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

FORM 10-Q

(Mark one)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2011

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 1-12317

NATIONAL OILWELL VARCO, INC.

(Exact name of registrant as specified in its charter)

Delaware	**76-0475815**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

7909 Parkwood Circle Drive
Houston, Texas
77036-6565
(Address of principal executive offices)

(713) 346-7500
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of August 1, 2011 the registrant had 423,677,637 shares of common stock, par value $.01 per share, outstanding.

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

NATIONAL OILWELL VARCO, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except share data)

	June 30, 2011 (Unaudited)	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,440	$ 3,333
Receivables, net	2,849	2,425
Inventories, net	3,756	3,388
Costs in excess of billings	499	815
Deferred income taxes	301	316
Prepaid and other current assets	381	258
Total current assets	11,226	10,535
Property, plant and equipment, net	1,921	1,840
Deferred income taxes	179	341
Goodwill	5,949	5,790
Intangibles, net	4,063	4,103
Investment in unconsolidated affiliate	361	386
Other assets	57	55
Total assets	$ 23,756	$ 23,050
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 745	$ 628
Accrued liabilities	2,179	2,105
Billings in excess of costs	778	511
Current portion of long-term debt and short-term borrowings	2	373
Accrued income taxes	178	468
Deferred income taxes	368	451
Total current liabilities	4,250	4,536
Long-term debt	511	514
Deferred income taxes	1,815	1,885
Other liabilities	275	253
Total liabilities	6,851	7,188
Commitments and contingencies		
Stockholders' equity:		
Common stock — par value $.01; 423,228,599 and 421,141,751 shares issued and outstanding at June 30, 2011 and December 31, 2010	4	4
Additional paid-in capital	8,466	8,353
Accumulated other comprehensive income	225	91
Retained earnings	8,095	7,300
Total Company stockholders' equity	16,790	15,748
Noncontrolling interests	115	114
Total stockholders' equity	16,905	15,862
Total liabilities and stockholders' equity	$ 23,756	$ 23,050

See notes to unaudited consolidated financial statements.

NATIONAL OILWELL VARCO, INC.
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(In millions, except per share data)

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Revenue	$ 3,513	$ 2,941	$ 6,659	$ 5,973
Cost of revenue	2,430	2,013	4,601	4,083
Gross profit	1,083	928	2,058	1,890
Selling, general and administrative	375	338	741	663
Operating profit	708	590	1,317	1,227
Interest and financial costs	(9)	(13)	(23)	(26)
Interest income	4	3	8	5
Equity income in unconsolidated affiliate	10	8	23	14
Other income (expense), net	(7)	(3)	(26)	(19)
Income before income taxes	706	585	1,299	1,201
Provision for income taxes	226	186	415	383
Net income	480	399	884	818
Net loss attributable to noncontrolling interests	(1)	(2)	(4)	(5)
Net income attributable to Company	$ 481	$ 401	$ 888	$ 823
Net income attributable to Company per share:				
Basic	$ 1.14	$ 0.96	$ 2.11	$ 1.97
Diluted	$ 1.13	$ 0.96	$ 2.10	$ 1.96
Cash dividends per share	$ 0.11	$ 0.10	$ 0.22	$ 0.20
Weighted average shares outstanding:				
Basic	422	417	421	417
Diluted	425	419	424	419

See notes to unaudited consolidated financial statements.

NATIONAL OILWELL VARCO, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In millions)

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Cash flows from operating activities:		
Net income	$ 884	$ 818
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	273	251
Deferred income taxes	(9)	(85)
Equity income in unconsolidated affiliate	(23)	(14)
Dividend from unconsolidated affiliate	45	17
Other, net	33	5
Change in operating assets and liabilities, net of acquisitions:		
Receivables	(379)	(205)
Inventories	(363)	29
Costs in excess of billings	316	(62)
Prepaid and other current assets	(110)	(6)
Accounts payable	88	13
Billings in excess of costs	267	(636)
Other assets/liabilities, net	(135)	157
Net cash provided by operating activities	887	282
Cash flows from investing activities:		
Purchases of property, plant and equipment	(192)	(78)
Business acquisitions, net of cash acquired	(259)	(62)
Dividend from unconsolidated affiliate	13	16
Other	14	16
Net cash used in investing activities	(424)	(108)
Cash flows from financing activities:		
Repayments on debt	(372)	(9)
Cash dividends paid	(93)	(84)
Proceeds from stock options exercised	71	8
Other, net	16	3
Net cash used in financing activities	(378)	(82)
Effect of exchange rates on cash	22	(26)
Increase in cash and cash equivalents	107	66
Cash and cash equivalents, beginning of period	3,333	2,622
Cash and cash equivalents, end of period	$ 3,440	$ 2,688
Supplemental disclosures of cash flow information:		
Cash payments during the period for:		
Interest	$ 30	$ 28
Income taxes	$ 712	$ 262

See notes to unaudited consolidated financial statements.

NATIONAL OILWELL VARCO, INC.
Notes to Consolidated Financial Statements (Unaudited)

1. Basis of Presentation

The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") 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. Actual results could differ from those estimates.

The accompanying unaudited consolidated financial statements of National Oilwell Varco, Inc. (the "Company") present information in accordance with GAAP in the United States for interim financial information and the instructions to Form 10-Q and applicable rules of Regulation S-X. They do not include all information or footnotes required by GAAP in the United States for complete consolidated financial statements and should be read in conjunction with our 2010 Annual Report on Form 10-K.

In our opinion, the consolidated financial statements include all adjustments, all of which are of a normal recurring nature, necessary for a fair presentation of the results for the interim periods. The results of operations for the three and six months ended June 30, 2011 are not necessarily indicative of the results to be expected for the full year.

Fair Value of Financial Instruments

The carrying amounts of financial instruments including 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. The carrying values of other financial instruments approximate their respective fair values.

2. Inventories, net

Inventories consist of (in millions):

	June 30, 2011	December 31, 2010
Raw materials and supplies	$ 772	$ 661
Work in process	1,139	953
Finished goods and purchased products	1,845	1,774
Total	$ 3,756	$ 3,388

3. Accrued Liabilities

Accrued liabilities consist of (in millions):

	June 30, 2011	December 31, 2010
Customer prepayments and billings	$ 675	$ 387
Accrued purchase orders	522	597
Compensation	288	403
Warranty	230	215
Taxes (non income)	91	93
Insurance	67	49
Fair value of derivatives	19	22
Interest	5	11
Other	282	328
Total	$ 2,179	$ 2,105

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 Accounting Standards Codification ("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 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	33
Amounts incurred	(20)
Foreign currency translation and other	2
Balance at June 30, 2011	$ 230

4. Costs and Estimated Earnings on Uncompleted Contracts

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

	June 30, 2011	December 31, 2010
Costs incurred on uncompleted contracts	$ 6,868	$ 6,676
Estimated earnings	4,743	4,665
	11,611	11,341
Less: Billings to date	11,890	11,037
	$ (279)	$ 304
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 499	$ 815
Billings in excess of costs and estimated earnings on uncompleted contracts	(778)	(511)
	$ (279)	$ 304

5. Comprehensive Income

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Net income	$ 480	$ 399	$ 884	$ 818
Currency translation adjustments	28	(62)	92	(76)
Changes in derivative financial instruments, net of tax	5	(55)	42	(81)
Comprehensive income	513	282	1,018	661
Comprehensive loss attributable to noncontrolling interest	(1)	(2)	(4)	(5)
Comprehensive income attributable to Company	$ 514	$ 284	$ 1,022	$ 666

The Company's reporting currency is the U.S. dollar. A majority of the Company's international entities in which there is a substantial investment have the local currency as their functional currency. As a result, translation adjustments resulting from the process of translating the entities' financial statements into the reporting currency are reported in Other Comprehensive Income in accordance with ASC Topic 830 "Foreign Currency Matters" ("ASC Topic 830"). For the three and six months ended June 30, 2011, a majority of these local currencies strengthened against the U.S. dollar resulting in a net increase to Other Comprehensive Income of $28 million and $92 million, respectively, upon the translation of their financial statements from their local currency to the U.S. dollar.

The effect of changes in the fair values of derivatives designated as cash flow hedges are accumulated in Other Comprehensive Income, net of tax, until the underlying transactions to which they are designed to hedge are realized. The movement in Other Comprehensive Income from period to period will be the result of the combination of changes in fair value for open derivatives and the outflow of accumulated Other Comprehensive Income related to the fair value of derivatives that have settled in the current or prior periods. The accumulated effect is an increase in Other Comprehensive Income of $5 million (net of tax of $2 million) and $42 million (net of tax of $16 million) for the three and six months ended June 30, 2011, respectively.

6. Business Segments

Operating results by segment are as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Revenue:				
Rig Technology	$ 1,894	$ 1,672	$ 3,502	$ 3,558
Petroleum Services & Supplies	1,359	1,033	2,624	1,956
Distribution Services	423	365	833	699
Elimination	(163)	(129)	(300)	(240)
Total Revenue	$ 3,513	$ 2,941	$ 6,659	$ 5,973
Operating Profit:				
Rig Technology	$ 514	$ 505	$ 933	$ 1,086
Petroleum Services & Supplies	249	138	480	251
Distribution Services	25	13	52	24
Unallocated expenses and eliminations	(80)	(66)	(148)	(134)
Total Operating Profit	$ 708	$ 590	$ 1,317	$ 1,227
Operating Profit %:				
Rig Technology	27.1%	30.2%	26.6%	30.5%
Petroleum Services & Supplies	18.3%	13.4%	18.3%	12.8%
Distribution Services	5.9%	3.6%	6.2%	3.4%
Total Operating Profit %	20.2%	20.1%	19.8%	20.5%

The Company had revenues of 12% of total revenue from one of its customers for each of the three and six months ended June 30, 2011, and revenues of 17% and 19% of total revenue from one of its customers for the three and six months ended June 30, 2010, 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.

7. Debt

Debt consists of (in millions):

	June 30, 2011	December 31, 2010
Senior Notes, interest at 6.5% payable semiannually, principal due on March 15, 2011	$ —	$ 150
Senior Notes, interest at 7.25% payable semiannually, principal due on May 1, 2011	—	201
Senior Notes, interest at 5.65% payable semiannually, principal due on November 15, 2012	200	200
Senior Notes, interest at 5.5% payable semiannually, principal due on November 19, 2012	150	151
Senior Notes, interest at 6.125% payable semiannually, principal due on August 15, 2015	151	151
Other	12	34
Total debt	513	887
Less current portion	2	373
Long-term debt	$ 511	$ 514

Senior Notes

On March 15, 2011, the Company repaid $150 million of its 6.5% unsecured Senior Notes using available cash balances and on May 1, 2011, the Company repaid $200 million of its 7.25% unsecured Senior Notes using available cash balances. The remaining Senior Notes contain reporting covenants, and the Company was in compliance at June 30, 2011.

Revolving Credit Facilities

On April 21, 2008, the Company replaced its existing $500 million unsecured revolving credit facility with an aggregate of $3 billion of unsecured credit facilities and borrowed $2 billion to finance the cash portion of the Grant Prideco acquisition. These facilities consisted of a $2 billion, five-year revolving credit facility and a $1 billion, 364-day revolving credit facility which was terminated early in February 2009. At June 30, 2011 there were no borrowings against the remaining credit facility, and there were $559 million in outstanding letters of credit issued under this facility, resulting in $1,441 million of funds available under this revolving credit facility. Interest under this multicurrency facility is based upon LIBOR, NIBOR or EURIBOR plus 0.26% subject to a ratings-based grid, or the prime rate. The credit facility contains a financial covenant regarding maximum debt to capitalization and the Company was in compliance at June 30, 2011.

The Company also had $1,716 million of additional outstanding letters of credit at June 30, 2011, 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.

8. Tax

The effective tax rate for the three and six months ended June 30, 2011 was 32.0% and 31.9%, respectively, compared to 31.8% and 31.9% for the same period in 2010. The effective tax rate was positively impacted in the period by an increase in income earned in foreign jurisdictions with tax rates lower than the U.S. federal statutory rate, which are indefinitely reinvested. This was offset by an increase in nondeductible expenses incurred in foreign jurisdictions.

The difference between the effective tax rate reflected in the provision for income taxes and the U.S. federal statutory rate of 35% was as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Federal income tax at U.S. federal statutory rate	$ 247	$ 205	$ 455	$ 420
Foreign income tax rate differential	(41)	(18)	(65)	(58)
State income tax, net of federal benefit	5	5	11	7
Nondeductible expenses	14	5	24	24
Tax benefit of manufacturing deduction	(6)	(3)	(12)	(6)
Foreign dividends, net of foreign tax credits	5	6	10	7
Tax rate change on temporary differences	—	—	(13)	—
Change in uncertain tax positions and other	2	(14)	5	(11)
Provision for income taxes	$ 226	$ 186	$ 415	$ 383

The balance of unrecognized tax benefits at June 30, 2011 was $117 million. The Company recognized no material changes in the balance of unrecognized tax benefits for the three and six months ended June 30, 2011.

The Company is subject to taxation in the U.S., various states and foreign jurisdictions. The Company has significant operations in the U.S., Canada, the U.K., the Netherlands and Norway. Tax years that remain subject to examination by major tax jurisdiction vary by legal entity, but are generally open in the U.S. for the tax years after 2006 and outside the U.S. for tax years ending after 2004.

The Company does not anticipate that its 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.

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.

9. Stock-Based Compensation

The Company has a stock-based compensation plan known as the National Oilwell Varco, Inc. Long-Term Incentive Plan (the "Plan"). The Plan provides for the granting of stock options, performance-based share awards, restricted stock, phantom shares, stock payments and stock appreciation rights. The number of shares authorized under the Plan is 25.5 million. As of June 30, 2011, 5,647,612 shares remain available for future grants under the Plan, all of which are available for grants of stock options, performance-based share awards, restricted stock awards, phantom shares, stock payments and stock appreciation rights. Total stock-based compensation for all stock-based compensation arrangements under the Plan was $19 million and $36 million for the three and six months ended June 30, 2011, respectively, and $16 million and $33 million for the three and six months ended June 30, 2010, respectively. The total income tax benefit recognized in the Consolidated Statements of Income for all stock-based compensation arrangements under the Plan was $6 million and $11 million for the three and six months ended June 30, 2011, respectively, and $5 million and $10 million for the three and six months ended June 30, 2010, respectively.

During the six months ended June 30, 2011, the Company granted 2,277,946 stock options and 374,425 shares of restricted stock and restricted stock units, which includes 131,300 performance-based restricted stock awards. Out of the total number of stock options granted, 2,255,322 were granted February 22, 2011 with an exercise price of $79.80. These options generally vest over a three-year period from the grant date. The remaining 22,624 options were granted May 19, 2011 to the non-employee members of the board of directors at an exercise price of $67.93. These options generally vest over a three-year period from the grant date. Out of the total number of restricted stock and restricted stock units, 234,620 were granted February 22, 2011 and vest on the third anniversary of the date of grant. On May 19, 2011, 8,505 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 22, 2011. 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, 2011 through December 31, 2013 exceeding the median operating income level growth of a designated peer group over the same period.

10. Derivative Financial Instruments

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 is exposed to certain risks relating to its ongoing business operations. The primary risks managed by using derivative instruments are foreign currency exchange rate risk and interest rate risk. Forward contracts against various foreign currencies are entered into to manage the foreign currency exchange rate risk on forecasted revenue 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). Interest rate swaps are entered into to manage interest rate risk associated with the Company's fixed and floating-rate borrowings.

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 either cash flow or fair value hedges 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 June 30, 2011, the Company has determined that its financial assets of $95 million and liabilities of $20 million (primarily currency related derivatives) are level 2 in the fair value hierarchy. At June 30, 2011, the net fair value of the Company's foreign currency forward contracts totaled an asset of $75 million.

As of June 30, 2011, 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

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, are recognized in the Consolidated Statements of Income during the current period.

To protect against the volatility of forecasted foreign currency cash flows resulting from forecasted sales 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 revenue and costs 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.

The Company had the following outstanding foreign currency forward contracts that were entered into to hedge nonfunctional currency cash flows from forecasted revenues and costs (in millions):

	Currency Denomination			
Foreign Currency	**June 30, 2011**		**December 31, 2010**	
British Pound Sterling	£	12	£	4
Danish Krone	DKK	74	DKK	31
Euro	€	262	€	122
Norwegian Krone	NOK	5,274	NOK	4,983
U.S. Dollar	$	379	$	247
Japanese Yen	¥	122	¥	-
Singapore Dollar	SGD	5	SGD	-

Fair Value Hedging Strategy

For derivative instruments that are designated and qualify as a fair value hedge (i.e., hedging the exposure to changes in the fair value of an asset or a liability or an identified portion thereof that is subject to a particular risk), the gain or loss on the derivative instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in the same line item associated with the hedged item in current earnings (e.g., in "revenue" when the hedged item is a contracted sale).

The Company enters into forward exchange contracts to hedge certain firm commitments of revenue and costs that are denominated in currencies other than the functional currency of the operating unit. 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 sale of products to customers will be adversely affected by changes in the exchange rates.

The Company had the following outstanding foreign currency forward contracts that were entered into to hedge nonfunctional currency fair values of firm commitments of revenues and costs (in millions):

Foreign Currency	Currency Denomination June 30, 2011	Currency Denomination December 31, 2010
U.S. Dollar	$ —	$ 1

Non-designated Hedging Strategy

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) are recognized in other income (expense), net in current earnings.

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.

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

Foreign Currency	Currency Denomination June 30, 2011		Currency Denomination December 31, 2010	
British Pound Sterling	£	6	£	8
Danish Krone	DKK	48	DKK	115
Euro	€	72	€	97
Norwegian Krone	NOK	1,130	NOK	1,442
U.S. Dollar	$	635	$	328
Russian Ruble	RUB	711	RUB	780
Brazilian Real	BRL	38	BRL	—
Japanese Yen	¥	244	¥	—
Singapore Dollar	SGD	37	SGD	—

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

	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	Fair Value June 30, 2011	Fair Value December 31, 2010	Balance Sheet Location	Fair Value June 30, 2011	Fair Value December 31, 2010
Derivatives designated as hedging instruments under ASC Topic 815						
Foreign exchange contracts	Prepaid and other current assets	$ 58	$ 28	Accrued liabilities	$ 12	$ 12
Foreign exchange contracts	Other Assets	24	12	Other Liabilities	1	1
Total derivatives designated as hedging instruments under ASC Topic 815		$ 82	$ 40		$ 13	$ 13
Derivatives not designated as hedging instruments under ASC Topic 815						
Foreign exchange contracts	Prepaid and other current assets	$ 13	$ 7	Accrued liabilities	$ 7	$ 10
Total derivatives not designated as hedging instruments under ASC Topic 815		$ 13	$ 7		$ 7	$ 10
Total derivatives		$ 95	$ 47		$ 20	$ 23

The Effect of Derivative Instruments on the Consolidated Statement of Income
($ in millions)

Derivatives in ASC Topic 815 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion) (a) Six Months Ended June 30, 2011	2010	Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) Six Months Ended June 30, 2011	2010	Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) (b) Six Months Ended June 30, 2011	2010
			Revenue	21	6			
Foreign exchange contracts	87	(116)	Cost of revenue	9	(16)	Other income (expense), net	(2)	8
Total	87	(116)		30	(10)		(2)	8

Derivatives in ASC Topic 815 Fair Value Hedging Relationships	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative Six Months Ended June 30, 2011	2010	ASC Topic 815 Fair Value Hedge Relationships	Location of Gain (Loss) Recognized in Income on Related Hedged Item	Recognized in Income on Related Hedged Items Six Months Ended June 30, 2011	2010
Foreign exchange contracts	Revenue	—	(2)	Firm commitments	Revenue	—	2
Total		—	(2)			—	2

Derivatives Not Designated as Hedging Instruments under ASC Topic 815	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative Six Months Ended June 30, 2011	2010
Foreign exchange contracts	Other income (expense), net	(15)	22
Total		(15)	22

(a) The Company expects that ($34) 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 ($2) million and $8 million related to the ineffective portion of the hedging relationships for the six months ended June 30, 2011 and 2010, respectively, and ($1) million and $9 million related to the amount excluded from the assessment of the hedge effectiveness for the six months ended June 30, 2011 and 2010, respectively.

11. 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):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Numerator:				
Net income attributable to Company	$ 481	$ 401	$ 888	$ 823
Denominator:				
Basic—weighted average common shares outstanding	422	417	421	417
Dilutive effect of employee stock options and other unvested stock awards	3	2	3	2
Diluted outstanding shares	425	419	424	419
Net income attributable to Company per share:				
Basic	$ 1.14	$ 0.96	$ 2.11	$ 1.97
Diluted	$ 1.13	$ 0.96	$ 2.10	$ 1.96
Cash dividends per share	$ 0.11	$ 0.10	$ 0.22	$ 0.20

In addition, the Company had stock options outstanding that were anti-dilutive totaling 2 million and 3 million shares for the three and six months ended June 30, 2011, respectively, and 6 million and 5 million shares for the three and six months ended June 30, 2010, respectively.

12. Cash Dividends

On May 11, 2011 the Company's Board of Directors approved a cash dividend of $0.11 per share. The cash dividend was paid on June 24, 2011 to each stockholder of record on June 10, 2011. Cash dividends aggregated $47 million and $93 million for the three and six months ended June 30, 2011, respectively, and $42 million and $84 million for the three and six months ended June 30, 2010, 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.

13. Subsequent Event

Subsequent to June 30, 2011, the Company entered into an agreement to acquire Ameron International Corporation ("Ameron") for approximately $772 million. Under the agreement, Ameron's stockholders would receive $85.00 per share in cash in return for each of the approximately 9.1 million shares outstanding. The boards of directors of the Company and Ameron have unanimously approved the transaction, which is subject to customary closing conditions, including the approval of holders of at least a majority of Ameron's outstanding shares and approval from various regulatory agencies.

14. Recently Issued Accounting Standards

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs" ("ASU No. 2011-04"), which provides guidance about how fair value should be applied where it is already required or permitted under U.S. GAAP. The ASU does not extend the use of fair value or require additional fair value measurements, but rather provides explanations about how to measure fair value. ASU No. 2011-04 requires prospective application and will be effective for interim and annual reporting periods beginning after December 15, 2011. The Company is currently assessing the impact ASU No. 2011-04 will have on its financial statements, but does not expect a significant impact from adoption of the pronouncement.

In June 2011, the FASB issued ASU No. 2011-05 "Presentation of Comprehensive Income" ("ASU No. 2011-05"), which eliminates the option to present components of other comprehensive income as part of the statement of changes in equity and requires that all nonowner changes in equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU No. 2011-05 requires retrospective application and will be effective for interim and annual reporting periods beginning after December 15, 2011. The Company is currently assessing the impact ASU No. 2011-05 will have on its financial statements, but does not expect a significant impact from adoption of the pronouncement.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Introduction

National Oilwell Varco, Inc. (the “Company”) is a worldwide leader in the design, manufacture and sale of equipment and components used in oil and gas drilling and production, the provision of oilfield services, and supply chain integration services to the upstream oil and gas industry.

Unless indicated otherwise, results of operations data are presented in accordance with accounting principles generally accepted in the United States (“GAAP”). In an effort to provide investors with additional information regarding our results of operations, certain non-GAAP financial measures, including operating profit excluding other costs, operating profit percentage excluding other costs and diluted earnings per share excluding other costs, are provided. See Non-GAAP Financial Measures and Reconciliations in Results of Operations for an explanation of our use of non-GAAP financial measures and reconciliations to their corresponding measures calculated in accordance with GAAP.

Rig Technology

Our 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; and turret mooring systems and other products for Floating Production, Storage and Offloading vessels (“FPSOs”) and other offshore vessels and terminals. Demand for Rig Technology products is primarily dependent on capital spending plans by drilling contractors, oilfield service companies, and oil and gas companies; and secondarily on the overall level of oilfield drilling activity, which drives demand for spare parts for the segment’s large installed base of equipment. We have made strategic acquisitions and other investments during the past several years in an effort to expand our product offering and our global manufacturing capabilities, including adding additional operations in the United States, Canada, Norway, the United Kingdom, Brazil, China, Belarus, India, Turkey, the Netherlands, Singapore, and South Korea.

Petroleum Services & Supplies

Our 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 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. Demand for these services and supplies is determined principally by the level of oilfield drilling and workover activity by drilling contractors, major and independent oil and gas companies, and national oil companies. Oilfield tubular services include the provision of inspection and internal coating services and equipment for drill pipe, line pipe, tubing, and casing; and the design, manufacture and sale of coiled tubing pipe and advanced composite pipe for application in highly corrosive environments. The segment sells its tubular goods and services to oil and gas companies; drilling contractors; pipe distributors, processors and manufacturers; and pipeline operators. This segment has benefited from several strategic acquisitions and other investments completed during the past few years, including additional operations in the United States, Canada, the United Kingdom, Brazil, China, Kazakhstan, Mexico, Russia, Argentina, India, Bolivia, the Netherlands, Singapore, Malaysia, Vietnam, and the United Arab Emirates.

Distribution Services

Our Distribution Services segment provides maintenance, repair and operating supplies (“MRO”) and spare parts to drill site and production locations worldwide. In addition to its comprehensive network of field locations supporting land drilling operations throughout North America, the segment supports major offshore drilling contractors through locations in Mexico, the Middle East, Europe, Southeast Asia and South America. Distribution Services employs advanced information technologies to provide complete procurement, inventory management and logistics services to its customers around the globe. Demand for the segment’s services is determined primarily by the level of drilling, servicing, and oil and gas production activities.

Critical Accounting Estimates

In our annual report on Form 10-K for the year ended December 31, 2010, we identified our most critical accounting policies. In preparing the financial statements, we make assumptions, estimates and judgments that affect the amounts reported. We periodically evaluate our estimates and judgments that are most critical in nature which are related to revenue recognition under long-term construction contracts; allowance for doubtful accounts; inventory reserves; impairments of long-lived assets (excluding goodwill and other indefinite-lived intangible assets); goodwill and other indefinite-lived intangible assets; service and product warranties and income taxes. Our estimates are based on historical experience and on our future expectations that we believe are reasonable. The combination of these factors forms the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results are likely to differ from our current estimates and those differences may be material.

EXECUTIVE SUMMARY

National Oilwell Varco generated $481 million in net income attributable to Company, or $1.13 per fully diluted share, on $3.51 billion in revenue in its second quarter ended June 30, 2011. Compared to the first quarter of 2011, revenue increased 12 percent and net income attributable to Company increased 18 percent. Compared to the second quarter of 2010, revenue increased 19 percent and net income attributable to Company increased 20 percent.

The second quarter of 2011 included pre-tax transaction charges of $4 million, the first quarter of 2011 included pre-tax transaction charges and Libya asset write-downs of $19 million, and the second quarter of 2010 included pre-tax transaction charges of $4 million. Excluding these charges from all periods, second quarter 2011 earnings were $1.14 per fully diluted share, compared to $1.00 per fully diluted share last quarter and $0.97 per fully diluted share a year ago. Operating profit excluding these charges was $712 million or 20.3 percent of sales in the second quarter of 2011, compared to $628 million or 20.0 percent of sales last quarter, and $594 million or 20.2 percent of sales a year ago.

Revenues increased both sequentially and year-over-year for all three of the Company's segments. The Company's largest segment, Rig Technology, generated higher operating profit sequentially and year-over-year, on sales growth of 18 percent and 13 percent, respectively. Both Petroleum Services & Supplies and Distribution Services segments generated higher year-over-year operating profit and higher operating margins in the second quarter of 2011, owing to higher levels of drilling activity worldwide as compared to the second quarter of 2010. Compared to the first quarter of 2011, operating profit increased slightly for the Petroleum Services & Supplies segment, and decreased slightly for the Distribution Services segment. Operating margins for both declined slightly sequentially, due in part to the seasonal downturn in drilling activity in Canada due to breakup, when authorities enact road transport bans on heavy rig moves to prevent road damage as the ground thaws, and due to flooding in the upper midwest of the U.S.

Oil & Gas Equipment and Services Market

Worldwide developed economies turned down sharply late in 2008 as looming housing-related asset write-downs at major financial institutions paralyzed credit markets and sparked a serious global banking crisis. Major central banks responded vigorously through 2009, but economic growth in many developed economies continues to be weak. As a result asset and commodity prices, including oil and gas prices, declined in 2009. After rising steadily for six years to peak at around $140 per barrel earlier in 2008, oil prices collapsed back to average $43 per barrel (West Texas Intermediate Crude Prices) during the first quarter of 2009, but recovered to $76 per barrel range by the end of 2009 and increased to $102 per barrel by the second quarter of 2011, partly due to unrest in the Middle East. North American gas prices declined to $3.17 per mmbtu in the third quarter of 2009 but recovered to average $4.36 per mmbtu in the second quarter of 2011. The steadily rising oil and gas prices seen between 2003 and 2008 led to high levels of exploration and development drilling in many oil and gas basins around the globe by 2008, but activity slowed sharply in 2009 with lower oil and gas prices and tightening credit availability. However, higher commodity prices led to a recovery in drilling activity through the past six quarters.

The count of rigs actively drilling in the U.S. as measured by Baker Hughes (a good measure of the level of oilfield activity and spending) peaked at 2,031 rigs in September 2008, but decreased to a low of 876 in June, 2009. U.S. rig count has since increased to 1,908 at July 29, 2011, and averaged 1,829 rigs during the second quarter of 2011. Many oil and gas operators reliant on external financing to fund their drilling programs significantly curtailed their drilling activity in 2009, but drilling recovered across North America as gas prices firmed above $4 per mmbtu and, more recently, as operators began to drill unconventional shale plays targeting oil, rather than gas. For the first time in over 16 years oil drilling has risen to over 50 percent of the total domestic drilling effort.

Most international activity is driven by oil exploration and production by national oil companies, which has historically been less susceptible to short-term commodity price swings, but the international rig count exhibited modest declines nonetheless, falling from its September 2008 peak of 1,108 to 947 in August 2009, but recently climbing back to 1,157 in the second quarter of 2011.

During 2009 the Company saw its Petroleum Services & Supplies and its Distribution Services margins affected most acutely by a drilling downturn, through both volume and price declines; nevertheless, both of these segments saw pricing stabilize and revenues recover since third quarter 2009 lows. The Company's Rig Technology segment increased revenues and margins through 2009 owing to its high level of contracted backlog which it executed on very well since the economic downturn. In the first half of 2010 the segment posted operating margins of more than 30 percent, but saw its margins decline modestly since then, due to a declining mix of higher margin sales made in the 2007-2008 timeframe, and a rising mix of more recent sales made at lower pricing.

The economic decline beginning in late 2008 followed an extended period of high drilling activity which fueled strong demand for oilfield services between 2003 and 2008. Incremental drilling activity through the upswing shifted toward harsh environments, employing increasingly sophisticated technology to find and produce reserves. Higher utilization of drilling rigs tested the capability of the world's fleet of rigs, much of which is old and of limited capability. Technology has advanced significantly since most of the existing rig fleet was built. The industry invested little during the late 1980's and 1990's on new drilling equipment, but drilling technology progressed steadily nonetheless, as the Company and its competitors continued to invest in new and better ways of drilling. As a consequence, the safety, reliability, and efficiency of new, modern rigs surpass the performance of most of the older rigs at work today. Drilling rigs are now being pushed to drill deeper wells, more complex wells, highly deviated wells and horizontal wells, tasks which require larger rigs with more capabilities. The drilling process effectively consumes the mechanical components of a rig, which wear out and need periodic repair or replacement. This process was accelerated by very high rig utilization and wellbore complexity. Drilling consumes rigs; more complex and challenging drilling consumes rigs faster.

The industry responded by launching many new rig construction projects since 2005, to 1.) retool the existing fleet of jackup rigs (according to Offshore Data Services, 70 percent of the existing 476 jackup rigs are more than 25 years old); 2.) to replace older mechanical and DC electric land rigs with improved AC power, electronic controls, automatic pipe handling and rapid rigup and rigdown technology; and 3.) to build out additional deepwater floating drilling rigs, including semisubmersibles and drillships, to employ recent advancements in deepwater drilling to exploit unexplored deepwater basins. We believe that the newer rigs offer considerably higher efficiency, safety, and capability, and that many will effectively replace a portion of the existing fleet.

As a result of these trends, the Company's Rig Technology segment grew its backlog of capital equipment orders from $0.9 billion at March 31, 2005, to $11.8 billion at September 30, 2008. The credit crisis and slowing drilling activity led to lower orders in 2009, causing the backlog to decline to $4.9 billion by June 30, 2010. Orders have risen sharply since then, lifting the segment's backlog to $7.7 billion as of June 30, 2011. Orders totaled $3.0 billion for the second quarter of 2011, double the revenue out of backlog, and represents a record level for the Rig Technology segment's capital equipment sales. Approximately $2.8 billion of backlog orders are scheduled to flow out as revenue during the second half of 2011; $4.3 billion in 2012, and the balance thereafter. The land rig backlog comprised 16 percent and equipment destined for offshore operations comprised 84 percent of the total backlog as of June 30, 2011. Equipment destined for international markets totaled 84 percent of the backlog.

Segment Performance

The Rig Technology segment revenues of $1,894 million in the second quarter of 2011 increased 18 percent sequentially and increased 13 percent compared to the second quarter of 2010. Segment operating profit was $514 million and operating margins were 27.1 percent during the second quarter. Compared to the first quarter of 2011, incremental operating leverage or flow-through (the change in operating profit divided by the change in revenue) was 33 percent, and compared to the second quarter of 2010 incremental operating leverage was four percent. The reason for the low year-over-year incremental leverage was a mix shift away from higher margin offshore projects won a few years ago, toward lower-priced offshore work, and more land business, which typically carries lower margins. Many offshore projects were contracted at high prices in 2007 and 2008 and subsequently manufactured in much lower cost environments in 2009 and 2010. Year-over-year operating margin declined 310 basis points due to this mix effect. Sequentially, margins improved mostly due to lower costs experienced on the fabrication of drilling risers the segment is building for the many offshore rigs in its backlog. The transfer late last year of drilling riser fabrication operations to South Korea improved proximity to the shipyards and reduced manufacturing expense, leading to favorable cost estimate adjustments for new rig construction projects. Sequentially, revenue out of backlog improved 24 percent and aftermarket spares and services revenues improved four percent. Compared to the second quarter of 2010 revenue out of backlog grew 11 percent and aftermarket spares and services revenues improved 13 percent. Demand for stimulation equipment, complete land rig packages for North American markets, six jackup rigs and eight drillship packages contributed to the record order level during the second quarter. The second quarter did not include orders for new deepwater rigs for Brazil, and the Company continues to bid seven deepwater drillships to be built for Petrobras. Customer inquiries for pressure control equipment are also trending higher, and orders for pressure control components, spares, repair and services rose during the second quarter, in response to the Macondo blowout.

The Petroleum Services & Supplies ("PSS") segment generated total sales of $1,359 million in the second quarter of 2011, up seven percent from the first quarter of 2011 and up 32 percent from the second quarter of 2010. The increase in PSS revenue was mainly due to strong U.S. activity where the rig count averaged 1,829 rigs during the second quarter of 2011 (its highest level since the fourth quarter of 2008) and helped to offset the drop in Canada rig count which declined from a first quarter 2011 average of 587 rigs to an average of 188 rigs in the second quarter of 2011. Operating profit was $249 million or 18.3 percent of sales for the second quarter, compared to 18.3 percent in the first quarter of 2011 and 13.4 percent in the second quarter of 2010. Operating leverage or flow-through was 19 percent from the first quarter of 2011, and 34 percent from the second quarter of 2010 to the second quarter of 2011. Lower sequential flow-throughs and margins were due to the impact of the seasonal breakup in Canada and flooding in the Bakken region, which reduced revenues at high margins, mostly affecting NOV Downhole Tools and Wellsite Services. These declines were offset by higher revenues from recent acquisitions, and modestly lower margins on increased sales in Mission, drillpipe, and conductor pipe connections, owing to mix. Additionally, the segment posted higher startup costs for a number of new locations. Operations in North Africa and the Middle East continue to face low levels of activity due to continuing unrest in that region. Tuboscope posted sharply higher coating and pipe inspection revenues at strong incremental margins.

The Distribution Services segment generated $423 million in revenue during the second quarter of 2011, up three percent from the first quarter of 2011 and increasing 16 percent from the second quarter of 2010. Operating profit was $25 million, and operating margin was 5.9 percent of sales, down slightly from the first quarter of 2011, but double year ago levels. Operating leverage or flow-through was 21 percent year-over-year. The segment posted sharp declines in Canada due to seasonal breakup, but was nevertheless able to maintain good profitability. U.S. and international sales both increased sequentially, with international operations helped by the segment's acquisition of a business in the U.K. The U.S. and international accounted for 51 percent and 36 percent of the segment's mix, respectively. Domestic margins declined slightly due to new facility startup costs in South Texas, Pennsylvania and the mid-continent. Industrial products margins declined in Argentina and Europe, but the group is experiencing rising demand for artificial lift products in international markets.

Outlook

Following the credit market downturn, global recession, and lower commodity prices of 2009, we saw signs of stabilization and recovery in many of our markets in 2010, and recovery has continued through the first half of 2011, led by higher drilling activity in North America, and slowly improving international drilling activity. Order levels for new drilling rigs has rebounded sharply, and the Rig Technology segment continued to experience a high level of interest in new capital equipment through July 2011. Rig dayrates appear to have stabilized for certain classes of newer technology rigs, and lower rig construction costs and improving availability of financing have elevated demand. We expect lower pricing in our backlog to lead to modest declines in Rig Technology margins over the next few quarters, until recently won offshore rig construction orders begin to generate revenues at higher margins.

Our outlook for the Company's Petroleum Services & Supplies segment and Distribution Services segment remains closely tied to the rig count, particularly in North America. If the rig count continues at current or higher levels, we expect these segments to benefit from higher demand for the services, consumables and capital items they supply. Many products are beginning to see higher steel, alloy, resin and fiberglass costs impact their business, and are attempting to raise prices to offset rising costs. Continuing tight iron ore supplies to the steel mills could adversely affect margins as the year unfolds.

The Company believes it is well positioned, and should benefit from its strong balance sheet and capitalization, access to credit, and a high level of contracted orders which are expected to continue to generate earnings during the remainder of the year.

As of early August 2011, the recovery of the world economy continues to move forward with a great deal of uncertainty as the world watches the sovereign debt crisis in several European countries unfold, the U.S. government's continued struggles with its own sovereign debt levels and a potential credit downgrade, and general global economic worries and market turbulence. If such global economic uncertainties develop adversely, world oil and gas prices could be impacted which in turn could negatively impact the worldwide rig count and the Company's future financial results.

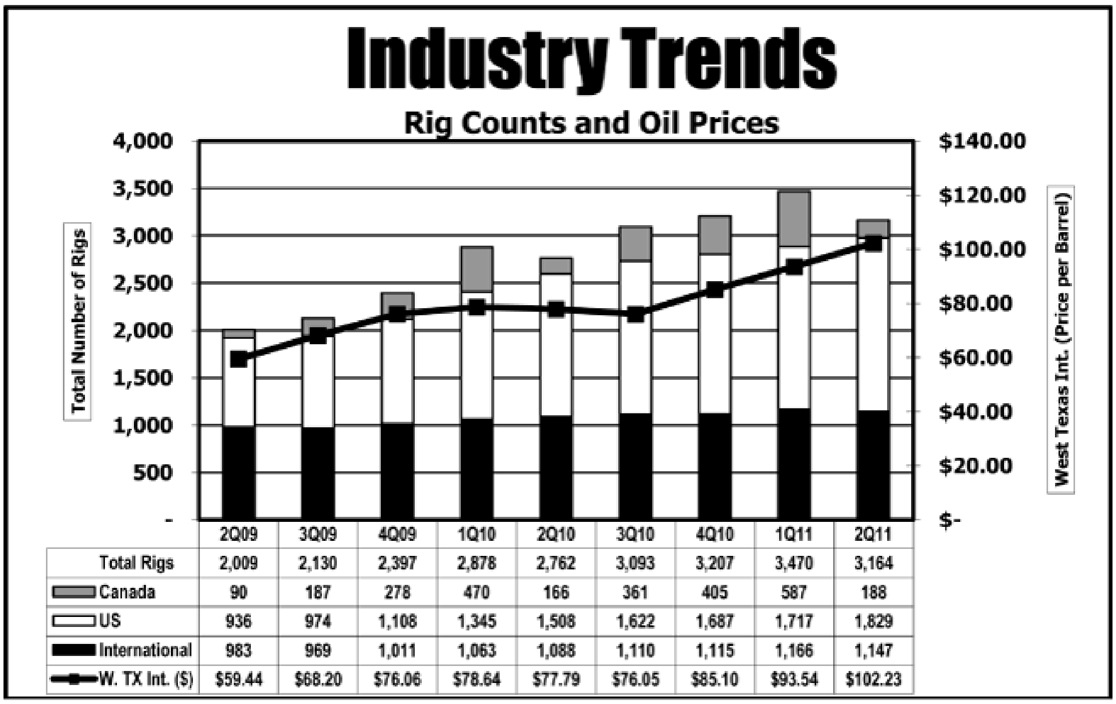
Operating Environment Overview

The Company's results are dependent on, among other things, the level of worldwide oil and gas drilling, well remediation activity, the prices of crude oil and natural gas, capital spending by other oilfield service companies and drilling contractors, and worldwide oil and gas inventory levels. Key industry indicators for the second quarter of 2011 and 2010, and the first quarter of 2011 include the following:

	2Q11*	1Q11*	2Q10*	% 2Q11 v 1Q11	% 2Q11 v 2Q10
Active Drilling Rigs:					
U.S.	1,829	1,717	1,508	6.5%	21.3%
Canada	188	587	166	(68.0%)	13.3%
International	1,147	1,166	1,088	(1.6%)	5.4%
Worldwide	3,164	3,470	2,762	(8.8%)	14.6%
West Texas Intermediate Crude Prices (per barrel)	$ 102.23	$ 93.54	$ 77.79	9.3%	31.4%
Natural Gas Prices ($/mmbtu)	$ 4.36	$ 4.18	$ 4.32	4.3%	0.9%

* Averages for the quarters indicated. See sources below.

The following table details the U.S., Canadian, and international rig activity and West Texas Intermediate Oil prices for the past nine quarters ended June 30, 2011 on a quarterly basis:



Source: Rig count: Baker Hughes, Inc. (www.bakerhughes.com); West Texas Intermediate Crude and Natural Gas Prices: Department of Energy, Energy Information Administration (www.eia.doe.gov).

The quarterly average rig count decreased 9% (from 3,470 to 3,164) worldwide while the U.S. average increased 7% (from 1,717 to 1,829), in the second quarter of 2011 compared to the first quarter of 2011. The average per barrel price of West Texas Intermediate Crude increased 9% (from $93.54 per barrel to $102.23 per barrel) and natural gas prices increased 4% (from $4.18 per mmbtu to $4.36 per mmbtu) in the second quarter of 2011 compared to the first quarter of 2011.

U.S. rig activity at July 29, 2011 was 1,908 rigs compared to the second quarter average of 1,829 rigs, increasing 5%. The price for West Texas Intermediate Crude was at $99.87 per barrel as of July 22, 2011, decreasing 2% from the second quarter average. The price for natural gas was at $4.26 per mmbtu as of July 29, 2011, increasing 1% from the second quarter average.

Results of Operations

Operating results by segment are as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Revenue:				
Rig Technology	$ 1,894	$ 1,672	$ 3,502	$ 3,558
Petroleum Services & Supplies	1,359	1,033	2,624	1,956
Distribution Services	423	365	833	699
Elimination	(163)	(129)	(300)	(240)
Total Revenue	$ 3,513	$ 2,941	$ 6,659	$ 5,973
Operating Profit:				
Rig Technology	$ 514	$ 505	$ 933	$ 1,086
Petroleum Services & Supplies	249	138	480	251
Distribution Services	25	13	52	24
Unallocated expenses and eliminations	(80)	(66)	(148)	(134)
Total Operating Profit	$ 708	$ 590	$ 1,317	$ 1,227
Operating Profit %:				
Rig Technology	27.1%	30.2%	26.6%	30.5%
Petroleum Services & Supplies	18.3%	13.4%	18.3%	12.8%
Distribution Services	5.9%	3.6%	6.2%	3.4%
Total Operating Profit %	20.2%	20.1%	19.8%	20.5%

Rig Technology

Three Months Ended June 30, 2011 and 2010. Rig Technology revenue in the second quarter of 2011 was $1,894 million, an increase of $222 million (13.3%) compared to the same period in 2010. This increase is primarily due to the increase of revenue out of backlog of $139 million as well as an increase in non backlog revenue of $83 million. Backlog was $7.7 billion at June 30, 2011, a 59% increase from June 30, 2010.

Operating profit from Rig Technology was $514 million for the second quarter ended June 30, 2011, an increase of $9 million (1.8%) over the same period of 2010. Operating profit percentage decreased to 27.1%, from 30.2% for the same prior year period primarily due to a decrease in the average margin of revenue out of backlog as contracts signed during 2009 and 2010 contain less favorable margins compared to contracts won during the order ramp-up from 2005 to 2008.

Six Months Ended June 30, 2011 and 2010. Rig Technology revenue for the first six months of 2011 was $3,502 million, a decrease of $56 million (1.6%) compared to the same period in 2010. This decrease is primarily due to the decrease of revenue out of backlog of $243 million offset by the increase in non backlog revenue of $187 million.

Operating profit from Rig Technology was $933 million for the first six months of 2011, a decrease of $153 million (14.1%) over the same period of 2010. Operating profit percentage decreased to 26.6%, from 30.5% for the same prior year period primarily due to a decrease in the average margin of revenue out of backlog as contracts signed during 2009 and 2010 contain less favorable margins compared to contracts won during the order ramp-up from 2005 to 2008.

Petroleum Services & Supplies

Three Months Ended June 30, 2011 and 2010. Revenue from Petroleum Services & Supplies was $1,359 million for the second quarter of 2011 compared to $1,033 million for the second quarter of 2010, an increase of $326 million (31.6%). The increase was primarily attributable to shale plays leading to a strong U.S. market with a 21.3% increase in U.S. rig activity compared to the second quarter of 2010.

Operating profit from Petroleum Services & Supplies was $249 million for the second quarter ended June 30, 2011, an increase of $111 million (80.4%) over the same period of 2010. Operating profit percentage increased to 18.3%, up from 13.4% for the same prior year period primarily due to increased volume with a strong domestic demand fueled by an increase in rig count.

Six Months Ended June 30, 2011 and 2010. Revenue from Petroleum Services & Supplies was $2,624 million for the first half of 2011 compared to $1,956 million for the first half of 2010, an increase of $668 million (34.2%). The increase was primarily attributable to shale plays leading to a strong U.S. market with increased U.S. rig activity compared to the first half of 2010.

Operating profit from Petroleum Services & Supplies was $480 million for the six months ended June 30, 2011, an increase of $229 million (91.2%) over the same period of 2010. Operating profit percentage increased to 18.3%, up from 12.8% for the same prior year period primarily due to increased volume with a strong domestic demand fueled by an increase in rig count. The increase was offset by the write-down, in the first quarter, of Libyan assets of $15 million, mostly related to accounts receivable affected by sanctions enacted during the quarter along with the write off of certain inventory and fixed assets in the country. The Company's Rig Technology and Distribution Services segments incurred $2 million of such asset write-downs during the first quarter for a total of $17 million in Libyan asset write-downs incurred by the Company.

Distribution Services

Three Months Ended June 30, 2011 and 2010. Revenue from Distribution Services was $423 million for the second quarter of 2011 compared to $365 million for the second quarter of 2010, an increase of $58 million (15.9%). This increase was primarily attributable to increased U.S. rig count activity.

Operating profit from Distribution Services was $25 million for the second quarter ended June 30, 2011, an increase of $12 million (92.3%) over the same period of 2010. Operating profit percentage increased to 5.9%, up from 3.6% for the same prior year period primarily due to better pricing related to strong demand fueled by an increase in U.S. rig count activity.

Six Months Ended June 30, 2011 and 2010. Revenue from Distribution Services was $833 million for the first six months of 2011 compared to $699 million for the first six months of 2010, an increase of $134 million (19.2%). This increase was primarily attributable to increased U.S. rig count activity.

Operating profit from Distribution Services was $52 million for the first six months of 2011 compared to $24 million for the same period in 2010, an increase of $28 million (116.7%). Operating profit percentage increased to 6.2%, up from 3.4% for the same prior year period primarily due to greater cost efficiencies and better pricing related to strong demand fueled by an increase in U.S. rig count activity.

Unallocated expenses and eliminations

Unallocated expenses and eliminations were $80 million and $148 million for the three and six months ended June 30, 2011, respectively, compared to $66 million and $134, respectively, for the same periods in 2010. This increase is primarily due to higher tax consulting expenses, legal costs associated with acquisitions and intersegment eliminations.

Interest and financial costs

Interest and financial costs were $9 million and $23 million for the three and six months ended June 30, 2011, respectively, compared to $13 million and $26 million, respectively, for the same periods in 2010. The decrease in interest and financial costs was due to an overall decrease in debt levels for the three and six months ended June 30, 2011 compared to the same periods in 2010.

Other income (expense), net

Other income (expense), net were expenses of $7 million and $26 million for the three and six months ended June 30, 2011, respectively, compared to $3 million and $19 million, respectively for the same periods in 2010. The increase for the three and six months ended June 30, 2011, was mainly due to higher foreign exchange losses during 2011 as a result of exchange rate movements, primarily related to the weakening of the U.S. dollar.

Provision for income taxes

The effective tax rate for the three and six months ended June 30, 2011 was 32.0% and 31.9%, respectively, compared to 31.8% and 31.9% for the same period in 2010. The effective tax rate was positively impacted in the period by an increase in income earned in foreign jurisdictions with tax rates lower than the U.S. federal statutory rate, which are indefinitely reinvested. This was offset by an increase in non-deductible expenses incurred in foreign jurisdictions.

Non-GAAP Financial Measures and Reconciliations

In an effort to provide investors with additional information regarding our results as determined by GAAP, we disclose various non-GAAP financial measures in our quarterly earnings press releases and other public disclosures. The primary non-GAAP financial measures we focus on are: (i) operating profit excluding other costs, (ii) operating profit percentage excluding other costs, and (iii) diluted earnings per share excluding other costs. Each of these financial measures excludes the impact of certain other costs and therefore has not been calculated in accordance with GAAP. A reconciliation of each of these non-GAAP financial measures to its most comparable GAAP financial measure is included below.

We use these non-GAAP financial measures because we believe it provides useful supplemental information regarding the Company's on-going economic performance and, therefore, use these non-GAAP financial measures internally to evaluate and manage the Company's operations. We have chosen to provide this information to investors to enable them to perform more meaningful comparisons of operating results and as a means to emphasize the results of on-going operations.

The following tables set forth the reconciliations of these non-GAAP financial measures to their most comparable GAAP financial measures (in millions, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Reconciliation of operating profit:				
GAAP operating profit	$ 708	$ 590	$ 1,317	$ 1,227
Other costs:				
Transaction costs	4	4	6	4
Libya asset write-down	—	—	17	—
Devaluation costs	—	—	—	11
Operating profit excluding other costs	$ 712	$ 594	$ 1,340	$ 1,242

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Reconciliation of operating profit %:				
GAAP operating profit %	20.2%	20.1%	19.8%	20.5%
Other costs %	0.1%	0.1%	0.3%	0.3%
Operating profit % excluding other costs	20.3%	20.2%	20.1%	20.8%

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Reconciliation of diluted earnings per share:				
GAAP earnings per share	$ 1.13	$ 0.96	$ 2.10	$ 1.96
Other costs	0.01	0.01	0.05	0.10
Earnings per share excluding other costs	$ 1.14	$ 0.97	$ 2.15	$ 2.06

Liquidity and Capital Resources

Overview

At June 30, 2011, the Company had cash and cash equivalents of $3,440 million, and total debt of $513 million. At December 31, 2010, cash and cash equivalents were $3,333 million and total debt was $887 million. A significant portion of the consolidated cash balances are maintained in accounts in various foreign subsidiaries and, if such amounts were transferred among countries or repatriated to the U.S., such amounts may be subject to additional tax obligations. Rather than repatriating this cash, the Company may choose to borrow against its credit facility. The Company's outstanding debt at June 30, 2011 consisted of $200 million of 5.65% Senior Notes due 2012, $150 million of 5.5% Senior Notes due 2012, $151 million of 6.125% Senior Notes due 2015, and other debt of $12 million.

There were no borrowings against the Company's unsecured revolving credit facility, and there were $559 million in outstanding letters of credit issued under the facility, resulting in $1,441 million of funds available under the Company's unsecured revolving credit facility at June 30, 2011.

The Company had $1,716 million of additional outstanding letters of credit at June 30, 2011, 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. The Senior Notes contain reporting covenants and the credit facility contains a financial covenant regarding maximum debt to capitalization. The Company was in compliance with all covenants at June 30, 2011.

The following table summarizes our net cash provided by operating activities, net cash used in investing activities and net cash used in financing activities for the periods presented (in millions):

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Net cash provided by operating activities	$ 887	$ 282
Net cash used in investing activities	(424)	(108)
Net cash used in financing activities	(378)	(82)

Operating Activities

For the first six months of 2011, cash provided by operating activities was $887 million, an increase of $605 million compared to cash provided by operating activities of $282 million in the same period of 2010. Before changes in operating assets and liabilities, net of acquisitions, cash was provided by operations primarily through net income of $884 million plus non-cash charges of $273 million and $45 million of the dividend received from the Company's unconsolidated affiliate less $23 million in equity income from the Company's unconsolidated affiliate.

Net changes in operating assets and liabilities, net of acquisitions, used $316 million for the first six months of 2011 compared to $710 million used in the same period in 2010. Due to an increase in market activity during the first six months of 2011 compared to the same period in 2010, revenue and backlog (milestone invoicing) increased which is reflected in increased accounts receivable coupled with a buildup in inventory, partially offset by a decrease in costs in excess of billings and an increase in billings in excess of costs. Incentive compensation and tax payments contributed to the reduction in other assets/liabilities, net for the first six months of 2011 compared to the same period in 2010.

The Company received $58 million and $33 million in dividends from its unconsolidated affiliate in 2011 and 2010, respectively. The portion included in operating activities in 2011 and 2010 was $45 million and $17 million, respectively. The remaining $13 million and $16 million were included in investing activities in 2011 and 2010, respectively.

Investing Activities

For the first six months of 2011, cash used in investing activities was $424 million compared to cash used in investing activities of $108 million for the same period of 2010. The primary reason for the increase related to the increase in cash paid for acquisitions to approximately $259 million during the first six months of 2011 compared to $62 million during the same period of 2010. In addition, capital expenditures increased to approximately $192 million as capital was spent on several U.S. and international expansion projects during the first six months of 2011 compared to $78 million used in the same period of 2010.

Financing Activities

For the first six months of 2011, cash used in financing activities was $378 million compared to cash used in financing activities of $82 million for the same period of 2010. The $296 million increase in cash used in financing activities for the first six months of 2011 primarily related to the repayment of $150 million in Senior Notes that were due late in the first quarter, $200 million in Senior Notes that were due in the second quarter as well as $20 million in other current borrowings. The Company increased its dividend slightly to $93 million for the first six months of 2011 compared to $84 million for the same period of 2010. The increase in cash used was offset by $71 million in proceeds from stock options exercised during the first six months of 2011 compared to $8 million in proceeds from stock options exercised during the same period in 2010. For the first six months of 2011, the Company used its cash on hand to fund its acquisitions.

The effect of the change in exchange rates on cash flows was a positive $22 million and a negative $26 million for the six months ended June 30, 2011 and 2010, respectively.

We believe that cash on hand, cash generated from operations and amounts available under the credit facilities and from other sources of debt will be sufficient to fund operations, working capital needs, capital expenditure requirements, dividends and financing obligations.

We intend to pursue additional acquisition candidates, but the timing, size or success of any acquisition effort and the related potential capital commitments cannot be predicted. We expect to fund future cash acquisitions primarily with cash flow from operations and borrowings, including the unborrowed portion of the credit facility or new debt issuances, but may also issue additional equity either directly or in connection with acquisitions. There can be no assurance that additional financing for acquisitions will be available at terms acceptable to us.

Recently Issued Accounting Standards

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs" (" ASU No. 2011-04"), which provides guidance about how fair value should be applied where it is already required or permitted under U.S. GAAP. The ASU does not extend the use of fair value or require additional fair value measurements, but rather provides explanations about how to measure fair value. ASU No. 2011-04 requires prospective application and will be effective for interim and annual reporting periods beginning after December 15, 2011. The Company is currently assessing the impact ASU No. 2011-04 will have on its financial statements, but does not expect a significant impact from adoption of the pronouncement.

In June 2011, the FASB issued ASU No. 2011-05 "Presentation of Comprehensive Income" ("ASU No. 2011-05"), which eliminates the option to present components of other comprehensive income as part of the statement of changes in equity and requires that all nonowner changes in equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU No. 2011-05 requires retrospective application and will be effective for interim and annual reporting periods beginning after December 15, 2011. The Company is currently assessing the impact ASU No. 2011-05 will have on its financial statements, but does not expect a significant impact from adoption of the pronouncement.

Forward-Looking Statements

Some of the information in this document contains, or has incorporated by reference, forward-looking statements. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements typically are identified by use of terms such as "may," "will," "expect," "anticipate," "estimate," and similar words, although some forward-looking statements are expressed differently. All statements herein regarding expected merger synergies are forward-looking statements. You should be aware that our actual results could differ materially from results anticipated in the forward-looking statements due to a number of factors, including but not limited to changes in oil and gas prices, customer demand for our products, difficulties encountered in integrating mergers and acquisitions, and worldwide economic activity. You should also consider carefully the statements under "Risk Factors," as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2010, which address additional factors that could cause our actual results to differ from those set forth in the forward-looking statements. Given these uncertainties, current or prospective investors are cautioned not to place undue reliance on any such forward-looking statements. We undertake no obligation to update any such factors or forward-looking statements to reflect future events or developments.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to changes in foreign currency exchange rates and interest rates. Additional information concerning each of these matters follows:

Foreign Currency Exchange Rates

We have extensive operations in foreign countries. The net assets and liabilities of these operations are exposed to changes in foreign currency exchange rates, although such fluctuations generally do not affect income since their functional currency is typically the local currency. These operations also have net assets and liabilities not denominated in the functional currency, which exposes us to changes in foreign currency exchange rates that impact income. We recorded a foreign exchange loss in our income statement of approximately $16 million in the first six months of 2011, compared to a $14 million foreign exchange loss in the same period of the prior year. The gains and losses are primarily due to exchange rate fluctuations related to monetary asset balances denominated in currencies other than the functional currency and adjustments to our hedged positions as a result of changes in foreign currency exchange rates. Strengthening of currencies against the U.S. dollar may create losses in future periods to the extent we maintain net assets and liabilities not denominated in the functional currency of the countries using the local currency as their functional currency.

Some of our revenues in foreign countries are denominated in U.S. dollars, and therefore, changes in foreign currency exchange rates impact our earnings to the extent that costs associated with those U.S. dollar revenues are denominated in the local currency. Similarly some of our revenues are denominated in foreign currencies, but have associated U.S. dollar costs, which also give rise to foreign currency exchange rate exposure. In order to mitigate that risk, we may utilize foreign currency forward contracts to better match the currency of our revenues and associated costs. We do not use foreign currency forward contracts for trading or speculative purposes.

The following table details the Company's foreign currency exchange risk grouped by functional currency and their expected maturity periods as of June 30, 2011 (in millions, except contract rates):

	As of June 30, 2011				December 31,
Functional Currency	**2011**	**2012**	**2013**	**Total**	**2010**
CAD Buy USD/Sell CAD:					
Notional amount to buy (in Canadian dollars)	331	—	—	331	267
Average CAD to USD contract rate	0.9773	—	—	0.9773	1.0072
Fair Value at June 30, 2011 in U.S. dollars	—	—	—	—	(1)
Sell USD/Buy CAD:					
Notional amount to sell (in Canadian dollars)	122	50	—	172	55
Average CAD to USD contract rate	0.9886	0.9805	—	0.9841	1.0237
Fair Value at June 30, 2011 in U.S. dollars	1	—	—	1	1
DKK Sell DKK/Buy USD:					
Notional amount to buy (in U.S. dollars)	99	—	—	99	113
Average DKK to USD contract rate	5.1835	—	—	5.1835	5.6618
Fair Value at June 30, 2011 in U.S. dollars	—	—	—	—	—
EUR Buy USD/Sell EUR:					
Notional amount to buy (in euros)	3	—	—	3	1
Average USD to EUR contract rate	1.4114	—	—	1.4114	1.3884
Fair Value at June 30, 2011 in U.S. dollars	—	—	—	—	—
Sell USD/Buy EUR:					
Notional amount to buy (in euros)	124	37	—	161	74
Average USD to EUR contract rate	1.3844	1.3806	—	1.3835	1.3172
Fair Value at June 30, 2011 in U.S. dollars	6	2	—	8	1

Functional Currency	As of June 30, 2011 2011	2012	2013	Total	December 31, 2010
GBP Buy USD/Sell GBP:					
Notional amount to buy (in British Pounds Sterling)	67	—	—	67	—
Average USD to GBP contract rate	1.5945	—	—	1.5607	—
Fair Value at June 30, 2011 in U.S. dollars	—	—	—	—	—
Sell USD/Buy GBP:					
Notional amount to buy (in British Pounds Sterling)	36	15	—	51	49
Average USD to GBP contract rate	1.5607	1.5982	—	1.5718	1.4952
Fair Value at June 30, 2011 in U.S. dollars	1	—	—	1	2
KRW Sell EUR/Buy KRW:					
Notional amount to buy (in South Korean won)	119	123	260	502	273
Average KRW to EUR contract rate	926.20	923.70	918.82	921.75	1,742.53
Fair Value at June 30, 2011 in U.S. dollars	—	—	—	—	—
Sell USD/Buy KRW:					
Notional amount to buy (in South Korean won)	69,898	3,416	639	73,953	67,657
Average KRW to USD contract rate	1,075.98	1,118.68	1,020.25	1,066.79	1,085.68
Fair Value at June 30, 2011 in U.S. dollars	—	—	—	—	(3)
USD Buy DKK/Sell USD:					
Notional amount to buy (in U.S. dollars)	10	10	—	20	19
Average DKK to USD contract rate	5.2876	5.2863	—	5.2876	5.5064
Fair Value at June 30, 2011 in U.S. dollars	—	—	—	—	—
Buy EUR/Sell USD:					
Notional amount to buy (in U.S. dollars)	203	210	12	425	224
Average USD to EUR contract rate	1.4038	1.4030	1.4029	1.2942	1.3243
Fair Value at June 30, 2011 in U.S. dollars	4	3	—	7	—
Buy GBP/Sell USD:					
Notional amount to buy (in U.S. dollars)	25	—	—	25	18
Average USD to GBP contract rate	1.6110	—	—	1.6110	1.5724
Fair Value at June 30, 2011 in U.S. dollars	—	—	—	—	—
Buy NOK/Sell USD:					
Notional amount to buy (in U.S. dollars)	316	474	54	844	810
Average NOK to USD contract rate	5.8989	6.0201	5.9288	5.9688	6.2022
Fair Value at June 30, 2011 in U.S. dollars	27	40	3	70	32
Sell DKK/Buy USD:					
Notional amount to buy (in U.S. dollars)	—	—	—	—	8
Average DKK to USD contract rate	—	—	—	5.8694	5.5998
Fair Value at June 30, 2011 in U.S. dollars	—	—	—	—	—
Sell EUR/Buy USD:					
Notional amount to sell (in U.S. dollars)	36	9	—	45	66
Average USD to EUR contract rate	1.4151	1.3575	—	1.4028	1.3423
Fair Value at June 30, 2011 in U.S. dollars	(1)	(1)	—	(2)	1
Sell NOK/Buy USD:					
Notional amount to sell (in U.S. dollars)	203	35	1	239	229
Average NOK to USD contract rate	5.6470	5.9138	5.9030	5.6878	6.1282
Fair Value at June 30, 2011 in U.S. dollars	(8)	(3)	—	(11)	(7)
Sell RUB/Buy USD:					
Notional amount to sell (in U.S. dollars)	—	—	—	—	25
Average RUB to USD contract rate	—	—	—	—	31.2030
Fair Value at June 30, 2011 in U.S. dollars	—	—	—	—	(1)
Other Currencies					
Fair Value at June 30, 2011 in U.S. dollars	1	—	—	1	(1)
Total Fair Value at June 30, 2011 in U.S. dollars	31	41	3	75	24

The Company had other financial market risk sensitive instruments denominated in foreign currencies for transactional exposures totaling $265 million and translation exposures totaling $803 million as of June 30, 2011 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 $17 million and the transactional exposures financial market risk sensitive instruments could affect the future fair value by $80 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.

Interest Rate Risk

At June 30, 2011 our long term borrowings consisted of $200 million in 5.65% Senior Notes, $150 million in 5.5% Senior Notes and $151 million in 6.125% 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. Our objective is to maintain a portion of our debt in variable rate borrowings for the flexibility obtained regarding early repayment without penalties and lower overall cost as compared with fixed-rate borrowings.

Item 4. Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of the Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures. The Company’s disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by the Company in the reports it files under the Exchange Act is accumulated and communicated to the Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures and is recorded, processed, summarized and reported within the time period specified in the rules and forms of the Securities and Exchange Commission. Based upon that evaluation, the Company’s Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures are effective as of the end of the period covered by this report at a reasonable assurance level.

There has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 6. Exhibits

Reference is hereby made to the Exhibit Index commencing on page 32.

SIGNATURE

Pursuant to the requirements 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.

Date: August 5, 2011

By: /s/ Clay C. Williams
Clay C. Williams
Executive Vice President and Chief Financial Officer
(Duly Authorized Officer, Principal Financial and Accounting Officer)

INDEX TO EXHIBITS

(a) 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.
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. (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	Five-Year Credit Agreement, dated as of April 21, 2008, 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, DnB Nor Bank ASA, as Co-Lead Arranger and Joint Book Runner, and Fortis Capital Corp., The Bank of Nova Scotia and The Bank of Tokyo — Mitsubishi UFJ, Ltd., as Co-Documentation Agents. (Exhibit 10.1) (10)
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)
10.15	First Amendment to National Oilwell Varco Long-Term Incentive Plan. (12)*
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) (13)
10.17	Third Amendment to Executive Agreement, dated as of December 31, 2009, of Clay Williams and National Oilwell Varco. (Exhibit 10.2) (13)
10.18	Second Amendment to Employment Agreement dated as of December 31, 2009 between Mark A. Reese and National Oilwell Varco. (Exhibit 10.3) (13)

10.19 Second Amendment to Employment Agreement dated as of December 31, 2009 between Dwight W. Rettig and National Oilwell Varco. (Exhibit 10.4) (13)

10.20 First Amendment to Employment Agreement dated as of December 31, 2009 between Robert W. Blanchard and National Oilwell Varco. (Exhibit 10.5) (13)

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.

101 The following materials from our Quarterly Report on Form 10-Q for the period ended June 30, 2011 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)

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* Compensatory plan or arrangement for management or others.

(1) [Intentionally Omitted]

(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 Annex D to our Amendment No. 1 to Registration Statement on Form S-4 filed on January 31, 2005.

(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 February 21, 2008.

(10) Filed as an Exhibit to our Current Report on Form 8-K filed on April 22, 2008.

(11) Filed as an Exhibit to our Current Report on Form 8-K filed on December 23, 2008.

(12) Filed as Appendix I to our Proxy Statement filed on April 1, 2009.

(13) Filed as an Exhibit to our Current Report on Form 8-K filed on January 5, 2010.

(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.

Exhibit 3.1

FIFTH AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
NATIONAL OILWELL VARCO, INC.

FIRST: The name of the Corporation is National Oilwell Varco, Inc.

SECOND: The address of the registered office of the Corporation in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of the registered agent of the Corporation at such address is The Corporation Trust Company.

THIRD: The nature of the business or purposes to be conducted or promoted by the Corporation is to engage in any lawful business, act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: CAPITAL STOCK.

I. AUTHORIZED SHARES

The total number of shares of stock that the Corporation shall have authority to issue is, 1,010,000,000 shares of capital stock, consisting of (i) 1,000,000,000 shares of common stock, par value $.01 per share (“Common Shares”) and (ii) 10,000,000 shares of preferred stock, par value $.01 per share (“Preferred Stock”).

The Common Shares shall have the rights, preferences and limitations set forth below. Capitalized terms used but not otherwise defined in Parts I or II of this Article Fourth are defined in Part III of this Article Fourth.

II. COMMON SHARES

Except as otherwise provided in this Part II or as otherwise required by applicable law, all shares of Common Stock shall be identical in all respects and shall entitle the holders thereof to the same rights and privileges, subject to the same qualifications, limitations and restrictions.

SECTION 1. VOTING RIGHTS. Except as otherwise provided in this Part II or as otherwise required by applicable law, all holders of Common Stock shall be entitled to one vote per share on all matters to be voted on by the Corporation’s stockholders.

SECTION 2. STOCK SPLITS AND STOCK DIVIDENDS. The Corporation shall not in any manner subdivide (by stock split, stock dividend or otherwise) or combine (by stock split, stock dividend or otherwise) the outstanding Common Shares of one class unless the outstanding Common Shares of the other class shall be proportionately subdivided or combined. All such subdivisions and combinations shall be payable only in Common Stock to the holders of Common Stock.

SECTION 3. REGISTRATION OF TRANSFER. The Corporation shall keep at its principal office (or such other place as the Corporation reasonably designates) a register for the registration of Common Shares. Upon surrender of any certificate representing shares of any class of Common Shares at such place, the Corporation shall, at the request of the registered holder of such certificate, execute and deliver a new certificate or certificates in exchange therefore representing in the aggregate the number of shares of such class represented by the surrendered certificate, and the Corporation forthwith shall cancel such surrendered certificate. Each such new certificate will be registered in such name and will represent such number of shares of such class as is requested by the holder of the surrendered certificate and shall be substantially identical in form to the surrendered certificate. The issuance of new certificates shall be made without charge to the holders of the surrendered certificates for any issuance tax in respect thereof or other cost incurred by the Corporation in connection with such issuance.

SECTION 4. REPLACEMENT. Upon receipt of evidence reasonably satisfactory to the Corporation (an affidavit of the registered holder will be satisfactory) of the ownership and the loss, theft, destruction or mutilation of any certificate evidencing one or more shares of any class of Common Shares, and in the case of any such loss, theft or destruction, upon receipt of indemnity reasonable satisfactory to the Corporation (provided that if the holder is a financial institution or other institutional investor its own agreement will be satisfactory), or, in the case of any such mutilation upon surrender of such certificate, the Corporation shall (at its expense)execute and deliver in lieu of such certificate a new certificate of like kind representing the number of shares of such class represented by such lost, stolen, destroyed or mutilated certificate and dated the date of such lost, stolen, destroyed or mutilated certificate.

SECTION 5. NOTICES. All notices referred to herein shall be in writing, shall be delivered personally or by first class mail, postage prepaid, and shall be deemed to have been given when so delivered or mailed to the Corporation at its principal executive offices and to any stockholder at such holder's address as it appears in the stock records of the Corporation (unless otherwise specified in a written notice to the Corporation by such holder).

SECTION 6. AMENDMENT AND WAIVER. No amendment or waiver of any provision of this Article Fourth shall be effective without prior written consent of the holders of a majority of the then outstanding Common Shares voting as a single class; provided that no amendment as to any terms or provisions of, or for the benefit of, any class of Common Shares that adversely affects the powers, preferences or special rights of such class of Common Shares shall be effective without the prior consent of the holders of a majority of the then outstanding shares of such affected class of Common Shares, voting as a single class.

III. DEFINITIONS

"DISTRIBUTION" means each distribution made by the Corporation to holders of Common Shares, whether in cash, property or securities of the Corporation or any other entity and whether by a dividend, liquidating distributions or otherwise; provided that neither of the following shall be a Distribution: (a) any redemption or repurchase by the Corporation of any Common Shares for any reason or (b) any recapitalization or exchange of any Common Shares for other securities of the Corporation, or any subdivision (by stock split, stock dividend or otherwise) or any combination (by stock split, stock dividend or otherwise) of any outstanding Common Shares.

"GENERAL CORPORATION LAW" means the General Corporation Law of the State of Delaware, as amended from time to time.

IV. PREFERRED STOCK

The Preferred Stock may be issued from time to time in one or more classes or series, the shares of each class or series to have any designations and powers, preferences, and rights, and qualifications, limitations, and restrictions thereof as are stated and expressed in this Article IV and in the resolution or resolutions providing for the issue of such class or series adopted by the board of directors of the Corporation as hereinafter prescribed.

Authority is hereby expressly granted to and vested in the board of directors of the Corporation to authorize the issuance of the Preferred Stock from time to time in one or more classes or series, and with respect to each class or series of the Preferred Stock, to state by the resolution or resolutions from time to time adopted providing for the issuance thereof the following:

(i) whether or not the class or series is to have voting rights, special, or limited, or is to be without voting rights, and whether or not such class or series is to be entitled to vote as a separate class either alone or together with the holders of one or more other classes or series of stock;

(ii) the number of shares to constitute the class or series and the designations thereof;

(iii) the preferences and relative, participating, optional, or other special rights, if any, and the qualifications, limitations, or restrictions thereof, if any, with respect to any class or series;

(iv) whether or not the shares of any class or series shall be redeemable at the option of the Corporation or the holders thereof or upon the happening of any specified event, and, if redeemable, the redemption price or prices (which may be payable in the form of cash, notes, securities, or other property), and the time or times at which, and the terms and conditions upon which, such shares shall be redeemable and the manner of redemption;

(v) whether or not the shares of a class or series shall be subject to the operation of retirement or sinking funds to be applied to the purchase or redemption of such shares for retirement, and, if such retirement or sinking fund or funds are to be established, the periodic amount thereof, and the terms and provisions relative to the operation thereof;

(vi) the dividend rate, whether dividends are payable in cash, stock of the Corporation, or other property, the conditions upon which and the times when such dividends are payable, the preference to or the relation to the payment of dividends payable on any other class or classes or series of stock, whether or not such dividends shall be cumulative or noncumulative, and if cumulative, the date or dates from which such dividends shall accumulate;

(vii) the preferences, if any, and the amounts thereof which the holders of any class or series thereof shall be entitled to receive upon the voluntary or involuntary dissolution of, or upon any distribution of the assets of, the Corporation;

(viii) whether or not the shares of any class or series, at the option of the Corporation or the holder thereof or upon the happening of any specified event, shall be convertible into or exchangeable for the shares of any other class or classes or of any other series of the same or any other class or classes of stock, securities, or other property of the Corporation and the conversion price or prices or ratio or ratios of the rate or rates at which such conversion or exchange may be made, with such adjustments, if any, as shall be stated and expressed or provided for in such resolution or resolutions; and

(ix) any other special rights and protective provisions with respect to any class or series as may to the board of directors of the Corporation seem advisable.

The shares of each class or series of the Preferred Stock may vary from the shares of any other class or series thereof in any or all of the foregoing respects and in any other manner. The board of directors of the Corporation may increase the number of shares of the Preferred Stock designated for any existing class or series by a resolution adding to such class or series authorized and unissued shares of the Preferred Stock not designated for any other class or series. The board of directors of the Corporation may decrease the number of shares of the Preferred Stock designated for any existing class or series by a resolution subtracting from such class or series authorized and unissued shares of the Preferred Stock designated for such existing class or series, and the shares so subtracted shall become authorized, unissued, and undesignated shares of the Preferred Stock. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the outstanding Common Stock, without a vote of the holders of the Preferred Stock, or any series thereof, unless a vote of any such holder is required pursuant to any Preferred Stock Series Resolution.

V. NO PREEMPTIVE RIGHTS

No holder of shares of stock of the Corporation shall have any preemptive or other rights, except such rights as are expressly provided by contract, to purchase or subscribe for or receive any shares of any class, or series thereof, of stock of the Corporation, whether now or hereafter authorized, or any warrants, options, bonds, debentures or other securities convertible into, exchangeable for or carrying any right to purchase any shares of any class, or series thereof, of stock; but such additional shares of stock and such warrants, options, bonds, debentures or other securities convertible into, exchangeable for or carrying any right to purchase any shares of any class, or series thereof, of stock may be issued or disposed of by the board of directors to such persons, and on such terms and for such lawful consideration, as in its discretion it shall deem advisable or as to which the Corporation shall have by binding contract agreed.

VI. REGISTERED OWNER

The Corporation shall be entitled to treat the person in whose name any share of its stock is registered as the owner thereof for all purposes and shall not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any other person, whether or not the Corporation shall have notice thereof, except as expressly provided by applicable law.

VII. GENERAL

Subject to the foregoing provisions of this Fifth Amended and Restated Certificate of Incorporation, the Corporation may issue shares of its Preferred Stock and Common Stock from time to time for such consideration (not less than the par value thereof) as may be fixed by the board of directors of the Corporation, which is expressly authorized to fix the same in its absolute discretion subject to the foregoing conditions. Shares so issued for which the consideration shall have been paid or delivered to the Corporation shall be deemed fully paid stock and shall not be liable to any further call or assessment thereon, and the holders of such shares shall not be liable for any further payments in respect of such shares.

The Corporation shall have authority to create and issue rights and options entitling their holders to purchase shares of the Corporation's capital stock of any class or series or other securities of the Corporation, and such rights and options shall be evidenced by instrument(s) approved by the board of directors of the Corporation. The board of directors of the Corporation shall be empowered to set the exercise price, duration, times for exercise, and other terms of such rights or options; provided, however, that the consideration to be received for any shares of capital stock subject thereto shall not be less than the par value thereof.

FIFTH: The following provisions are inserted for the management of the business and for the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

I. DIRECTORS

The number, classification, and terms of the board of directors of the Corporation and the procedures to elect directors, to remove directors, and to fill vacancies in the board of directors shall be as follows:

(a) The number of directors that shall constitute the whole board of directors shall from time to time be fixed exclusively by the board of directors by a resolution adopted by a majority of the whole board of directors serving at the time of that vote. In no event shall the number of directors that constitute the whole board of directors be fewer than three. No decrease in the number of directors shall have the effect of shortening the term of any incumbent director. Directors of the Corporation need not be elected by written ballot unless the by-laws of the Corporation otherwise provide.

(b) Commencing at the annual meeting of stockholders held in calendar year 2012 (the "2012 Annual Meeting"), each director shall be elected annually for a term of one year and shall hold office until the next succeeding annual meeting; provided, however, each director elected at the annual meeting of stockholders in calendar year 2010 shall hold office until the annual meeting of stockholders in calendar year 2013 and each director elected at the annual meeting of stockholders in calendar year 2011 shall hold office until the annual meeting of stockholders in calendar year 2014. In all cases, each director shall hold office until such director's successor is elected and qualified or until such director's earlier death, resignation or removal.

(c) Vacancies in the board of directors resulting from death, resignation, retirement, disqualification, removal from office, or other cause and newly-created directorships resulting from any increase in the authorized number of directors may be filled by no less than a majority vote of the remaining directors then in office, though less than a quorum or by the sole remaining director (but not by the stockholders except as required by law), and each director so chosen shall hold office until the next succeeding annual meeting and until such director's successor is elected and qualified or until such director's earlier death, resignation, or removal from office.

(d) A director of any class of directors of the Corporation elected prior to the 2012 Annual Meeting may be removed before the expiration date of that director's term of office, only for cause, by an affirmative vote of the holders of not less than eighty percent (80%) of the votes of the outstanding shares of the class or classes or series of stock then entitled to be voted at an election of directors of that class or series, voting together as a single class, cast at the annual meeting of stockholders or at any special meeting of stockholders called by a majority of the whole board of directors for this purpose. Any other director may be removed from office with or without cause.

II. POWER TO AMEND BY-LAWS

The by-laws may be altered or repealed and new By-laws may be adopted (a) at any annual or special meeting of stockholders if notice of the proposed alteration, repeal or adoption of the new by-law or by-laws be contained in the notice of such annual or special meeting by the affirmative vote of a majority of the stock issued and outstanding and entitled to vote thereat, voting together as a single class, or (b) by the affirmative vote of a majority of the members present at any regular meeting of the board of directors, or at any special meeting of the board of directors, without any action on the part of the stockholders, if notice of the proposed alteration, repeal or adoption of the new by-law or by-laws be contained in the notice of such regular or special meeting.

III. STOCKHOLDERS' ACTION — SPECIAL MEETINGS

After October 15, 1996, no action required to be taken or that may be taken at any meeting of common stockholders of the Corporation may be taken without a meeting, and, after such date, the power of common stockholders to consent in writing, without a meeting, to the taking of any action is specifically denied.

Special meetings of the stockholders of the Corporation, and any proposals to be considered at such meetings, may be called and proposed exclusively by (i) the Chairman of the Board, (ii) the President or (iii) the board of directors, pursuant to a resolution approved by a majority of the members of the board of directors at the time in office, and no stockholder of the Corporation shall require the board of directors to call a special meeting of common stockholders or to propose business at a special meeting of stockholders. Except as otherwise required by law or regulation, no business proposed by a stockholder to be considered at an annual meeting of the stockholders (including the nomination of any person to be elected as a director of the Corporation) shall be considered by the stockholders at that meeting unless, no later than ninety (90) days before the annual meeting of stockholders or (if later) ten days after the first public notice of that meeting is sent to stockholders, the Corporation receives from the stockholder proposing that business a written notice that sets forth (1) the nature of the proposed business with reasonable particularity, including the exact text of any proposal to be presented for adoption, and the reasons for conducting that business at an annual meeting; (2) with respect to each such stockholder, that stockholder's name and address (as they appear on the records of the Corporation), business address and telephone number, residence address and telephone number, and the number of shares of each class of stock of the Corporation beneficially owned by that stockholder; (3) any interest of the stockholder in the proposed business; (4) the name or names of each person nominated by the stockholder to be elected or re-elected as a director, if any; and (5) with respect to each nominee, that nominee's name, business address and telephone number, and residence address and telephone number, the number of shares, if any, of each class of stock of the Corporation owned directly and beneficially by that nominee, and all information relating to that nominee that is required to be disclosed in solicitations of proxies for elections of directors, or is otherwise required, pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (or any provision of law subsequently replacing Regulation 14A), together with a duly acknowledged letter signed by the nominee stating his or her acceptance of the nomination by that stockholder, stating his or her intention to serve as director if elected, and consenting to being named as a nominee for director in any proxy statement relating to such election. The person presiding at the annual meeting shall determine whether business (including the nomination of any person as a director) has been properly brought before the meeting and, if the facts so warrant, shall not permit any business (or voting with respect to any particular nominee) to be transacted that has not been properly brought before the meeting. Notwithstanding any other provisions of this Fifth Amended and Restated Certificate of Incorporation, the affirmative vote of the holders of not less than eighty percent (80%) of the shares of the Corporation then entitled to be voted in an election of directors, voting together as a single class, shall be required to amend or repeal, or to adopt any provision inconsistent with, this Article Fifth.

SIXTH: ELIMINATION OF CERTAIN LIABILITY OF DIRECTORS AND INDEMNIFICATION

I. ELIMINATION OF CERTAIN LIABILITY OF DIRECTORS

No director shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty by such director as a director, except for liability (a) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (c) under Section 174 of the General Corporation Law of the State of Delaware, or (d) for any transaction from which the director derived an improper personal benefit. Any amendment or repeal of this Part I of this Article Sixth shall be prospective only, and neither the amendment nor repeal of this Part I of this Article Sixth shall eliminate or reduce the effect of this Part I of this Article Sixth in respect to any matter occurring, or any cause of action, suit or claim that, but for this Part I of this Article Sixth would accrue or arise, prior to such amendment or repeal. If the Delaware General Corporation Law hereafter is amended to authorize corporate action further eliminating or limiting the liability or directors, then the liability of a director of the Corporation, in addition to the limitation on personal liability provided herein, shall be eliminated or limited to the fullest extend permitted by the Delaware General Corporation Law, as so amended from time to time.

II. INDEMNIFICATION AND INSURANCE

SECTION 1. RIGHT TO INDEMNIFICATION. Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a “proceeding”), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was or has agreed to become a director or officer of the Corporation or is or was serving or has agreed to serve at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director or officer, or in any other capacity while serving or having agreed to serve as a director or officer, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said Law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including, without limitation, attorneys’ fees, judgments, fines, excise taxes pursuant to the Employee Retirement Income Security Act of 1974 or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to serve in the capacity which initially entitled such person to indemnity hereunder and shall inure to the benefit of his or her heirs, executors and administrators. The right to indemnification conferred in this Part II of this Article Sixth shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the Delaware General Corporation Law requires, the payment of such expenses incurred by a current, former or proposed director or officer in his or her capacity as a director or officer or proposed director or officer (and not in any other capacity in which service was or is or has been agreed to be rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such indemnified person, to repay all amounts so advanced if it shall ultimately be determined that such indemnified person is not entitled to be indemnified under this Part II or otherwise. The Corporation may, by action of its board of directors, provide indemnification to employees and agents of the Corporation, individually or as a group, with the same scope and effect as the foregoing indemnification of directors and officers.

SECTION 2. RIGHT OF CLAIMANT TO BRING SUIT. If a written claim from or on behalf of an indemnified party under Section 1 of this Part II is not paid in full by the Corporation within thirty days after such written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standard of conduct which makes it permissible under the Delaware General Corporation Law for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its board of directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its board of directors, independent legal counsel or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

SECTION 3. NON-EXCLUSIVITY OF RIGHTS. The right to indemnification and the advancement and payment of expenses conferred in this Part II shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of this Fifth Amended and Restated Certificate of Incorporation, by-law, agreement, vote of stockholders or disinterested directors or otherwise.

SECTION 4. INSURANCE. The Corporation may maintain insurance, at its expense, to protect itself and any person who is or was serving as a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

SECTION 5. SAVINGS CLAUSE. If this Part II or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify and hold harmless each director and officer of the Corporation, as to costs, charges and expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative to the full extent permitted by any applicable portion of this Part II that shall not have been invalidated and to the fullest extent permitted by applicable law.

SECTION 6. DEFINITIONS. For purposes of this Part II, reference to the "Corporation" shall include, in addition to the Corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger prior to (or, in the case of an entity specifically designated in a resolution of the board of directors, after) the adoption hereof and which, if its separate existence had continued, would have had the power and authority to indemnify its directors, officers and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Part II with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

SEVENTH: No contract or transaction between the Corporation and one or more of its directors, officers, or stockholders or between the Corporation and any person (as used herein "person" means any corporation, partnership, association, firm, trust, joint venture, political subdivision, or instrumentality) or other organization in which one or more of its directors, officers, or stockholders are directors, officers or stockholders, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the board of any committee thereof which authorizes the contract or transaction, or solely because his, her, or their votes are counted for such purpose, if: (i) the material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or are known to the board of directors or the committee, and the board of directors or the committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested be less than a quorum; or (ii) the material facts as to his or her relationship or interest and as to the contract or transaction is specifically approved in good faith by majority vote of the stockholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved, or ratified by the board of directors, a committee thereof, or the stockholders. Interested directors may be counted in determining the presence of a quorum at a meeting of the board of directors or of a committee which authorizes the contract or transaction.

EIGHTH: The Corporation reserves the right to amend, change, or repeal any provision contained in the Fifth Amended and Restated Certificate of Incorporation in the manner now or hereafter prescribed by law, and all rights and powers conferred herein on stockholders, directors, directors, and officers are subject to this reserved power.

Exhibit 31.1

CERTIFICATION

I, Merrill A. Miller, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of National Oilwell Varco, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2011

By: /s/ Merrill A. Miller, Jr.
Merrill A. Miller, Jr.
Chairman, President and
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Clay C. Williams, certify that:

1. I have reviewed this quarterly report on Form 10-Q of National Oilwell Varco, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2011

By: */s/ Clay C. Williams*

Clay C. Williams
Executive Vice President and
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of National Oilwell Varco, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Merrill A. Miller, Jr., Chairman, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(i) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

The certification is given to the knowledge of the undersigned.

By: /s/ Merrill A. Miller, Jr.

Name:	Merrill A. Miller, Jr.
Title:	Chairman, President and Chief Executive Officer
Date:	August 5, 2011

Exhibit 32.2

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of National Oilwell Varco, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Clay C. Williams, Executive Vice President and Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(i) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

The certification is given to the knowledge of the undersigned.

By: */s/ Clay C. Williams*

Name: Clay C. Williams
Title: Executive Vice President and Chief Financial Officer
Date: August 5, 2011