

NOV Flexibles Holding ApS

**Priorparken 480
DK-2605 Brøndby**

CVR no. 33 85 83 88

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

Adopted at the annual general
meeting on 1 September 2020



Michael Wellington Hart
chairman

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Statement by management on the annual report

The supervisory and executive boards have today discussed and approved the annual report of NOV Flexibles Holding ApS for the financial year 1. januar - 31. december 2019.

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


In our opinion, the financial statements give a true and fair view of the company's financial position at 31. december 2019 and of the results of the company's operations for the financial year 1. januar - 31. december 2019.

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

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


Copenhagen, 1 September 2020

Executive board



Michael Halberg
Managing director

Supervisory board



Michael Wellington Hart
chairman



Robbert Oudendijk



Michael Halberg

Independent auditor's report

To the shareholder of NOV Flexibles Holding ApS

Opinion

We have audited the financial statements of NOV Flexibles Holding ApS for the financial year 1. januar - 31. december 2019, which comprise income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the company at 31. december 2019 and of the results of the company's operations for the financial year 1. januar - 31. december 2019 in accordance with the Danish Financial Statements Act.

Basis for Opinion

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

Independence

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

Management's responsibilities for the financial statements

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

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

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

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

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

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

Independent auditor's report

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

Statement on management's review

Management is responsible for management's review.

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

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

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

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

Copenhagen, 1 September 2020

EY
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Rasmus Bloch Jespersen
state authorised public accountant
MNE no. 35503

Financial highlights

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

	2019	2018	2017	2016	2015
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Gross profit/loss	-15	-33	-17	-18	-12
Net financials	5,159	364,134	182,788	-30,112	-49,965
Profit/loss for the year	962	345,401	161,558	-23,435	-37,887
Balance sheet total	2,013,801	2,556,889	2,566,064	2,563,925	2,574,750
Equity	411,515	410,553	65,151	-96,407	-72,972
Financial ratios					
Solvency ratio	20.4%	16.1%	2.5%	-3.8%	-2.8%
Return on equity	0.2%	145.2%	-1,033.8%	27.7%	103.8%
ROIC	1.8%	14.2%	8.9%	0.0%	0.0%

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

Company details

NOV Flexibles Holding ApS
Priorparken 480
DK-2605 Brøndby

Telephone: +45 43483000

Website: www.nov.com/flexibles

CVR-no. 33 85 83 88

Financial year: 1. januar - 31. december 2019

Domicile: Brøndby

Supervisory Board

Michael Wellington Hart, chairman
Robbert Oudendijk
Michael Halberg

Executive Board

Michael Halberg

Shareholders

National Oilwell Varco Denmark I/S

Group entities

NOV Flexibles Equipamentos e Serviços Ltda.

Auditors

EY
Godkendt Revisionspartnerselskab
Dirch Passers Allé 36
2000 Frederiksberg

Bankers

DNB Bank ASA

Management's review

Business review

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

Unusual matters

During the year an impairment on investments in subsidiaries has been performed. The impairment is primarily due to changed market conditions in Brazil, refer to note 3.

Financial review

The company's income statement for the year ended 31 December 2019 shows a profit of DKK 962,452, and the balance sheet at 31. december 2019 shows equity of DKK 411,515,144.

Profit for 2019 is below expectations due to impairment on investments in subsidiaries.

Significant events occurring after the end of the financial year

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

Expected development

For the financial year 2020 management expects the company to realize a pre-tax result for the year, before potential income from dividends and impairment losses, at the same level as in 2019 (DKK 34 million +/- 10%)

Income statement 1 January - 31 December

	Note	2019 DKK	2018 DKK
Gross profit		-15,375	-32,804
Profit/loss before net financials		-15,375	-32,804
Income from investments in subsidiaries		273,414,266	408,544,996
Impairment losses on financial assets		-233,048,330	0
Financial costs	1	-35,206,830	-44,410,969
Profit/loss before tax		5,143,731	364,101,223
Tax on profit/loss for the year	2	-4,181,279	-18,699,903
Profit/loss for the year		962,452	345,401,320
Distribution of profit	3		

Balance sheet 31 December

	Note	2019 DKK	2018 DKK
Assets			
Investments in subsidiaries	4	2,003,183,579	2,556,888,855
Fixed asset investments		2,003,183,579	2,556,888,855
Total non-current assets		2,003,183,579	2,556,888,855
Receivables from group enterprises		9,963,027	0
Joint taxation contributions receivable		654,871	0
Receivables		10,617,898	0
Total current assets		10,617,898	0
Total assets		2,013,801,477	2,556,888,855

Balance sheet 31 December

	Note	2019 DKK	2018 DKK
Equity and liabilities			
Share capital		500,000	500,000
Retained earnings		411,015,144	410,052,693
Equity	5	411,515,144	410,552,693
Payables to group enterprises		1,602,270,333	2,144,204,912
Total non-current liabilities	6	1,602,270,333	2,144,204,912
Payables to group enterprises		0	2,115,250
Other payables		16,000	16,000
Total current liabilities		16,000	2,131,250
Total liabilities		1,602,286,333	2,146,336,162
Total equity and liabilities		2,013,801,477	2,556,888,855
Long term debt	6		
Contingent liabilities	7		
Related parties and ownership structure	8		

Statement of changes in equity

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2019	500,000	410,052,692	410,552,692
Net profit/loss for the year	0	962,452	962,452
Equity at 31 December 2019	<u>500,000</u>	<u>411,015,144</u>	<u>411,515,144</u>

Notes

	2019	2018
	DKK	DKK
1 Financial costs		
Financial expenses, group enterprises	34,002,144	37,759,976
Other financial costs	77,681	1,086
Exchange adjustments costs	1,063,982	6,649,907
Exchange loss	63,023	0
	35,206,830	44,410,969
2 Tax on profit/loss for the year		
Foreign paid tax (without credit possibility)	4,836,150	1,360,993
Adjustment of tax concerning previous years	0	664,271
Joint taxation contribution	-654,871	16,674,639
	4,181,279	18,699,903
3 Distribution of profit		
Retained earnings	962,452	345,401,320
	962,452	345,401,320
4 Investments in subsidiaries		
Cost at 1 January 2019	2,556,888,855	2,556,888,855
Capital reduction for the year	-320,656,946	0
Cost at 31 December 2019	2,236,231,909	2,556,888,855

Notes

Impairment losses and depreciation of actuarial gains (losses)	-233,048,330	0
Revaluations at 31 December 2019	-233,048,330	0
Carrying amount at 31 December 2019	2,003,183,579	2,556,888,855

Management has identified indicators of impairment of equity investments in group enterprises. Consequently, management has prepared an impairment test and thereby calculated the recoverable amount of the Company's investment in group enterprises at 31 December 2019. The calculation of the recoverable amount is based on the value in use of the investments applying a discounted cash flow model (DCF). Expected net future cash flows are determined on basis for budgets for the period 2020-2023 followed by a terminal period. The applied discount factor and inflation rates are estimated by management. Annual revenue and profitability in the model is based on managements visibility of future projects. Annual revenue growth varies from 11% to 43% and a growth rate of 2.25 % has been applied for the terminal period. A WACC after tax of 11.2% has been applied as a discount factor. As result of the impairment test the investment in subsidiaries have been affected by an impairment of 233 mDKK

Investments in subsidiaries are specified as follows:

Name	Registered office	Ownership interest	Equity	Profit/loss for the year
NOV Flexibles Equipamentos e Serviços Ltda.	Rio de Janeiro, Brazil	99.90%	1,377,280,177	44,630,183

5 Equity

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

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

6 Long term debt

Loans falling due between 1 and 5 years amount to 0 TDKK (320,124 TDKK) and loans falling due after 5 years amount to 1,602,270 TDKK (1,824,081 TDKK).

Notes

7 Contingent liabilities

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

Other contingent liabilities not recognised in balance sheet

The company has no other contingent liabilities.

8 Related parties and ownership structure

Controlling interest

National Oilwell Varco Denmark I/S

Other related parties

Companies owned directly or indirectly by NOV Flexibles Holding ApS:

Transactions

<u>Transactions</u>	<u>Parant company</u>	<u>Group Enterprices</u>
Interest, cost	32,591,844	1,410,300

Balance per 31, December 2019

Loans, liability	1,602,270,333
Cash pool, receivables	9,963,027

Ownership structure

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

National Oilwell Varco Denmark I/S

Accounting policies

The annual report of NOV Flexibles Holding ApS for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

In 2019 the company has change from reporting class B to reporting class C (medium-sized enterprises). The change in reporting class did not impact the company's policies for recognition and measurement.

The annual report for 2019 is presented in DKK

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

Basis of recognition and measurement

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

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

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

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

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

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

Income statement

Other external expenses

Other external expenses include expenses related to administration, etc.

Accounting policies

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses, financial expenses relating to finance leases, realised and unrealised capital/exchange gains and losses on securities and foreign currency transactions.

Profit/loss from investments in subsidiaries and associates

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

Tax on profit/loss for the year

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

Balance sheet

Investment in 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.

Fixed asset investments

Impairment of fixed assets

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

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

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

Receivables

Receivables are measured at amortised cost.

Accounting policies

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

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

Cash and withdrawals

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

Equity

Dividends

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

Income tax and deferred tax

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

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

Liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. On subsequent recognition, the financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities, which include trade payables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

Accounting policies

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses. If foreign currency transactions are considered cash flow hedges, the value adjustments are taken directly to equity.

Financial highlights

Definitions of financial ratios.

Solvency ratio	$\frac{\text{Equity at year-end} \times 100}{\text{Total assets at year-end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$
ROIC	$\frac{\text{EBITA} \times 100}{\text{Average invested capital excluding goodwill}}$