National Oilwell Varco Denmark I/S

Annual Report 2015
for the period 1 January - 31 December 2015

Approved at the company's annual general meeting
31 May 2016

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chairman

CVR no. 24 25 52 98

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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 2015 - 31 December 2015.

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 2015 and of the results of the company's operations and cash flows for the financial year 1 January 2015 - 31 December 2015.

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, 2016

Executive Committee

Michael Chino Hjorth
President

Reidar Kleven
Operations Director, Denmark

Keld Ringgaard
VP Finance

Michael Halberg
Operations Director, Denmark

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

Independent auditors' report on the financial statements
We have audited the financial statements of National Oilwell Varco Denmark I/S for the financial year 1 January - 31 December 2015, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity, cash flow statement and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulations. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Endorsements

Independent auditor's reports - continued

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of its operations and cash flows for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, 31 May 2016

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
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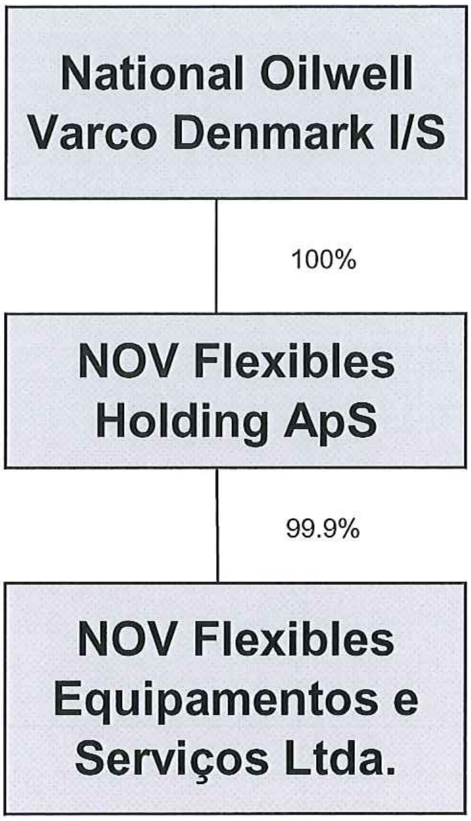
Facsimile:	+45 4348 3010
Homepage:	www.nov.com/flexibles
E-mail:	flexibles@nov.com
CVR no.:	24 25 52 98
Established:	1 July 1999
Registered office:	Brøndby, Denmark
Financial year:	1 January - 31 December
Board of directors:	Per Geir Løvstad (chairman) Robbert Oudendijk (deputy chairman) Trevor Brian Martin
Management:	Michael Chino Hjorth, President Reidar Kleven, Operations Director, Denmark 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	2015	2014	2013	2012	2011
Key figures					
Revenue	1,939.2	2,546.2	2,433.8	1,597.3	1,612.3
Profit before amortisation, depreciation and impairment	415.6	770.6	618.5	292.8	376.3
Profit before items under financial income and expense, net	334.0	684.5	530.3	211.8	294.4
Net profit for the year	**360.0**	**703.6**	**536.7**	**193.7**	**297.7**
Non-current assets	2,000.2	1,650.6	774.8	876.8	931.4
Current assets	1,576.5	2,041.3	1,912.4	1,200.2	877.9
Total assets	**3,576.7**	**3,691.9**	**2,687.2**	**2,077.0**	**1,809.3**
Equity	**2,961.1**	**2,903.4**	**2,199.8**	**1,663.2**	**1,469.3**
Short-term liabilities other than provision	615.6	788.5	487.4	409.9	332.6
Financial ratios					
Net profit ratio	17%	27%	22%	13%	18%
Return on invested capital	9%	21%	22%	11%	18%
Gross margin ratio	57%	58%	53%	53 %	53 %
Current ratio	256%	259%	392%	293%	264%
Solvency ratio	83%	79%	82%	80%	81%
Return on equity	12%	28%	28%	12%	23%
Average number of employees	**840**	**872**	**815**	**738**	**648**

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. For terms and definitions please be referred to the accounting policies.

Financial ratio's for 2014 has been restated to reflect reclassification of receivables from group enterprises. Refer to 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 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 armour 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 2015 National Oilwell Varco Denmark I/S counted approx. 818 employees. 54 % of the employees work at the Kalundborg factory primarily concerned with the production of flexible pipe products. The remaining 46 % 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 2015, National Oilwell Varco Denmark I/S realized a revenue of 1,939 million DKK compared to revenue of 2,546 million DKK in 2014, equivalent to a decrease of 23.8%.

The profit for the year before amortization and depreciation amounts to 416 million DKK compared to 771 million DKK in 2014, equivalent to a decrease of 46 %. The net profit for 2015 amounts to 360 million DKK compared to 704 million DKK in 2014, equivalent to a decrease of 48%.

Management review

Financial review - continued

Management considers the 2015 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.

Significant events and matters affecting the annual report

In February 2015, the Company's Frame Agreement with Petrobras was formally transferred to the Brazilian subsidiary. The transfer was a condition in the contract with Petrobras bound to take place when the factory in Brazil was ready for commercial production.

So far call-off orders under the Frame Agreement have been awarded to the Danish company, and thus revenue from production in Brazil has been recognized in the Danish accounts. Going forward since February 2015 the Brazilian subsidiary will recognize revenue on call-off orders awarded directly to them, and the Danish company will recognize revenue on call-off orders awarded directly to us.

Call-off orders awarded to the Danish company on ongoing projects with production in Brazil in 2014 was transferred to the Brazilian subsidiary in 2015. As a consequence the 2015 revenue was impacted by -390 MDKK – of which -180 MDKK relate to revenue not corrected in 2014 - and the 2015 profit for the year was impacted by -121 MDKK - of which -103 MDKK relate to profit for the year not corrected in 2014. Management assesses this event as a non-correcting event, hence no correction of 2014 figures.

Profit for the year compared to previous expectations

The profit for the year was lower than the company's expectations. In 2015, revenue decreased by 23.8% according to expectations, primarily due to the transfer of the Frame Agreement with Petrobras. The result was lower than the expectations presented in the 2014 annual report as a result of lower margins realized in 2015 due to market conditions and profitable change orders, transfer of the Frame Agreement with Petrobras and cost reductions on sales projects in 2014.

Management review

Financial review - continued

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 and human rights. In respect of the group's CSR reporting we refer to http://www.nov.com/About_NOV/Sustainability.aspx

Management review

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 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. Presently, all members of the board are men. The 33 % goal has not been reached in 2015, 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 1 (OPS) and management level 2 (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 Flexibles as well as globally: NOV Equal Employment opportunity policy

Quantitative Goals

The company has set an 18% (25 % in 2014) goal for the underrepresented gender in level 1 and 25% (25% in 2014) for level 2. The company is working to achieve the goal by the end of 2017.

Management review

Financial review - continued

At present, women represent 13.3 % (11 % in 2014) of level 1 and 20 % (36 % in 2014) of level 2. The percentage shift between level 1 and 2 from 2014 to 2015 is primarily due to movement between the levels and change in size of the levels. In total the underrepresented gender in level 1 and 2 has decreased from 47 % in 2014 to 33.3 % in 2015.

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 today. 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 2016 revenue will decline approx. 15% - 20% compared to 2015. This expectation is based on the assumption that the current market environment will be prevailing throughout 2016. Management expects profit before financial items for 2016 to decline approx. 35% - 40% compared to 2015 due to the market conditions as well as the transfer of the Frame Agreement to the Brazilian Subsidiary.

In the beginning of 2016, a considerable share of National Oilwell Varco Denmark I/S' production capacity is committed, and the final financial result for 2016 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

Accounting policies

The annual report of National Oilwell Varco Denmark I/S for 2015 has been prepared in accordance with the provisions applying to reporting class C covering large enterprises under the Danish Financial Statements Act.

The accounting policies applied in the preparation of the financial statements are consistent with those of last year. 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.

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.

Changes have been made in the financial statements regarding the presentation and classification of items to reflect the Company's loans to subsidiaries. Comparative figures have been restated to reflect the presentation and classification. In the balance sheet, Receivables from group enterprises of 904.432 TDKK, previously presented as Receivables from group enterprises under current assets have been reclassified to non-current financial assets. The changes have not affected the results of operations, equity or balance sheet total.

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.

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.

Financial statements

Accounting policies - continued

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.

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.

Financial statements

Accounting policies - continued

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, etc.

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

Development costs comprise costs, salaries and amortization directly or indirectly attributable to the company's development activities.

Financial statements

Accounting policies - continued

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 the recoverable amount.

Following the completion of the development work, development projects are amortized on a straight-line basis over the estimated useful life. The amortization period is 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.

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:

Financial statements

Accounting policies - continued

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.

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.

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

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.

To the extent that the distributed dividend exceeds the accumulated earnings after the acquisition date, the dividend is measured as a reduction of the investment cost.

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.

Financial statements

Accounting policies - continued

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.

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.

Prepayments, liabilities

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

Accounting policies - continued

Financial liabilities

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

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.

Cash

Cash and cash equivalents comprise cash in hand and bank deposits. The group cash-pool is, 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.

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 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 statements

Accounting policies - continued

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

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Income statement 1 January - 31 December

	Note	2015 DKK	2014 DKK
Revenue	1	1,939,168,485	2,546,209,305
Work performed for own account and capitalised		37,728,076	22,002,567
		1,976,896,561	2,568,211,872
Raw materials and consumables used		841,619,758	1,065,552,306
Other external expenses	3	216,303,830	216,458,235
Staff costs	2	503,416,025	515,609,249
		1,561,339,612	1,797,619,790
Profit before amortisation and depreciation		415,556,948	770,592,082
Amortisation, depreciation and impairment of non-current assets	4	81,556,692	86,085,266
Profit before financial income and expense		334,000,256	684,506,816
Financial income	5	50,727,552	24,632,000
Financial expenses	6	24,744,989	5,560,190
Profit for the year		**359,982,819**	**703,578,626**

Proposal for the distribution of net profit:

	2015	2014
Proposed dividend	235,000,000	265,000,000
Retained earnings	124,982,819	438,578,626
	359,982,819	703,578,626

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Balance sheet at 31 December - Assets

	Note	2015 DKK	2014 DKK
Non-current assets			
Intangible assets	7		
Patents		527,718	720,580
Completed development projects		30,551,111	43,344,225
Development projects in progress		96,428,922	68,570,596
		127,507,751	112,635,401
Property, plant and equipment	8		
Land and buildings		157,956,766	162,234,208
Technical plant and machinery		432,938,550	411,401,347
Fixtures and operating equipment		1,964,828	2,101,628
Property, plant and equipment in progress		27,142,010	57,288,142
		620,002,154	633,025,325
Financial assets			
Investment in subsidiary	9	500,000	500,000
Receivsables from group enterprises	10	1,252,181,866	904,432,565
		1,252,681,866	904,932,565
Total non-current assets		2,000,191,771	1,650,593,291
Current assets			
Inventories			
Raw materials and consumables		588,731,920	621,498,495
Manufactured goods		12,433,438	2,415,909
		601,165,358	623,914,403
Receivables			
Trade receivables		279,445,923	745,265,601
Work in progress for third parties	11	286,164,418	361,819,721
Receivables from group enterprises	12	362,706,233	290,792,291
Other receivables		37,635,120	9,657,178
Prepayments	13	9,415,995	5,908,781
		975,367,688	1,413,443,573
Cash and cash equivalents		4,548	3,926,902
Total current assets		1,576,537,594	2,041,284,878
TOTAL ASSETS		3,576,729,365	3,691,878,169

Financial statements

Balance sheet at 31 December - Liabilities and equity

	Note	2015 DKK	2014 DKK
Equity			
Equity		2,961,133,095	2,903,425,320
		2,961,133,095	2,903,425,320
Liabilities			
Short-term liabilities			
Prepayments received from customers		56,637,544	26,798,779
Payments on account on work in progress	11	249,082,753	341,513,236
Trade payables		132,076,789	168,176,245
Payables to group enterprises		13,793,227	145,369,153
Other payables		164,005,958	106,595,435
		615,596,270	788,452,848
Total liabilities		615,596,270	788,452,848
TOTAL LIABILITIES AND EQUITY		3,576,729,365	3,691,878,169
Contingent liabilities and other financial liabilities	14		
Use of derivative financial instruments	15		
Related parties and ownership	16		
Group companies	17		

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Equity statement 1 January - 31 December

	2015 DKK	2014 DKK
Equity at 1 January	2,903,425,320	2,199,846,694
Profit for the year	359,982,819	703,578,626
Dividends distributed during the year	-265,000,000	0
Hedge of future cash flow of the year	-37,275,044	
Equity at 31 December	2,961,133,095	2,903,425,320
Breakdown of the equity:		
Contributed capital at 1 January	779,808,000	779,808,000
Contribution of the year	0	0
Contributed capital at 31 December	779,808,000	779,808,000
Proposed dividend at 1 January	265,000,000	0
Dividends distributed during the year	-265,000,000	0
Proposed dividend of the year	235,000,000	265,000,000
Proposed dividend at 31 December	235,000,000	265,000,000
Hedge of future cashflow at 1 January	0	0
Hedge of future of the year	-37,275,044	0
Hedge of future cashflow at 31 December	-37,275,044	0
Retained earnings at 1 January	1,858,617,320	1,420,038,694
Transferred from distribution of net profit	124,982,819	438,578,626
Retained earnings at 31 December	1,983,600,139	1,858,617,320
Equity at 31 December	2,961,133,095	2,903,425,320

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Notes

Note		2015 DKK	2014 DKK
1	***Revenue***		
	Revenue		
	The production value of completed and ongoing construction contracts is included in the revenue at an amount of	1,856,992,507	2,482,566,297
	Revenue allocated to geographical segments:		
	Scandinavia	274,188,827	634,864,991
	Other European countries	333,016,343	512,215,715
	Other countries	1,331,963,315	1,399,128,599
		1,939,168,485	2,546,209,305
2	***Staff costs***		
	Wages and salaries	452,150,070	463,225,231
	Pension contributions	41,604,373	44,143,728
	Other social security costs	9,661,582	8,240,290
		503,416,025	515,609,249
	Average number of employees	840	872
	Remuneration to Executive Board and board of directors	14,954,880	8,756,635

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

Note		2015 DKK	2014 DKK
3	***Fees paid to auditors appointed at the annual general meeting***		
	Total fees to EY	702,175	678,491
	Audit	656,000	550,000
	Tax consultancy	46,175	128,491
	Other services	0	0
		702,175	678,491
4	***Amortisation, depreciation and impairment of non-current assets***		
	Patents	1,203,115	1,256,893
	Completed development projects	12,793,114	12,522,885
	Buildings	13,666,522	13,586,447
	Technical plant and machinery	53,757,141	58,544,615
	Fixtures and operating equipment	136,800	174,426
		81,556,692	86,085,266

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Notes

Note		2015 DKK	2014 DKK
5	***Financial income***		
	Interests from group enterprises	28,450,235	13,229,304
	Other interests, exchange rate gains and other financial income	22,277,317	11,402,696
		50,727,552	24,632,000
6	***Financial expenses***		
	Interests to group enterprises	0	140,938
	Other interests, exchange rate losses and other financial expenses	24,744,989	5,419,252
		24,744,989	5,560,190

7 *Intangible assets*

DKK	Patents	Completed development projects	Development projects in progress
Cost at 1 January 2015	11,203,443	116,869,804	68,570,596
Additions	1,010,253	0	27,858,326
Disposals	0	0	0
Transfer	0	0	0
Cost at 31 December 2015	12,213,696	116,869,804	96,428,922
Amortizations at 1 januar 2015	10,482,863	73,525,579	0
Amortizations	1,203,115	12,793,114	0
Disposals	0	0	0
Amortizations at 31 december 2015	11,685,978	86,318,693	0
Carrying amount at 31 December 2015	527,718	30,551,111	96,428,922
Amortised over a period of	5 years	5 years	-

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Notes

Note

8 *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 2015	306,864,524	1,046,680,397	12,950,555	57,288,142
Additions	9,389,080	34,729,727	0	11,690,996
Disposals	0	8,176,247	628,169	0
Transfer	0	41,837,128	0	-41,837,128
Cost at 31 December 2015	316,253,604	1,115,071,005	12,322,386	27,142,010
Depreciation at 1 January 2015	144,630,316	635,279,050	10,848,927	0
Depreciation	13,666,522	53,757,141	136,800	0
Disposals	0	6,903,736	628,169	0
Depreciation at 31 December 2015	158,296,838	682,132,455	10,357,558	0
Carrying amount at 31 December 2015	157,956,766	432,938,550	1,964,828	27,142,010
Depreciated over a period of	25 years	8 - 15 years	3 - 8 years	-
Carrying amount of mortgaged assets	0	0	0	0

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Notes

Note		2015 DKK	2014 DKK
9	***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%	-72,398,651	-37,313,696
NOV Flexibles Equipamentos e Servicos Ltda.	Rio de Janairo, Brazil	99.9%	1,667,812,660	117,773,994

Note		2015 DKK	2014 DKK
10	***Receivables in subsidiary***		
	Receivables at 1 January	904,432,565	148,723,180
	Additions	347,749,301	755,709,385
	Receivables at 31 December	1,252,181,866	904,432,565

Notes

Note		2015 DKK	2014 DKK
11	***Work in progress***		
	The selling price of the production for the period	5,985,062,872	4,229,378,429
	Invoicing on account	-5,947,981,206	-4,209,071,943
	Net work in progress	37,081,666	20,306,486
	Recognised as follows in the balance sheet:		
	Work in progress for third parties (asset)	286,164,418	361,819,721
	Payments on account on work in progress (liability)	-249,082,753	-341,513,236
		37,081,666	20,306,486

12 ***Receivables from group enterprises***

Receivables from group enterprises primarily consist of cash pool and tax. Loans falling due between 1 and 5 years amount to 0 TDKK (0 TDKK) and loans falling due efter 5 years amount to 15.144 TDKK (14.837 TDKK).

Note		2015 DKK	2014 DKK
13	***Prepayments***		
	Prepaid rent	5,914,770	3,485,363
	Other prepayments	3,501,225	2,423,418
		9,415,995	5,908,781

14 ***Contingent liabilities and other financial liabilities***

Lease contracts

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

	2015 TDKK	2014 TDKK
Falling due within 1 year	20,655	19,216
Falling due between 1 and 5 years	18,425	22,424
	39,080	41,640

Contingent liabilities

The company has no contingent liabilities.

Note

Contractual obligations and guaranties
The company has entered into a number of considerable contracts for delivery in 2016 - 2017 committing the company to deliver flexible pipe systems.

The company has granted usual bank guaranties for projects amounting to a total of 280.760 TDKK (192.811 TDKK.).

15 ***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 contracts concerning the sale of goods.

		2015	2014
TDKK	Nom-value	TDKK	TDKK
Forward-exchange contracts	1.348.856	52,009	0

16 ***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.

16 ***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.

Related parties transactions

Call-off orders awarded to the Danish company on ongoing projects with production in Brazil in 2014 was transferred to the Brazilian subsidiary in 2015. As a consequence the 2015 revenue was impacted by -390 MDKK – of which -180 MDKK relate to revenue not corrected in 2014 - and the 2015 profit for the year was impacted by -121 MDKK - of which -103 MDKK relate to profit for the year not corrected in 2014. Management assesses this event as a non-correcting event, hence no correction of 2014 figures.

Note

17 ***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
Rua Lauro Müller, 116 – 25th floor
Torre do Rio Sul, Botafogo
22290-160 Rio de Janeiro, RJ
Brazil
Equity interest: 99,9 %