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Business Update
July 2020

INTRODUCTION

April, May and June have certainly been challenging months. Oil price collapse, COVID 19, Furlough scheme, supply chain difficulties particularly with Italy and India, to name but a few.

Whilst shipments to our customers have been at a relatively good level we have seen a large slowdown in customer orders. Coupled with that a number of projects have been delayed, postponed or even cancelled. Most recently the large Marjan project (reported in the April Business update), worth approx. £12m including top ups, has been delayed by 24 months. This customer-driven move significantly reduces the planned workloads in most departments going forward, the impact of which is currently being assessed.

We have entered into a programme of job cuts, which is a difficult process impacting all our employees. However it is a necessity bearing in mind we are unable to sustain such high levels of overhead cost at a time of a significant drop in business.

The aim is to ensure we protect the Company and its employees by realigning our structure to a level commensurate with a business half the size we had built it to be pre-Covid.

Our Sales teams are working hard to win all orders. With our continued efforts and a strong focus from all departments, we are confident we can be competitive to beat off stiff competition, whilst ensuring customer requirements are met. Your commitment will be paramount as we aim to increase order intake and meet our deliveries to customers around the Globe.

Valvetek completed a major project called Lingshui for Aker in Malaysia at the end of May. The TEK valves were completed many weeks earlier than the initial contract requirement, to the delight of our customer. So well done to everyone in Valvetek.

Colm Kane, Managing Director

API Q1 ANNOUNCEMENT

We are pleased to announce that **Oliver Valves Ltd has been accepted by the American Petroleum Institute (API) for the Q1 Quality Management System**.

API Spec Q1 Registered

For more than 90 years, API has led the development of petroleum, natural gas and petrochemical equipment and operating standards. These represent the industry's collective wisdom on everything from drill bits to environmental protection and embrace proven, sound engineering and operating practices and safe, interchangeable equipment and materials. API maintains more than 700 standards and recommended practices. API is recognized around the world for its broad range of programs and increasingly our customers are looking for suppliers who operate at this high level.

This award is testament to all the many months of hard work, spearheaded by Sarah Hodson, but with valuable inputs from all departments. We would like to thank all of you for your contribution during the internal and external audits and for your input into the many procedures. All of the hard work has paid off!

ENGINEERING – PRODUCT UPDATES

In Oliver Valves we have completed two Shell DVT qualifications at an operable temperature range of -29 to +350 degC, -50 non-operable. Both valves were fugitive emissions tested throughout and recorded at leakage class B. This is a significant step forward as we know there are very few valve manufacturers that can achieve this temperature range with FE class B. The valves in question were a 14mm metal seated floating ball valve and an IS&Y needle valve. Both of these products have been given TAMAP approval with 2 star rating.

In Valvetek we qualified a bespoke flange connection for TechnipFMC which will allow them to be more cost effective and in turn generate big returns on investments for us.

Also in Valvetek we completed the qualifications for the Mero 1 project. This involved qualifications of the 1/2" Rotary Disc, 1/2" actuated gate valve and the 1" actuated gate valve.

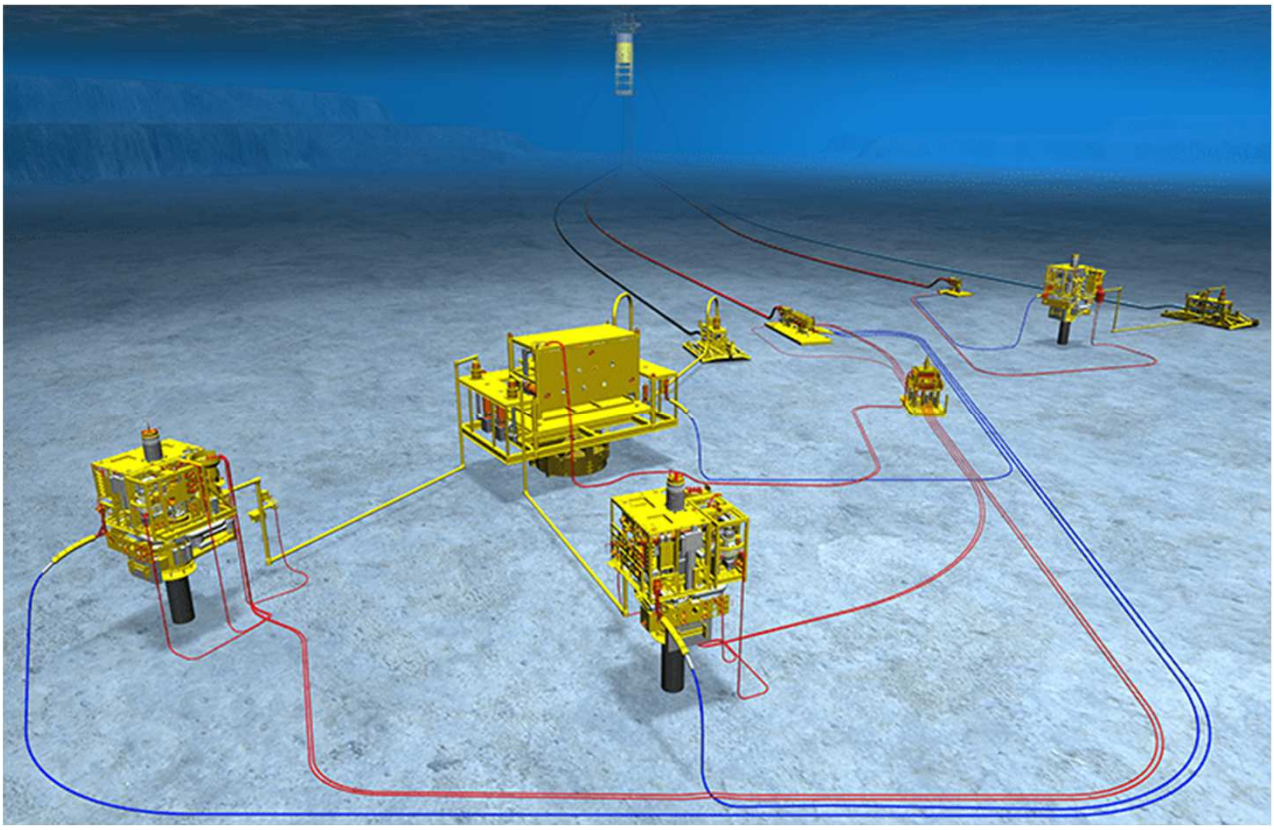
VALVETEK WINS PAYARA PROJECT

Exxon Mobil Payara project award for TechnipFMC Subsea control and distribution systems.

TechnipFMC have awarded Oliver Valvetek the full project requirement of 736 Subsea small bore ball valves for its Subsea control and distribution systems. The ½" Ball Valves were selected using a standardised design from the previously Oliver supplied Liza 1 and Liza 2 projects.
Oliver Valvetek was selected due to its proven reputation for Safety, Quality and Reliability which was the projects principle requirements with commercial cost also playing a big part in its selection.

Payara project is a particularly demanding project and has a number of aggressive process media's that will be in its operating scope. Oliver Valvetek R&D team rose to the challenge and performed an expedited API6A PR2 qualification using an FFKM seal material to meet the clients requirements.

A big well done to all involved including Sales, Engineering, R&D and Supply / Production teams in making Oliver Valvetek once again the supplier of choice by Exxon Mobil & TechnipFMC.



35-YEAR SERVICE AWARD

We have numerous long serving employees in our ranks, but none had reached 35-year service until 26th June 2020 when Mark Oliver reached this remarkable milestone!!

Mark joined his father's business in 1985 and went on to play a crucial role in the establishment of Oliver Twinsafe in 2000.

As Deputy Chairman we would like to thank him for his exceptional influences on our business over the years.

Congratulations Mark!

IT UPDATE

Oliver's have invested in enhanced video conferencing facilities and systems to meet the challenges of improving communications, remote working, reduced travel and social distancing. We now have 3 video conferencing suites in Knutsford, 1 in Malaysia and 1 in India, and our own video conferencing system, based on Jitsi. Jitsi allows us to hold multiple, simultaneous video calls with customers, suppliers, remote workers and other Oliver offices around the world, regardless of location. As long as the remote users have a phone or laptop and an internet connection, we can video conference with them.

In addition to our own Jitsi system, we are also supporting other customers and suppliers video conferencing systems, including Zoom, Google Skype for Business and Teams.

COVID-19 UPDATE

We are almost at full strength as most of our employees are back at work after periods of working from home. There is absolutely no doubt the effectiveness of our employees and teams are best deployed at our offices rather than from the distance of home-working. So welcome back everybody!

As previously notified we will be maintaining our 2-metre distancing guidelines for the foreseeable future in all work areas. The signage providing this guidance will remain in place for everybodys' safety. As a Company we have done remarkably well to avoid too many illnesses relating to the Coronavirus. We hope this level can be maintained going forward with your continued support for safety first.

The outside world is starting to open up again in many countries, local areas, activities and industries. This has the potential to create additional challenges as more people come together as they try to get back to some form of normality. However we ask that everybody stays alert to the messages issued by Government officials, at venues, etc. and stay safe during gatherings by continuing the safe practices and distancing guidelines outside work as you have been practicing at work.

TWINSAFE REACHES 20 YEARS

Congratulations to the Oliver family and all those that work within Oliver Twinsafe, who have taken the business from strength to strength. Twinsafe 20-year anniversary was 9th June.

Oliver Twinsafe came from the initial success of the 1" to 2" full bore double block and bleed (DBB) valves, collectively called the Twinsafe™ range in the mid-90's and serious consideration was given to introducing larger bore DBB valves. The plan would be to design 3", 4", 6" and 8" bore valves for pressure classes 150 to 1500. These valves would need to be trunnion mounted, so would mark a departure from the floating ball technology Oliver Valves were manufacturing.

Various customers expressed an interest in the larger bore DBB valves, due to the significant weight and space savings not to mention the reduction in potential leak paths. During a visit to Shell in The Hague, Michael Oliver and Paul Shillito were told that Shell would draft a specification to allow for the use of these valves.

At the start of the new century, it was decided to form a new company to design and sell the large bore DBB valves. The existing 1" to 2" bore DBB Twinsafe valves would be brought into the new company's portfolio and the new company would be called Oliver Twinsafe Valves.

One of the key features of the 1" to 2" DBB valves, is their overall length, which is identical to single isolate valve lengths published in international standards. During the early part of the design phase of larger bore trunnion mounted valves, it became apparent that some of the valves could be designed with overall lengths to the same international standards. The designs would use an innovative insert to hold the internals in place. This concept was patented by Paul Shillito and Mark Oliver in 2001.

PARKGATE DEVELOPMENT UPDATE

The new factory facilities have continued at a fairly rapid rate, considering the COVID disruption in the last 3-months. The completion date of the building has, however, been pushed back to later in the year.

Work on the roundabout at the top of Parkgate Lane, near the fire station, has yet to start and access to the new facilities will not be allowed until the work is completed.

We will keep you posted on developments.

NEW REMOTE WITNESSING

Following the COVID-19 lock down we made the decision as a business that witness inspectors would no longer be allowed on site until all restrictions were lifted. This caused some concerns with our customer's and initially we offered a static picture solution with various pictures being taken at various stages of the process. This was very time consuming for our testers and staff sending pics etc on to the inspectors for approval.

Following discussions with customers and our IT department, and after trialling several solutions, we have invested in mobile phones, tablets, headsets and stands, along with the back end infrastructure, to enable us to offer remote real-time video inspection. This has been very well received by our customer base.

We now have 8 mobile systems in Valvetek, 2 in Twinsafe, 2 in Valves and R&D have 1. In Valvetek alone, we are operating on 6 different systems including Librestream for Lloyds and DNV, Skylight, GE's own system, TEAMs and our own JITSI system.

On average in Valvetek we have 5 tests per day working. The inspectors have the ability and functionality to talk to the tester and also to take pictures and zoom in and out of particular images.

At this moment in time the operators are learning the intricacies of the systems and how to fault find when there are issues. This is progressing well and the view is that even when COVID-19 is behind us, this will form a key parts of our offering to customers. Lloyds have also said that they prefer remote witness testing as it allows their inspectors to be more flexible and responsive in serving their customers needs.