National Oilwell Varco Denmark I/S

Annual Report 2016
for the period 1 January - 31 December 2016

Approved at the company's annual general meeting
31 May 2017

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chairman

CVR no. 24 25 52 98

Contents

Endorsements

Statement by the Management and the Board of directors

Today, the Management and the Board of directors have discussed and approved the Annual Report of National Oilwell Varco Denmark I/S for the financial year 1 January 2016 - 31 December 2016.

The Annual Report has been 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 assets, liabilities and financial position at 31 December 2016 and of the results of the company's operations and cash flows for the financial year 1 January 2016 - 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend the annual report for approval by the general meeting.

Brøndby, May 31, 2017

Executive Committee

Michael Chino Hjorth
President, SubSea Production System (SPS)

Michael Halberg
VP Operations

Keld Ringgaard
VP Finance

Board of Directors

Per Geir Løvstad
Chairman

Robbert Oudendijk
Deputy chairman

Trevor Brian Martin

Endorsements

Independent auditor's reports

To the partners 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 2016, which comprise an income statement, balance sheet and equity statement and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016 in accordance with the Danish

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 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 additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism 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.

Endorsements

Independent auditor's reports - continued

- 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.

Independent auditor's report

- 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 conclusion is 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

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Endorsements

Independent auditor's reports - continued

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review

Copenhagen, 31 May 2017

Ernst & Young
Godkendt Revisionspartnerselskab
Cvr-nr. 30 70 02 28

Brian Stubtoft
state authorised public accountant

Management's review

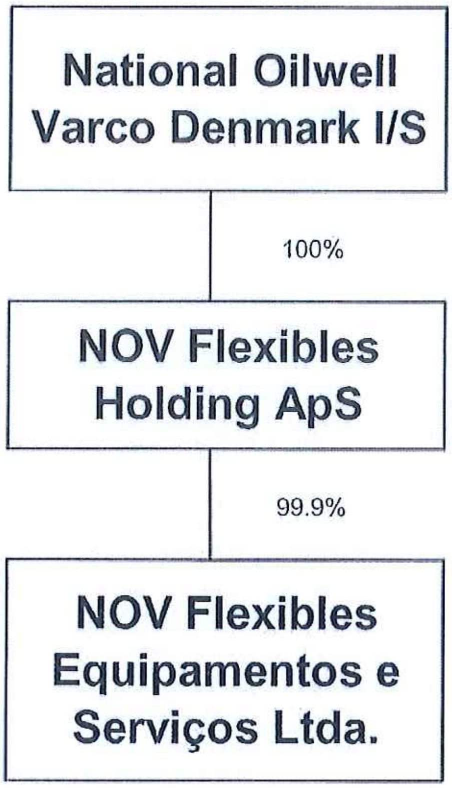
Company details

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

Telephone:	+45 4348 3000
Facsimile:	+45 4348 3010
Homepage:	www.nov.com/flexibles
E-mail:	flexibles@nov.com
CVR no.:	24 25 52 98
Established:	1 July 1999
Registered office:	Brøndby, Denmark
Financial year:	1 January - 31 December
Board of directors:	Per Geir Løvstad (chairman) Robbert Oudendijk (deputy chairman) Trevor Brian Martin
Management:	Michael Chino Hjorth, President, SubSea Production System (SPS) Michael Halberg, VP Operations Keld Ringgaard, VP Finance
Bank:	DNB Bank ASA Nordea Bank Danmark A/S
Auditor:	Ernst & Young, Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, 2000 Frederiksberg

Management's review

Group chart



Management's review

Financial highlights

DKK million	2016	2015	2014	2013	2012
Key figures					
Revenue	1,720.2	1,939.2	2,546.2	2,433.8	1,597.3
Profit before amortisation, depreciation and impairment	248.2	415.6	770.6	618.5	292.8
Profit before items under financial income and expense, net	157.2	334.0	684.5	530.3	211.8
Net profit for the year	**147.3**	**360.0**	**703.6**	**536.7**	**193.7**
Non-current assets	2,308.4	2,000.2	1,650.6	774.8	876.8
Current assets	924.3	1,576.5	2,041.3	1,912.4	1,200.2
Investments	53.2	84.7	61.6	93.2	257.3
Total assets	**3,232.7**	**3,576.7**	**3,691.9**	**2,687.2**	**2,077.0**
Equity	**2,863.1**	**2,961.1**	**2,903.4**	**2,199.8**	**1,663.2**
Short-term liabilities other than provision	369.5	615.6	788.5	487.4	409.9
Financial ratios					
Net profit ratio	9%	17%	27%	22%	13%
Return on invested capital	5%	9%	21%	22%	11%
Gross margin ratio	47%	57%	58%	53%	53%
Current ratio	250%	256%	259%	392%	293%
Solvency ratio	89%	83%	79%	82%	80%
Return on equity	5%	12%	28%	28%	12%
Average number of employees	**763**	**840**	**872**	**815**	**738**

The financial ratios have been prepared in accordance with the guidelines for calculation of financial ratios laid down by the Danish Society of Financial Analysts on recommendations & key figures 2015. For terms and definitions please be referred to the accounting policies.

Management review

Financial review - continued

Presentation of the company

National Oilwell Varco Denmark I/S 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 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 2016 National Oilwell Varco Denmark I/S counted approx. 740 employees. 50 % of the employees work at the Kalundborg factory primarily concerned with the production of flexible pipe products. The remaining 50 % of the employees work in the headquarters in Brøndby 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 subsidiary in Brazil.

Development in activities and financial conditions

In 2016, National Oilwell Varco Denmark I/S realized a revenue of 1,720 million DKK compared to revenue of 1,939 million DKK in 2015, equivalent to a decrease of 11.3%.

The profit for the year before amortization and depreciation amounts to 248 million DKK compared to 416 million DKK in 2015, equivalent to a decrease of 40 %. The net profit for 2015 amounts to 147 million DKK compared to 360 million DKK in 2015, equivalent to a decrease of 59%.

Management review

Financial review - continued

Management considers the 2016 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 impact on the activity in the market.

Currency related risk

Activities abroad result in earnings and equity to be affected by exchange rate and interest rate developments for a number of currencies. It is the company's policy to 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.

Interest rate risk

Since the interest-bearing net debt does not represent a significant amount, moderate changes in the interest rates level will not have any significant effect on earnings. As a result the company does not hedge against interest rate risks.

Significant events and matters affecting the annual report

Management has reviewed each item on the inventory list and assessed if the item could be used on projects in a foreseeable future.

Raw materials & consumables (inventory) and raw materials & consumables used (cogs) are affected by a write down in the amount of 115.395 TDKK that in the opinion of the management do not form part of the operating activities.

Profit for the year compared to previous expectations

The profit for the year was according to the company's expectations. In 2016, revenue decreased by 11.3% according to expectations, primarily due to the transfer of the Frame Agreement with Petrobras to NOV Flexibles Equipamentos é Servicos Ltd. in 2015, the current market conditions and a significant inventory write down in the amount of 115.395 TDKK. The result was according to expectations presented in the 2015 annual report as a

Financial review - continued

result of lower margins realized in 2016 due to market conditions and transfer of the Frame Agreement with Petrobras.

Research and development activities

National Oilwell Varco Denmark I/S has its own laboratory and testing facilities in Denmark located at the Kalundborg factory and at the headquarters in Brøndby. The company's R&D department employs more than 75 development engineers and technicians working with material technology, process optimization and methodology for determining service life of flexible pipe systems under different design conditions.

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 unplasticiszed 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 super-critical CO^2 levels, etc.

In 2014, the company entered into a contract with Petrobras concerning qualification of its products for the Brazilian pre-salt fields with water depths down to 2,500 meters under very severe operational conditions. The pre-salt qualification project includes reference engineering, material qualification, design methodologies and full-scale testing. The project is expected to be completed in 2017.

Knowledge resources

It is imperative for National Oilwell Varco Denmark I/S' continued development to attract and maintain highly skilled and specialized manpower, including engineers possessing knowledge within the offshore business.

Corporate social responsibility

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

The Danish company has not prepared any individual politics in respect of social responsibility, including environment, climate impact and human rights. In respect of the group's CSR reporting we refer to http://www.nov.com/About_NOV/Sustainability.aspx

Financial review - continued

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.

Flexibles has the following management levels: 1) Board of Directors, 2) Operational Management Team (OPS), 3) 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. Similar to last year, all members of the board are still men. The 33 % goal has not been reached in 2016, as the underrepresented gender was not appointed to the Board of Directors. The company is working to achieve the 33 % goal by the end of 2017/18.

Other Management Levels

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 (OPS) and management level 3 (MGMT).

Qualitative Goals

The qualitative goals are identical for both management levels and are

- that the female employees in the company feel that they have equal opportunities with regards to career and management positions.
- that employees experience that the company has an open and unbiased culture, where everyone can leverage his or her skills regardless of gender. This is supported by NOV's equal opportunity policies – in National Oilwell Varco Denmark I/S as well as globally: NOV Equal Employment opportunity policy

Quantitative Goals

The company has set an 18% (18 % in 2015) goal for representation of the underrepresented gender in level 2 and 20% (25% in 2015) for level 3. The company is working to achieve the goal by the end of 2017/18.

Management review

Financial review - continued

At present, women represent 20 % (13.3 % in 2015) of level 2 and 12 % (20 % in 2015) of level 3. The percentage shift between level 2 and 3 from 2015 to 2016 is primarily due to movement between the levels and change in size of the levels. In total the underrepresented gender in level 2 and 3 has decreased from 33.3 % in 2015 to 32 % in 2016.

To strengthen the woman representation in the management team, the company strives to have one woman amongst the last three candidates when filling management positions.

Uncertainty in connection with recognition or measurement

The company's revenue is primarily generated from contract work in progress. To a considerable extent the valuation of remaining costs for completion of projects is based on an estimate.

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 date, which materially could affect the assessment of the company's financial position.

Expected development

The Oil & Gas industry is currently in distress due to the low oil price, which has declined from 100+ USD per barrel in 2014 down to a level of approx. 45 - 50 USD per barrel end of 2016. The oil price is the main driver in the SURF market.

The oil companies have reduced CAPEX due to higher production costs and lower oil price resulting in a higher competition and reduced margins in the SURF sector.

Therefore, National Oilwell Varco Denmark I/S expects that 2017 revenue will decline approx. 35% - 40% compared to 2016. This expectation is based on the assumption that the current market environment will be prevailing throughout 2017. Management expects profit before financial items for 2017 to be in the range of 10 – 50 MDKK, which is a decline compared to 2016 due to the market conditions.

In the beginning of 2017, a considerable share of National Oilwell Varco Denmark I/S' production capacity is committed, and the final financial result for 2017 will depend on the company's ability to execute and deliver in accordance with the agreed delivery dates.

The long-term potential of the company will be realized via continued implementation of new technologies improving the company's global competitiveness.

Financial statements

Income statement 1 January - 31 December

	Note	2016 DKK	2015 DKK
Revenue	1	1,720,237,639	1,939,168,485
Work performed for own account and capitalised		71,713,297	37,728,076
		1,791,950,936	1,976,896,561
Raw materials and consumables used	12	917,097,891	841,619,758
Other external expenses	3	183,169,144	216,303,830
Staff costs	2	443,471,557	503,416,025
		1,543,738,592	1,561,339,613
Profit before amortisation and depreciation		248,212,344	415,556,948
Amortisation, depreciation and impairment of non-current assets	4	91,056,126	81,556,692
Profit before financial items		157,156,218	334,000,256
Financial income	5	33,885,232	50,727,552
Financial expenses	6	43,755,216	24,744,989
Profit for the year	7	**147,286,234**	**359,982,819**

Financial statements

Balance sheet at 31 December - Assets

	Note	2016 DKK	2015 DKK
Non-current assets			
Intangible assets	8		
Patents		133,653	527,718
Completed development projects		49,622,719	30,551,111
Development projects in progress		73,279,838	96,428,922
		123,036,210	127,507,751
Property, plant and equipment	9		
Land and buildings		144,122,046	157,956,766
Technical plant and machinery		404,271,301	432,938,550
Fixtures and operating equipment		2,847,776	1,964,828
Property, plant and equipment in progress		34,297,617	27,142,010
		585,538,740	620,002,154
Financial assets			
Investment in subsidiary	10	500,000	500,000
Receivables from group enterprises	11,14	1,599,286,586	1,252,181,866
		1,599,786,586	1,252,681,866
Total non-current assets		2,308,361,536	2,000,191,771
Current assets			
Inventories			
Raw materials and consumables	12	442,395,895	588,731,920
Finished goods		29,878,402	12,433,438
		472,274,297	601,165,358
Receivables			
Trade receivables		101,506,230	279,445,923
Work in progress for third parties	13	307,290,852	286,164,418
Receivables from group enterprises		2,328,530	362,706,233
Other receivables		31,650,724	37,635,119
Prepayments	15	9,267,251	9,415,995
		452,043,587	975,367,688
Cash and cash equivalents		0	4,548
Total current assets		924,317,884	1,576,537,594
TOTAL ASSETS		3,232,679,420	3,576,729,365

Financial statements

Balance sheet at 31 December - Liabilities and equity

	Note	2016 DKK	2015 DKK
Equity			
Equity		2,863,135,363	2,961,133,095
		2,863,135,363	2,961,133,095
Liabilities			
Short-term liabilities			
Prepayments received from customers		21,375,403	56,637,544
Work in progress third parties	13	17,280,272	249,082,753
Trade payables		163,187,958	132,076,789
Payables to group enterprises		57,545,864	13,793,227
Other payables		110,154,560	164,005,958
		369,544,057	615,596,270
Total liabilities		369,544,057	615,596,270
TOTAL LIABILITIES AND EQUITY		3,232,679,420	3,576,729,365

	Note
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Financial statements

Equity statement 1 January - 31 December

DKK	Contributed capital	Retained earnings	Proposed dividend	Hedge of future capital	Reserve for development costs	Total
Equity at 1 January 2015	779,808,000	1,858,617,320	265,000,000	0	0	2,903,425,320
Change is accounting policy for development costs	0	-111,914,821	0	0	111,914,821	0
Equity at 1 January 2015	779,808,000	1,746,702,499	265,000,000	0	111,914,821	2,903,425,320
Development projects capitalised in the year	0	-15,065,212	0	0	15,065,212	0
Hedge of future of the year	0	0	0	-37,275,044	0	-37,275,044
Dividends distributed during the year	0	0	-265,000,000	0	0	-265,000,000
Distribution of net profit	0	137,775,933	235,000,000	0	-12,793,114	359,982,819
Equity at 31 January 2015	779,808,000	1,869,413,220	235,000,000	-37,275,044	114,186,919	2,961,133,095
Dividends distributed during the year	0	0	-235,000,000	0	0	-235,000,000
Development projects capitalised in the year	0	-15,706,226	0	0	15,706,226	0
Hedge of future of the year	0	0	0	-10,283,966	0	-10,283,966
Distribution of net profit	0	167,069,936	0	0	-19,783,702	147,286,234
Equity at 31 January 2016	779,808,000	2,020,776,930	0	-47,559,010	110,109,443	2,863,135,363

Financial statements

Notes

Note		2016 DKK	2015 DKK
1	***Revenue***		
	Revenue		
	The production value of completed and ongoing construction contracts is included in the revenue at an amount of	1,570,200,760	1,856,992,507
	Revenue allocated to geographical segments:		
	Scandinavia	257,001,343	274,188,827
	Other European countries	312,414,789	333,016,343
	Other countries	1,150,821,507	1,331,963,315
		1,720,237,639	1,939,168,485
2	***Staff costs***		
	Wages and salaries	386,323,656	452,150,070
	Pension contributions	38,633,673	41,604,373
	Other social security costs	18,514,228	9,661,582
		443,471,557	503,416,025
	Average number of employees	763	840
	Remuneration to Executive Board and board of directors	12,545,246	14,954,880

Selected members of the executive board are part of the National Oilwell Varco, Inc. stock compensation plan.

Note		2016 DKK	2015 DKK
3	***Fees paid to auditors appointed at the annual general meeting***		
	Total fees to EY	938,758	702,175
	Audit	595,000	656,000
	Tax consultancy	311,258	46,175
	Other services	32,500	0
		938,758	702,175
4	***Amortisation, depreciation and impairment of non-current assets***		
	Patents	1,039,768	1,203,115
	Completed development projects	19,783,702	12,793,114
	Buildings	14,047,068	13,666,522
	Technical plant and machinery	56,066,119	53,757,141
	Fixtures and operating equipment	119,469	136,800
		91,056,126	81,556,692

Financial statements

Notes

Note		2016 DKK	2015 DKK
5	***Financial income***		
	Interests from group enterprises	30,857,464	28,450,235
	Other interests, exchange rate gains and other financial income	3,027,768	22,277,317
		33,885,232	50,727,552
6	***Financial expenses***		
	Other interests, exchange rate losses and other financial expenses	43,755,216	24,744,989
		43,755,216	24,744,989
7	**Proposal for the distribution of net profit:**		
	Proposed dividend	0	235,000,000
	Reserve for development costs	-19,783,702	-12,793,114
	Retained earnings	167,069,936	137,775,933
		147,286,234	359,982,819

8 ***Intangible assets***

DKK	Patents	Completed development projects	Development projects in progress
Cost at 1 January 2016	12,213,696	116,869,804	96,428,922
Additions	645,703	0	15,706,226
Disposals	0	0	0
Transfer	0	38,855,310	-38,855,310
Cost at 31 December 2016	12,859,399	155,725,114	73,279,838
Amortizations at 1 januar 2016	11,685,978	86,318,693	0
Amortizations	1,039,768	15,630,255	0
Write-down	0	4,153,447	0
Disposals	0	0	0
Amortizations at 31 december 2016	12,725,746	106,102,395	0
Carrying amount at 31 December 2016	133,653	49,622,719	73,279,838
Amortised over a period of	5 years	5 years	-

Notes

Note

9 *Property, plant and equipment*

DKK	Land and buildings	Technical plant and machinery	Fixtures and operating equipment	Property, plant and equipment in progress
Cost at 1 January 2016	316,253,604	1,115,071,005	12,322,386	27,142,010
Additions	0	0	0	36,821,413
Disposals	0	6,052,180	0	0
Transfer	212,348	28,451,041	1,002,417	-29,665,806
Cost at 31 December 2016	316,465,952	1,137,469,866	13,324,803	34,297,617
Depreciation at 1 January 2016	158,296,838	682,132,455	10,357,558	0
Depreciation	14,047,068	56,066,119	119,469	0
Disposals	0	5,000,009	0	0
Depreciation at 31 December 2016	172,343,906	733,198,565	10,477,027	0
Carrying amount at 31 December 2016	144,122,046	404,271,301	2,847,776	34,297,617
Depreciated over a period of	25 years	8 - 15 years	3 - 8 years	-

Financial statements

Notes

Note		2016 DKK	2015 DKK
10	***Investment in subsidiary***		
	Cost at 1 January	500,000	500,000
	Additions	0	0
	Cost at 31 December	500,000	500,000
	Carrying amount at 31 December	500,000	500,000

DKK Name	Registered office	Voting and ownership share	Equity	Profit for the year
NOV Flexibles Holding ApS	Brøndby, Denmark	100%	-96,406,758	-23,435,116
NOV Flexibles Equipamentos e Servicos Ltda.	Rio de Janairo, Brazil	99.9%	2,381,647,013	208,864,965

Note		2016 DKK	2015 DKK
11	***Receivables from subsidiary***		
	Receivables at 1 January	1,252,181,866	904,432,565
	Additions	347,104,720	347,749,301
	Receivables at 31 December	1,599,286,586	1,252,181,866
	Carrying amount at 31 December	1,599,286,586	1,252,181,866

12 ***Inventories***

Raw materials and consumables (inventory) and raw materials and consumables used (cogs) are affected by a write down in the amount of 115.395 TDKK that in the opinion of the management do not form part of the operating activities.

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Note		2016 DKK	2015 DKK
13	***Work in progress***		
	The selling price of the production for period to date	3,157,864,458	5,985,062,872
	Invoicing on account	-2,867,853,878	-5,947,981,206
	Net work in progress	290,010,580	37,081,666
	Recognised as follows in the balance sheet:		
	Work in progress for third parties (asset)	307,290,852	286,164,418
	Work in progress third parties (liability)	-17,280,272	-249,082,753
		290,010,580	37,081,666

14 ***Receivables from group enterprises***

Loans falling due between 1 and 5 years amount to 0 TDKK (0 TDKK) and loans falling due efter 5 years amount to 1.599.287 TDKK (1.252.182 TDKK).

Note		2016 DKK	2015 DKK
15	***Prepayments***		
	Prepaid rent	6,183,007	5,914,770
	Other prepayments	3,084,244	3,501,225
		9,267,251	9,415,995

16 ***Contingent liabilities and other financial liabilities***

Lease contracts

Rental and lease obligations concerning services, cars, lease of buildings and land amount to:

	2016	2015
Falling due within 1 year	22,577	20,655
Falling due between 1 and 5 years	7,786	18,425
Falling due after 5 years	59	0
	30,422	39,080

Contingent liabilities

The company has no contingent liabilities.

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Contractual obligations and guaranties
The company has entered into a number of considerable contracts for delivery in 2017 - 2018 committing the company to deliver flexible pipe systems.

The company has granted usual bank guaranties for projects amounting to a total of 196.106TDKK (280.760 TDKK.).

17 ***Use of derivative financial instruments***
The company uses forward exchange contracts to hedge recognised and non-recognised foreign currency risks. Currencies which are part of the EMU-cooperation are not hedged.

Expected future transactions
The company uses forward exchange contracts to hedge expected currency risks from already entered construction contracts concerning the sale of goods.

		2016	2015
TDKK	Nom-value	TDKK	TDKK
Forward-exchange contracts	806,844	7,829	52,009

At December 31, 2016, the Company has determined that the fair value of its derivative financial instruments representing liabilities of 7,829 TDKK (currency related derivatives) are determined using level 2 inputs (inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability) in the fair value hierarchy as the fair value is based on publicly available foreign exchange and interest rates at each financial reporting date. At December 31, 2016, the net fair value of the Company's foreign currency forward contracts totaled a net liability of 7,829 TDKK.

18 ***Related parties and ownership***

Joint control
SubSeaFlex Holding ApS
Danco AS

Other related parties
In addition, the company's related parties include related entities, associated entities board of directors, executive board, managing employees as well as those persons releted family members. Further, related parties in those entities in which those persons have significant investments.

Note

19 ***Related parties and ownership - continued***

Ownership
SubSeaFlex Holding ApS
Priorparken 480
DK-2605 Brøndby
Denmark
Equity interest: 51 %
(SubSeaFlex Holding ApS is owned by National Oilwell Varco Norway AS)

Danco AS
Dvergsnesbakken 25
Postboks 401 Lundsiden
N-4604 Kristiansand
Norway
Equity interest: 49 %
(Danco AS is owned by National Oilwell Varco Norway AS)

The ultimate parent company preparing 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.

Note

19 ***Group companies***

Companies owned directly or indirectly by National Oilwell Varco Denmark I/S:

NOV Flexibles Holding ApS
Priorparken 480
DK-2605 Brøndby
Denmark
Equity interest: 100 %

NOV Flexibles Equipamentos e Serviços Ltda
Avenida Republica do Chile, 500, 24 andar - Centro
Centro de Janeiro
Brazil, 20031-170
Equity interest: 99,9 %

Transactions with related parties

DKK

Transactions	**Parent Company**	**Subsidiaries**	**Group Enterprises**	**Total**
Royalty, income		19,451,908		19,451,908
Projects, Goods & Services, income		55,566,563	46,790,658	102,357,221
Management fees, recharge and other costs	20,954,650		24,004,518	44,959,168
Goods & services		6,587,031	18,034,667	24,621,698
Interests, income	2,469,608	28,387,856		30,857,464
Balances per 31 December 2016				
Loans , receivables	22,668,932	1,578,457,996		1,601,126,928
Cash Pool, liabiliry	43,803,873			43,803,873
Other receivables			488,188	488,188
Other liabilities		3,276,330	10,465,661	13,741,991

For remuneration of Executive Board and Board of Directors, reference is made to note 2.

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20 - Accounting policies

The annual report of National Oilwell Varco Denmark I/S for 2016 has been prepared in accordance with the provisions applying to reporting class C covering large enterprises under the Danish Financial Statements Act.

Changes in accounting policies

Effective 1 January 2016, the Company has adopted act. No. 738 of July 2015. This implies changes in the measurement in the following areas:

Yearly reassessment of residual values of property, plant and equipment

In future, residual values of property, plant and equipment are subject to annual reassessment. The Company had no significant residual values relating to property, plant and equipment in 2016 and 2015. Consequently, the adoption of this policy change is made with future effect, only.

Amortisation periods for intangible assets

Intangible assets are amortised over the useful life of the assets. Previously, the maximum amortisation period in respect of intangible assets was 20 years. In 2016 and 2015 the Company did not have intangible assets with estimated useful lives exceeding 20 years. Consequently, the adoption of this policy change is made with future effect, only.

Reserve for development costs

An amount corresponding to development costs recognised are in future tied up in a special reserve under equity called "Reserve for development costs". The "Reserve for development costs" cannot be used to distribute dividend or cover losses. If the development costs recognised are sold or in some other way no longer form part of the Company's operations, the reserve will be dissolved or reduced by a transfer directly to distributable reserves under equity. If the recognised development costs are written down, part of the reserve for development costs must be reversed. The reversed portion corresponds to the write-down of the development costs. If a write-down of the development costs is subsequently reversed, the "Reserve for development costs" must be re-established. The "Reserve for development costs" is also reduced by amortisation charges via distribution of net profit. In doing so, the equity reserve will not exceed the amount recognised in the balance sheet as development costs.

Dividend from investments in subsidiaries

Dividend from investments in subsidiaries, measured at cost, must 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.

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20 - Accounting policies - continued

Previously, dividend exceeding the subsidiary's accumulated earnings would be set off against cost. The Company did not receive dividends from investments in subsidiaries in 2016 and 2015. Consequently, the adoption of this policy change is made with future effect, only.

None of the above changes affects the income statement, the balance sheet totals or total equity for 2016 and 2015. As a consequence of the policy change as to "Reserve for development costs", a reclassification of DKK 114,187 thousand and DKK 111,915 thousand between retained earnings and the reserve for development costs have been made within equity at 1 January 2016 and 1 January 2015, respectively. The comparatives have been restated accordingly in the balance sheet and statement of changes in equity and proposal for the distribution of net profit.

Apart from the above changes, the accounting policies used in the preparation of the financial statements are consistent with those of last year. Comparative figures have been restated to reflect the policy changes.

Consolidated financial statements

The company has not prepared consolidated financial statements due to the fact that consolidated financial statements are prepared in a higher ranking group, cf. the exception clauses described in § 112 of the Danish Financial Statements Act.

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.

Recognition and measurement

Assets are recognized 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 reliably measured.

Liabilities are recognized in the balance sheet when an outflow of economic resources is probable and when the liability can be reliably measured.

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

Certain financial assets and liabilities are measured at amortized cost implying the recognition of a constant effective interest rate to maturity. Amortized cost is calculated as initial cost minus any principal repayments and plus or minus the cumulative amortization of any difference between cost and nominal amount.

In recognizing and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

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20 - Accounting policies - continued

Income is recognized in the income statement as earned, including value adjustments of financial assets and liabilities measured at fair value or amortized cost. Equally, costs incurred to generate the year's earnings are recognized, including depreciation, amortization, impairment and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognized in the income statement.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the average exchange rates ruling last month. Foreign exchange differences arising between the exchange rate used and the rate at the date of payment are recognized in the income statement as interest income or expense and similar items.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date provided that they cannot be recognized at another exchange rate through currency hedging. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognized in the latest financial statements is recognized in the income statement as interest income or expense and similar items.

Derivative financial instruments

Derivative financial instruments are initially recognized in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Changes in the fair value of derivative financial instruments designated as a hedge of the fair value of a recognized asset or liability are recognized in the income statement together with changes in the value of the hedged asset or liability if the hedge qualifies for using hedge accounting.

Changes in the fair value of derivative financial instruments designated as a hedge of future assets or liabilities are recognised in other receivables or other payables and in equity, if the hedge qualifies for using hedge accounting. If the hedged 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 hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects profit or loss.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement on a regular basis.

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20 - Accounting policies - continued

Income statement

Revenue

Revenue from the sale of goods and services is recognized in the income statement provided that delivery and transfer of 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.

Contract work in progress concerning special production of flexible pipes is recognized as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (the percentage of completion method). Revenue is recognized when total income and expenses and the stage of completion of the contract at the balance sheet date can be reliably calculated and when it is probable that the economic benefits, including payment, will flow to the company.

Revenue from "Work performed for own account and capitalized" are direct hours used and capitalized on R&D projects.

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.

Raw materials and consumables used

The item includes raw materials and consumables, wages and salaries used in in production as well as research and development costs that do not qualify for capitalisation.

Staff costs

Staff costs comprises wages and salaries, consideration, pensions and other staff costs relating to the company's employees, including remuneration to the Board of Directors and the Board of Management.

Other external expenses

Other external expenses include expenses related to distribution, sale, advertising, administration, premises, bad debts, lease payments under operating leases, intercompany charges, etc.

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.

Financial statements

Notes

20 - Accounting policies - continued

Amortisation, depreciation and impairment of non-current assets

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

On initial recognition, intangible assets are measured at cost.

Development costs comprise costs, salaries and amortization directly or 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.

Development projects are measured at the lower of cost less accumulated amortization and impairment losses.

Following the completion of a development project, the capitalised 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.

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 amortisation charges are recognised. In case of changes in the residual

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Notes

20 - Accounting policies - continued

value, the effect on the amortisation charges is recognised 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 and patents are determined as the difference between the sales price less disposal costs and the carrying amount at the date of disposal. The gains or losses are recognized in the income statement as revenue or other external expenses.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation. 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-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers as well as wages and salaries.

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.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

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. Impairment tests are conducted annually of each individual asset or group of assets.

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20 - Accounting policies - continued

Residual values of property, plant and equipment is determined at the time of acquisition and are subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the sales price less disposal costs and the carrying amount at the date of disposal. The gains or losses are recognized in the income statement as revenue or other operating expenses.

Investments in subsidiaries

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.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment as well as investments in subsidiaries is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the expected net cash flows from the use of the asset or the group of assets and expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Inventories

Inventories are measured at moving average prices. Where the net realizable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising 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.

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20 - Accounting policies - continued

The net realizable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in the expected sales price.

Receivables

Receivables are measured at amortized cost.

Write-down is made for bad debts where there is an objective indication that a receivable has been impaired.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of the expected cash flows.

Contract work in progress

Contract work in progress is measured at the selling price of the work performed by reference to the stage of completion. The stage of completion is based on the share of the contract costs paid compared to the expected total costs of the contract. When it is probable that the total contract costs will exceed the total contract income, the anticipated loss is recognized in the income statement.

When the selling price of a construction contract cannot be measured reliably, the selling price is measured at the lower of costs incurred and net realizable 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 recognized in the income statement when incurred.

Equity

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividends or cover losses. The reserve will be reduced or dissolved if the recognised 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 recognized as a liability at the date of adoption by the annual general meeting (time of declaration). The share of the dividend for the year which is expected to be distributed is listed as a separate item under equity.

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20 - Accounting policies - continued

Prepayments, liabilities

Prepayments recognized under liabilities comprise payments received from costumers concerning income in subsequent reporting years.

Financial liabilities

Other liabilities, comprising trade payables as well as other payables, are measured at amortized cost.

Cash

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.

Segment information

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

Fair value

The fair value measurement is 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 which are measured at fair value, or whose fair value is disclosed, are classified based on the fair value hierarchy, see below:

Level 1: Value in an active market for similar assets/liabilities

Level 2: Value based on recognised valuation methods on the basis of observable market information

Level 3: Value based on recognised valuation methods and reasonable estimates (non-observable market information).

Subsequent events

If the Company receives information after the balance sheet date, but prior to the date of the board of director's approval of the financial statements, about conditions that existed at the balance sheet date, the Company assesses if the information affects the amounts that it recognises in the financial statements. The Company will adjust the amounts

Financial statements

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20 - Accounting policies - continued

recognised in its financial statements to reflect any adjusting events after the balance sheet date and update the disclosures that relate to those conditions in the light of the new information.

For non-adjusting events after the balance sheet date, the Company will not change the amounts recognised in its financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

Financial ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' "Recommendations and Ratios updated in 2015".

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Net profit ratio	Operating [profit/loss] x 100 / Revenue
Return on invested capital	Operating [profit/loss] x 100 / Average operating assets
Gross margin ratio	Gross [profit/loss] x 100 / Revenue
Current ratio	Current assets x 100 / Short-term liabilities other than provisions
Solvency ratio	Equity, ex. minority interests at year end x 100 / Total equity and liabilities at year end
Return on equity	[Profit/loss] for the year x 100 / Average equity