

SubSeaFlex Holding ApS

**Priorparken 480
DK-2605 Brøndby**

CVR no. 11 93 19 79

**Annual report for the period
1. januar to 31. december 2019**

Adopted at the annual general
meeting on 10 September 2020



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
Management's review	6
Financial statements	
Income statement 1 January - 31 December	7
Balance sheet 31 December	8
Statement of changes in equity	10
Notes to the annual report	11
Accounting policies	15

Statement by management on the annual report

The executive board has today discussed and approved the annual report of SubSeaFlex Holding ApS for the financial year 1. januar - 31. december 2019.

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 2019 and of the results of the company's operations for the financial year 1. januar - 31. december 2019.

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.

Brøndby, 10 September 2020

Executive board



Trevor Brian Martin
director



Robbert Oudendijk
director

Independent auditor's report

To the shareholder of SubSeaFlex Holding ApS

Opinion

We have audited the financial statements of SubSeaFlex Holding ApS for the financial year 1. januar - 31. december 2019, 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 financial position of the company at 31. december 2019 and of the results of the company's operations for the financial year 1. januar - 31. december 2019 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 rules and 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 as to 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 the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, 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 note 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.

Copenhagen, 10 September 2020

EY
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Rasmus Bloch Jespersen
state authorised public accountant
MNE no. 35503

Company details

The company	SubSeaFlex Holding ApS Priorparken 480 DK-2605 Brøndby Telephone: +45 43483000 Website: https://www.nov.com/products/flexible-pipe-products CVR no.: 11 93 19 79 Reporting period: 1. januar - 31. december 2019 Incorporated: 1. January 1988 Domicile: Brøndby
Executive board	Trevor Brian Martin, director Robbert Oudendijk, director
Shareholders	National Oilwell Varco Norway AS, Korsvikfjorden Industriområde, N-4639 Kristiansand S, Norway (100%)
Subsidiaries	National Oilwell Varco Denmark I/S (51%)
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36 2000 Frederiksberg
Bankers	DNB Bank ASA

Management's review

Business review

The company's significant activity is its 51% stake in National Oilwell Varco Denmark I/S. 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 in 2011 established a subsidiary in Brazil with a fully operational production plant.

Financial review

The company's income statement for the year ended 31 December 2019 shows a profit of DKK 258,706,271, and the balance sheet at 31. december 2019 shows equity of DKK 356,756,912.

Profit for 2019 is in line with expectations.

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.

Income statement 1 January - 31 December

	<u>Note</u>	<u>2019</u> DKK	<u>2018</u> DKK
Gross profit		-207,253	-124,181
Income from investments in group enterprises		262,122,543	55,488,958
Impairment losses from investment in group enterprises		-236,803	0
Financial costs	1	<u>-816,554</u>	<u>-1,036,534</u>
Profit/loss before tax		260,861,933	54,328,243
Tax on profit/loss for the year	2	<u>-2,155,662</u>	<u>-13,924,300</u>
Profit/loss for the year		<u>258,706,271</u>	<u>40,403,943</u>
 Distribution of profit			
 Recommended appropriation of profit/loss			
Payment of dividend declared in 2019		155,801,520	0
Retained earnings		<u>102,904,751</u>	<u>40,403,943</u>
		<u>258,706,271</u>	<u>40,403,943</u>

Balance sheet 31 December

	<u>Note</u>	<u>2019</u> DKK	<u>2018</u> DKK
Assets			
Investments in subsidiaries	3	<u>399,707,189</u>	<u>400,264,791</u>
Fixed asset investments		<u>399,707,189</u>	<u>400,264,791</u>
Total non-current assets		<u>399,707,189</u>	<u>400,264,791</u>
Receivables from group enterprises		<u>6,141,387</u>	<u>5,928,847</u>
Receivables		<u>6,141,387</u>	<u>5,928,847</u>
Total current assets		<u>6,141,387</u>	<u>5,928,847</u>
Total assets		<u>405,848,576</u>	<u>406,193,638</u>

Balance sheet 31 December

	<u>Note</u>	<u>2019</u> DKK	<u>2018</u> DKK
Equity and liabilities			
Share capital		75,400,000	75,400,000
Retained earnings		<u>281,356,912</u>	<u>178,452,159</u>
Equity	4	<u>356,756,912</u>	<u>253,852,159</u>
Provision for deferred tax	5	<u>34,163,566</u>	<u>32,396,549</u>
Total provisions		<u>34,163,566</u>	<u>32,396,549</u>
Payables to group enterprises		<u>0</u>	<u>39,211,562</u>
Total non-current liabilities		<u>0</u>	<u>39,211,562</u>
Payables to group enterprises		14,838,098	34,550,240
Corporation tax		0	46,099,128
Other payables		<u>90,000</u>	<u>84,000</u>
Total current liabilities		<u>14,928,098</u>	<u>80,733,368</u>
Total liabilities		<u>14,928,098</u>	<u>119,944,930</u>
Total equity and liabilities		<u>405,848,576</u>	<u>406,193,638</u>
Contingent liabilities	6		
Related parties and ownership structure	7		

Statement of changes in equity

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2019	75,400,000	178,452,161	253,852,161
Net profit/loss for the year	0	102,904,751	102,904,751
Equity at 31 December 2019	<u>75,400,000</u>	<u>281,356,912</u>	<u>356,756,912</u>

Notes

	<u>2019</u>	<u>2018</u>
	DKK	DKK
1 Financial costs		
Financial expenses, group enterprises	368,545	739,978
Other financial costs	<u>448,009</u>	<u>296,556</u>
	<u>816,554</u>	<u>1,036,534</u>
2 Tax on profit/loss for the year		
Current tax for the year	0	81,131,905
Deferred tax for the year	1,767,017	-75,814,974
Adjustment of tax related to prior years	-5,615,052	268,556
Foreign paid tax	6,003,697	15,325,591
Foreign paid tax with possible credit	<u>0</u>	<u>-6,986,778</u>
	<u>2,155,662</u>	<u>13,924,300</u>
3 Investments in subsidiaries		
Cost at 1 January 2019	400,264,791	400,264,791
Capital reduction for the year	<u>-320,799</u>	<u>0</u>
Cost at 31 December 2019	<u>399,943,992</u>	<u>400,264,791</u>

Notes

Impairment losses and depreciation of actuarial gains (losses)	<u>-236,803</u>	<u>0</u>
Revaluations at 31 December 2019	<u>-236,803</u>	<u>0</u>
Carrying amount at 31 December 2019	<u>399,707,189</u>	<u>400,264,791</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 2019. 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 2020-2023 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 11% to 43% and a growth rate of 2.25 % has been applied for the terminal period. A WACC after tax of 11.2% has been applied as a discount factor. As result of the impairment test the investment in subsidiaries have been affected by an impairment of 237 TDKK

Investments in subsidiaries are specified as follows:

Name	Registered office	Ownership interest	DKK Equity	DKK Profit/loss for the year
National Oilwell Varco Denmark I/S	Brøndby, Denmark	51%	2,552,371,856	-153,956,813
NOV Flexibles Equipamentos e Serviços Ltda.	Rio de Janeiro, Brazil	0.1%	1,377,280,177	44,630,183

4 Equity

The share capital consists of 7,540 shares of a nominal value of DKK 10,000. No shares carry any special rights.

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

Notes

	<u>2019</u>	<u>2018</u>
	DKK	DKK
5 Provision for deferred tax		
Provision for deferred tax at 1 January 2019	32,396,549	108,211,523
Adjustment of provision for deferred tax of the year	<u>1,767,017</u>	<u>-75,814,974</u>
Provision for deferred tax at 31 December 2019	<u>34,163,566</u>	<u>32,396,549</u>

Tax loss for the year of -17.6 MDKK has not been recognised, due to uncertainty as to the future utilization, of tax loss carry forward.

6 Contingent liabilities

The company has no contingent liabilities.

The company and National Oilwell Varco Denmark I/S are subject to unlimited joint liability for debt amounting to a total of 471,213 TDKK (264,654 TDKK). The company 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.

7 Related parties and ownership structure

Controlling interest

National Oilwell Varco Norway AS.

Notes

7 Related parties and ownership structure (continued)

Other related parties

Companies owned directly or indirectly by SubseaFlex Holding ApS:

Priorparken 480
National Oilwell Varco Denmark I/S
2605 Brøndby
Equity interest: 51%

NOV Flexibles Holding ApS
Priorparken 480
2605 Brøndby
Equity interest: 51%

NOV Flexibles Equipamentos e Serviços Ltda.
Avenida Republica do Chile, 500, 24 andar - Centro
Centro de Janeiro
Brazil, 20031-170
Equity interest: 51%

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 Norway AS
Dvergsnesbakken 25
N-4636 Kristiansand S
Norway

Consolidated financial statements

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

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

Priorparken 480
2605 Brøndby
Denmark

Accounting policies

The annual report of SubSeaFlex Holding ApS for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The accounting policies applied are consistent with those of last year.

The annual report for 2019 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.

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, financial expenses relating to finance leases, realised and unrealised capital/exchange gains and losses on securities and foreign currency transactions.

Accounting policies

Income from investments in group enterprises

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

Investment in group enterprises

Investments in subsidiaries are recognized in the balance sheet at cost. If the recoverable amount is lower than cost, investments in subsidiaries are written down 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.

Fixed asset investments

Impairment of fixed assets

The carrying amount of investments in subsidiaries is tested for impairment 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.

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.

Accounting policies

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.

Cash and withdrawals

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 withdrawals on the cash-pool account are considered as either receivables from or payables to affiliated companies.

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 according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax adjustments resulting from changes in tax rates are recognised in the income statement, with the exception of items taken directly to equity.

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.