Weatherford International Ltd./Switzerland
Form 10-Q
July 31, 2013

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

FORM 10-Q

þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2013

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

001-34258
(Commission file number)

WEATHERFORD INTERNATIONAL LTD.
(Exact name of registrant as specified in its charter)

Switzerland	98-0606750
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4-6 Rue Jean-Francois Bartholoni, 1204 Geneva, Switzerland	Not Applicable
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 41.22.816.1500

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 þ No o

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes þ No o

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.

Large accelerated filer þ Accelerated filer o Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No þ

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

As of July 26, 2013, there were 767,710,942 shares of Weatherford shares, 1.16 Swiss francs par value per share, outstanding.

TABLE OF CONTENTS

Table of Contents
PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except par value)

	June 30, 2013 (Unaudited)	December 31, 2012
Current Assets:		
Cash and Cash Equivalents	$ 295	$ 300
Accounts Receivable, Net of Allowance for Uncollectible Accounts of $87 and $84	3,837	3,885
Inventories, Net	3,637	3,675
Current Deferred Tax Assets	360	376
Other Current Assets	819	793
Total Current Assets	8,948	9,029
Property, Plant and Equipment, Net of Accumulated Depreciation of $6,405 and $6,030	8,333	8,299
Goodwill	3,714	3,871
Other Intangible Assets, Net of Accumulated Amortization of $699 and $658	688	766
Equity Investments	671	646
Other Non-current Assets	278	184
Total Assets	$ 22,632	$ 22,795
Current Liabilities:		
Short-term Borrowings and Current Portion of Long-term Debt	$ 2,148	$ 1,585
Accounts Payable	2,144	2,108
Other Current Liabilities	1,658	2,017
Total Current Liabilities	5,950	5,710
Long-term Debt	7,087	7,049
Other Non-current Liabilities	1,156	1,218
Total Liabilities	14,193	13,977
Shareholders' Equity:		
Shares, CHF 1.16 Par Value: Authorized 840, Conditionally Authorized 372, Issued 840 at June 30, 2013 and December 31, 2012	775	775
Capital in Excess of Par Value	4,608	4,674
Treasury Shares, at Cost	(83)	(182)
Retained Earnings	3,260	3,356
Accumulated Other Comprehensive Income	(159)	163
Weatherford Shareholders' Equity	8,401	8,786
Noncontrolling Interests	38	32
Total Shareholders' Equity	8,439	8,818
Total Liabilities and Shareholders' Equity	$ 22,632	$ 22,795

The accompanying notes are an integral part of these condensed consolidated financial statements.

WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(In millions, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenues:				
Products	$1,509	$1,510	$2,977	$2,922
Services	2,359	2,237	4,728	4,416
	3,868	3,747	7,705	7,338
Costs and Expenses:				
Cost of Products	1,069	1,153	2,214	2,206
Cost of Services	2,057	1,818	3,918	3,465
Research and Development	71	64	138	126
Selling, General and Administrative Attributable to Segments	392	408	807	780
Corporate, General and Administrative	73	71	149	158
Goodwill and Equity Investment Impairment	—	793	—	793
US Government Investigation Loss Contingency	153	100	153	100
Gain on Sale of Business	(2)	(28)	(8)	(28)
	3,813	4,379	7,371	7,600
Operating Income (Loss)	55	(632)	334	(262)
Interest Expense, Net	(128)	(121)	(259)	(233)
Devaluation of Venezuelan Bolivar	—	—	(100)	—
Other, Net	(18)	(27)	(31)	(45)
Loss Before Income Taxes	(91)	(780)	(56)	(540)
Provision for Income Taxes	(20)	(63)	(25)	(173)
Net Loss	(111)	(843)	(81)	(713)
Net Income Attributable to Noncontrolling Interests	(7)	(6)	(15)	(13)
Net Loss Attributable to Weatherford	$(118)	$(849)	$(96)	$(726)
Loss Per Share Attributable to Weatherford:				
Basic	$(0.15)	$(1.11)	$(0.12)	$(0.95)
Diluted	$(0.15)	$(1.11)	$(0.12)	$(0.95)
Weighted Average Shares Outstanding:				
Basic	770	765	770	763
Diluted	770	765	770	763

The accompanying notes are an integral part of these condensed consolidated financial statements.
3

Table of Contents

WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)
(In millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net Loss	$(111)	$(843)	$(81)	$(713)
Other Comprehensive Loss:				
Foreign Currency Translation	(173)	(316)	(323)	(133)
Defined Benefit Pension Activity	—	—	1	1
Other Comprehensive Loss	(173)	(316)	(322)	(132)
Comprehensive Loss	(284)	(1,159)	(403)	(845)
Comprehensive Income Attributable to Noncontrolling Interests	(7)	(6)	(15)	(13)
Comprehensive Loss Attributable to Weatherford	$(291)	$(1,165)	$(418)	$(858)

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(In millions)

	Six Months Ended June 30, 2013	2012
Cash Flows from Operating Activities:		
Net Loss	$(81)	$(713)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:		
Goodwill and Equity Investment Impairment	—	793
Depreciation and Amortization	687	610
Employee Share-Based Compensation Expense	27	37
Deferred Income Tax Provision (Benefit)	(93)	40
Devaluation of Venezuelan Bolivar	100	—
Loss (Gain) on Sale of Assets and Businesses	1	(19)
Other, Net	(27)	44
Change in Operating Assets and Liabilities, Net of Effect of Businesses Acquired:		
Accounts Receivable	(50)	(380)
Inventories	48	(374)
Billings in Excess of Costs and Estimated Earnings	(159)	63
Other Current Assets	7	(206)
Accounts Payable	122	63
Other Current Liabilities	(205)	264
Other	(136)	63
Net Cash Provided by Operating Activities	241	285
Cash Flows from Investing Activities:		
Capital Expenditures for Property, Plant and Equipment	(846)	(1,098)
Acquisitions of Businesses, Net of Cash Acquired	(7)	(156)
Acquisition of Intellectual Property	(3)	(6)
Acquisition of Equity Investments in Unconsolidated Affiliates	—	(8)
Proceeds from Sale of Assets and Businesses, Net	66	16
Net Cash Used by Investing Activities	(790)	(1,252)
Cash Flows from Financing Activities:		
Borrowings (Repayments) Long-term Debt, Net	(310)	1,013
Borrowings (Repayments) of Short-term Debt, Net	854	(86)
Proceeds from Exercise of Warrants	—	65
Other Financing Activities	4	(12)
Net Cash Provided by Financing Activities	548	980
Effect of Exchange Rate Changes on Cash and Cash Equivalents, Excluding Devaluation of Venezuelan Bolivar	(4)	(3)
Net (Decrease) Increase in Cash and Cash Equivalents	(5)	10

Cash and Cash Equivalents at Beginning of Period	300	371
Cash and Cash Equivalents at End of Period	$295	$381
Supplemental Cash Flow Information:		
Interest Paid	264	224
Income Taxes Paid, Net of Refunds	257	244

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. General

The accompanying unaudited condensed consolidated financial statements of Weatherford International Ltd. (the "Company") are prepared in accordance with U.S. generally accepted accounting principles and include all adjustments of a normal recurring nature which, in the opinion of management, are necessary to present fairly our Condensed Consolidated Balance Sheet at June 30, 2013, Condensed Consolidated Statements of Operations, Condensed Consolidated Statements of Comprehensive Income and Condensed Consolidated Statements of Cash Flows for the three and six months ended June 30, 2013 and 2012. When referring to "Weatherford" and using phrases such as "we", "us", and "our", the intent is to refer to Weatherford International Ltd., a Swiss joint-stock company, and its subsidiaries as a whole or on a regional basis, depending on the context in which the statements are made.

Although we believe the disclosures in these financial statements are adequate to make the interim information presented not misleading, certain information relating to our organization and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to U.S. Securities and Exchange Commission ("SEC") rules and regulations. These financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2012 included in our Annual Report on Form 10-K. The results of operations for the three and six months ended June 30, 2013 are not necessarily indicative of the results expected for the year ending December 31, 2013.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period and disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and assumptions, including those related to uncollectible accounts receivable, lower of cost or market of inventories, equity investments, intangible assets and goodwill, property, plant and equipment, income taxes, percentage-of-completion accounting for long-term contracts, self-insurance, pension and post retirement benefit plans, contingencies and share-based compensation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

Principles of Consolidation

We consolidate all wholly-owned subsidiaries, controlled joint ventures and variable interest entities where the Company has determined it is the primary beneficiary. Investments in affiliates in which we exercise significant influence over operating and financial policies are accounted for using the equity method. All material intercompany accounts and transactions have been eliminated in consolidation.

2. Business Combinations and Dispositions

We have acquired businesses we feel are important to our long-term strategy. Results of operations for acquisitions are included in the accompanying Condensed Consolidated Statements of Operations from the date of acquisition. The balances included in the Condensed Consolidated Balance Sheets related to recent acquisitions are based on preliminary information and are subject to change when final asset valuations are obtained and potential liabilities have been evaluated. The purchase price is allocated to the net assets acquired based upon their estimated fair values at the date of acquisition. During the six months ended June 30, 2013, we acquired businesses and equity investments for cash consideration of $7 million, net of cash acquired.

During the six months ended June 30, 2013, we completed the sale of our industrial screen business for proceeds totaling $135 million. Proceeds consisted of $100 million in cash and a $35 million receivable. Through our industrial screen operations, we delivered screen technologies used in numerous industries and, as a result, the screen business was not closely aligned with our goals as a leading provider of equipment and services used in the drilling, evaluation, completion, production and intervention of oil and natural gas wells. In the three and six months ended June 30, 2013 we recognized gains of $2 million and $8 million resulting from the industrial screen transactions. The major classes of assets sold in these transactions included $54 million in Cash, $36 million of Accounts Receivable, $37 million of Inventory, $92 million of other assets primarily comprised of Property, Plant and Equipment, Other Intangible Assets and Goodwill. Liabilities of $69 million were also transferred in the sale, of which $60 million were Current Liabilities.

In 2012, we acquired a company that designs and produces well completion tools. As part of the purchase consideration, we entered into a contingent consideration arrangement valued at approximately $10 million at June 30, 2013 that will be settled in early 2015. This contingent consideration arrangement is dependent on the acquired company's 2014 results of operations. This obligation will be marked to market through current earnings in each reporting period prior to settlement and the liability is valued using a Monte Carlo simulation and Level 3 inputs.

3. Accounts Receivable Factoring

In 2010, we entered into a factoring program to sell certain accounts receivable in Mexico to third party financial institutions. In the six months ended June 30, 2013, we sold approximately $83 million under the program, received cash totaling $80 million and recognized a loss of approximately $1 million on these sales. In the six months ended June 30, 2012, we sold approximately $51 million under the program, initially received cash totaling $47 million and ultimately collected amounts that resulted in a loss of less than $1 million on these sales. These sales occurred in the first quarter of 2013 and 2012 and no factoring occurred in the second quarter periods. In each of the years since 2010, our factoring transactions qualified for sale accounting under the accounting standards and proceeds are included in operating cash flows in our Condensed Consolidated Statements of Cash Flows.

4. Inventories

The components of inventory were as follows:

	June 30, 2013	December 31, 2012
	(In millions)	
Raw materials, components and supplies	$452	$ 461
Work in process	147	166
Finished goods	3,038	3,048
	$3,637	$ 3,675

Work in process and finished goods inventories include cost of materials, labor and manufacturing overhead.

5. Goodwill

We perform an impairment test for goodwill and indefinite-lived intangible assets annually as of October 1, or more frequently if indicators of potential impairment exist. Our goodwill impairment test involves a comparison of the fair value of each of our reporting units with its carrying amount. Fair value is estimated using discounted cash flows and a discount rate based on the weighted average cost of capital of the reporting unit. Our reporting units are based on our regional structure and consist of the United States, Canada, Latin America, Europe, Sub-Sahara Africa ("SSA"), Russia, Middle East/North Africa ("MENA") and Asia Pacific ("AP").

Table of Contents
WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

The fair value of all our reporting units was in excess of their carrying value as of our October 1, 2012 annual impairment test. The fair value of our Latin America reporting unit was closest to its carrying value and was 16% in excess of its carrying value at October 1, 2012.

The changes in the carrying amount of goodwill by segment for the six months ended June 30, 2013, were as follows:

	North America	MENA/ Asia Pacific	Europe/ SSA/ Russia	Latin America	Total
	(In millions)				
Balance at December 31, 2012	$ 2,336	$ 226	$ 955	$ 354	$ 3,871
Acquisitions	—	—	2	—	2
Disposals	(23)	(4)	(13)	(1)	(41)
Purchase price and other adjustments	—	—	—	2	2
Foreign currency translation	(59)	(7)	(49)	(5)	(120)
Balance at June 30, 2013	$ 2,254	$ 215	$ 895	$ 350	$ 3,714

6. Short-term Borrowings and Current Portion of Long-term Debt

The components of short-term borrowings were as follows:

	June 30, 2013	December 31, 2012
	(In millions)	
Commercial paper	$ 840	$ 888
Revolving credit facility	525	—
364-day term loan facility	300	—
Other short-term bank loans	167	109
Total short-term borrowings	1,832	997
Current portion of long-term debt	316	588
Short-term borrowings and current portion of long-term debt	$ 2,148	$ 1,585

We maintain a $2.25 billion unsecured, revolving credit agreement (the "Credit Agreement") with JPMorgan Chase Bank, N.A., as administrative agent. The Credit Agreement has a scheduled maturity date of July 13, 2016, and can be used for a combination of borrowings, support for our commercial paper program and issuances of letters of credit. This agreement requires us to maintain a debt-to-capitalization ratio of less than 60%. We are in compliance with this covenant at June 30, 2013. At June 30, 2013, our borrowings under our commercial paper program had a weighted average interest rate of 1.04% and there were $121 million in outstanding letters of credit under the Credit Agreement.

On May 1, 2013, we entered into a $300 million, 364-day, term loan facility with a syndicate of banks. The facility was fully drawn on May 1, 2013 and will mature on April 30, 2014. The terms and conditions of the facility are substantially similar to our $2.25 billion revolving credit agreement. The facility is used for general corporate purposes, including the repayment of other credit facility borrowings and the reduction of outstanding commercial paper.

WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

We also have short-term borrowings with various domestic and international institutions pursuant to uncommitted facilities. At June 30, 2013, we had $167 million in short-term borrowings under these arrangements with a weighted average interest rate of 5.05%. In addition, we had $524 million of letters of credit under various uncommitted facilities and $265 million of performance bonds issued by financial sureties against an indemnification from us at June 30, 2013.

The carrying value of our short-term borrowings approximates their fair value as of June 30, 2013. The current portion of long-term debt at June 30, 2013 includes $250 million of 4.95% Senior Notes due October 2013 and other debt maturing in 2013 totaling $66 million.

7. Fair Value of Financial Instruments

Financial Instruments Measured and Recognized at Fair Value

We estimate fair value at a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market for the asset or liability. Our valuation techniques require inputs that we categorize using a three level hierarchy, from highest to lowest level of observable inputs. Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 inputs are quoted prices or other market data for similar assets and liabilities in active markets, or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based upon our own judgment and assumptions used to measure assets and liabilities at fair value. Classification of a financial asset or liability within the hierarchy is determined based on the lowest level of input that is significant to the fair value measurement. Other than the contingent consideration discussed in Note 2 and our derivative instruments discussed in Note 8, we had no assets or liabilities measured and recognized at fair value on a recurring basis at June 30, 2013 and December 31, 2012.

Fair Value of Other Financial Instruments

Our other financial instruments include short-term borrowings and long-term debt. The carrying value of our commercial paper and other short-term borrowings approximates their fair value due to the short-term duration of the associated interest rate periods. These short-term borrowings are classified as Level 2 in the fair value hierarchy.

The fair value of our long-term debt fluctuates with changes in applicable interest rates. Fair value will exceed carrying value when the current market interest rate is lower than the interest rate at which the debt was originally issued. The fair value of our long-term debt is a measure of its current value under present market conditions and is established based on observable inputs in non-active markets. Our long-term debt is classified as Level 2 in the fair value hierarchy.

The fair value and carrying value of our Senior Notes were as follows:

	June 30, 2013	December 31, 2012
	(In millions)	
Fair value	$7,619	$ 8,368

Carrying value	7,058	7,355

8. Derivative Instruments

We are exposed to market risk from changes in foreign currency and changes in interest rates. From time to time, we may enter into derivative financial instrument transactions to manage or reduce our market risk. We manage our debt portfolio to achieve an overall desired position of fixed and floating rates and we may employ interest rate swaps as a tool to achieve that goal. The major risks from interest rate derivatives include changes in the interest rates affecting the fair value of such instruments, potential increases in interest expense due to market increases in floating interest rates and the creditworthiness of the counterparties in such transactions. In light of events in the global credit markets and the potential impact of these events on the liquidity of the banking industry, we continue to monitor the creditworthiness of our counterparties, which are multinational commercial banks.

The fair values of all our outstanding derivative instruments are determined using a model with Level 2 inputs including quoted market prices for contracts with similar terms and maturity dates.

Table of Contents

Fair Value Hedges

We may use interest rate swaps to help mitigate exposures related to changes in the fair values of our debt. Amounts paid or received upon termination of interest rate swaps accounted for as fair value hedges represent the fair value of the agreements at the time of termination and are recorded as an adjustment to the carrying value of the related debt. These amounts are amortized as a reduction, in the case of gains, or as an increase, in the case of losses, of interest expense over the remaining term of the debt. As of June 30, 2013, we had net unamortized gains of $47 million associated with interest rate swap terminations. These gains are being amortized over the remaining term of the originally hedged debt as a reduction in interest expense.

Cash Flow Hedges

We entered into interest rate derivative instruments to hedge projected exposures to interest rates in anticipation of a debt offering in 2008. Those hedges were terminated at the time of the issuance of the debt, and the loss on these hedges is being amortized from Accumulated Other Comprehensive Income (Loss) into interest expense over the remaining term of the debt. As of June 30, 2013, we had net unamortized losses of $11 million associated with our cash flow hedge terminations.

Other Derivative Instruments

As of June 30, 2013, we had foreign currency forward contracts with notional amounts aggregating to $934 million. These contracts were entered into to hedge exposure to currency fluctuations in various foreign currencies. The total estimated fair value of these contracts, and amounts receivable or owed associated with closed contracts, resulted in a net asset of approximately $26 million. These derivative instruments were not designated as hedges and the changes in fair value of the contracts are recorded each period in Other, Net in the accompanying Condensed Consolidated Statements of Operations.

We have cross-currency swaps between the U.S. dollar and Canadian dollar to hedge certain exposures to the Canadian dollar. At June 30, 2013, we had notional amounts outstanding of $168 million. The total estimated fair value of these contracts at June 30, 2013, resulted in a liability of $23 million. These derivative instruments were not designated as hedges and the changes in fair value of the contracts are recorded each period in Other, Net in the accompanying Condensed Consolidated Statements of Operations.

The fair values of outstanding derivative instruments are summarized as follows:

	June 30, 2013	December 31, 2012	Classifications
	(In millions)		
Derivative assets not designated as hedges:			
Foreign currency forward contracts	$37	$ 5	Other Current Assets
Derivative liabilities not designated as hedges:			
Foreign currency forward contracts	(11)	(20)	Other Current Liabilities
Cross-currency swap contracts	(23)	(34)	Other Liabilities

9. Income Tax

For the three and six months ended June 30, 2013, we had a tax provision of $20 million and $25 million on pre-tax losses of $91 million and $56 million. Our effective tax rate for the three and six months ended June 30, 2013 is (22)% and (44)% respectively. Our loss before taxes for the three and six months ended June 30, 2013 includes $153 million charge for the potential settlement of the oil-for-food and Foreign Corrupt Practices Act matters with no tax benefit. Our tax provision for the three months ended June 30, 2013 includes one-time tax benefits mostly due to tax restructuring benefits, decreases in reserves for uncertain tax positions due to statute of limitation expiration and audit settlements, and return to accrual adjustments, which decreased our effective tax rate for the period. Our provision for the six months ended June 30, 2013, in addition to items above, also includes one-time tax benefits due to the devaluation of the Venezuelan bolivar, and enactment of the American Taxpayer Relief Act, which decreased our effective tax rate for the period.

For the three and six months ended June 30, 2012, we had a tax provision of $63 million and $173 million on pre-tax losses of $780 million and $540 million. Our effective tax rate for the three and six months ended June 30, 2012 was (8)% and (32)% respectively. Our loss before taxes for the three and six months ended June 30, 2012, includes a $589 million charge for the impairment of goodwill, substantially all of which was non-deductible.

Table of Contents
WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

We anticipate a possible reduction in the balance of uncertain tax positions between $25 million to $50 million in the next twelve months due to expiration of statutes of limitations, settlements and/or conclusions of tax examinations.

10. Shareholders' Equity

The following summarizes our shareholders' equity activity for the six months ended June 30, 2013 and 2012:

	Issued Shares	Capital In Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Shares	Noncontrolling Interests	Total Shareholders' Equity
	(In millions)						
Balance at December 31, 2011	$ 769	$ 4,675	$ 4,134	$ 80	$ (334)	$ 21	$ 9,345
Net Income (Loss)	—	—	(726)	—	—	13	(713)
Other Comprehensive Loss	—	—	—	(132)	—	—	(132)
Dividends Paid to Noncontrolling Interests	—	—	—	—	—	(11)	(11)
Shares Issued for Acquisitions	—	(27)	—	—	66	—	39
Equity Awards Granted, Vested and Exercised	—	(20)	—	—	39	—	19
Other	6	58	—	—	—	—	64
Balance at June 30, 2012	$ 775	$ 4,686	$ 3,408	$ (52)	$ (229)	$ 23	$ 8,611
Balance at December 31, 2012	$ 775	$ 4,674	$ 3,356	$ 163	$ (182)	$ 32	$ 8,818
Net Income (Loss)	—	—	(96)	—	—	15	(81)
Other Comprehensive Loss	—	—	—	(322)	—	—	(322)
Dividends Paid to Noncontrolling Interests	—	—	—	—	—	(13)	(13)
Equity Awards Granted, Vested and Exercised	—	(63)	—	—	99	—	36
Other	—	(3)	—	—	—	4	1
Balance at June 30, 2013	$ 775	$ 4,608	$ 3,260	$ (159)	$ (83)	$ 38	$ 8,439

At December 31, 2011, warrants were outstanding to purchase up to 8.6 million of our shares at a price of $15.00 per share. On February 28, 2012, 4.3 million of these warrants were exercised through physical delivery of shares in exchange for $65 million and the remaining 4.3 million of these warrants were exercised through net share settlement resulting in the issuance of 494,000 shares.

Table of Contents
WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

The following table presents the changes in our accumulated other comprehensive income by component for the six months ended June 30, 2013 and 2012:

	Currency Translation Adjustment	Defined Benefit Pension	Deferred Loss on Derivatives	Total
		(In millions)		
Balance at December 31, 2011	$ 127	$(36)	$ (11)	$80
Other comprehensive income before reclassifications	(133)	—	—	(133)
Reclassifications	—	1	—	1
Net activity	(133)	1	—	(132)
Balance at June 30, 2012	$ (6)	$(35)	$ (11)	$(52)
Balance at December 31, 2012	213	(40)	(10)	163
Other comprehensive loss before reclassifications	(286)	—	—	(286)
Reclassifications	(37)	1	—	(36)
Net activity	(323)	1	—	(322)
Balance at June 30, 2013	$ (110)	$(39)	$ (10)	$(159)

The reclassification from the Currency Translation Adjustment component of Other Comprehensive Income includes $30 million from the sale of our industrial screen business. This amount was recognized in the Gain on Sale of Business line in our Condensed Consolidated Statement of Operations in the six months ended June 30, 2013.

11. Earnings per Share

Basic earnings per share for all periods presented equals net income divided by the weighted average number of our shares outstanding during the period. Diluted earnings per share is computed by dividing net income by the weighted average number of our shares outstanding during the period, adjusted for the dilutive effect of our stock options, restricted shares, performance units and warrants.

The following reconciles basic and diluted weighted average of shares outstanding:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In millions)			
Basic weighted average shares outstanding	770	765	770	763
Dilutive effect of:				

Stock options, restricted shares and performance units	—	—	—	—
Diluted weighted average shares outstanding	770	765	770	763

Table of Contents
WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Our diluted weighted average shares outstanding for the three and six months ended June 30, 2013 and 2012, exclude potential shares that are anti-dilutive, such as options where the exercise price exceeds the current market price of our stock. In addition, diluted weighted average shares outstanding for the three and six months ended June 30, 2013 and 2012, exclude potential shares for stock options, restricted shares and performance units outstanding as we have net losses for those periods and their inclusion would be anti-dilutive.

The following table discloses the number of anti-dilutive shares excluded:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In millions)			
Anti-dilutive potential shares	2	3	3	3
Anti-dilutive potential shares due to net loss	6	4	4	4

12. Share-Based Compensation

We recognized the following employee share-based compensation expense during the three and six months ended June 30, 2013 and 2012:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In millions)			
Share-based compensation	$16	$ 15	$27	$ 37
Related tax benefit	6	5	10	13

During the six months ended June 30, 2013, we issued 1.9 million performance units, which will vest with continued employment and if the Company meets certain market-based performance goals. The performance units have a weighted average grant date fair value of $10.81 per share based on the Monte Carlo simulation method. As of June 30, 2013, there was $28 million of unrecognized compensation expense related to our performance units. This cost is expected to be recognized over a weighted average period of two years.

During the six months ended June 30, 2013, we also granted 3.8 million restricted share awards at a weighted average grant date fair value of $12.99 per share. As of June 30, 2013, there was $82 million of unrecognized compensation related to our unvested restricted share grants. This cost is expected to be recognized over a weighted average period of two years.

Table of Contents
WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

13. Segment Information

Financial information by segment is summarized below. Revenues are attributable to countries based on the ultimate destination of the sale of products or performance of services.

	Three Months Ended June 30, 2013		
	Net Operating Revenues	Income from Operations	Depreciation and Amortization
	(In millions)		
North America	$1,529	$ 167	$ 102
MENA/Asia Pacific	919	45	98
Europe/SSA/Russia	681	83	68
Latin America	739	90	68
	3,868	385	336
Corporate and Research and Development	—	(120)	5
US Government Investigation Loss Contingency	—	(153)	—
Other (a)	—	(57)	—
Total	$3,868	$ 55	$ 341

	Three Months Ended June 30, 2012		
	Net Operating Revenues	Income from Operations (c)	Depreciation and Amortization
	(In millions)		
North America	$1,663	$ 226	$ 101
MENA/Asia Pacific	649	(38)	85
Europe/SSA/Russia	653	102	60
Latin America	782	90	59
	3,747	380	305
Corporate and Research and Development	—	(113)	6
Goodwill and Equity Investment Impairment	—	(793)	—
US Government Investigation Loss Contingency	—	(100)	—
Other (b)	—	(6)	—
Total	$3,747	$ (632)	$ 311

a) The three months ended June 30, 2013 includes a $2 million gain related to the sale of our industrial screen business, income tax restatement and material weakness remediation expenses of $6 million and severance, exit and other charges of $53 million, including $36 million in severance and $12 million in legal and professional fees incurred in conjunction with our on-going investigations.

b) The three months ended June 30, 2012 includes $23 million for severance and exit costs, income tax restatement and remediation expenses of $11 million and an offsetting gain of $28 million related to the sale of our subsea controls business.

c) During the three months ended June 30, 2012, we recognized a charge for excess and obsolete inventory of $64 million attributable to each reporting segment as follows: $22 million for North America, $14 million for MENA/Asia Pacific, $20 million for Europe/SSA/Russia and $8 million for Latin America.

Table of Contents

WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

	Six Months Ended June 30, 2013		
	Net Operating Revenues	Income From Operations	Depreciation and Amortization
	(In millions)		
North America	$3,221	$ 391	$ 210
MENA/Asia Pacific	1,704	87	191
Europe/SSA/Russia	1,314	148	139
Latin America	1,466	188	136
	7,705	814	676
Corporate and Research and Development	—	(235)	11
US Government Investigation Loss Contingency	—	(153)	—
Other (a)	—	(92)	—
Total	$7,705	$ 334	$ 687

	Six Months Ended June 30, 2012		
	Net Operating Revenues	Income From Operations (c)	Depreciation and Amortization
	(In millions)		
North America	$3,417	$ 584	$ 196
MENA/Asia Pacific	1,244	(16)	168
Europe/SSA/Russia	1,224	168	121
Latin America	1,453	173	114
	7,338	909	599
Corporate and Research and Development	—	(225)	