since Q4 2020. Sales pipeline activity is returning to pre-covid 19 levels. The full impact of COVID-19 in 2021 has been limited with our manufacturing plant continuing to operate at full operational capabilities throughout the local restrictions. Major challenges exist in supply chain , where we see steep increases in steel prices, timely availability of raw materials, and logistics delays.

Management believes there will continue to be an oversupplied market for the foreseeable future and hence pricing will remain competitive. Based on the visibility of projects, revenue is expected to remain flat compared to 2020 and in the range of 1,150 million DKK to 1,250 million DKK.

Unfortunately, management still expects a loss before financial items to be recorded in 2021 in the region of 45 million DKK to 65 million DKK. This is due to a combination of a) operational challenges in the plant the first half year of 2021, impacting the financial results, as well as b) continued competitive environment with related margins. The company continues its commitment to R&D offering innovative flexible pipe designs and structures that are appealing to our customers however, market conditions will continuing driving a competitive environment.

The long-term potential of the company continues to be very exciting and success is predicated via continued implementation of new technologies improving the company's global market position and competitiveness.

COVID-19

By 2020, the Covid-19 pandemic has put additional pressure on the physical and mental well-being of our employees caused by health risks and lockdowns. A COVID 19 task force has been set up in March 2020 and has put great focus on protecting our employees during this time by prescribing guidelines and providing protective equipment. This has, among other things, ensured the health of employees during the pandemic.

Income statement 1 January - 31 December

	Note	2020	2019
		DKK	DKK
Revenue	1	**1,245,707,574**	**1,146,186,505**
Raw materials and consumables	11	-633,160,738	-579,458,020
Other external expenses	18	-216,758,893	-246,335,400
Gross profit		**395,787,943**	**320,393,085**
Staff costs	2	-462,575,309	-417,387,404
Profit/loss before amortisation/depreciation and impairment losses		**-66,787,366**	**-96,994,319**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-350,581,077	-92,535,475
Financial income	4	29,074,383	35,750,292
Financial costs	5	-9,410,571	-177,311
Profit/loss for the year		**-397,704,631**	**-153,956,813**
Distribution of profit	6		

Balance sheet 31 December

	Note	2020	2019
		DKK	DKK
Assets			
Completed development projects		19,253,185	42,379,845
Development projects in progress		57,100,222	47,489,506
Intangible assets	7	**76,353,407**	**89,869,352**
Land and buildings		101,961,591	109,376,772
Plant and machinery		80,524,854	327,959,604
Other fixtures and fittings, tools and equipment		158,031	336,370
Property, plant and equipment in progress		20,107,990	43,953,731
Tangible assets	8	**202,752,466**	**481,626,477**
Investments in subsidiaries	9	500,000	500,000
Receivables from group entites	10	1,616,847,250	1,751,887,843
Fixed asset investments		**1,617,347,250**	**1,752,387,843**
Total non-current assets		**1,896,453,123**	**2,323,883,672**
Raw materials and consumables		148,306,559	214,252,603
WIP inventory		2,071,781	13,007,789
Inventory	11	**150,378,340**	**227,260,392**
Trade receivables		219,445,264	165,755,470
Contract work in progress	12	52,096,027	185,123,352
Receivables from group entites		347,221,547	69,052,313
Other receivables		6,253,438	8,604,535
Prepayments	13	7,263,590	6,795,810
Receivables		**632,279,866**	**435,331,480**
Cash at bank and in hand		**0**	**37,108,305**
Total current assets		**782,658,206**	**699,700,177**

Balance sheet 31 December (continued)

	Note	2020	2019
		DKK	DKK
Assets			
Total assets		**2,679,111,329**	**3,023,583,849**

Balance sheet 31 December

	Note	2020 DKK	2019 DKK
Equity and liabilities			
Contributed capital		779,808,000	779,808,000
Reserve for development costs		76,353,407	89,869,351
Retained earnings		1,276,505,819	1,660,694,506
Proposed dividend		0	22,000,000
Equity		**2,132,667,226**	**2,552,371,857**
Other payables		41,012,842	14,145,109
Total non-current liabilities	14	**41,012,842**	**14,145,109**
Prepayments received from customers		1,231,531	9,272,663
Trade payables		80,902,628	103,981,327
Payments work in progress	12	232,150,840	243,117,252
Payable to group entities		97,359,347	20,569,588
Other payables		93,786,915	80,126,053
Total current liabilities		**505,431,261**	**457,066,883**
Total liabilities		**546,444,103**	**471,211,992**
Total equity and liabilities		**2,679,111,329**	**3,023,583,849**
Rent and lease liabilities	15		
Contingent liabilities	16		
Fee to auditors appointed at the general meeting	18		
Related parties and ownership structure	17		
Special items	19		
Accounting policy	20		

Statement of changes in equity

	Contributed capital	Reserve for development costs	Retained earnings	Proposed dividend	Total
Equity at 1 January 2020	779,808,000	89,869,351	1,660,694,506	22,000,000	2,552,371,857
Development projects capitalised	0	9,610,716	-9,610,716	0	0
Payment of prior years approved dividend	0	0	0	-22,000,000	-22,000,000
Net profit/loss for the year	0	-23,126,660	-374,577,971	0	-397,704,631
Equity at 31 December 2020	**779,808,000**	**76,353,407**	**1,276,505,819**	**0**	**2,132,667,226**

Notes

		2020	2019
		DKK	DKK
1	**Revenue**		
	The production value of completed and ongoing construction contracts	1,182,671,427	1,065,997,999
	Other revenue	63,036,147	80,188,506
	Total revenue	**1,245,707,574**	**1,146,186,505**
	Revenue allocated to geographical segments:		
	Scandinavia	687,542,556	427,014,243
	Other European countries	62,910,242	77,207,397
	Other countries in rest of the world	495,254,776	641,964,865
	Total revenue	**1,245,707,574**	**1,146,186,505**

		2020	2019
		DKK	DKK
2	**Staff costs**		
	Wages and salaries	386,527,660	353,576,261
	Staff costs	38,984,041	36,215,421
	Other social security costs	37,063,608	27,595,722
		462,575,309	**417,387,404**
	Including remuneration to the executive board:		
	Supervisory Board and executive board	9,608,783	12,080,277
		9,608,783	**12,080,277**
	Average number of employees	693	694

Notes

	2020	2019
	DKK	DKK
3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Depreciation intangible assets	17,986,959	20,280,079
Depreciation tangible assets	36,358,702	72,255,396
Impairment intangible assets	5,139,701	0
Impairment tangible assets	291,095,715	0
	350,581,077	**92,535,475**
which breaks down as follows:		
Completed development projects	17,986,959	20,280,079
Buildings	17,886,678	12,963,875
Plant and machinery	18,419,673	59,215,193
Other fixtures and fittings, tools and equipment	52,351	76,328
Impairment of intangible assets	5,139,701	0
Impairment of tangible assets	291,095,715	0
	350,581,077	**92,535,475**

	2020	2019
	DKK	DKK
4 Financial income		
Interest from group enterprises	23,375,682	33,155,985
Exchange adjustments	5,698,701	2,594,307
	29,074,383	**35,750,292**

	2020	2019
	DKK	DKK
5 Financial costs		
Other financial costs	9,410,571	177,311
	9,410,571	**177,311**

Notes

		2020	2019
		DKK	DKK
6	**Distribution of profit**		
	Proposed dividend for the year	0	22,000,000
	Payment of dividend declared in 2020	0	513,429,164
	Transfer for the year for development costs	-23,126,660	-20,280,079
	Retained earnings	-374,577,971	-669,105,898
		-397,704,631	**-153,956,813**

7 Intangible assets

	Completed development projects	Patents	Development projects in progress
Cost at 1 January 2020	210,950,994	12,859,399	47,489,506
Additions for the year	0	0	9,610,716
Cost at 31 December 2020	210,950,994	12,859,399	57,100,222
Impairment losses and amortisation at 1 January 2020	168,571,149	12,859,399	0
Impairment losses for the year	5,139,701	0	0
Amortisation for the year	17,986,959	0	0
Impairment losses and amortisation at 31 December 2020	191,697,809	12,859,399	0
Carrying amount at 31 December 2020	**19,253,185**	**0**	**57,100,222**

Intangible assets has been affected by an impairment in 2020, due to no current demand. Completed development projects include development and test of special pipe and molding technologies. Management has high expectations to the use of the technology and has not identified any additional indication of impairment in relation to the carrying amount of the development projects.

Notes

8 Tangible assets

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress
Cost at 1 January 2020	317,367,508	1,235,085,098	5,264,047	43,953,731
Disposal for the year	0	-4,265,556	0	0
Additions for the year	0	0	0	51,706,878
Transfers for the year	11,949,615	63,603,004	0	-75,552,619
Cost at 31 December 2020	329,317,123	1,294,422,546	5,264,047	20,107,990
Impairment losses and depreciation at 1 January 2020	207,990,736	907,125,495	4,927,677	0
Impairment losses for the year	1,478,118	289,491,563	125,988	0
Depreciation for the year	17,886,678	18,419,673	52,351	0
Disposal for the year	0	-1,139,039	0	0
Impairment losses and depreciation at 31 December 2020	227,355,532	1,213,897,692	5,106,016	0
Carrying amount at 31 December 2020	**101,961,591**	**80,524,854**	**158,031**	**20,107,990**

Tangible assets have been affected by an impairment in 2020, due to change in market conditions. In 2020 there was a reduced demand for oil and gas caused by international restrictions put in place due to COVID-19 and the disagreement between the two largest oil and gas producers caused oil prices to crash in early March 2020. Intangible assets has been affected by an impairment in 2020, due to no current demand.

Notes

		2020	2019
		DKK	DKK
9	**Investments in subsidiaries**		
	Cost at 1 January 2020	500,000	500,000
	Cost at 31 December 2020	500,000	500,000
	Carrying amount at 31 December 2020	**500,000**	**500,000**

Investments in subsidiaries are specified as follows:

Name	Registered office	Owner ship int erest	Equity	Profit/loss for the year
NOV Flexibles Holding ApS	Brøndby, Denmark	100%	280,335,573	-131,179,571
NOV Flexibles Equipamentos eServiços Ltda.	Rio de Janeiro, Brazil	99.9%	1,135,645,884	190,662,215

10 Receivables from group entites

	Receivables from group entites
Cost at 1 January 2020	1,751,887,844
Interest for the year	30,260,893
Payment for the year	-16,176,747
Transfer to current assets	-149,124,740
Cost at 31 December 2020	1,616,847,250
Carrying amount at 31 December 2020	**1,616,847,250**

Loans/receivables falling due between 1 and 5 years amount to 1.072.856.977 TDKK (0 TDKK) and loans/receivables falling due efter 5 years amount to 543.988.642 TDKK (1,751,887,844 TDKK).

Notes

	2020	2019
	DKK	DKK
11 Inventory		
Raw materials and consumables	148,306,559	214,252,603
WIP inventory	2,071,781	13,007,789
	150,378,340	**227,260,392**

Raw materials and consumables are affected by a writedown of 25,009 TDKK in 2020 due to change in marked conditions.

	2020	2019
	DKK	DKK
12 Contract work in progress		
Work in progress, selling price	2,531,776,569	3,756,874,124
Work in progress, payments received on account	-2,711,831,382	-3,814,868,024
	-180,054,813	**-57,993,900**
Recognised in the balance sheet as follows:		
Contract work in progress under assets	52,096,027	185,123,352
Prepayments received under liabilities	-232,150,840	-243,117,252
	-180,054,813	**-57,993,900**

13 Prepayments

Prepayments comprise prepaid expenses regarding rent of 3,233 TDKK (1,819 TDKK) and deposits of 4,031 TDKK (4,977 TDKK).

14 Long term debt

	2020	2019
	DKK	DKK
Other payables		
After 5 years	39,432,272	13,599,979
Between 1 and 5 years	1,580,570	545,130
Non-current portion	41,012,842	14,145,109

Notes

15 Rent and lease liabilities

Operating lease liabilities.
Total future lease payments:

Within 1 year	6,901,214	6,835,023
Between 1 and 5 years	3,121,537	4,823,356
	10,022,751	**11,658,379**

Rental and lease obligations concerning services, cars, lease of buildings and land.

Notes

16 Contingent liabilities

Recourse and non-recourse guarantee commitments
The company has entered into a number of contracts for delivery in 2021 - 2024 committing the company to deliver flexible pipe systems to customers.

The company has granted usual bank guaranties for projects amounting to a total of 164,061 TDKK (159,575 TDKK).

The company has no contingent liabilities.

17 Related parties and ownership structure

Transactions	Parent company	Subsidiary	Group Enterprices
Royalty, revenue		18,631,610.66	
Sales projects, Goods and service revenue		36,292,561.02	30,402,230.44
Management fee, recharge and other costs	-19,158,422.35		-18,276,014.13
Goods and service, costs	-5,628,984.93	-58,627,621.60	-50,915,770.21
Interest, income		29,209,878.19	1,420,861.19

Balance per 31, December 2020			
Loan, Receivables		1,616,845,619.31	149,124,740.19
Cash pool, receivables			171,730,010.15
Other receivables		7,437,409.53	18,929,387.18
Other liabitlites		-112,572.69	-18,391,530.18

Consolidated financial statements

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

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
https://investors.nov.com/annual-results

Notes

	2020	2019
	DKK	DKK
18 Fee to auditors appointed at the general meeting		
EY		
Audit fee	1,299,048	1,323,981
Tax advisory services	640,123	1,175,000
	1,939,171	**2,498,981**

19 Special items

Special items includes significant income and expenses, which have a special nature compared to the entity's ordinary operating activities.

The carrying value of both the inventory and tangible assets depends largely on the Company's income expectations, which again is dependent on the activity levels for oil and gas well drilling, oil and gas prices together with the general outlook for economic growth worldwide, and the available financing for the Company's customers, political stability and governmental regulation in major oil and gas producing areas

In 2020, management have analysed impairment indicators in accordance with the accounting policies. With reference to the Managements review, fixed assets have been impaired with 291,096 TDKK and inventory have been impaired with 25,009 TDKK

The impairments have been recognized as the following in the income statement:

- Raw materials and consumables; 25,009,712 DKK
- Depreciation, amortisation and impairment of intangible assets and property, plant and equipment; 291,095,715 DKK

The background for these impairments is a change in the market conditions. In 2020 there was a reduced demand for oil and gas caused by internal restrictions put in place due to COVID-19 and the disagreement between the two largest oil and gas producers caused the oil prices to crash in early March 2020.

20 Accounting policies

The annual report of National Oilwell Varco Denmark I/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

Notes

20 Accounting policies

Effective from the financial year 2020, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed a requirement for further disclosures. The accounting policies used in the preparation of the financial statements are consistent with those of last year.

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

Segment information

Information is provided on geographical markets. The segment information is based on the company's accounting policies, risks and internal financial management.

Notes

20 Accounting policies

Revenue

The Company adopted IFRS 15 as interpretation for recognition of revenue. The Company uses the percentage-of-completion method to account for certain long-term construction contracts in the Completion and productions for special productions of flexible pipes. These long-term construction contracts include the following characteristics:

- The contract include custom designs for customer specific applications

- The structural design is unique and requires significant engineering efforts, and

- Constructions have progress payments

The Company to make estimates regarding the total costs of the project, progress against the project schedule and the estimated completion date, all of which impact the amount of revenue and gross margin the Company. The Company prepares detailed cost to complete estimates at the beginning of each project, taking into account all factors considered likely to affect gross margin. Factors that may affect future project costs and margins include shipyard access, weather, production efficiencies, availability and costs of labor, materials and subcomponents and other factors as mentioned in "Risk Factors." These factors can significantly impact the accuracy of the Company's estimates and materially impact the Company's future reported earnings.

Revenue from royalty is recognized in the income statement if the general criterial are met, e.g. that the service concerned has been provided, that the amounts can be made up reliably, and that the amounts can expected to be received.

Revenue recognition from rental or services of the equipment is recognized in the income statement provided that the delivery and transfer risk to the buyer have taken place before year end and that the income can be reliably measured and is expected to be received. Revenue is measured ex VAT, taxes and discounts in relation to the sale.

Raw materials and consumables

The item includes raw materials and consumables, wages and salaries used in in production.

Other external expenses

Other external expenses include expenses related to distribution, sale, advertising, administration, premises, bad debts, lease payments under operating leases, intercompany charges, as well as research and development costs that do not qualify for capitalization.

20 Accounting policies

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees including remuneration to the Board of Directors and the Board of Management.

Amortisation, depreciation and impairment losses

The item includes amortisation, depreciation and impairment of non-current assets. Amortisation/depreciation is provided using the straight-line method on the basis of the cost and the assessments of the useful life and residual value of the assets as described in section intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses include interest income and expense, gains and losses on securities, gains and losses on contracts in foreign currency, payables and transactions denominated in foreign currencies.

Tax on profit/loss for the year

National Oilwell Varco Denmark I/S is not a separate taxable entity, and therefore taxes are recognized by the partners. For that reason, no taxes of the profit for the year have been recognized in the income statement, just like no deferred taxes or current/receivable taxes have been recognized in the balance sheet.

Balance sheet

Intangible assets

Development projects, patents and licences

Development costs comprise costs, wages/salaries and amortisation losses that are directly and indirectly attributable to the company's development activities. Development projects that are clearly defined and identifiable, where the technical utilization degree, sufficient resources and a potential future market or development opportunities in the company are evidenced, and where the company intends to produce, market or use the project, are recognized as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover operating costs and development costs. Other development costs are recognized in the income statement when incurred.

Developments projects recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses. Following the completion of a development project, the capitalized development project is allocated and reclassified to completed development projects and amortized on a straight-line basis over the estimated useful life. The amortization period is usually five years.

Notes

20 Accounting policies

Patents are measured at cost less accumulated amortization and impairment. Patents are amortized on a straight-line basis over the remaining patent period, although not exceeding 8 years.

The residual value of intangible assets is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further amortization charges are recognized. In case of changes in the residual value, the effect on the amortization charges is recognized prospectively as a change in accounting estimates.

Intangible assets are written down to the recoverable amount if this is lower than the carrying amount. Impairment tests of development projects in progress are conducted annually. Gains and losses on the disposal of development projects, patents and licences are determined as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Tangible assets

Items of land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructd assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

The cost is supplemented by the present value of estimated liabilities related to dismantling and removing the asset and restoring the site on which the asset was utilized. The cost of a total asset is divided into separate elements, which are depreciated separately if the useful lives of the separate elements are different.

Subsequent costs, e.g. relating to replacement of parts of an item of property, plant and equipment, are recognized in the carrying amount of the asset if it is probable that the costs will result in future economic benefits for the group. The carrying amount of the replaced parts is derecognized in the balance sheet and recognized in the income statement. All costs incurred for ordinary repair and maintenance are recognized in the income statement as incurred.

20 Accounting policies

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

	Useful life
Buildings	25 years
Plant and machinery	8-15 years
Fixtures and fittings, tools and equipment	3-8 years
Computer hardware	4 years
Cars	3-5 years

Property, plant and equipment are written down to the recoverable amount if this is lower than the carrying amount.The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. 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 of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed and when the reason for recognition no longer exists.

Leases

Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The company's total obligation relating to operating leases and other leases is disclosed in contingent liabilities, etc.

Investments in subsidiaries, associates and participating interests

Investment in subsidiaries and associates 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 going forward. 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

20 Accounting policies

Inventory

Inventory are measured at cost using the weighted average method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

The cost of goods for resale, raw materials and consumables comprises the purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not recognized.

The net realisable value of inventory is calculated as the expected selling price less direct costs of completion and expenses incurred to effect the sale. The net realisable value is determined taking into account marketability, obsolescence and expected selling price movements.

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.

Contract work in progress

Contract work in progress is measured at the selling price of the work performed. The selling price is measured by reference to the stage of completion at the balance sheet date and the expected aggregate income from the individual work in progress. The stage of completion is determined as the share of the expenses incurred relative to the expected total expenses for the individual work in progress.

Where the selling price of work in progress cannot be estimated reliably, the selling price is measured at the lower of costs incurred and net realisable value.

Payments on account are set off against contract work in progress. Progress billings received in excess of the contract work performed are calculated separately for each contract and recognized as prepayments from customers under short-term liabilities other than provisions.

Selling costs and costs incurred in securing contracts are recognised in the income statement as incurred.

20 Accounting policies

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank deposits.

Cash-pool deposits are, based on the characteristics of the cash-pool, not considered a part of the cash balance, but as part of receivables from group enterprises.

Equity

Reserve for development costs

The reserve for development costs comprises recognized development costs. The reserve cannot be used to distribute dividends or cover losses. The reserve will be reduced or dissolved if the recognized development costs are no longer part of the Company's operations by a transfer directly to the distributable reserves under 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.

Liabilities

Liabilities, which include trade payables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal 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. If foreign currency transactions are considered cash flow hedges, the value adjustments are taken directly to equity.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Positive and negative fair values of derivative financial instruments are included in 'Other receivables' or 'Other payables', respectively.

Notes

20 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 NOV Inc.'s consolidated cash flow statement.

Definitions of financial ratios.

Gross margin ratio	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
EBIT margin	$\frac{\text{Profit/loss before financials x 100}}{\text{Revenue}}$
Equity ratio	$\frac{\text{Equity at year-end x 100}}{\text{Total assets at year-end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$
Return on invested capital	$\frac{\text{EBITA x 100}}{\text{Average invested capital excluding goodwill}}$
Current ratio	$\frac{\text{Total current assets x 100}}{\text{Short-term liabilities}}$