Kuntz Daniel S
Form 4
February 19, 2019

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

OMB APPROVAL
OMB Number: 3235-0287
Expires: January 31, 2005
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(Print or Type Responses)

1. Name and Address of Reporting Person *
Kuntz Daniel S

(Last) (First) (Middle)

1200 WEST CENTURY AVENUE

(Street)

BISMARCK, ND 58503

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
MDU RESOURCES GROUP INC [MDU]

3. Date of Earliest Transaction (Month/Day/Year)
02/14/2019

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
VP, Gen. Counsel and Secretary

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	02/14/2019		A		13,430	A	$ 0	28,762.507	D	
Common Stock	02/14/2019		F		3,682	D	$ 26.25	25,080.507	D	
Common Stock (1)								631	I	By Spouse
Common Stock - (401-k) (2)								14,111.347	I	By Trustee

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
								Date Exercisable	Expiration Date	Title	Amount or Number of Shares		
				Code	V	(A)	(D)						

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Kuntz Daniel S 1200 WEST CENTURY AVENUE BISMARCK, ND 58503			VP, Gen. Counsel and Secretary	

Signatures

Daniel S. Kuntz	02/19/2019
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The reporting person disclaims any beneficial interest in these securities.

(2) As of the most recent quarter end, the number of shares may fluctuate daily depending on plan activity in the fund.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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Average DKK to USD contract rate

0.1741 0.1761 0.1743 5.4213

Fair Value at December 31, 2012 in U.S. dollars

(1)

Buy EUR/Sell USD:

Notional amount to buy (in U.S. dollars)

608 56 664 710

Average EUR to USD contract rate

1.3111 1.2921 1.3095 1.3783

Fair Value at December 31, 2012 in U.S. dollars

6 2 8 (40)

Buy GBP/Sell USD:

Notional amount to buy (in U.S. dollars)

18 18 15

Average GBP to USD contract rate

1.6044 1.6044 1.5737

Fair Value at December 31, 2012 in U.S. dollars

Buy NOK/Sell USD:

Notional amount to buy (in U.S. dollars)

772 293 1,065 1,336

Average NOK to USD contract rate

0.1684 0.1637 0.1671 5.9427

Fair Value at December 31, 2012 in U.S. dollars

44 22 66 (22)

Buy SGD/Sell USD:

Notional amount to buy (in U.S. dollars)

28 3 31 10

Average SGD to USD contract rate

0.8139 0.7920 0.8115 1.3022

Fair Value at December 31, 2012 in U.S. dollars

Sell DKK/Buy USD:

Notional amount to buy (in U.S. dollars)

12 12 3

Average DKK to USD contract rate

0.1749 0.1749 5.5036

Fair Value at December 31, 2012 in U.S. dollars

Sell EUR/Buy USD:

Notional amount to sell (in U.S. dollars)

141 141 137

Average EUR to USD contract rate

1.3109 1.3109 1.3517

Fair Value at December 31, 2012 in U.S. dollars

(1) (1) 5

Sell NOK/Buy USD:

Notional amount to sell (in U.S. dollars)

244 30 274 173

Average NOK to USD contract rate

0.1722 0.1727 0.1723 5.8173

Fair Value at December 31, 2012 in U.S. dollars

(9) (1) (10) 6

Sell SGD/Buy USD:

Notional amount to sell (in U.S. dollars)

2

Average SGD to USD contract rate

0.7674

Fair Value at December 31, 2012 in U.S. dollars

Sell RUB/Buy USD:

Notional amount to sell (in U.S. dollars)

47 47 24

Average RUB to USD contract rate

0.0320 0.0320 32.7613

Fair Value at December 31, 2012 in U.S. dollars

DKK Sell DKK/Buy USD:

Notional amount to buy (in U.S. dollars)

111 111 96

Average DKK to USD contract rate

5.61 5.6126 5.6717

Fair Value at December 31, 2012 in U.S. dollars

Other Currencies

Fair Value at December 31, 2012 in U.S. dollars

6 6 (2)

Total Fair Value at December 31, 2012 in U.S. dollars

63 23 86 (70)

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The Company had other financial market risk sensitive instruments denominated in foreign currencies for transactional exposures totaling $567 million and translation exposures totaling $397 million as of December 31, 2012, excluding trade receivables and payables, which approximate fair value. These market risk sensitive instruments consisted of cash balances and overdraft facilities. The Company estimates that a hypothetical 10% movement of all applicable foreign currency exchange rates on the transactional exposures financial market risk sensitive instruments could affect net income by $37 million and the translational exposures financial market risk sensitive instruments could affect the future fair value by $40 million.

The counterparties to forward contracts are major financial institutions. The credit ratings and concentration of risk of these financial institutions are monitored on a continuing basis. In the event that the counterparties fail to meet the terms of a foreign currency contract, our exposure is limited to the foreign currency rate differential.

During the first quarter of 2010, the Venezuelan government officially devalued the Venezuelan bolivar against the U.S. dollar. As a result the Company converted its Venezuela ledgers to U.S. dollar functional currency, devalued monetary assets resulting in a $27 million charge, and wrote-down certain accounts receivable in view of deteriorating business conditions in Venezuela, resulting in an additional $11 million charge. During the first quarter of 2013, the Venezuelan government again officially devalued the Venezuelan bolivar against the U.S. dollar. As a result, the Company expects to incur approximately $12 million in devaluation charges in the first quarter of 2013. The Company s net investment in Venezuela was $34 million at December 31, 2012.

Interest Rate Risk

At December 31, 2012, our long term borrowings consisted of $151 million in 6.125% Senior Notes, $500 million in 1.35% Senior Notes, $1,400 million in 2.60% Senior Notes and $1,100 million in 3.95% Senior Notes. We occasionally have borrowings under our credit facility, and a portion of these borrowings could be denominated in multiple currencies which could expose us to market risk with exchange rate movements. These instruments carry interest at a pre-agreed upon percentage point spread from either LIBOR, NIBOR or EURIBOR, or at the prime interest rate. Under our credit facility, we may, at our option, fix the interest rate for certain borrowings based on a spread over LIBOR, NIBOR or EURIBOR for 30 days to six months.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Attached hereto and a part of this report are financial statements and supplementary data listed in Item 15. Exhibits and Financial Statement Schedules .

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

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ITEM 9A. CONTROLS AND PROCEDURES

(i) Evaluation of disclosure controls and procedures

As required by SEC Rule 13a-15(b), we have evaluated, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by the Company in reports that it files under the Exchange Act is accumulated and communicated to the Company s management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Our principal executive officer and principal financial officer have concluded that our current disclosure controls and procedures were effective as of December 31, 2012 at the reasonable assurance level.

Pursuant to section 302 of the Sarbanes-Oxley Act of 2002, our Chief Executive Officer and Chief Financial Officer have provided certain certifications to the Securities and Exchange Commission. These certifications are included herein as Exhibits 31.1 and 31.2.

(ii) Internal Control Over Financial Reporting

(a) Management s annual report on internal control over financial reporting.

The Company s management report on internal control over financial reporting is set forth in this annual report on Page 62 and is incorporated herein by reference.

(b) Changes in internal control

There were no changes in the Company s internal control over financial reporting that occurred during the Company s last fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Incorporated by reference to the definitive Proxy Statement for the 2013 Annual Meeting of Stockholders.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference to the definitive Proxy Statement for the 2013 Annual Meeting of Stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Incorporated by reference to the definitive Proxy Statement for the 2013 Annual Meeting of Stockholders.

Securities Authorized for Issuance Under Equity Compensation Plans.

The following table sets forth information as of our fiscal year ended December 31, 2012, with respect to compensation plans under which our common stock may be issued:

Plan Category	Number of securities to be issued upon exercise of warrants and rights (a)	Weighted-average exercise price of outstanding rights (b)	Number of securities remaining available for equity compensation plans (excluding securities reflected in column (a)) (c) (1)
Equity compensation plans approved by security holders	9,473,482	$ 58.69	3,591,119
Equity compensation plans not approved by security holders			
Total	9,473,482	$ 58.69	3,591,119

(1) Shares could be issued through equity instruments other than stock options, warrants or rights; however, none are anticipated during 2013.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Incorporated by reference to the definitive Proxy Statement for the 2013 Annual Meeting of Stockholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Incorporated by reference to the definitive Proxy Statement for the 2013 Annual Meeting of Stockholders.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Financial Statements and Exhibits

(1) Financial Statements

The following financial statements are presented in response to Part II, Item 8:

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Consolidated Balance Sheets	65
Consolidated Statements of Income	66
Consolidated Statements of Comprehensive Income	67
Consolidated Statements of Cash Flows	68
Consolidated Statements of Stockholders Equity	69
Notes to Consolidated Financial Statements	70

(2) Financial Statement Schedule

Schedule II Valuation and Qualifying Accounts	99

All schedules, other than Schedule II, are omitted because they are not applicable, not required or the information is included in the financial statements or notes thereto.

(3) Exhibits

2.1	Amended and Restated Agreement and Plan of Merger, effective as of August 11, 2004 between National-Oilwell, Inc. and Varco International, Inc. (4)
2.2	Agreement and Plan of Merger, effective as of December 16, 2007, between National Oilwell Varco, Inc., NOV Sub, Inc., and Grant Prideco, Inc. (8)
3.1	Fifth Amended and Restated Certificate of Incorporation of National Oilwell Varco, Inc. (Exhibit 3.1) (1)
3.2	Amended and Restated By-laws of National Oilwell Varco, Inc. (Exhibit 3.1) (9)
10.1	Employment Agreement dated as of January 1, 2002 between Merrill A. Miller, Jr. and National Oilwell. (Exhibit 10.1) (2)
10.2	Employment Agreement dated as of January 1, 2002 between Dwight W. Rettig and National Oilwell, with similar agreement with Mark A. Reese. (Exhibit 10.2) (2)
10.3	Form of Amended and Restated Executive Agreement of Clay C. Williams. (Exhibit 10.12) (3)
10.4	National Oilwell Varco Long-Term Incentive Plan, as amended and restated. (5)*
10.5	Form of Employee Stock Option Agreement. (Exhibit 10.1) (6)
10.6	Form of Non-Employee Director Stock Option Agreement. (Exhibit 10.2) (6)
10.7	Form of Performance-Based Restricted Stock. (18 Month) Agreement (Exhibit 10.1) (7)
10.8	Form of Performance-Based Restricted Stock. (36 Month) Agreement (Exhibit 10.2) (7)
10.9	Credit Agreement, dated as of September 28, 2012, among National Oilwell Varco, Inc., the financial institutions signatory thereto, including Wells Fargo Bank, N.A., in their capacities as Administrative Agent, Co-Lead Arranger and Joint Book Runner. (Exhibit 10.1) (10)

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10.10	First Amendment to Employment Agreement dated as of December 22, 2008 between Merrill A. Miller, Jr. and National Oilwell Varco. (Exhibit 10.1) (11)
10.11	Second Amendment to Executive Agreement, dated as of December 22, 2008 of Clay Williams and National Oilwell Varco. (Exhibit 10.2) (11)
10.12	First Amendment to Employment Agreement dated as of December 22, 2008 between Mark A. Reese and National Oilwell Varco. (Exhibit 10.3) (11)
10.13	First Amendment to Employment Agreement dated as of December 22, 2008 between Dwight W. Rettig and National Oilwell Varco. (Exhibit 10.4) (11)
10.14	Employment Agreement dated as of December 22, 2008 between Robert W. Blanchard and National Oilwell Varco. (Exhibit 10.5) (11)
10.16	Second Amendment to Employment Agreement dated as of December 31, 2009 between Merrill A. Miller, Jr. and National Oilwell Varco. (Exhibit 10.1) (12)
10.17	Third Amendment to Executive Agreement, dated as of December 31, 2009, of Clay Williams and National Oilwell Varco. (Exhibit 10.2) (12)
10.18	Second Amendment to Employment Agreement dated as of December 31, 2009 between Mark A. Reese and National Oilwell Varco. (Exhibit 10.3) (12)
10.19	Second Amendment to Employment Agreement dated as of December 31, 2009 between Dwight W. Rettig and National Oilwell Varco. (Exhibit 10.4) (12)
10.20	First Amendment to Employment Agreement dated as of December 31, 2009 between Robert W. Blanchard and National Oilwell Varco. (Exhibit 10.5) (12)
10.21	Employment Agreement dated as of January 1, 2004 between Jeremy Thigpen and National Oilwell. (Exhibit 10.1) (13)
10.22	First Amendment to Employment Agreement dated as of December 22, 2008 between Jeremy Thigpen and National Oilwell Varco. (Exhibit 10.2) (13)
10.23	Second Amendment to Employment Agreement dated as of December 31, 2009 between Jeremy Thigpen and National Oilwell Varco. (Exhibit 10.3) (13)
21.1	Subsidiaries of the Registrant.
23.1	Consent of Ernst & Young LLP.
24.1	Power of Attorney. (included on signature page hereto)
31.1	Certification pursuant to Rule 13a-14a and Rule 15d-14(a) of the Securities and Exchange Act, as amended.
31.2	Certification pursuant to Rule 13a-14a and Rule 15d-14(a) of the Securities and Exchange Act, as amended.
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
95	Mine Safety Information persuant to section 1503 of the Dodd-Frank Act.
101	The following materials from our Annual Report on Form 10-K for the period ended December 31, 2012 formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Cash Flows, and (iv) Notes to the Consolidated Financial Statements, tagged as block text. (14)

* Compensatory plan or arrangement for management or others.
(1) Filed as an Exhibit to our Quarterly Report on Form 10-Q filed on August 5, 2011.
(2) Filed as an Exhibit to our Annual Report on Form 10-K filed on March 28, 2002.

(3) Filed as an Exhibit to Varco International, Inc. s Quarterly Report on Form 10-Q filed on May 6, 2004.
(4) Filed as Annex A to our Registration Statement on Form S-4 filed on September 16, 2004.
(5) Filed as an Exhibit to our Current Report on Form 8-K filed on February 24, 2012.
(6) Filed as an Exhibit to our Current Report on Form 8-K filed on February 23, 2006.
(7) Filed as an Exhibit to our Current Report on Form 8-K filed on March 27, 2007.
(8) Filed as Annex A to our Registration Statement on Form S-4 filed on January 28, 2008.
(9) Filed as an Exhibit to our Current Report on Form 8-K filed on August 17, 2011.
(10) Filed as an Exhibit to our Current Report on Form 8-K filed on October 1, 2012
(11) Filed as an Exhibit to our Current Report on Form 8-K filed on December 23, 2008.
(12) Filed as an Exhibit to our Current Report on Form 8-K filed on January 5, 2010.
(13) Filed as an Exhibit to our Current Report on Form 8-K filed on December 7, 2012.
(14) As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

We hereby undertake, pursuant to Regulation S-K, Item 601(b), paragraph (4) (iii), to furnish to the U.S. Securities and Exchange Commission, upon request, all constituent instruments defining the rights of holders of our long-term debt not filed herewith.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NATIONAL OILWELL VARCO, INC.

Dated: February 22, 2013

By: /s/ MERRILL A. MILLER, JR.
Merrill A. Miller, Jr.
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Each person whose signature appears below in so signing, constitutes and appoints Merrill A. Miller, Jr. and Jeremy D. Thigpen, and each of them acting alone, his true and lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, to execute and cause to be filed with the Securities and Exchange Commission any and all amendments to this report, and in each case to file the same, with all exhibits thereto and other documents in connection therewith, and hereby ratifies and confirms all that said attorney-in-fact or his substitute or substitutes may do or cause to be done by virtue hereof.

Signature	Title	Date
/s/ MERRILL A. MILLER, JR. Merrill A. Miller, Jr.	Chairman and Chief Executive Officer	February 22, 2013
/s/ JEREMY D. THIGPEN Jeremy D. Thigpen	Senior Vice President and Chief Financial Officer	February 22, 2013
/s/ ROBERT W. BLANCHARD Robert W. Blanchard	Vice President, Corporate Controller and Chief Accounting Officer	February 22, 2013
/s/ GREG L. ARMSTRONG Greg L. Armstrong	Director	February 22, 2013
/s/ ROBERT E. BEAUCHAMP Robert E. Beauchamp	Director	February 22, 2013
/s/ BEN A. GUILL Ben A. Guill	Director	February 22, 2013
/s/ DAVID D. HARRISON David D. Harrison	Director	February 22, 2013
/s/ ROGER L. JARVIS Roger L. Jarvis	Director	February 22, 2013
/s/ ERIC L. MATTSON Eric L. Mattson	Director	February 22, 2013
/s/ JEFFERY A. SMISEK Jeffery A. Smisek	Director	February 22, 2013

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MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

National Oilwell Varco, Inc. s management is responsible for establishing and maintaining adequate internal control over financial reporting. National Oilwell Varco, Inc. s internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

On May 16, 2012, the Company acquired Enerflow, on May 31, 2012, acquired Wilson, and on July 19, 2012, acquired CE Franklin. For purposes of determining the effectiveness of the Company s internal control over financial reporting, as disclosed in this report, management has excluded these acquisitions from its evaluation. The acquired businesses represented approximately 6% of our consolidated total assets at December 31, 2012, 8% of consolidated revenues and 2% of our consolidated operating profit for the year ended December 31, 2012.

Management has used the framework set forth in the report entitled Internal Control Integrated Framework published by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission to evaluate the effectiveness of the Company s internal control over financial reporting. Management has concluded that the Company s internal control over financial reporting was effective as of December 31, 2012.

The effectiveness of our internal control over financial reporting as of December 31, 2012, has been audited by Ernst & Young LLP, the independent registered public accounting firm which also has audited the Company s Consolidated Financial Statements included in this Annual Report on Form 10-K.

/s/ Merrill A. Miller, Jr.

Merrill A. Miller, Jr.

Chairman and Chief Executive Officer

/s/ Jeremy D. Thigpen

Jeremy D. Thigpen

Senior Vice President and Chief Financial Officer

Houston, Texas

February 22, 2013

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders

National Oilwell Varco, Inc.

We have audited National Oilwell Varco, Inc. s internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). National Oilwell Varco, Inc s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management s Report on Internal Control Over Financial Reporting, management s assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls related to the acquisitions of Wilson, Enerflow and CE Franklin. The acquired businesses represented approximately 6% of consolidated total assets at December 31, 2012, 8% of consolidated revenues and 2% of consolidated operating profit for the year ended December 31, 2012. Our audit of internal control over financial reporting of the Company also did not include the evaluation of internal control over financial reporting of these acquisitions referred to above.

In our opinion, National Oilwell Varco, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, stockholders equity and cash flows for each of the three years in the period ended December 31, 2012 of National Oilwell Varco, Inc. and our report dated February 22, 2013 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Houston, Texas

February 22, 2013

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders

National Oilwell Varco, Inc.

We have audited the accompanying consolidated balance sheets of National Oilwell Varco, Inc. as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, stockholders equity and cash flows for each of the three years in the period ended December 31, 2012. Our audits also included the financial statement schedule listed in the index at item 15(2). These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of National Oilwell Varco, Inc. as of December 31, 2012 and 2011, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), National Oilwell Varco, Inc. s internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 22, 2013, expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Houston, Texas

February 22, 2013

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NATIONAL OILWELL VARCO, INC.

CONSOLIDATED BALANCE SHEETS

(In millions, except share data)

	December 31, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,319	$ 3,535
Receivables, net	4,320	3,291
Inventories, net	5,891	4,030
Costs in excess of billings	1,225	593
Deferred income taxes	349	336
Prepaid and other current assets	574	325
Total current assets	15,678	12,110
Property, plant and equipment, net	2,945	2,445
Deferred income taxes	413	267
Goodwill	7,172	6,151
Intangibles, net	4,743	4,073
Investment in unconsolidated affiliates	393	391
Other assets	140	78
Total assets	$ 31,484	$ 25,515
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 1,200	$ 901
Accrued liabilities	2,571	2,376
Billings in excess of costs	1,189	865
Current portion of long-term debt and short-term borrowings	1	351
Accrued income taxes	355	709
Deferred income taxes	333	214
Total current liabilities	5,649	5,416
Long-term debt	3,148	159
Deferred income taxes	1,997	1,852
Other liabilities	334	360
Total liabilities	11,128	7,787
Commitments and contingencies		
Stockholders equity:		
Common stock par value $.01; 1 billion shares authorized; 426,928,322 and 423,900,601 shares issued and outstanding at December 31, 2012 and December 31, 2011	4	4
Additional paid-in capital	8,743	8,535
Accumulated other comprehensive income (loss)	107	(23)
Retained earnings	11,385	9,103
Total Company stockholders equity	20,239	17,619
Noncontrolling interests	117	109

Total stockholders equity	20,356	17,728
Total liabilities and stockholders equity	$ 31,484	$ 25,515

The accompanying notes are an integral part of these statements.

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NATIONAL OILWELL VARCO, INC.

CONSOLIDATED STATEMENTS OF INCOME

(In millions, except per share data)

	Years Ended December 31,		
	2012	**2011**	**2010**
Revenue			
Sales	$ 16,641	$ 11,842	$ 9,956
Services	3,400	2,816	2,200
Total	20,041	14,658	12,156
Cost of revenue			
Cost of sales	11,886	8,037	6,598
Cost of services	2,816	2,124	1,726
Total	14,702	10,161	8,324
Gross profit	5,339	4,497	3,832
Selling, general and administrative	1,782	1,560	1,385
Operating profit	3,557	2,937	2,447
Interest and financial costs	(49)	(40)	(50)
Interest income	10	18	13
Equity income in unconsolidated affiliates	58	46	36
Other income (expense), net	(71)	(39)	(49)
Income before income taxes	3,505	2,922	2,397
Provision for income taxes	1,022	937	738
Net income	2,483	1,985	1,659
Net loss attributable to noncontrolling interests	(8)	(9)	(8)
Net income attributable to Company	$ 2,491	$ 1,994	$ 1,667
Net income attributable to Company per share:			
Basic	$ 5.86	$ 4.73	$ 3.99
Diluted	$ 5.83	$ 4.70	$ 3.98
Cash dividends per share	$ 0.49	$ 0.45	$ 0.41
Weighted average shares outstanding:			
Basic	425	422	417
Diluted	427	424	419

The accompanying notes are an integral part of these statements.

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NATIONAL OILWELL VARCO, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

	Years Ended December 31,		
	2012	**2011**	**2010**
Net income attributable to Company	$ 2,491	$ 1,994	$ 1,667
Other comprehensive income (loss) (net of tax):			
Currency translation adjustments	64	(65)	13
Derivative financial instruments	99	(63)	(13)
Change in defined benefit plans	(33)	14	1
Comprehensive income attributable to Company	2,621	1,880	1,668
Net loss attributable to noncontrolling interests	(8)	(9)	(8)
Comprehensive income	$ 2,613	$ 1,871	$ 1,660

The accompanying notes are an integral part of these statements.

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NATIONAL OILWELL VARCO, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	Years Ended December 31,		
	2012	2011	2010
Cash flows from operating activities:			
Net income	$ 2,483	$ 1,985	$ 1,659
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	628	555	507
Deferred income taxes	(97)	(352)	(165)
Stock-based compensation	80	73	66
Excess tax benefit from the exercise of stock options	(25)	(22)	(10)
Equity income in unconsolidated affiliates	(58)	(46)	(36)
Dividend from unconsolidated affiliates	61	45	17
Other	84	69	135
Change in operating assets and liabilities, net of acquisitions:			
Receivables	(517)	(696)	(189)
Inventories	(1,061)	(591)	39
Costs in excess of billings	(632)	222	(4)
Prepaid and other current assets	(224)	(44)	15
Accounts payable	(19)	205	40
Billings in excess of costs	324	354	(620)
Income taxes payable	(409)	283	286
Other assets/liabilities, net	2	103	(198)
Net cash provided by operating activities	620	2,143	1,542
Cash flows from investing activities:			
Purchases of property, plant and equipment	(583)	(483)	(232)
Business acquisitions, net of cash acquired	(2,880)	(1,038)	(556)
Dividend from unconsolidated affiliate		13	16
Other, net	35	50	29
Net cash used in investing activities	(3,428)	(1,458)	(743)
Cash flows from financing activities:			
Borrowings against lines of credit and other debt	5,575		3
Payments against lines of credit and other debt	(2,938)	(391)	(16)
Cash dividends paid	(209)	(191)	(172)
Proceeds from stock options exercised	113	96	73
Excess tax benefit from the exercise of stock options	25	22	10
Other	17		
Net cash provided by (used in) financing activities	2,583	(464)	(102)
Effect of exchange rates on cash	9	(19)	14
Increase (decrease) in cash and cash equivalents	(216)	202	711
Cash and cash equivalents, beginning of period	3,535	3,333	2,622
Cash and cash equivalents, end of period	$ 3,319	$ 3,535	$ 3,333

Supplemental disclosures of cash flow information:			
Cash payments during the period for:			
Interest	$ 40	$ 44	$ 56
Income taxes	$ 1,572	$ 945	$ 551

The accompanying notes are an integral part of these statements.

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NATIONAL OILWELL VARCO, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(In millions)

	Shares Outstanding	Common Stock	Additional Paid in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Company Stockholders Equity	Noncontrolling Interests	Total Stockholders Equity
Balance at December 31, 2009	418	$ 4	$ 8,214	$ 90	$ 5,805	$ 14,113	$ 115	$ 14,228
Net income					1,667	1,667	(8)	1,659
Other comprehensive income, net				1		1		1
Cash dividends, $.41 per common share					(172)	(172)		(172)
Dividends to noncontrolling interests							(2)	(2)
Noncontrolling interest contribution							9	9
Stock-based compensation			66			66		66
Common stock issued	3		73			73		73
Withholding taxes			(10)			(10)		(10)
Excess tax benefit of options exercised			10			10		10
Balance at December 31, 2010	421	$ 4	$ 8,353	$ 91	$ 7,300	$ 15,748	$ 114	$ 15,862
Net income					1,994	1,994	(9)	1,985
Other comprehensive loss, net				(114)		(114)		(114)
Cash dividends, $.45 per common share					(191)	(191)		(191)
Dividends to noncontrolling interests							(17)	(17)
Noncontrolling interest contribution							21	21
Stock-based compensation			73			73		73
Common stock issued	3		96			96		96
Withholding taxes			(9)			(9)		(9)
Excess tax benefit of options exercised			22			22		22
Balance at December 31, 2011	424	$ 4	$ 8,535	$ (23)	$ 9,103	$ 17,619	$ 109	$ 17,728
Net income					2,491	2,491	(8)	2,483
Other comprehensive income, net				130		130		130
Cash dividends, $.49 per common share					(209)	(209)		(209)
Dividends to noncontrolling interests							(4)	(4)
Noncontrolling interest contribution							20	20
Stock-based compensation			80			80		80
Common stock issued	3		113			113		113
Withholding taxes			(10)			(10)		(10)
Excess tax benefit of options exercised			25			25		25
Balance at December 31, 2012	427	$ 4	$ 8,743	$ 107	$ 11,385	$ 20,239	$ 117	$ 20,356

The accompanying notes are an integral part of these statements.

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NATIONAL OILWELL VARCO, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Basis of Presentation

Nature of Business

We design, construct, manufacture and sell comprehensive systems, components, and products used in oil and gas drilling and production, provide oilfield services and supplies, and distribute products and provide supply chain integration services to the upstream oil and gas industry. Our revenues and operating results are directly related to the level of worldwide oil and gas drilling and production activities and the profitability and cash flow of oil and gas companies, drilling contractors and oilfield service companies, which in turn are affected by current and anticipated prices of oil and gas. Oil and gas prices have been, and are likely to continue to be, volatile.

Basis of Consolidation

The accompanying Consolidated Financial Statements include the accounts of National Oilwell Varco, Inc. and its consolidated subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. Investments that are not wholly-owned, but where we exercise control, are fully consolidated with the equity held by minority owners and their portion of net income (loss) reflected as noncontrolling interests in the accompanying consolidated financial statements. Investments in unconsolidated affiliates, over which we exercise significant influence, but not control, are accounted for by the equity method.

2. Summary of Significant Accounting Policies

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, receivables, and payables approximated fair value because of the relatively short maturity of these instruments. Cash equivalents include only those investments having a maturity date of three months or less at the time of purchase. See Note 3 for the fair value of derivative financial instruments, Note 9 for the fair value of long-term debt and Note 10 for the fair value of employee benefit plan assets.

Derivative Financial Instruments

Accounting Standards Codification (ASC) Topic 815, Derivatives and Hedging (ASC Topic 815) requires companies to recognize all of its derivative instruments as either assets or liabilities in the Consolidated Balance Sheet at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship, and further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge, or a hedge of a net investment in a foreign operation.

The Company records all derivative financial instruments at their fair value in its Consolidated Balance Sheet. Except for certain non-designated hedges discussed below, all derivative financial instruments that the Company holds are designated as cash flow and are highly effective in offsetting movements in the underlying risks. Such arrangements typically have terms between two and 24 months, but may have longer terms depending on the underlying cash flows being hedged, typically related to the projects in our backlog. The Company may also use interest rate contracts to mitigate its exposure to changes in interest rates on anticipated long-term debt issuances.

At December 31, 2012, the Company has determined that the fair value of its derivative financial instruments representing assets of $105 million and liabilities of $19 million (primarily 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, 2012, the net fair value of the Company s foreign currency forward contracts totaled a net asset of $86 million.

Inventories

Inventories consist of raw materials, work-in-process and oilfield and industrial finished products, manufactured equipment and spare parts. Inventories are stated at the lower of cost or market using the first-in, first-out or average cost methods. Allowances for excess and obsolete inventories are determined based on our historical usage of inventory on-hand as well as our future expectations related to our installed base and the development of new products. The allowance, which totaled $338 million and $281 million at December 31, 2012 and 2011, respectively, is the amount necessary to reduce the cost of the inventory to its net realizable value.

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Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Expenditures for major improvements that extend the lives of property and equipment are capitalized while minor replacements, maintenance and repairs are charged to operations as incurred. Disposals are removed at cost less accumulated depreciation with any resulting gain or loss reflected in operations. Depreciation is provided using the straight-line method over the estimated useful lives of individual items. Depreciation expense was $323 million, $279 million and $262 million for the years ended December 31, 2012, 2011 and 2010, respectively. The estimated useful lives of the major classes of property, plant and equipment are included in Note 6 to the consolidated financial statements.

Long-lived Assets

We record impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets are impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. The carrying value of assets used in operations that are not recoverable is reduced to fair value if lower than carrying value. In determining the fair market value of the assets, we consider market trends and recent transactions involving sales of similar assets, or when not available, discounted cash flow analysis. There have been no impairments of long-lived assets for the years ended December 31, 2012, 2011 and 2010.

Intangible Assets

The Company has approximately $7.1 billion of goodwill and $4.7 billion of identified intangible assets at December 31, 2012. Generally accepted accounting principles require the Company to test goodwill and other indefinite-lived intangible assets for impairment at least annually or more frequently whenever events or circumstances occur indicating that such assets might be impaired.

Goodwill is identified by segment as follows (in millions):

	Rig Technology	Petroleum Services & Supplies	Distribution & Transmission	Total
Balance at December 31, 2010	$ 1,854	$ 3,859	$ 77	$ 5,790
Goodwill acquired during period	117	233	27	377
Currency translation adjustments and other	(12)	(3)	(1)	(16)
Balance at December 31, 2011	$ 1,959	$ 4,089	$ 103	$ 6,151
Goodwill acquired during the period	412	241	347	1,000
Currency translation adjustments and other	15	3	3	21
Balance at December 31, 2012	$ 2,386	$ 4,333	$ 453	$ 7,172

Identified intangible assets with determinable lives consist primarily of customer relationships, trademarks, trade names, patents, and technical drawings acquired in acquisitions, and are being amortized on a straight-line basis over the estimated useful lives of 2-30 years. Amortization expense of identified intangibles is expected to be approximately $300 million in each of the next five years. Included in intangible assets are approximately $643 million of indefinite-lived trade names.

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The net book value of identified intangible assets are identified by segment as follows (in millions):

	Rig Technology	Petroleum Services & Supplies	Distribution & Transmission	Total
Balance at December 31, 2010	$ 666	$ 3,432	$ 5	$ 4,103
Additions to intangible assets	70	176	27	273
Amortization	(60)	(213)	(3)	(276)
Currency translation adjustments and other	(22)	(4)	(1)	(27)
Balance at December 31, 2011	$ 654	$ 3,391	$ 28	$ 4,073
Additions to intangible assets	545	380	56	981
Amortization	(76)	(224)	(5)	(305)
Currency translation adjustments and other	(11)	3	2	(6)
Balance at December 31, 2012	$ 1,112	$ 3,550	$ 81	$ 4,743

Identified intangible assets by major classification consist of the following (in millions):

	Gross	Accumulated Amortization	Net Book Value
December 31, 2011:			
Customer relationships	$ 3,044	$ (717)	$ 2,327
Trademarks	716	(122)	594
Indefinite-lived trade names	643		643
Other	751	(242)	509
Total identified intangibles	$ 5,154	$ (1,081)	$ 4,073
December 31, 2012:			
Customer relationships	$ 3,522	$ (907)	$ 2,615
Trademarks	877	(152)	725
Indefinite-lived trade names	643		643
Other	1,087	(327)	760
Total identified intangibles	$ 6,129	$ (1,386)	$ 4,743

The Company performed its annual impairment analysis for its goodwill and indefinite-lived intangible assets during the fourth quarter of 2012, 2011 and 2010, each resulting in no impairment. The valuation techniques used in the annual test were consistent with those used during previous testing. The inputs used in the annual test were updated for current market conditions and forecasts.

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Foreign Currency

The functional currency for most of our foreign operations is the local currency. The cumulative effects of translating the balance sheet accounts from the functional currency into the U.S. dollar at current exchange rates are included in accumulated other comprehensive income (loss). Revenues and expenses are translated at average exchange rates in effect during the period. Certain other foreign operations, including our operations in Norway, use the U.S. dollar as the functional currency. Accordingly, financial statements of these foreign subsidiaries are remeasured to U.S. dollars for consolidation purposes using current rates of exchange for monetary assets and liabilities and historical rates of exchange for nonmonetary assets and related elements of expense. Revenue and expense elements are remeasured at rates that approximate the rates in effect on the transaction dates. For all operations, gains or losses from remeasuring foreign currency transactions into the functional currency are included in income. Net foreign currency transaction losses were $21 million, $10 million and $30 million for the years ending December 31, 2012, 2011 and 2010, respectively, and are included in other income (expense) in the accompanying statement of operations.

During the first quarter of 2010, the Venezuelan government officially devalued the Venezuelan bolivar against the U.S. dollar. As a result the Company converted its Venezuela ledgers to U.S. dollar functional currency, devalued monetary assets resulting in a $27 million charge, and wrote-down certain accounts receivable in view of deteriorating business conditions in Venezuela, resulting in an additional $11 million charge. During the first quarter of 2013, the Venezuelan government again officially devalued the Venezuelan bolivar against the U.S. dollar. As a result, the Company expects to incur approximately $12 million in devaluation charges in the first quarter of 2013. The Company s net investment in Venezuela was $34 million at December 31, 2012.

Revenue Recognition

The Company s products and services are sold based upon purchase orders or contracts with the customer that include fixed or determinable prices and that do not generally include right of return or other similar provisions or other significant post delivery obligations. Except for certain construction contracts and drill pipe sales described below, the Company records revenue at the time its manufacturing process is complete, the customer has been provided with all proper inspection and other required documentation, title and risk of loss has passed to the customer, collectability is reasonably assured and the product has been delivered. Customer advances or deposits are deferred and recognized as revenue when the Company has completed all of its performance obligations related to the sale. The Company also recognizes revenue as services are performed. The amounts billed for shipping and handling cost are included in revenue and related costs are included in cost of sales.

Revenue Recognition under Long-term Construction Contracts

The Company uses the percentage-of-completion method to account for certain long-term construction contracts in the Rig Technology segment. These long-term construction contracts include the following characteristics:

- the contracts include custom designs for customer specific applications;
- the structural design is unique and requires significant engineering efforts; and
- construction projects often have progress payments.

This method requires the Company to make estimates regarding the total costs of the project, progress against the project schedule and the estimated completion date, all of which impact the amount of revenue and gross margin the Company recognizes in each reporting period. The Company prepares detailed cost estimates at the beginning of each project. Significant projects and their related costs and profit margins are updated and reviewed at least quarterly by senior management. Factors that may affect future project costs and margins include shipyard access, weather, production efficiencies, availability and costs of labor, materials and subcomponents and other factors. These factors can impact the accuracy of the Company s estimates and materially impact the Company s current and future reported earnings.

The asset, Costs in excess of billings, represents revenues recognized in excess of amounts billed. The liability, Billings in excess of costs, represents billings in excess of revenues recognized.

Drill Pipe Sales

For drill pipe sales, if requested in writing by the customer, delivery may be satisfied through delivery to the Company s customer storage location or to a third-party storage facility. For sales transactions where title and risk of loss have transferred to the customer but the supporting documentation does not meet the criteria for revenue recognition prior to the products being in the physical possession of the customer, the recognition of the revenues and related inventory costs from these transactions are deferred until the customer takes physical possession.

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Service and Product Warranties

The Company provides service and warranty policies on certain of its products. The Company accrues liabilities under service and warranty policies based upon specific claims and a review of historical warranty and service claim experience in accordance with ASC Topic 450 Contingencies (ASC Topic 450). Adjustments are made to accruals as claim data and historical experience change. In addition, the Company incurs discretionary costs to service its products in connection with product performance issues and accrues for them when they are encountered. The Company monitors the actual cost of performing these discretionary services and adjusts the accrual based on the most current information available.

The changes in the carrying amount of service and product warranties are as follows (in millions):

Balance at December 31, 2010	$ 215
Net provisions for warranties issued during the year	40
Amounts incurred	(47)
Currency translation adjustments and other	3
Balance at December 31, 2011	$ 211
Net provisions for warranties issued during the year	51
Amounts incurred	(76)
Currency translation adjustments and other	8
Balance at December 31, 2012	$ 194

Income Taxes

The liability method is used to account for income taxes. Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates that will be in effect when the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to amounts which are more likely than not to be realized.

Concentration of Credit Risk

We grant credit to our customers, which operate primarily in the oil and gas industry. Concentrations of credit risk are limited because we have a large number of geographically diverse customers, thus spreading trade credit risk. We control credit risk through credit evaluations, credit limits and monitoring procedures. We perform periodic credit evaluations of our customers financial condition and generally do not require collateral, but may require letters of credit for certain international sales. Credit losses are provided for in the financial statements. Allowances for doubtful accounts are determined based on a continuous process of assessing the Company s portfolio on an individual customer basis taking into account current market conditions and trends. This process consists of a thorough review of historical collection experience, current aging status of the customer accounts, and financial condition of the Company s customers. Based on a review of these factors, the Company will establish or adjust allowances for specific customers. Accounts receivable are net of allowances for doubtful accounts of approximately $120 million and $107 million at December 31, 2012 and 2011.

Stock-Based Compensation

Compensation expense for the Company s stock-based compensation plans is measured using the fair value method required by ASC Topic 718 Compensation Stock Compensation (ASC Topic 718). Under this guidance the fair value of stock option grants and restricted stock is amortized to expense using the straight-line method over the shorter of the vesting period or the remaining employee service period.

The Company provides compensation benefits to employees and non-employee directors under share-based payment arrangements, including various employee stock option plans.

Total compensation cost that has been charged against income for all share-based compensation arrangements was $80 million, $73 million and $66 million for 2012, 2011 and 2010, respectively. The total income tax benefit recognized in the income statement for all share-based compensation arrangements was $24 million, $17 million and $20 million for 2012, 2011 and 2010, respectively.

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Environmental Liabilities

When environmental assessments or remediations are probable and the costs can be reasonably estimated, remediation liabilities are recorded on an undiscounted basis and are adjusted as further information develops or circumstances change.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect reported and contingent amounts of assets and liabilities as of the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Such estimates include but are not limited to, estimated losses on accounts receivable, estimated costs and related margins of projects accounted for under percentage-of-completion, estimated realizable value on excess and obsolete inventory, contingencies, estimated liabilities for litigation exposures and liquidated damages, estimated warranty costs, estimates related to pension accounting, estimates related to the fair value of reporting units for purposes of assessing goodwill and other indefinite-lived intangible assets for impairment and estimates related to deferred tax assets and liabilities, including valuation allowances on deferred tax assets. Actual results could differ from those estimates.

Contingencies

The Company accrues for costs relating to litigation claims and other contingent matters, including liquidated damage liabilities, when such liabilities become probable and reasonably estimable. Such estimates may be based on advice from third parties or on management s judgment, as appropriate. Revisions to contingent liabilities are reflected in income in the period in which different facts or information become known or circumstances change that affect the Company s previous judgments with respect to the likelihood or amount of loss. Amounts paid upon the ultimate resolution of contingent liabilities may be materially different from previous estimates and could require adjustments to the estimated reserves to be recognized in the period such new information becomes known.

In circumstances where the most likely outcome of a contingency can be reasonably estimated, we accrue a liability for that amount. Where the most likely outcome cannot be estimated, a range of potential losses is established and if no one amount in that range is more likely than others, the low end of the range is accrued.

Net Income Attributable to Company Per Share

The following table sets forth the computation of weighted average basic and diluted shares outstanding (in millions, except per share data):

	Years Ended December 31,		
	2012	**2011**	**2010**
Numerator:			
Net income attributable to Company	$ 2,491	$ 1,994	$ 1,667
Denominator:			
Basic weighted average common shares outstanding	425	422	417
Dilutive effect of employee stock options and other unvested stock awards	2	2	2
Diluted outstanding shares	427	424	419
Basic earnings attributable to Company per share	$ 5.86	$ 4.73	$ 3.99
Diluted earnings attributable to Company per share	$ 5.83	$ 4.70	$ 3.98
Cash dividends per share	$ 0.49	$ 0.45	$ 0.41

ASC Topic 260, Earnings Per Share (ASC Topic 260) requires companies with unvested participating securities to utilize a two-class method for the computation of net income attributable to Company per share. The two-class method requires a portion of net income attributable to Company to be allocated to participating securities, which are unvested awards of share-based payments with non-forfeitable rights to receive

dividends or dividend equivalents, if declared. Net income attributable to Company allocated to these participating securities was immaterial for the years ended December 31, 2012, 2011 and 2010 and therefore not excluded from net income attributable to Company per share calculation.

The Company had stock options outstanding that were anti-dilutive totaling 5 million, 3 million, and 8 million at December 31, 2012, 2011 and 2010, respectively.

Recently Issued Accounting Standards

In July 2012, the Financial Accounting Standards Board issued Accounting Standard Update No. 2012-02 Intangibles Goodwill and Other (Topic 350) that amends the accounting guidance on testing indefinite-lived intangible assets for impairment. The amendments in this accounting standard update are intended to reduce complexity and costs by allowing an entity the option to make a qualitative evaluation about the likelihood that an indefinite-lived intangible asset is impaired to determine whether it should perform a quantitative impairment test. The amendments also enhance the consistency of impairment testing guidance among long-lived asset categories by permitting an entity to assess qualitative factors to determine whether it is necessary to calculate the asset s fair value when testing an indefinite-lived intangible asset for impairment, which is equivalent to the impairment testing requirements for other long-lived assets. The amendments in this accounting standard update are effective for interim and annual impairment tests performed for fiscal years beginning after September 15, 2012. The Company tests its indefinite-lived intangible assets for impairment annually in the fourth quarter or more frequently when events or changes in circumstances indicate that impairment may have occurred.

3. Derivative Financial Instruments

ASC Topic 815, Derivatives and Hedging (ASC Topic 815) requires a company to recognize all of its derivative instruments as either assets or liabilities in the Consolidated Balance Sheet at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge, or a hedge of a net investment in a foreign operation.

The Company is exposed to certain risks relating to its ongoing business operations. The primary risk managed by using derivative instruments is foreign currency exchange rate risk. Forward contracts against various foreign currencies are entered into to manage the foreign currency exchange rate risk on forecasted revenues and expenses denominated in currencies other than the functional currency of the operating unit (cash flow hedge). Other forward exchange contracts against various foreign currencies are entered into to manage the foreign currency exchange rate risk associated with certain firm commitments denominated in currencies other than the functional currency of the operating unit (fair value hedge). In addition, the Company will enter into non-designated forward contracts against various foreign currencies to manage the foreign currency exchange rate risk on recognized nonfunctional currency monetary accounts (non-designated hedge).

The Company records all derivative financial instruments at their fair value in its Consolidated Balance Sheet. Except for certain non-designated hedges discussed below, all derivative financial instruments that the Company holds are designated as cash flow hedges and are highly effective in offsetting movements in the underlying risks. Such arrangements typically have terms between 2 and 24 months, but may have longer terms depending on the underlying cash flows being hedged, typically related to the projects in our backlog. The Company may also use interest rate contracts to mitigate its exposure to changes in interest rates on anticipated long-term debt issuances.

At December 31, 2012, the Company has determined that the fair value of its derivative financial instruments representing assets of $105 million and liabilities of $19 million (primarily 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, 2012, the net fair value of the Company s foreign currency forward contracts totaled a net asset of $86 million.

At December 31, 2012, the Company did not have any interest rate swaps and its financial instruments do not contain any credit-risk-related or other contingent features that could cause accelerated payments when the Company s financial instruments are in net liability positions. We do not use derivative financial instruments for trading or speculative purposes.

Cash Flow Hedging Strategy

To protect against the volatility of forecasted foreign currency cash flows resulting from forecasted revenues and expenses, the Company has instituted a cash flow hedging program. The Company hedges portions of its forecasted revenues and expenses denominated in nonfunctional currencies with forward contracts. When the U.S. dollar strengthens against the foreign currencies, the decrease in present value of future foreign currency revenues and expenses is offset by gains in the fair value of the forward contracts designated as hedges. Conversely, when the U.S. dollar weakens, the increase in the present value of future foreign currency cash flows is offset by losses in the fair value of the forward contracts.

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For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows that is subject to a particular currency risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of Other Comprehensive Income and reclassified into earnings in the same line item associated with the forecasted transaction and in the same period or periods during which the hedged transaction affects earnings (e.g., in revenues when the hedged transactions are cash flows associated with forecasted revenues). The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item, if any (i.e., the ineffective portion), or hedge components excluded from the assessment of effectiveness, is recognized in the Consolidated Statements of Income during the current period.

At December 31, 2012 and 2011, the Company had the following outstanding foreign currency forward contracts that were entered into to hedge nonfunctional currency cash flows from forecasted revenues and expenses (in millions):

	Currency Denomination			
Foreign Currency	**December 31, 2012**		**December 31, 2011**	
Norwegian Krone	NOK	6,281	NOK	6,639
U.S. Dollar	$	331	$	402
Euro		389		456
Mexican Peso	MXN		MXN	
Danish Krone	DKK	134	DKK	98
Singapore Dollar	SGD	14	SGD	10
British Pound Sterling	£	6	£	2

Non-designated Hedging Strategy

The Company enters into forward exchange contracts to hedge certain nonfunctional currency monetary accounts. The purpose of the Company s foreign currency hedging activities is to protect the Company from risk that the eventual U.S. dollar equivalent cash flows from the nonfunctional currency monetary accounts will be adversely affected by changes in the exchange rates.

For derivative instruments that are non-designated, the gain or loss on the derivative instrument subject to the hedged risk (i.e., nonfunctional currency monetary accounts) is recognized in other income (expense), net in current earnings.

The Company had the following outstanding foreign currency forward contracts that hedge the fair value of nonfunctional currency monetary accounts (in millions):

	Currency Denomination			
Foreign Currency	**December 31, 2012**		**December 31, 2011**	
Norwegian Krone	NOK	1,684	NOK	2,310
Russian Ruble	RUB	1,467	RUB	786
U.S. Dollar	$	967	$	483
Euro		225		161
Danish Krone	DKK	177	DKK	67
Brazilian Real	BRL	135	BRL	
Singapore Dollar	SGD	24	SGD	5
British Pound Sterling	£	9	£	9
Canadian Dollar	CAD	2	CAD	
Swedish Krone	SEK	5	SEK	4

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The Company has the following fair values of its derivative instruments and their balance sheet classifications (in millions):

	Asset Derivatives			Liability Derivatives		
		Fair Value December 31,			Fair Value December 31,	
	Balance Sheet Location	2012	2011	Balance Sheet Location	2012	2011
Derivatives designated as hedging instruments under ASC Topic 815						
Foreign exchange contracts	Prepaid and other current assets	$ 57	$ 16	Accrued liabilities	$ 5	$ 62
Foreign exchange contracts	Other Assets	24	1	Other Liabilities	1	13
Total derivatives designated as hedging instruments under ASC Topic 815		$ 81	$ 17		$ 6	$ 75
Derivatives not designated as hedging instruments under ASC Topic 815						
Foreign exchange contracts	Prepaid and other current assets	$ 24	$ 9	Accrued liabilities	$ 13	$ 21
Total derivatives not designated as hedging instruments under ASC Topic 815		$ 24	$ 9		$ 13	$ 21
Total derivatives		$ 105	$ 26		$ 19	$ 96

The Effect of Derivative Instruments on the Consolidated Statements of Income

($ in millions)

Derivatives Designated as Hedging Instruments under ASC Topic 815	Amount of Gain (Loss) Recognized in OCI on Derivatives (Effective Portion) (a)		Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)		Location of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) (b)	
	Years Ended December 31,			Years Ended December 31,			Years Ended December 31,	
	2012	2011		2012	2011		2012	2011
			Revenue	6	11			
Foreign exchange contracts	105	6	Cost of revenue	26	38	Other income (expense), net	8	11
Total	105	6		32	49		8	11

Derivatives Not Designated as Hedging Instruments under ASC Topic 815	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Gain (Loss) Recognized in Income on Derivatives Years Ended December 31,	
		2012	2011

Foreign exchange contracts	Other income (expense), net	19
Total		19

(a) The Company expects that $(35) million of the Accumulated Other Comprehensive Income (Loss) will be reclassified into earnings within the next twelve months with an offset by gains from the underlying transactions resulting in no impact to earnings or cash flow.

(b) The amount of gain (loss) recognized in income represents nil and $17 million related to the ineffective portion of the hedging relationships for the years ended December 31, 2012 and 2011, respectively, and $8 million and $18 million related to the amount excluded from the assessment of the hedge effectiveness for the years ended December 31, 2012 and 2011, respectively.

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4. Acquisitions and Investments

2012

In the year ended December 31, 2012, the Company completed 17 acquisitions for an aggregate purchase price of $2,880 million, net of cash acquired. These acquisitions included:

All the shares of NKT Flexibles I/S (NKT), a Denmark-based designer and manufacturer of flexible pipe products and systems for the offshore oil and gas industry, acquired on April 4, 2012. The Company reported the NKT results within its Rig Technology segment from the date of acquisition.

All the shares of Enerflow Industries Inc. (U.S.) and certain assets of Enerflow Industries Inc. (Canada) (Enerflow), a Canada-based fabricator and manufacturer of pressure pumping, blending, and cementing equipment for use primarily in Canada and the U.S., acquired on May 16, 2012. The Company reported the Enerflow results within its Rig Technology segment from the date of acquisition.

All the shares of Wilson Distribution Holdings (Wilson), a U.S.-based distributor of pipe, valves and fittings as well as mill, tool and safety products and services, acquired on May 31, 2012. The Company reported the Wilson results within its Distribution & Transmission segment from the date of acquisition.

All the shares of CE Franklin Ltd. (CE Franklin), a Canada-based distributor of pipe, valves, flanges, fittings, production equipment, tubular products and other general oilfield supplies to oil and gas producers in Canada as well as to the oil sands, refining, heavy oil, petrochemical, forestry and mining industries, acquired on July 19, 2012. The Company reported the CE Franklin results within its Distribution & Transmission segment from the date of acquisition.

All the shares of Fiberspar Corporation (Fiberspar), a U.S.-based manufacturer of fiberglass-reinforced spoolable pipe for the oil and gas industry, acquired on October 10, 2012. The Company reported the Fiberspar results within its Petroleum Services & Supplies segment from the date of acquisition.

The purchase price allocation is complete for the majority of the 2012 acquisitions. Acquisitions made during the fourth quarter of 2012 remain preliminary until the valuations are complete. The following table displays the total preliminary purchase price allocation for the 2012 acquisitions and summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition (in millions):

Current assets, net of cash acquired	$ 1,441
Property, plant and equipment	248
Intangible assets	981
Goodwill	1,000
Other assets	2
Total assets acquired	3,672
Current liabilities	585
Long-term debt	1
Other liabilities	206
Total liabilities	792

Cash consideration, net of cash acquired	$ 2,880

The Company allocated $981 million to intangible assets (18 year weighted-average life). The intangible assets are expected to be amortizable and are comprised of: $473 million of customer relationships (20 year weighted-average life),$159 million of trademarks (16 year weighted-average life), and $348 million of other intangible assets (17 year weighted-average life). Goodwill specifically includes the expected synergies and other benefits that the Company believes will result from combining its operations with those of businesses acquired and other intangible assets that do not qualify for separate recognition, such as assembled workforce in place at the date of each acquisition. The $1,000 million allocated to goodwill represents the excess of the purchase price over the fair value of the net assets acquired. Goodwill resulting from the NKT and CE Franklin acquisitions and a portion of the Enerflow acquisition is not expected to be deductible for tax purposes.

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2011

The Company completed nine acquisitions for an aggregate purchase price of $1,038 million, net of cash acquired. These acquisitions included:

The shares of Ameron International Corporation (Ameron), a U.S.-based manufacturer of highly engineered products and materials for the chemical, industrial, energy, transportation and infrastructure markets.

The shares of Conner Steel Products Holding Company, a U.S.-based manufacturer of storage and handling equipment for the oilfield services industry.

The allocation of the purchase price of each acquisition was based upon valuations. The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition of the 2011 acquisitions (in millions):

	Ameron	All Other Acquisitions	Total
Current assets, net of cash acquired	$ 245	$ 106	$ 351
Property, plant and equipment	402	41	443
Intangible assets	142	131	273
Goodwill	199	178	377
Other assets	59	14	73
Total assets acquired	1,047	470	1,517
Current liabilities	154	80	234
Long-term debt	16		16
Other liabilities	173	56	229
Total liabilities	343	136	479
Cash consideration, net of cash acquired	$ 704	$ 334	$ 1,038

The Company allocated $273 million to intangible assets (16 year weighted-average life), comprised of: $119 million of customer relationships (14 year weighted-average life), $39 million of trademarks (35 year weighted-average life), and $115 million of other intangible assets (12 year weighted-average life).

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2010

The Company completed 12 acquisitions for an aggregate purchase price of $556 million, net of cash acquired. These acquisitions included:

The shares of Advanced Production and Loading PLC, a Norway-based designer and manufacturer of turret mooring systems and other products for Floating Production, Storage and Offloading vessels (FPSOs) and other offshore vessels and terminals for a purchase price of approximately $500 million.

The business and assets of Ambar Lone Star Fluids Services, LLP, a U.S.-based Drilling and Completions Fluids company.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition of the 2010 acquisitions (in millions):

Current assets, net of cash acquired	$ 136
Cost in excess of billings	71
Property, plant and equipment	38
Intangible assets	299
Goodwill	298
Other assets	8
Total assets acquired	850
Current liabilities	142
Billings in excess of cost	41
Other liabilities	111
Total liabilities	294
Cash consideration, net of cash acquired	$ 556

The Company allocated $299 million to intangible assets (18 year weighted-average life), comprised of: $116 million of customer relationships (15 year weighted-average life), $59 million of trademarks (30 year weighted-average life), and $124 million of other intangible assets (15 year weighted-average life).

Each of the acquisitions were accounted for using the purchase method of accounting and, accordingly, the results of operations of each business are included in the consolidated results of operations from the date of acquisition. A summary of the acquisitions follows (in millions);

	Years Ended December 31,		
	2012	**2011**	**2010**
Fair value of assets acquired, net of cash acquired	$ 3,672	$ 1,517	$ 850
Cash paid, net of cash acquired	(2,880)	(1,038)	(556)
Liabilities assumed, debt issued and minority interest	$ 792	$ 479	$ 294
Excess purchase price over fair value of net assets acquired	$ 1,000	$ 377	$ 298

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5. Inventories, net

Inventories consist of (in millions):

	December 31, 2012	December 31, 2011
Raw materials and supplies	$ 1,268	$ 907
Work in process	905	852
Finished goods and purchased products	3,718	2,271
Total	$ 5,891	$ 4,030

6. Property, Plant and Equipment

Property, plant and equipment consist of (in millions):

	Estimated Useful Lives	December 31, 2012	December 31, 2011
Land and buildings	5-35 Years	$ 1,348	$ 1,069
Operating equipment	3-15 Years	2,463	1,955
Rental equipment	3-12 Years	712	636
		4,523	3,660
Less: Accumulated Depreciation		(1,578)	(1,215)
		$ 2,945	$ 2,445

7. Accrued Liabilities

Accrued liabilities consist of (in millions):

	December 31, 2012	December 31, 2011
Customer prepayments and billings	$ 699	$ 686
Compensation	511	468
Accrued vendor costs	444	280
Warranty	194	211
Taxes (non income)	150	119
Insurance	108	103
Fair value of derivatives	18	83
Interest	14	7
Other	433	419
Total	$ 2,571	$ 2,376

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8. Costs and Estimated Earnings on Uncompleted Contracts

Costs and estimated earnings on uncompleted contracts consist of (in millions):

	December 31, 2012	December 31, 2011
Costs incurred on uncompleted contracts	$ 5,731	$ 5,839
Estimated earnings	3,160	3,775
	8,891	9,614
Less: Billings to date	8,855	9,886
	$ 36	$ (272)
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 1,225	$ 593
Billings in excess of costs and estimated earnings on uncompleted contracts	(1,189)	(865)
	$ 36	$ (272)

9. Debt

Debt consists of (in millions):

	December 31, 2012	December 31, 2011
Senior Notes, interest at 5.65% payable semiannually, principal due on November 15, 2012	$	$ 200
Senior Notes, interest at 5.5% payable semiannually, principal due on November 19, 2012		150
Senior Notes, interest at 6.125% payable semiannually, principal due on August 15, 2015	151	151
Senior Notes, interest at 1.35% payable semiannually, principal due on December 1, 2017	500	
Senior Notes, interest at 2.6% payable semiannually, principal due on December 1, 2022	1,395	
Senior Notes, interest at 3.95% payable semiannually, principal due on December 1, 2042	1,096	
Other	7	9
Total debt	3,149	510
Less current portion	1	351
Long-term debt	$ 3,148	$ 159

Principal payments of debt for years subsequent to 2012 are as follows (in millions):

2013	$ 1
2014	3

2015	151
2016	
2017	500
Thereafter	2,494
	$ 3,149

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New Revolving Credit Facility

On September 28, 2012, the Company entered into a new five-year unsecured revolving credit facility with a syndicate of financial institutions. This new credit facility replaced early the Company s previous $2.0 billion revolving credit facility and provides for aggregate multicurrency borrowings up to $3.5 billion. In addition, the Company has an accordion option to increase aggregate borrowing availability by an additional $1.0 billion, subject to obtaining additional or increased lender commitments from members of the syndication. Interest under the new credit facility is based upon LIBOR, NIBOR or EURIBOR plus 0.875% subject to a ratings-based grid, or the prime rate. The terms of the new credit facility provide for a financial covenant regarding maximum debt to capitalization. At December 31, 2012, the Company was in compliance with the financial covenant under the new credit facility.

At December 31, 2012, there were no borrowings under the new $3.5 billion credit facility, however, there were $938 million in outstanding letters of credit issued, resulting in $2,562 million of funds available.

The Company also had $2,254 million of additional outstanding letters of credit at December 31, 2012, primarily in Norway, that are under various bilateral committed letter of credit facilities. Other letters of credit are issued as bid bonds and performance bonds.

Redemption of unsecured Senior Notes Due 2012

On November 15, 2012, the Company repaid $200 million of its 5.65% unsecured Senior Notes and $150 million of its 5.50% unsecured Senior Notes. Both series of unsecured Senior Notes were repaid using available cash balances.

Issuance of unsecured Senior Notes Due 2017, 2022 and 2042

On November 20, 2012, the Company issued the following; $500 million of 1.35% unsecured Senior Notes due 2017, $1.4 billion of 2.60% unsecured Senior Notes due 2022 and $1.1 billion of 3.95% unsecured Senior Notes due 2042. The net proceeds were $2,969 million, after deducting $22 million in underwriting fees and a $9 million discount. Interest on each series of notes is due on June 1 and December 1 of each year, beginning on June 1, 2013. The Company may redeem some or all of the Senior Notes at any time at the applicable redemption, plus accrued interest, if any, to the redemption date. At December 31, 2012, the Company was in compliance with the covenants under the indenture governing the Senior Notes.

The fair value of the Company s debt is estimated using Level 2 inputs in the fair value hierarchy and is based on quoted prices for those or similar instruments. At December 31, 2012 and 2011, the fair value of the Company s unsecured Senior Notes approximated $3,190 million and $526 million, respectively. At December 31, 2012 and 2011, the carrying value of the Company s unsecured Senior Notes approximated $3,142 million and $501 million, respectively.

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10. Employee Benefit Plans

We have benefit plans covering substantially all of our employees. Defined-contribution benefit plans cover most of the U.S. and Canadian employees, and benefits are based on years of service, a percentage of current earnings and matching of employee contributions. Employees in our Norwegian operations can elect to participate in a defined-contribution plan in lieu of a local defined benefit plan. For the years ended December 31, 2012, 2011 and 2010, expenses for defined-contribution plans were $82 million, $54 million, and $41 million, respectively, and all funding is current.

Certain retired or terminated employees of predecessor or acquired companies participate in a defined benefit plan in the United States. None of the participants in this plan are eligible to accrue benefits. In addition, 1,105 U.S. retirees and spouses participate in defined benefit health care plans of predecessor or acquired companies that provide postretirement medical and life insurance benefits. Active employees are ineligible to participate in any of these defined benefit plans. Our subsidiaries in the United Kingdom and Norway also have defined benefit pension plans covering virtually all of their employees.

As a result of the Ameron acquisition in October of 2011, the Company acquired a qualified, defined benefit, noncontributory pension plan for certain U.S. employees as well as the obligation to provide defined retirement benefits to eligible employees in the Netherlands. The U.S. plan at December 31, 2011 was closed to new participants not covered by a collective bargaining agreement and ceased all benefit accruals under the plan with respect to employees that are not covered by a collective bargaining agreement. In addition, 232 U.S. employees covered by a collective bargaining agreement participate in defined benefit health care plans that provide postretirement medical benefits.

Net periodic benefit cost for our defined benefit plans aggregated $10 million, $14 million and $10 million for the years ended December 31, 2012, 2011 and 2010, respectively.

The change in benefit obligation, plan assets and the funded status of the defined benefit pension plans in the United States, United Kingdom, Norway and the Netherlands and defined postretirement plans in the United States, using a measurement date of December 31, 2012 and December 31, 2011, is as follows (in millions):

	Pension benefits		Postretirement benefits	
At year end	**2012**	**2011**	**2012**	**2011**
Benefit obligation at beginning of year	$ 556	$ 272	$ 35	$ 33
Service cost	6	7		
Interest cost	27	19	1	1
Actuarial loss (gain)	76	(14)	(2)	1
Benefits paid	(26)	(14)	(4)	(5)
Participants contributions	1	1		
Exchange rate loss (gain)	12	(6)		
Acquisitions	11	299		5
Curtailments	(8)	(9)		
Other		1		
Benefit obligation at end of year	$ 655	$ 556	$ 30	$ 35
Fair value of plan assets at beginning of year	$ 419	$ 203	$	$
Actual return	49	19		
Benefits paid	(26)	(14)	(4)	(5)
Company contributions	53	19	4	5
Participants contributions	1	1		
Exchange rate gain (loss)	12	(5)		
Acquisitions	9	196		
Fair value of plan assets at end of year	$ 517	$ 419	$	$
Funded status	$ (138)	$ (137)	$ (30)	$ (35)

Accumulated benefit obligation at end of year	$ 635	$ 527

Liabilities associated with the funded status of the defined benefit pension plans are included in the balances of accrued liabilities and other liabilities in the Consolidated Balance Sheet.

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Defined Benefit Pension Plans

Assumed long-term rates of return on plan assets, discount rates and rates of compensation increases vary for the different plans according to the local economic conditions. The assumption rates used for benefit obligations are as follows:

	Years Ended December 31,	
	2012	2011
Discount rate:		
United States plan	3.78%	4.58%
International plans	3.30%-4.40%	4.50%-5.60%
Salary increase:		
United States plan	N/A	N/A
International plans	2.00%-3.87%	2.50%-4.00%

The assumption rates used for net periodic benefit costs are as follows:

	Years Ended December 31,		
	2012	2011	2010
Discount rate:			
United States plan	4.58%	4.95%	5.26%
International plans	4.50%-5.60%	5.25%-5.65%	5.25%-5.75%
Salary increase:			
United States plan	N/A	N/A	N/A
International plans	2.00%-4.00%	2.00%-4.33%	2.50%-4.25%
Expected return on assets:			
United States plan	6.33%	5.50%-6.50%	7.50%
International plans	4.50%-6.51%	4.50%-7.06%	6.00%-6.85%

In determining the overall expected long-term rate of return for plan assets, the Company takes into consideration the historical experience as well as future expectations of the asset mix involved. As different investments yield different returns, each asset category is reviewed individually and then weighted for significance in relation to the total portfolio.

The majority of our plans have projected benefit obligations in excess of plan assets.

The Company expects to pay future benefit amounts on its defined benefit plans of $32 million for each of the next five years and aggregate payments of $326 million.

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Plan Assets

The Company and its investment advisers collaboratively reviewed market opportunities using historic and statistical data, as well as the actuarial valuation reports for the plans, to ensure that the levels of acceptable return and risk are well-defined and monitored. Currently, the Company s management believes that there are no significant concentrations of risk associated with plan assets. Our pension investment strategy worldwide prohibits a direct investment in our own stock.

The following table sets forth by level, within the fair value hierarchy, the Plan s assets carried at fair value (in millions):

		Fair Value Measurements		
	Total	**Level 1**	**Level 2**	**Level 3**
December 31, 2011:				
Equity securities	$ 212	$	$ 212	$
Bonds	100		100	
Other (insurance contracts)	107		30	77
Total Fair Value Measurements	$ 419	$	$ 342	$ 77
December 31, 2012:				
Equity securities	$ 204	$	$ 204	$
Bonds	139		139	
Other (insurance contracts)	174		74	100
Total Fair Value Measurements	$ 517	$	$ 417	$ 100

The following table sets forth a summary of changes in the fair value of the Plan s Level 3 assets (in millions):

	Level 3 Plan Assets
Balance at December 31, 2010	$ 32
Actual return on plan assets still held at reporting date	4
Purchases, sales and settlements	45
Currency translation adjustments	(4)
Balance at December 31, 2011	$ 77
Actual return on plan assets still held at reporting date	10
Purchases, sales and settlements	8
Currency translation adjustments	5
Balance at December 31, 2012	$ 100

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11. Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss) are as follows (in millions):

	Defined Benefit Plans	Currency Translation Adjustments	Derivative Financial Instruments	Total
Balance at December 31, 2009	$ (49)	$ 120	$ 19	$ 90
Current period activity	1	19	(17)	3
Tax effect		(6)	4	(2)
Balance at December 31, 2010	$ (48)	$ 133	$ 6	$ 91
Current period activity	19	(86)	(88)	(155)
Tax effect	(5)	21	25	41
Balance at December 31, 2011	$ (34)	$ 68	$ (57)	$ (23)
Current period activity	(47)	64	138	155
Tax effect	14		(39)	(25)
Balance at December 31, 2012	$ (67)	$ 132	$ 42	$ 107

12. Commitments and Contingencies

We have received federal grand jury subpoenas and subsequent inquiries from governmental agencies requesting records related to our compliance with export trade laws and regulations. We have cooperated fully with agents from the Department of Justice, the Bureau of Industry and Security, the Office of Foreign Assets Control (OFAC), and U.S. Immigration and Customs Enforcement in responding to the inquiries. We have also cooperated with an informal inquiry from the Securities and Exchange Commission in connection with the inquiries previously made by the aforementioned federal agencies. We have conducted our own internal review of this matter. At the conclusion of our internal review in the fourth quarter of 2009, we identified possible areas of concern and discussed these areas of concern with the relevant agencies. We are currently negotiating a potential resolution with the agencies involved related to these matters.

In addition, we are involved in various other claims, regulatory agency audits and pending or threatened legal actions involving a variety of matters. At December 31, 2012, the Company recorded an immaterial amount for contingent liabilities representing all contingencies believed to be probable. The Company has also assessed the potential for additional losses above the amounts accrued as well as potential losses for matters that are not probable but are reasonably possible. The total potential loss on these matters cannot be determined; however, in our opinion, any ultimate liability, to the extent not otherwise provided for and except for the specific case referred to above, will not materially affect our financial position, cash flow or results of operations. As it relates to the specific case referred to above we currently anticipate that any administrative fine or penalty agreed to as part of a resolution would be within established accruals, and would not have a material effect on our financial position or results of operations. To the extent a resolution is not negotiated as anticipated, we cannot predict the timing or effect that any resulting government actions may have on our financial position, cash flow or results of operations. These estimated liabilities are based on the Company s assessment of the nature of these matters, their progress toward resolution, the advice of legal counsel and outside experts as well as management s intention and experience.

In 2011, the Company acquired Ameron. On or about November 21, 2008, OFAC sent a Requirement to Furnish Information to Ameron. Ameron retained counsel and conducted an internal investigation. In 2009, Ameron, through its counsel, responded to OFAC. On or about January 21, 2011, OFAC issued an administrative subpoena to Ameron. OFAC and Ameron have entered into tolling agreements. All of the conduct under review occurred before acquisition of Ameron by the Company. We currently anticipate that any administrative fine or penalty agreed to as part of a resolution would be within established accruals, and would not have a material effect on our financial position or results of operations. To the extent a resolution is not negotiated, we cannot predict the timing or effect that any resulting government actions may have on our financial position or results of operations.

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Our business is affected both directly and indirectly by governmental laws and regulations relating to the oilfield service industry in general, as well as by environmental and safety regulations that specifically apply to our business. Although we have not incurred material costs in connection with our compliance with such laws, there can be no assurance that other developments, such as new environmental laws, regulations and enforcement policies hereunder may not result in additional, presently unquantifiable, costs or liabilities to us.

The Company leases certain facilities and equipment under operating leases that expire at various dates through 2066. These leases generally contain renewal options and require the lessee to pay maintenance, insurance, taxes and other operating expenses in addition to the minimum annual rentals. Rental expense related to operating leases approximated $331 million, $256 million, and $215 million in 2012, 2011 and 2010, respectively.

Future minimum lease commitments under noncancellable operating leases with initial or remaining terms of one year or more at December 31, 2012, are payable as follows (in millions):

2013	$ 220
2014	176
2015	146
2016	111
2017	91
Thereafter	375
Total future lease commitments	$ 1,119

13. Common Stock

National Oilwell Varco has authorized 1 billion shares of $.01 par value common stock. The Company also has authorized 10 million shares of $.01 par value preferred stock, none of which is issued or outstanding.

Cash dividends aggregated $209 million and $191 million for the years ended December 31, 2012 and 2011, respectively. The declaration and payment of future dividends is at the discretion of the Company s Board of Directors and will be dependent upon the Company s results of operations, financial condition, capital requirements and other factors deemed relevant by the Company s Board of Directors.

Stock Options

Under the terms of National Oilwell Varco s Long-Term Incentive Plan, as amended, 25.5 million shares of common stock are authorized for the grant of options to officers, key employees, non-employee directors and other persons. Options granted under our stock option plan generally vest over a three-year period starting one year from the date of grant and expire ten years from the date of grant. The purchase price of options granted may not be less than the closing market price of National Oilwell Varco common stock on the date of grant. At December 31, 2012, approximately 3.5 million shares were available for future grants.

We also have inactive stock option plans that were acquired in connection with the acquisitions of Varco International, Inc. in 2005 and Grant Prideco in 2008. We converted the outstanding stock options under these plans to options to acquire our common stock and no further options are being issued under these plans. Stock option information summarized below includes amounts for the National Oilwell Varco Long-Term Incentive Plan and stock plans of acquired companies. Options outstanding at December 31, 2012 under the stock option plans have exercise prices between $9.14 and $84.58 per share, and expire at various dates from January 29, 2013 to February 22, 2022.

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The following summarizes options activity:

	Years Ended December 31,					
	2012		2011		2010	
	Number of Shares	Average Exercise Price	Number of Shares	Average Exercise Price	Number of Shares	Average Exercise Price
Shares under option at beginning of year	10,481,750	$ 47.20	11,039,544	$ 38.01	10,255,982	$ 34.19
Granted	2,239,088	84.58	2,277,946	79.68	3,485,283	44.03
Cancelled	(228,137)	60.28	(241,174)	40.20	(232,488)	40.53
Exercised	(3,019,219)	82.26	(2,594,566)	36.84	(2,469,233)	30.35
Shares under option at end of year	9,473,482	$ 58.69	10,481,750	$ 47.20	11,039,544	$ 38.01
Exercisable at end of year	4,823,331	$ 43.99	5,073,965	$ 38.47	5,067,186	$ 36.31

The following summarizes information about stock options outstanding at December 31, 2012:

	Weighted-Avg Remaining	Options Outstanding		Options Exercisable	
Range of Exercise Price	Contractual Life	Shares	Weighted-Avg Exercise Price	Shares	Weighted-Avg Exercise Price
$9.14 $40.00	4.16	2,436,289	$ 27.79	2,436,289	$ 27.79
$40.01 $65.00	6.47	2,738,151	49.42	1,690,555	52.75
$65.01 $84.58	8.63	4,299,042	82.12	696,487	79.40
Total	6.86	9,473,482	$ 58.69	4,823,331	$ 43.99

The weighted-average fair value of options granted during 2012, 2011 and 2010, was approximately $30.01, $29.52 and $16.73 per share, respectively, as determined using the Black-Scholes option-pricing model. The total intrinsic value of options exercised during 2012 and 2011, was $120 million and $102 million, respectively.

The determination of fair value of share-based payment awards on the date of grant using an option-pricing model is affected by our stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise activity. The use of the Black Scholes model requires the use of extensive actual employee exercise activity data and the use of a number of complex assumptions including expected volatility, risk-free interest rate, expected dividends and expected term.

	Years Ended December 31,		
	2012	2011	2010
Valuation Assumptions:			
Expected volatility	51.7%	53.2%	55.0%
Risk-free interest rate	0.9%	2.1%	2.3%
Expected dividends	$ 0.57	$ 0.44	$ 0.40
Expected term (in years)	3.2	3.1	3.2

The Company used the actual volatility for traded options for the past 10 years prior to option date as the expected volatility assumption required in the Black Scholes model.

The risk-free interest rate assumption is based upon observed interest rates appropriate for the term of our employee stock options. The dividend yield assumption is based on the history and expectation of dividend payouts. The estimated expected term is based on actual employee exercise

activity for the past ten years.

As stock-based compensation expense recognized in the Consolidated Statement of Income in 2012 is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. ASC Topic 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were estimated based on historical experience.

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The following summary presents information regarding outstanding options at December 31, 2012 and changes during 2012 with regard to options under all stock option plans:

	Shares	Weighted-Average Exercise Price	Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at December 31, 2011	10,481,750	$ 47.20	7.03	$ 217,950,989
Granted	2,239,088	$ 84.58		
Exercised	(228,137)	$ 60.28		
Cancelled	(3,019,219)	$ 82.26		
Outstanding at December 31, 2012	9,473,482	$ 58.69	6.86	$ 150,667,018
Vested or expected to vest	9,321,906	$ 58.69	6.86	$ 148,256,346
Exercisable at December 31, 2012	4,823,331	$ 43.99	5.38	$ 125,192,433

At December 31, 2012, total unrecognized compensation cost related to nonvested stock options was $78 million. This cost is expected to be recognized over a weighted-average period of two years. The total fair value of stock options vested in 2012, 2011 and 2010 was approximately $55 million, $54 million and $78 million, respectively. Cash received from option exercises for 2012, 2011 and 2010 was $113 million, $96 million and $73 million, respectively. The actual tax benefit realized for the tax deductions from option exercises totaled $42 million, $43 million and $16 million for 2012, 2011 and 2010, respectively. Cash used to settle equity instruments granted under all share-based payment arrangements for 2012, 2011 and 2010 was not material for any period.

Restricted Shares

The Company issues restricted stock awards and restricted stock units with no exercise price to officers and key employees in addition to stock options. During the year ended December 31, 2012, the Company granted 482,428 shares of restricted stock and restricted stock units, which includes 148,550 performance-based restricted stock awards. Out of the total number of restricted stock and restricted stock units, 464,270 were granted February 21, 2012 and vest on the third anniversary of the date of grant. On May 16, 2012, 18,158 restricted stock awards were granted to the non-employee members of the board of directors. These restricted stock awards vest in equal thirds over three years on the anniversary of the grant date. The performance-based restricted stock awards were granted February 21, 2012. The performance-based restricted stock awards granted will be 100% vested 36 months from the date of grant, subject to the performance condition of the Company s operating income growth, measured on a percentage basis, from January 1, 2012 through December 31, 2014 exceeding the median operating income growth for the designated peer group over the same period. The estimated forfeiture rate of restricted stock awards and restricted stock units is factored into the share-based compensation expense the Company recognizes.

The following summary presents information regarding outstanding restricted shares:

	Years Ended December 31,					
	2012		2011		2010	
	Number of Units	Weighted-Average Grant Date Fair Value	Number of Units	Weighted-Average Grant Date Fair Value	Number of Units	Weighted-Average Grant Date Fair Value
Nonvested at beginning of year	1,606,047	$ 44.21	1,765,837	$ 42.15	2,181,244	$ 40.51
Granted	482,428	83.79	374,425	79.53	558,531	43.99
Vested	(406,844)	83.34	(496,642)	64.22	(921,454)	43.28
Cancelled	(344,965)	30.39	(37,573)	44.02	(52,484)	35.11
Nonvested at end of year	1,336,666	$ 67.56	1,606,047	$ 44.21	1,765,837	$ 42.15

The weighted-average grant day fair value of restricted stock awards and restricted stock units granted during the years ended 2012, 2011 and 2010 was $83.79, $79.53 and $43.99 per share, respectively. There were 406,844; 496,642 and 921,454 restricted stock awards that vested during 2012, 2011 and 2010, respectively. At December 31, 2012, there was approximately $37 million of unrecognized compensation cost related to nonvested restricted stock awards and restricted stock units, which is expected to be recognized over a weighted-average period of two years.

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14. Income Taxes

The domestic and foreign components of income before income taxes were as follows (in millions):

	Years Ended December 31,		
	2012	2011	2010
Domestic	$ 1,812	$ 1,282	$ 727
Foreign	1,693	1,640	1,670
	$ 3,505	$ 2,922	$ 2,397

The components of the provision for income taxes consisted of (in millions):

	Years Ended December 31,		
	2012	2011	2010
Current:			
Federal	$ 700	$ 484	$ 421
State	48	37	34
Foreign	371	768	448
Total current income tax provision	1,119	1,289	903
Deferred:			
Federal	(151)	(28)	(260)
State		(3)	(8)
Foreign	54	(321)	103
Total deferred income tax provision	(97)	(352)	(165)
Total income tax provision	$ 1,022	$ 937	$ 738

The difference between the effective tax rate reflected in the provision for income taxes and the U.S. federal statutory rate was as follows (in millions):

	Years Ended December 31,		
	2012	2011	2010
Federal income tax at U.S. statutory rate	$ 1,227	$ 1,023	$ 839
Foreign income tax rate differential	(154)	(152)	(117)
State income tax, net of federal benefit	31	22	17
Nondeductible expenses	30	42	40
Tax benefit of manufacturing deduction	(29)	(37)	(19)
Foreign dividends, net of foreign tax credits	(115)	9	15
Change in deferred tax valuation allowance	80	(18)	
Other	(48)	48	(37)
Total income tax provision	$ 1,022	$ 937	$ 738

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Significant components of our deferred tax assets and liabilities were as follows (in millions):

	December 31,		
	2012	2011	2010
Deferred tax assets:			
Allowances and operating liabilities	$ 368	$ 331	$ 344
Net operating loss carryforwards	25	14	10
Postretirement benefits	54	14	17
Foreign tax credit carryforwards	259	106	220
Other	149	151	75
	855	616	666
Valuation allowance for deferred tax assets	(93)	(13)	(9)
Total deferred tax assets	762	603	657
Deferred tax liabilities:			
Tax over book depreciation	268	204	213
Intangible assets	1,448	1,398	1,307
Deferred income	314	226	456
Accrued U.S. tax on unremitted earnings	92	70	149
Other	208	168	211
Total deferred tax liabilities	2,330	2,066	2,336
Net deferred tax liability	$ 1,568	$ 1,463	$ 1,679

The balance of unrecognized tax benefits at December 31, 2012 and 2011 was $128 million and $131 million, respectively. These unrecognized tax benefits are included in the balance of other liabilities in the Consolidated Balance Sheet. If the $128 million of unrecognized tax benefits accrued at December 31, 2012 are ultimately realized, $55 million would be recorded as a reduction of income tax expense.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in millions):

	2012	2011	2010
Unrecognized tax benefit at beginning of year	$ 131	$ 118	$ 58
Additions based on tax positions related to the current year	2	9	1
Additions for tax positions of prior years		13	82
Reductions for tax positions of prior years			(5)
Reductions for lapse of applicable statutes of limitations	(5)	(9)	(18)
Unrecognized tax benefit at end of year	$ 128	$ 131	$ 118

The Company does not anticipate that the total unrecognized tax benefits will significantly change due to the settlement of audits or the expiration of statutes of limitation within 12 months of this reporting date.

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To the extent penalties and interest would be assessed on any underpayment of income tax, such accrued amounts have been classified as a component of income tax expense in the financial statements consistent with the Company s policy. During the year ended December 31, 2012, the Company recorded as an increase of income tax expense a $1 million net increase of accrued interest and penalties related to uncertain tax positions. At December 31, 2012, the Company has accrued approximately $7 million of interest and penalties relating to unrecognized tax benefits. These interest and penalties are included in the balance of other liabilities in the Consolidated Balance Sheet at December 31, 2012.

The Company is subject to taxation in the United States, various states and foreign jurisdictions. The Company has significant operations in the United States, Canada, the United Kingdom, the Netherlands and Norway. Tax years that remain subject to examination by major tax jurisdictions vary by legal entity, but are generally open in the U.S. for the tax years ending after 2007 and outside the U.S. for the tax years ending after 2005.

In the United States, the Company has $20 million of net operating loss carryforwards as of December 31, 2012, which expire at various dates through 2030. The potential benefit of $7 million has been reduced by a $7 million valuation allowance. Future income tax payments will be reduced in the event the Company ultimately realizes the benefit of these net operating losses. If the Company ultimately realizes the benefit of these net operating loss carryforwards, the valuation allowance of $7 million would reduce future income tax expense.

Outside the United States, the Company has $76 million of net operating loss carryforwards as of December 31, 2012, which expire at various dates through the year 2022. The potential benefit of $18 million has been reduced by a $16 million valuation allowance. Future income tax payments will be reduced in the event the Company ultimately realizes the benefit of these net operating losses. If the Company ultimately realizes the benefit of these net operating loss carryforwards, the valuation allowance of $16 million would reduce future income tax expense.

Also in the United States, the Company has $259 million of excess foreign tax credits as of December 31, 2012, which expire at various dates through 2021. These credits have been allotted a valuation allowance of $70 million and would be realized as a reduction of future income tax payments.

During 2012, the Company recorded certain tax benefits totaling $138 million primarily from the repatriation of certain non-U.S. earnings that increased our U.S. foreign tax credits. These credits are available to be used by the Company as foreign tax credits in the U.S. over a 10 year period. These excess foreign tax credits were recognized as deferred tax assets in the balance sheet and would be realized as a reduction of future income tax payments in the U.S. However, because of uncertainty associated with the Company s ability to fully utilize these credits in the future, a valuation allowance of $69 million was recorded in the period. The net result of these transactions reduced income tax expense by $69 million in the period.

During 2012, the Company recorded $118 million in net deferred tax liabilities with a corresponding increase in goodwill related to the 2011 acquisition of Ameron and the 2012 acquisition of NKT.

Undistributed earnings of certain of the Company s foreign subsidiaries amounted to $4,620 million and $3,789 million at December 31, 2012 and 2011, respectively. Those earnings are considered to be permanently reinvested and no provision for U.S. federal and state income taxes has been made. Distribution of these earnings in the form of dividends or otherwise could result in U.S. federal taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable in various foreign countries. Determination of the amount of unrecognized deferred U.S. income tax liability is not practical; however, unrecognized foreign tax credit carryforwards would be available to reduce some portion of the U.S. liability.

Because of the number of tax jurisdictions in which the Company operates, its effective tax rate can fluctuate as operations and the local country tax rates fluctuate. The Company is also subject to audits by federal, state and foreign jurisdictions which may result in proposed assessments. The Company s future tax provision will reflect any favorable or unfavorable adjustments to its estimated tax liabilities when resolved. The Company is unable to predict the outcome of these matters. However, the Company believes that none of these matters will have a material adverse effect on the results of operations or financial condition of the Company.

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15. Business Segments and Geographic Areas

The Company s operations consist of three reportable segments: Rig Technology, Petroleum Services & Supplies and Distribution & Transmission. Within the three reporting segments, the Company has aggregated two business units under Rig Technology, nine business units under Petroleum Services & Supplies and two under Distribution & Transmission for a total of 13 business units, one of which was added during 2011 as a result of the Company s acquisition of Ameron. Prior to the Company s acquisition of Ameron in October 2011, the Company s Distribution & Transmission segment was called Distribution Services with one business unit. Distribution Services was expanded as a result of certain business operations of the Ameron acquisition adding an additional business unit to the segment called Transmission and changing the name of the segment to Distribution & Transmission. The Company has aggregated each of its business units in one of the three reporting segments based on the guidelines of ASC Topic 280, Segment Reporting (ASC Topic 280).

Rig Technology: The Rig Technology segment designs, manufactures, sells and services complete systems for the drilling, completion, and servicing of oil and gas wells. The segment offers a comprehensive line of highly-engineered equipment that automates complex well construction and management operations, such as offshore and onshore drilling rigs; derricks; pipe lifting, racking, rotating and assembly systems; rig instrumentation systems; coiled tubing equipment and pressure pumping units; well workover rigs; wireline winches; wireline trucks; cranes; flexible pipe for offshore production applications; and turret mooring systems and other products for floating production, storage and offloading vessels and other offshore vessels and terminals.

Petroleum Services & Supplies: The Petroleum Services & Supplies segment provides a variety of consumable goods and services used to drill, complete, remediate and workover oil and gas wells and service drill pipe, tubing, casing, flowlines and other oilfield tubular goods. The segment manufactures, rents and sells a variety of products and equipment used to perform drilling operations, including drill pipe, wired drill pipe, transfer pumps, solids control systems, drilling motors, drilling fluids, drill bits, reamers and other downhole tools, and mud pump consumables. Oilfield tubular services include the provision of inspection and internal coating services and equipment for drill pipe, line pipe, tubing, casing and pipelines; and the design, manufacture and sale of coiled tubing pipe and advanced fiberglass composite pipe for application in highly corrosive environments.

Distribution & Transmission: The Distribution & Transmission segment provides pipe, maintenance, repair and operating supplies and spare parts to drill sites and production locations, pipeline operations, and processing plants worldwide. In addition to its comprehensive field location network, which supports land drilling operations throughout North America, the segment supports major land and offshore operations for all the major oil and gas producing regions throughout the world. The segment employs advanced information technologies to provide complete procurement, materials management and logistics services to its customers around the globe. The segment also has a global reach in oil and gas, waste water treatment, chemical, food and beverage, paper and pulp, mining, agriculture, and a variety of municipal markets and is a leading producer of water transmission pipe, fabricated steel products and specialized materials and products used in infrastructure projects.

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies of the Company. The Company evaluates performance of each reportable segment based upon its operating income, excluding non-recurring items.

The Company had revenues of 10% and 12% of total revenue from one of its customers for the years ended December 31, 2012 and 2011, respectively. This customer, Samsung Heavy Industries, is a shipyard acting as a general contractor for its customers, who are drillship owners and drilling contractors. This shipyard s customers have specified that the Company s drilling equipment be installed on their drillships and have required the shipyard to issue contracts to the Company.

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Geographic Areas:

The following table presents consolidated revenues by country based on sales destination of the use of the products or services (in millions):

	Years Ended December 31,		
	2012	2011	2010
United States	$ 8,297	$ 5,449	$ 4,104
South Korea	3,121	2,257	2,616
Canada	1,319	913	656
Singapore	1,118	721	491
Norway	736	689	495
China	533	430	366
United Kingdom	523	465	421
Brazil	503	397	262
Other Countries	3,891	3,337	2,745
Total	$ 20,041	$ 14,658	$ 12,156

The following table presents long-lived assets by country based on the location (in millions):

	December 31,	
	2012	2011
United States	$ 1,606	$ 1,493
Denmark	174	3
United Kingdom	173	131
Brazil	162	92
Canada	131	113
South Korea	112	97
Singapore	93	86
Other Countries	494	430
Total	$ 2,945	$ 2,445

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Business Segments:

	Rig Technology	Petroleum Services & Supplies	Distribution & Transmission	Unallocated/ Eliminations	Total
December 31, 2012:					
Revenues	$ 10,107	$ 6,967	$ 3,927	$ (960)	$ 20,041
Operating profit (1)	2,335	1,501	185	(464)	3,557
Capital expenditures	150	310	64	59	583
Depreciation and amortization	148	424	25	31	628
Goodwill	2,386	4,333	453		7,172
Total assets	11,758	13,463	2,784	3,479	31,484
December 31, 2011:					
Revenues	$ 7,788	$ 5,654	$ 1,873	$ (657)	$ 14,658
Operating profit (1)	2,053	1,072	135	(323)	2,937
Capital expenditures	125	299	17	42	483
Depreciation and amortization	120	397	14	24	555
Goodwill	1,959	4,089	103		6,151
Total assets	8,375	13,019	1,420	2,701	25,515
December 31, 2010:					
Revenues	$ 6,965	$ 4,182	$ 1,546	$ (537)	$ 12,156
Operating profit (1)	2,064	585	78	(280)	2,447
Capital expenditures	59	152	2	19	232
Depreciation and amortization	95	384	7	21	507
Goodwill	1,854	3,859	77		5,790
Total assets	7,778	11,807	923	2,542	23,050

(1) Included in operating profit are other costs related to acquisitions, such as the amortization of backlog and inventory that was stepped up to fair value during purchase accounting. Other costs by segment are as follows (in millions):

	Years Ended December 31,		
	2012	2011	2010
Other costs:			
Rig Technology	$ 45	$ 17	$ 8
Petroleum Services & Supplies	18	23	9
Distribution & Transmission	68	1	1
Total other costs	$ 131	$ 41	$ 18

For the year ended December 31, 2012, 2011 and 2010, other costs included in operating profit were $131 million, $41 million and $18 million, respectively. Certain other costs are included in other income (expense), net as well as interest and financial costs and were $12 million, nil and $27 million for the years ended December 31, 2012, 2011 and 2010, respectively.

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16. Quarterly Financial Data (Unaudited)

Summarized quarterly results, were as follows (in millions, except per share data):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Year ended December 31, 2012				
Revenues	$ 4,303	$ 4,734	$ 5,319	$ 5,685
Gross profit	1,267	1,306	1,371	1,395
Net income attributable to Company	606	605	612	668
Net income attributable to Company per basic share	1.43	1.42	1.44	1.57
Net income attributable to Company per diluted share	1.42	1.42	1.43	1.56
Cash dividends per share	0.12	0.12	0.12	0.13
Year ended December 31, 2011				
Revenues	$ 3,146	$ 3,513	$ 3,740	$ 4,259
Gross profit	975	1,083	1,164	1,275
Net income attributable to Company	407	481	532	574
Net income attributable to Company per basic share	0.97	1.14	1.26	1.36
Net income attributable to Company per diluted share	0.96	1.13	1.25	1.35
Cash dividends per share	0.11	0.11	0.11	0.12

17. Subsequent Event

On February 20, 2013, the Company completed its previously announced acquisition of Robbins & Myers, Inc. for approximately $2.5 billion in cash. The Company borrowed approximately $1.4 billion under the $3.5 billion revolving credit facility and used approximately $1.1 billion of cash on hand to fund the acquisition. Robbins & Myers, Inc. is a leading supplier of engineered, application-critical equipment and systems for global energy, chemical and other industrial markets. The company provides products and services for upstream oil and gas markets, along with a portfolio of industrial process and flow control products.

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SCHEDULE II

NATIONAL OILWELL VARCO, INC.

VALUATION AND QUALIFYING ACCOUNTS

Years Ended December 31, 2012, 2011 and 2010

(in millions)

	Balance beginning of year	Additions (Deductions) charged to costs and expenses	Charge off s and other	Balance end of year
Allowance for doubtful accounts:				
2012	$ 107	$ 6	$ 7	$ 120
2011	107	9	(9)	107
2010	95	39	(27)	107
Allowance for excess and obsolete inventories:				
2012	$ 281	$ 99	$ (42)	$ 338
2011	270	70	(59)	281
2010	206	106	(42)	270
Valuation allowance for deferred tax assets:				
2012	$ 13	$ 80	$	$ 93
2011	9	4		13
2010	8	1		9
Warranty reserve:				
2012	$ 211	$ 51	$ (68)	$ 194
2011	215	40	(44)	211
2010	217	52	(54)	215