WEATHERFORD INTERNATIONAL LTD
Form 10-K
February 21, 2008

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-K

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2007

OR

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

Commission file number 1-31339

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

Bermuda	**98-0371344**
(State or other jurisdiction of incorporation or organization)	*(IRS Employer Identification No.)*
515 Post Oak Boulevard **Suite 600** **Houston, Texas**	**77027-3415**
(Address of principal executive offices)	*(Zip Code)*

Registrant s telephone number, including area code:
(713) 693-4000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares, $1.00 Par Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, and 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 Ruler 12b-2 of the Exchange Act. (Check one):

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

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

The aggregate market value of the voting stock held by nonaffiliates of the registrant as of June 30, 2007 was approximately $14.2 billion based upon the closing price on the New York Stock Exchange as of such date.

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

Title of Class	Outstanding at February 15, 2008
Common Shares, $1.00 Par Value	339,224,381

DOCUMENTS INCORPORATED BY REFERENCE

Certain information called for by Items 10, 11, 12, 13 and 14 of Part III will be included in an amendment to this annual report on Form 10-K or incorporated by reference from the registrant s definitive proxy statement for the annual meeting to be held on June 2, 2008.

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PART I

Item 1. *Business*

Weatherford International Ltd. (NYSE:WFT) is one of the world s leading providers of equipment and services used for the drilling, evaluation, completion, production and intervention of oil and natural gas wells. We were originally incorporated in Delaware in 1972, and as a result of our corporate reorganization in 2002, are now incorporated in Bermuda. Many of our businesses, including those of Weatherford Enterra, have been operating for more than 50 years.

When referring to Weatherford and using phrases such as we and us, our intent is to refer to Weatherford International Ltd. and its subsidiaries as a whole or on a regional basis, depending on the context in which the statements are made.

We operate in approximately 100 countries through approximately 800 service, sales and manufacturing locations, which are located in nearly all of the oil and natural gas producing regions in the world.

We reviewed the presentation of our reporting segments during the first quarter of 2007 in connection with an organizational realignment. Based on this review, we determined that our operational performance is segmented and reviewed on a geographic basis. As a result, we realigned our financial reporting segments and now report the following regions as reporting segments: (1) North America, (2) Latin America, (3) Europe/West Africa/the Commonwealth of Independent States (CIS) and (4) Middle East/North Africa/Asia. Our historical segment data previously reported under the Evaluation, Drilling & Intervention Services and Completion & Production Systems divisions have been restated for all periods to conform to the new presentation.

Our growth strategy has included a mix of organic product and service development, the acquisition of key technologies, products and services and several notable divestitures. One of our most substantial acquisitions was in August 2005, when we acquired Precision Energy Services and Precision Drilling International. Precision Energy Services broadened our wireline and directional capabilities and strengthened our controlled pressure drilling and testing product lines. Precision Drilling International added land rigs to our portfolio, primarily in the Eastern Hemisphere.

Our divestitures include the April 2000 spin-off of our Drilling Products Division to our shareholders through a distribution of the stock of our Grant Prideco, Inc. subsidiary. In February 2001, we completed the merger of essentially all of our Compression Services division into a subsidiary of Universal Compression Holdings, Inc. in exchange for 13.75 million shares of Universal common stock. During 2004 and 2005, we sold our interest in Universal Compression Holdings, Inc. In 2005, we sold our non-core Gas Services International compression fabrication business. In 2007, we approved a plan to sell our oil and gas development and production business. A portion of this business was sold in late 2007, and we expect to complete the sale of the remaining portion during the first half of 2008. Our compression fabrication and oil and gas development businesses have been reflected as discontinued operations in our financial statements.

Our principal executive offices are located at 515 Post Oak Boulevard, Suite 600, Houston, Texas 77027. Our telephone number is (713) 693-4000, and our Internet address is www.weatherford.com. General information about us, including our Corporate Governance Policies and charters for the committees of our board of directors, can be found on our Web site. On our Web site we make available, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file or furnish them to the SEC. The public may read and copy any materials we have filed with the SEC at the SEC s Public

Reference Room at 100 F Street, NE, Room 1580, Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet site that contains our reports, proxy and information statements, and our other SEC filings. The address of that site is www.sec.gov.

The following is a summary of our business strategies and the markets we serve. We have also included a description of our products and services offered and our competitors. Segment financial information appears in Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note 21.

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Strategy

Our primary objective is to provide our shareholders with above-average returns on their investment through income growth and asset appreciation.

Principal components of our strategy include:

- Continuously improving the efficiency, productivity and quality of our products and services and their respective delivery in order to grow revenues and operating margins in all of our geographic markets at a rate exceeding underlying market activity;

- Through a commitment to innovation and invention, developing and commercializing new products and services capable of meeting evolving needs of our customers; and

- Further extending our global infrastructure in scope and scale at a level consistent with meeting customer demand for our products and services in an efficient manner.

Markets

We are a leading provider of equipment and services to the oil and natural gas exploration and production industry. Demand for our industry s services and products depends upon the number of oil and natural gas wells being drilled, the depth and drilling conditions of wells, the number of well completions and the level of workover activity worldwide.

During the mid-1980s, the drilling industry contracted sharply, correcting a condition of significant overcapacity that existed in the supply of oilfield service and equipment. For the past 20 years, global rig count has cycled up and down with factors such as world economic and political trends that influence supply and demand for energy, the price of oil and natural gas and the level of exploration and drilling for those commodities.

As a result of the maturity of the world s oil and natural gas reservoirs, accelerating production decline rates and the focus on complex deepwater prospects, technology has become increasingly critical to the marketplace. Clients continue to seek, test and prove production-enabling technologies at an increasing rate. Technology is an important aspect of our products and services, as it helps us provide our clients with more efficient tools to find and produce oil and natural gas. We have invested a substantial amount of our time and resources in building our technology offerings. We believe our products and services enable our clients to reduce their costs of drilling and production and/or increase production rates. Furthermore, these offerings afford us additional opportunities to sell our traditional core products and services to our clients.

Product Offerings

Our product offerings can be grouped into ten service lines: 1) artificial lift systems; 2) drilling services; 3) well construction; 4) drilling tools; 5) completion systems; 6) wireline and evaluation services; 7) re-entry and fishing; 8) stimulation and chemicals; 9) integrated drilling; and 10) pipeline and specialty services. The following discussion provides an overview of our various product offerings. With the exception of integrated drilling, our product line offerings are provided in all of our regional segments. Our integrated drilling product line is primarily offered in the Eastern Hemisphere.

Artificial Lift Systems

Artificial lift systems are installed in oil wells and, to a lesser extent, natural gas wells that do not have sufficient reservoir pressure to raise the produced hydrocarbon to the surface. These systems supplement the natural reservoir pressures to produce oil or natural gas from the well. There are six principal types of artificial lift technologies used in the industry. We are able to provide all forms of lift, including progressing cavity pumps, reciprocating rod lift systems, gas lift systems, electrical submersible pumps, hydraulic lift systems, plunger lift systems and hybrid lift systems. We also offer wellhead systems and production optimization.

Progressing Cavity Pumps A progressing cavity pump (PCP) is a downhole pump driven by an above-ground electric motor system connected to it by a coupled rod or continuous rod string. These pumps are designed to work in wells of depths up to 6,000 feet with production between 10 and 4,500 barrels of oil per day. PCPs are particularly useful in heavy-oil-producing basins around the world.

Reciprocating Rod Lift Systems A reciprocating rod lift system is an artificial lift pumping system that uses an above-ground mechanical unit connected to a sucker rod and a downhole pump. It uses an up-and-down suction process to lift the oil from the reservoir. Reciprocating rod lift is used primarily for the production of oil from wells of depths up to 14,000 feet and production rates from 20 to 8,000 barrels per day.

Gas Lift Systems Gas lift is a form of artificial lift that uses natural gas to lift oil in a producing reservoir to the surface. The process of gas lift involves the injection of natural gas into the well through an above-ground injection system and a series of downhole mandrels and gas lift valves in the production tubing string. The injected gas acts as the lifting agent for the oil. Gas lift systems are used primarily for offshore wells (including deepwater and ultra-deepwater) and for wells that have a high component of gas in the produced fluid or have a gas supply near the well. Gas lift systems are designed to operate at depths up to 15,000 feet with volumes up to 20,000 barrels of oil per day.

Electric Submersible Pumps An electric submersible pump (ESP) is an electrically powered downhole pumping system that is typically landed near the perforations of the producing reservoir. To lift fluid to the surface, the system converts electrical power to centrifugal motion via the rotating motor and pump shafts. Electrical power is transmitted downhole through a power cable that runs the length of the production tubing. ESPs are designed to operate at depths of up to 13,500 feet with produced fluid volumes ranging from 100 to 60,000 barrels per day. We sold our ESP product line in January 2008 to Premier Business Solutions (PBS), in which we have an equity investment. PBS conducts business in Russia and is one of the world s largest electric submersible pump manufacturers by volume.

Hydraulic Lift Systems A hydraulic lift oil pumping system uses an above-ground surface power unit to operate a downhole hydraulic pump (jet or piston) to lift oil from the reservoir. These systems are designed for wells of depths up to 20,000 feet and volumes up to 15,000 barrels per day. Hydraulic pumps are well suited for wells with high volumes and low solids.

Plunger Lift Systems Plunger lift is the only artificial lift method that requires no assistance from outside energy sources. The typical system consists of a plunger (or piston), top and bottom bumper springs, a lubricator and a surface controller. As the plunger travels to the surface, it creates a solid interface between the lifted gas below and produced fluid above to maximize lift energy. Plunger lift is a low-cost, easily maintained method of lift. It is particularly useful for dewatering gas wells and increasing production from wells with emulsion problems. Plunger lift also keeps wells free of paraffin and other tubing deposits and can be used to produce a well to depletion.

Hybrid Lift Systems We offer a variety of hybrid artificial lift systems which are engineered for special applications and may incorporate two or more of the artificial lift methods described above.

Wellhead Systems We offer a line of conventional wellhead equipment and valves manufactured to the latest API industry specifications and client requirements, including conventional surface wellheads through 20,000 psi; gate valves from 2,000 to 20,000 psi; complete wellhead systems (drill-through, multi-bowl, unitized and mud-line); and all the accessories and aftermarket services to go with them.

Production Optimization Production optimization is the process of increasing production, reducing production costs, or both, of oil and natural gas fields. The ultimate goal is to assist operators in making better decisions that maximize profits through improved well productivity management. The major benefits of production optimization are increased production with decreased operating costs resulting in increased bottom-line profits for producers.

Weatherford offers products for optimizing at the well, reservoir and field level. Both hardware and software are combined into solutions that fit the customer s specific needs for optimizing production.

Well Optimization For wellsite intelligence, we offer specific controllers for each type of artificial lift. These controllers contain computers with specific logic to control the well during changes in the reservoir, artificial-lift equipment or well components. The desktop software provides advanced analytical tools that allow the operator to make changes by controlling the well directly or by changing the parameters that the controller is using to operate the well. In 2007, we enhanced our plunger lift controller and added a new variable speed drive for progressing cavity pumps (PCP), rod pumping, and electric submersible pumps (ESP).

Flow Measurement Our Production Optimization group develops metering and software solutions to supply real-time production information to the operator, allowing accurate production measurements as a part of asset optimization.

Field Optimization We provide tools for optimizing workflow. These software tools assist the operator in tracking the operations needed for optimal field management. Tasks such as chemical injection, well workovers and injection allocation can easily generate unnecessary expenses by inefficient prioritization of tasks, poor recordkeeping and lack of analysis of the effectiveness of the total field operations. The combination of our experienced consultants and advanced software tools help the operator optimize operations for entire fields.

Drilling Services

These capabilities include directional drilling, measurement while drilling (MWD), logging while drilling (LWD), rotary steerable systems (RSS), Controlled Pressure Drilling® (CPD®) & Well Testing and drilling-with-casing (DwC™) and drilling-with-liner (DwL™) systems.

Directional drilling involves the personnel, equipment and engineering required to control the direction of a wellbore. Directional drilling allows drilling of multiple wells from a single offshore platform or a land-based pad site. It also allows drilling of horizontal wells and penetration of multiple reservoir pay zones from a single wellbore. We supply a range of specialized, patented equipment for directional drilling, including:

> *Measurement while drilling (MWD) and logging while drilling (LWD).* MWD and LWD measure, respectively, wellbore trajectory and formation properties, in real time, while the well is being drilled.
>
> *Rotary steerable systems (RSS).* These systems allow control of wellbore trajectory while drilling at the surface with continuous rotation of the drillstring. They are crucial for enabling long, step-out, directional wells and for reducing completion-running complications resulting from abrupt hole-angle changes caused by conventional drilling methods.
>
> *Directional drilling services.* These services include surveying, design and operational support for directional and horizontal drilling; products include drilling motors and other associated equipment.

Our directional drilling capabilities are supported by our Advantage Engineering facility in Houston, which houses qualified engineers, scientists and technicians, all focused on developing technologies for the MWD/LWD and directional drilling markets, both land based and offshore.

Controlled Pressure Drilling® (CPD®) & Well Testing Well testing uses specialized equipment and procedures to obtain essential information about oil and gas wells after the drilling process has been completed. Typical information derived may include reservoir performance, reservoir pressure, formation permeability, formation porosity and formation fluid composition. Weatherford s CPD & Well Testing offerings are provided through three disciplines: 1) Managed Pressure Drilling, 2) Underbalanced Drilling and 3) Air Drilling.

> *Managed Pressure Drilling (MPD)* This discipline provides an advanced form of primary well control, using a closed, pressurized fluid system that more precisely controls the wellbore pressure profile than mud weight adjustments alone. The main objective of MPD is to optimize drilling processes by decreasing non-productive time and mitigating drilling hazards.

Underbalanced Drilling (UBD) This discipline is used in development, exploration and mature field applications to minimize formation damage and maximize productivity. UBD is defined as drilling with bottomhole pressure that is maintained below reservoir pressure to intentionally invite fluid influx. This technique permits the reservoir to flow while drilling takes place, thereby protecting the formation from damage by the drilling fluids.

Air Drilling This discipline applies reduced density fluid systems to drill sub-hydrostatically. Air drilling is used primarily in hard rock applications to reduce drilling costs by increasing the rate of penetration.

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A full range of downhole equipment, such as high temperature motors, wireline steering tools, drillpipe, air rotary hammer drills, casing exit systems, downhole deployment valves and downhole data acquisition equipment, make our product offerings unique.

A related application is our separation business, which supplies personnel and equipment on a wellsite to recover a mixture of solids, liquids and gases from oil and gas wells. These services are used during drilling, after stimulation or after re-completion to clean up wells. The operator requires that a well be properly cleaned before undertaking a well test to ensure that the true deliverability of the well is attained and that debris and spent stimulation chemicals do not ultimately flow to the process plant.

Drilling-with-casing and drilling-with-liner systems. These systems allow operators to simultaneously drill, case and evaluate oil and natural gas wells. Our DwC and DwL techniques eliminate downhole complexity, reducing expensive rig modifications and the number of trips downhole. Consequently, well construction is simplified, and productivity can be improved when drilling through the reservoir.

Well Construction

This grouping includes the primary services and products required to construct a well and spans tubular running services, cementation tools, liner systems and solid tubular expandable technologies.

Tubular Running Services These services consist of a wide variety of tubular connection and installation services for the drilling, completion and workover of an oil or natural gas well. We provide tubular handling, preparation, inspection and wellsite installation services from a single source. We offer a suite of products and services for improving rig floor operations by reducing personnel exposure, increasing operational efficiency and improving safety. We also specialize in critical-service installations where operating conditions, such as downhole conditions and/or metallurgical characteristics, call for specific handling technology.

Cementation Tools Cementing operations comprise one of the most expensive phases of well completion. We produce specialized equipment that allows operators to centralize the casing throughout the wellbore and control the displacement of cement and other fluids. Our cementing engineers also analyze complex wells and provide recommendations to help optimize cementing results.

Liner Systems Liner hangers allow suspension of strings of casing within a wellbore without the need to extend the casing to the surface. Most directional wells include one or more liners to optimize casing programs. We offer both drilling and production liner hangers. Drilling liners are used to isolate areas within the well during drilling operations. Production liners are used in the producing area of the well to support the wellbore and to isolate various sections of the well.

Solid Tubular Expandable Technologies Proprietary expandable tools are being developed for downhole solid tubular applications in well remediation, well completion and well construction. Our solid tubular expandable products include the MetalSkin® line, used for well cladding to shut off zones, retro-fit corroded sections of casing and strengthen existing casing. MetalSkin open-hole clad systems are used for controlling unwanted fluid loss or influx and slim-bore drilling liners. Slim-bore and, ultimately, monobore liner systems are designed to allow significant cost reductions by reducing consumables for drilling and completion of wells, allowing use of smaller rigs and reducing cuttings removal needs. The benefits are derived because of the potential of expandable technologies to significantly reduce or eliminate the reverse-telescoping architecture inherent in traditional well construction.

Drilling Tools

We design and manufacture patented tools, including our drilling jars, rotating control devices and other pressure-control equipment. We also offer a broad selection of in-house or third-party manufactured equipment for the drilling, completion and workover of oil and natural gas wells. We offer these proprietary and nonproprietary drilling tools to our clients primarily operators and drilling contractors on a rental basis, allowing the clients to use unique equipment without the cost of holding that equipment in inventory.

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Our drilling tools include the following:

- Drillpipe and related drillstem tools, drill collars, heavyweight pipe and drilling jars;
- Downhole tools;
- Pressure-control equipment such as blowout preventers, high-pressure valves, accumulators, adapters and choke-and-kill manifolds; and
- Tubular handling equipment such as elevators, spiders, slips, tongs and kelly spinners.

Completion Systems

We offer our clients a comprehensive line of completion tools and sand screens. These products and services include the following:

Completion Tools These tools are incorporated into the tubing string used to transport hydrocarbons from the reservoir to the surface. We offer a wide range of devices for enhancing the safety and functionality of the production string, including permanent and retrievable packer systems, subsurface safety systems, flow controls and tool string, specialized downhole isolation valves and associated servicing equipment. During the past 10 years, we have evolved our portfolio from one of basic cased-hole commodity products to one that focuses more heavily on premium offerings for deepwater and high-pressure/high-temperature environments.

Sand Screens Sand production often results in premature failure of artificial-lift and other downhole and surface equipment and can obstruct the flow of oil and natural gas. To remedy this issue, we provide two different sand screen approaches: conventional and expandable.

> *Conventional sand screens:* These products are used in the fluid-solid separation processes and have a variety of product applications. Our primary application of well screens is for the control of sand in unconsolidated formations. We offer premium, pre-pack and wire-wrap sand screens. We also offer a FloReg™ line of inflow control devices that balance horizontal wellbore production, ultimately maximizing reservoir drainage. We also operate the water well and industrial screen business of Johnson Screens. Served markets include water well, petrochemical, wastewater treatment and surface water intake, mining and general industrial applications.

> *Expandable Sand Screens (ESS)* Our ESS® systems are proprietary step-change sand-control devices that reduce cost and improve production. An ESS system consists of three layers, including slotted base pipe, filtration screens and an outer protective shroud. The system can be expanded using a fixed cone and/or compliantly using our proprietary axial and rotary expansion system. This system aids productivity because it stabilizes the wellbore, prevents sand migration and has a larger inner diameter. ESS technology can replace complex gravel-packing techniques in many sand-control situations.

Reservoir Optimization Our intelligent completion technology (ICT) uses optical sensing to allow operators to remotely monitor the downhole pressure, temperature, flow rate, phase fraction and seismic activity of each well and the surrounding reservoir. This advanced monitoring capability allows the operator to monitor the reaction of the reservoir to the production of the well. Combining this monitoring with multiple-zone downhole flow control allows field pressure management and shutoff of unwanted flows of water or gas.

Wireline and Evaluation Services

Wireline services measure the physical properties of underground formations to help determine the location and potential deliverability of oil and gas from a reservoir. Wireline services are provided from surface logging units, which lower tools and sensors into the wellbore mainly on a single or multiple conductor wireline.

The provision of wireline and evaluation services is divided into five categories: open hole wireline, geoscience services, cased hole wireline, slickline services and integrated evaluation services:

Open Hole Wireline This service helps locate oil and gas by measuring certain characteristics of geological formations and providing permanent records called logs. Open hole logging can be performed

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at different intervals during the well drilling process or immediately after a well is drilled. The logging data provides a valuable benchmark to which future well management decisions may be referenced. The open hole sensors and tools are used to determine well lithology and the presence of hydrocarbons. Formation characteristics such as resistivity, density and porosity are measured using electrical, nuclear, acoustic, magnetic and mechanical technologies.

The log data is then used to characterize the reservoir and describe it in terms of porosity, permeability, oil, gas or water content and an estimation of productivity. Wireline services can relay this information from the wellsite on a real-time basis via a secure satellite transmission network and secure Internet connection to the client s office for faster evaluation and decision making.

Geoscience Services This business unit, consisting of geologists, geophysicists, and drilling, completion, production and reservoir engineers, serves as the interdisciplinary bridge across our diverse product lines to support client efforts to maximize their oil and gas assets for the life of the well from well planning through drilling, evaluation, completion, production, intervention and, finally, abandonment.

Major computing centers in Calgary and Houston, along with branches in Europe, the Middle East and Latin America, use the latest technology to deliver data to our clients from real-time (LWD) geosteering for critical well placement decisions to ongoing reservoir monitoring with permanent intelligent completion sensors. We provide advanced reservoir solutions by incorporating open hole, cased hole and production data.

Cased Hole Wireline This service is performed at various times throughout the life of the well and includes perforating, completion logging, production logging and casing integrity services. Perforating creates the flow path between the reservoir and the wellbore. Production logging can be performed throughout the life of the well to measure temperature, fluid type, flow rate, pressure and other reservoir characteristics. In addition, cased hole services may involve wellbore remediation, which could include the positioning and installation of various plugs and packers to maintain production or repair well problems, and casing inspection for internal or external abnormalities in the casing string.

SlicklineServices This service uses a solid steel or braided nonconductor line, in place of a single or multiple conductor braided line used in electric logging, to run downhole memory tools, manipulate downhole production devices and provide fishing services primarily in producing wells.

Integrated Evaluation Services We have expertise in wellsite sampling, core management services, geomechanical analysis and the evaluation of unconventional reservoirs.

Re-entry and Fishing

Our re-entry, fishing and thru-tubing services help clients repair wells that have mechanical problems or that need work to prolong production of oil and natural gas reserves.

Fishing Services Fishing services are provided through teams of experienced fishing tool supervisors and a comprehensive line of fishing and milling tools. Our teams provide conventional fishing services, such as removing wellbore obstructions, including stuck or dropped equipment, tools, drillstring components and other debris, that have been left behind unintentionally during the drilling, completion or workover of new and old wells. Specialty fishing tools required in these activities include fishing jars, milling tools, casing cutters, overshots and spears. Our Fishing Services business unit also provides well patches and extensive plug-and-abandonment products.

Re-entry Services Our re-entry services include casing exit services and advanced multilateral systems. Conventional and advanced casing exit systems allow sidetrack and lateral drilling solutions for clients who either cannot proceed down the original well track or want to drill lateral wells from the main or parent wellbore.

Thru-tubing Services Thru-tubing services are used in well re-entry activity to allow operators to perform complex drilling, completion and cementing activities from existing wellbores without removing existing production systems. We provide a full range of thru-tubing services and products, including drilling motors, casing exits, fishing and milling, zonal isolation packers and other well remediation services.

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Stimulation and Chemicals

We offer our clients advanced chemical technology and services for safer and more effective production enhancement. These products and services include the following:

Fracturing Technologies Hydraulic reservoir fracturing (fracturing) is a stimulation method routinely performed on oil and natural gas wells in low-permeability reservoirs to increase productivity and oil and gas recovery. Current operations are located in most major fracturing markets within the U.S.

Production Chemical Systems Our Engineered Chemistry® business combines proprietary chemical solutions with internally developed oilfield equipment technologies. Our high-performance chemistry solutions include: customized chemical solutions for production, refining, completion, water treatment and other industrial processes; a total service package (product selection, application and optimization); and precise formulations and multi-functional chemical formulations that include the only formulas certified for capillary injection.

Capillary Injection Technology and Services Capillary technology maximizes well production while protecting tubular goods. With systems installed in live wells in just three to four hours, reservoir production is not interrupted.

Integrated Drilling

Our land drilling business was owned and operated under the name of Weatherford Drilling International. The majority of our rigs are located in the Eastern Hemisphere. We also have the ability to offer project management services to our clients, in which we provide a number of products and services needed to drill and complete a well, including the rig.

Pipeline and Specialty Services

We provide a range of services used throughout the life cycle of pipelines and process facilities, onshore and offshore. Our pipeline group can meet all the requirements of the pipeline, process, industrial and energy markets worldwide. We also can provide any service (or package of services) carried out on permanently installed client equipment that involves inspecting, cleaning, drying, testing, improving production, running or establishing integrity from the wellhead out.

Competition

We provide our products and services worldwide, and compete in a variety of distinct segments with a number of competitors. Our principal competitors include Baker Hughes, BJ Services, Halliburton, Schlumberger and Smith International. We also compete with various other regional suppliers that provide a limited range of equipment and services tailored for local markets. Competition is based on a number of factors, including performance, safety, quality, reliability, service, price, response time and, in some cases, breadth of products.

Other Business Data

Raw Materials

We purchase a wide variety of raw materials as well as parts and components made by other manufacturers and suppliers for use in our manufacturing. Many of the products sold by us are manufactured by other parties. We are not dependent on any single source of supply for any of our raw materials or purchased components.

Customers

Our principal customers consist of major and independent oil and natural gas producing companies. During 2007, 2006 and 2005, none of our customers individually accounted for more than 10% of consolidated revenues.

Research and Development and Patents

We maintain world-class technology and training centers throughout the world. Our 34 research, development and engineering facilities are focused on improving existing products and services and developing new technologies to meet customer demands for improved drilling performance and enhanced reservoir productivity. Our expenditures for research and development totaled $169.3 million in 2007, $149.4 million in 2006 and $107.4 million in 2005.

As many areas of our business rely on patents and proprietary technology, we have followed a policy of seeking patent protection both inside and outside the U.S. for products and methods that appear to have commercial significance. In the U.S., we currently have 1,089 patents issued and over 419 pending. We have 1,881 patents issued in international jurisdictions and over 1,401 pending. We amortize patents over the years expected to be benefited, ranging from 3 to 20 years.

Although in the aggregate our patents are important to the manufacturing and marketing of many of our products, we do not believe that the loss of any one of our patents would have a material adverse effect on our business.

Seasonality

Weather and natural phenomena can temporarily affect level of demand for our products and services. Spring months in Canada and winter months in the North Sea tend to negatively affect operations. In the summer of 2005, the Gulf of Mexico suffered an unusually high number of hurricanes with unusual intensity that adversely impacted our operations. The widespread geographical locations of our operations serve to mitigate the impact of the seasonal nature of our business.

Federal Regulation and Environmental Matters

Our operations are subject to federal, state and local laws and regulations relating to the energy industry in general and the environment in particular.

In January 2003, a subsidiary of Precision Energy Services was notified by the U.S. Environmental Protection Agency (EPA) that it was a potentially responsible party to the Gulf Nuclear Superfund Sites in Odessa, Tavenor and Webster, Texas. Based upon the information provided, it appears we will be classified as a de minimus party. Over the last three years, we have also been named as de minimus potentially responsible party in several other state and federal governmental superfund sites and have settled all of these matters for an aggregate of approximately $50,000. In February 2008, we paid a civil penalty of $208,000 to the Federal Aviation Administration to settle a complaint regarding the improper labeling of hazardous materials (lithium batteries) that were to be shipped aboard a commercial airliner.

Our 2007 expenditures to comply with environmental laws and regulations were not material, and we currently expect the cost of compliance with environmental laws and regulations for 2008 also will not be material.

Employees

At December 31, 2007, we employed approximately 38,000 employees. Certain of our operations are subject to union contracts. These contracts, however, cover less than two percent of our employees. We believe that our relationship with our employees is generally satisfactory.

Forward-Looking Statements

This report, as well as other filings made by us with the Securities and Exchange Commission (SEC), and our releases issued to the public contain various statements relating to future results, including certain projections and business trends. We believe these statements constitute Forward-Looking Statements as defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally are identified by the words believe, project, expect, anticipate, estimate, intend, strategy, plan, may, should, will, would, will be, will continue, will likely result, and similar expressions, although not all forward-looking statements contain these identifying words.

From time to time, we update the various factors we consider in making our forward-looking statements and the assumptions we use in those statements. However, we undertake no obligation to publicly update or revise any forward-looking events or circumstances that may arise after the date of this report. The following sets forth the various assumptions we use in our forward-looking statements, as well as risks and uncertainties relating to those statements. Certain of the risks and uncertainties may cause actual results to be materially different from projected results contained in forward-looking statements in this report and in our other disclosures. These risks and uncertainties include, but are not limited to, the following:

A downturn in market conditions could affect projected results. Any material changes in oil and natural gas supply and demand, oil and natural gas prices, rig count or other market trends would affect our results and would likely affect the forward-looking information we provide. The oil and natural gas industry is extremely volatile and subject to change based on political and economic factors outside our control. In recent years, worldwide drilling activity has increased; however, if an extended regional and/or worldwide recession were to occur, it would result in lower demand and lower prices for oil and natural gas, which would adversely affect drilling and production activity and therefore would affect our revenues and income. We have assumed increases in worldwide demand will continue throughout 2008.

Availability of a skilled workforce could affect our projected results. Due to the high activity in the exploration and production and oilfield service industries there is an increasing shortage of available skilled labor, particularly in our high-growth regions. Our forward-looking statements assume we will be able to recruit and maintain a sufficient skilled workforce for activity levels.

Increases in the prices and availability of our raw materials could affect our results of operations. We use large amounts of raw materials for manufacturing our products. The price of these raw materials has a significant impact on our cost of producing products for sale or producing fixed assets used in our business. We have assumed that the prices of our raw materials will remain within a manageable range and will be readily available. If we are unable to attain necessary raw materials or if we are unable to minimize the impact of increased raw materials costs through our supply chain initiatives or by passing through these increases to our customers, our margins and results of operations could be adversely affected.

Our long-term growth depends upon technological innovation and commercialization. Our ability to deliver our long-term growth strategy depends in part on the commercialization of new technology. A central aspect of our growth strategy is to develop our products and services, to obtain technologically advanced products through internal research and development and/or acquisitions, to protect proprietary technology from unauthorized use and to expand the markets for new technology through leverage of our worldwide infrastructure. The key to our success will be our ability to commercialize the technology that we have acquired and demonstrate the enhanced value our technology brings to our customers operations. Our major technological advances include, but are not limited to, those related to controlled pressure drilling and testing systems, expandable solid tubulars, expandable sand screens and intelligent well completion. Our forward-looking statements have assumed successful commercialization of, and above-average growth from, these new products and services.

Nonrealization of expected benefits from our 2002 corporate reincorporation could affect our projected results. We are incorporated in Bermuda and we operate through our various subsidiaries in numerous countries throughout the world including the United States. Consequently, we are subject to changes in tax laws, treaties or regulations or the interpretation or enforcement thereof in the U.S., Bermuda or jurisdictions in which we or any of our subsidiaries operates or is resident. Our income tax expense is based upon our interpretation of the tax laws in effect in various countries at the time that the expense was incurred. If the U.S. Internal Revenue Service or other taxing authorities do not agree with our assessment of the effects of such laws, treaties and regulations, this could have a material adverse effect on us including the imposition of a higher effective tax rate on our worldwide earnings or a reclassification of the tax impact of our significant corporate restructuring transactions.

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Nonrealization of expected benefits from our acquisitions could affect our projected results. We expect to gain certain business, financial and strategic advantages as a result of business acquisitions we undertake, including synergies and operating efficiencies. Our forward-looking statements assume that we will successfully integrate our business acquisitions and realize the benefits of that. An inability to realize expected strategic advantages as a result of the acquisition would negatively affect the anticipated benefits of the acquisition.

The cyclical nature of or a prolonged downturn in our industry could affect the carrying value of our goodwill. As of December 31, 2007, we had approximately $3.4 billion of goodwill. Our estimates of the value of our goodwill could be reduced in the future as a result of various factors, some of which are beyond our control. Any reduction in the value of our goodwill may result in an impairment charge and therefore adversely affect our results.

Currency fluctuations could have a material adverse financial impact on our business. A material change in currency rates in our markets could affect our future results as well as affect the carrying values of our assets. World currencies have been subject to much volatility. Our forward-looking statements assume no material impact from future fluctuations in currency exchange rates.

Adverse weather conditions in certain regions could adversely affect our operations. In the summer of 2005, the Gulf of Mexico suffered several significant hurricanes. These hurricanes and associated hurricane threats reduced the number of days on which we and our customers could operate, which resulted in lower revenues than we otherwise would have achieved. In parts of 2006, and particularly in the second quarter of 2007, climatic conditions in Canada were not as favorable to drilling as we anticipated, which limited our results in that region. Similarly, unfavorable weather in Russia and in the North Sea could reduce our operations and revenues from those areas during the relevant period. Our forward-looking statements assume weather patterns in our primary areas of operations will be conducive to our operations. In particular, we have assumed the favorable winter conditions in Canada will continue later into the year in 2008 than was the case in 2007.

Political disturbances, war, or terrorist attacks and changes in global trade policies could adversely impact our operations. We have assumed there will be no material political disturbances or terrorist attacks and there will be no material changes in global trade policies. Any further military action undertaken by the U.S. or other countries could adversely affect our results of operations.

U.S. Government and internal investigations could affect our results of operations. We are currently involved in government and internal investigations involving various of our operations. These investigations are ongoing, and we cannot anticipate the timing, outcome or possible impact of these investigations, financial or otherwise. The governmental agencies involved in these investigations have a broad range of civil and criminal penalties they may seek to impose against corporations and individuals for violations of trading sanctions laws, the Foreign Corrupt Practices Act and other federal statutes including, but not limited to, injunctive relief, disgorgement, fines, penalties and modifications to business practices and compliance programs. In recent years, these agencies and authorities have entered into agreements with, and obtained a range of penalties against, several public corporations and individuals in similar investigations, under which civil and criminal penalties were imposed, including in some cases multi-million dollar fines and other penalties and sanctions. Under trading sanctions laws, the Department of Justice (DOJ) may also seek to impose modifications to business practices, including immediate cessation of all business activities in sanctioned countries, and modifications to compliance programs, which may increase compliance costs. Any injunctive relief, disgorgement, fines, penalties, sanctions or imposed modifications to business practices resulting from these investigations could adversely affect our results of operations.

Finally, our future results will depend upon various other risks and uncertainties, including, but not limited to, those detailed in our other filings with the SEC. For additional information regarding risks and uncertainties, see our other filings with the SEC under the Securities Exchange Act of 1934, as amended, and the Securities Act of 1933, as amended, available free of charge at the SEC s website at www.sec.gov.

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Item 1A. ***Risk Factors***

An investment in our common shares involves various risks. When considering an investment in our company, you should consider carefully all of the risk factors described below, as well as other information included and incorporated by reference in this report.

Foreign Operations

Like most multinational oilfield service companies, we have operations in certain international areas, including parts of the Middle East, North and West Africa, Latin America, the Asia Pacific region and the Commonwealth of Independent States, that are subject to risks of war, political disruption, civil disturbance, economic and legal sanctions (such as restrictions against countries that the U.S. government may deem to sponsor terrorism) and changes in global trade policies. Our operations may be restricted or prohibited in any country in which the foregoing risks occur.

In particular, the occurrence of any of these risks could result in the following events, which in turn, could materially and adversely impact our results of operations:

- disruption of oil and natural gas exploration and production activities;
- restriction of the movement and exchange of funds;
- inhibition of our ability to collect receivables;
- enactment of additional or stricter U.S. government or international sanctions; and
- limitation of our access to markets for periods of time.

U.S. Government and Internal Investigations

We are currently involved in government and internal investigations involving various of our operations. We participated in the United Nations oil-for-food program governing sales of goods and services into Iraq. The SEC has subpoenaed certain documents in connection with an investigation into our participation in the oil-for-food program. The U.S. Department of Justice is also conducting an investigation of our participation in the oil-for-food program. We are cooperating fully with these investigations. We have retained legal counsel, reporting to our audit committee, to investigate this matter. These investigations are ongoing, and we cannot anticipate the timing, outcome or possible impact of these investigations, financial or otherwise.

The U.S. Department of Commerce, Bureau of Industry & Security and the U.S. Department of Justice are investigating allegations of improper sales of products and services by us and our subsidiaries in sanctioned countries. We are cooperating fully with this investigation. We have retained legal counsel, reporting to our audit committee, to investigate this matter. This investigation is ongoing, and we cannot anticipate the timing, outcome or possible impact of the investigation, financial or otherwise.

In light of this investigation and of the current U.S. and foreign policy environment and the inherent uncertainties surrounding these countries, we decided in September 2007 to direct our foreign subsidiaries to discontinue doing business in countries that are subject to U.S. economic and trade sanctions, including Cuba, Iran, Sudan and Syria. Effective September 2007, we ceased entering into any new contracts relating to these countries. We have begun an orderly discontinuation and winding down of our existing business in these sanctioned countries.

With the assistance of outside counsel and in connection with the U.S. government investigations, we are conducting internal investigations regarding the embezzlement of approximately $175,000 at a European subsidiary and the possible improper use of these funds, including possible payments to government officials in Europe, during the period from 2000 to 2004, and the Company s compliance with the Foreign Corrupt Practices Act and other laws worldwide. These internal investigations are preliminary and ongoing, and we cannot anticipate the timing, outcome or possible impact, if any, of the investigations, financial or otherwise. We have informed the SEC and the DOJ of these internal investigations, and the results of the internal investigations will be provided to the SEC and DOJ.

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The DOJ, the SEC and other agencies and authorities have a broad range of civil and criminal penalties they may seek to impose against corporations and individuals for violations of trading sanctions laws, the Foreign Corrupt Practices Act and other federal statutes including, but not limited to, injunctive relief, disgorgement, fines, penalties and modifications to business practices and compliance programs. In recent years, these agencies and authorities have entered into agreements with, and obtained a range of penalties against, several public corporations and individuals in similar investigations, under which civil and criminal penalties were imposed, including in some cases multi-million dollar fines and other penalties and sanctions. Under trading sanctions laws, the DOJ may also seek to impose modifications to business practices, including immediate cessation of all business activities in sanctioned countries, and modifications to compliance programs, which may increase compliance costs. In addition, our activities in sanctioned countries, such as Sudan and Iran, could result in certain investors, such as government sponsored pension funds, divesting or not investing in our common shares. Based on available information, we cannot predict what, if any, actions the DOJ, SEC or other authorities may take in our situation or the effect any such actions may have on our consolidated financial position or results of operations.

We have incurred costs of approximately $13 million through December 31, 2007 in connection with complying with these ongoing investigations and certain exit costs associated with sanctioned countries. We will have additional charges related to these matters in future periods, but we cannot quantify those charges or be certain of the timing of them.

Currency Exposure

A portion of our net assets are located outside the U.S. and are carried on our books in local currencies. Changes in those currencies in relation to the U.S. dollar result in translation adjustments, which are reflected as accumulated other comprehensive income in the shareholders equity section in our Consolidated Balance Sheets. We recognize remeasurement and transactional gains and losses on currencies in our Consolidated Statements of Income, which may adversely impact our results of operations. We enter into foreign currency forward contracts and other derivative instruments as an effort to reduce our exposure to currency fluctuations; however, there can be no assurance that these hedging activities will be effective in reducing or eliminating foreign currency risks.

In certain foreign countries, a component of our cost structure is denominated in a different currency than our revenues. In those cases, currency fluctuations could adversely impact our operating margins.

Litigation and Environmental Exposure

In the ordinary course of business, we become the subject of various claims and litigation. We maintain insurance to cover many of our potential losses and we are subject to various self-retentions and deductibles with respect to our insurance. Although we are subject to various ongoing items of litigation, we do not believe any of our current items of litigation will result in any material uninsured losses to us. However, it is possible an unexpected judgment could be rendered against us in cases in which we could be uninsured and beyond the amounts we currently have reserved or anticipate incurring.

We are also subject to various federal, state and local laws and regulations relating to the energy industry in general and the environment in particular. Environmental laws have in recent years become more stringent and have generally sought to impose greater liability on a larger number of potentially responsible parties. While we are not currently aware of any situation involving an environmental claim that would be likely to have a material adverse effect on our business, it is always possible that an environmental claim with respect to one or more of our current businesses or a business or property that one of our predecessors owned or used could arise and could involve material expenditures.

Industry Exposure

The concentration of our customers in the energy industry may impact our overall exposure to credit risk as customers may be similarly affected by prolonged changes in economic and industry conditions. Further, laws in some jurisdictions in which we operate could make collection difficult or time consuming. We perform ongoing credit evaluations of our customers and do not generally require collateral in support of our trade receivables. While

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we maintain reserves for potential credit losses, we cannot assure such reserves will be sufficient to meet write-offs of uncollectible receivables or that our losses from such receivables will be consistent with our expectations.

Credit Markets Exposure

Recent turmoil in the credit markets, including events related to the sub-prime mortgage market, and the potential impact on liquidity of major financial institutions may have an adverse effect on our ability to fund growth opportunities through borrowings, under either existing or newly created instruments in the public or private markets on terms we believe to be reasonable.

Terrorism Exposure

The terrorist attacks that took place in the U.S. on September 11, 2001 and the subsequent ongoing war on terror have created many global economic and political uncertainties. The potential for future terrorist attacks, the national and international responses to terrorist attacks, and other acts of war or hostility have created many economic and political uncertainties that could adversely affect our businesses.

Tax Exposure

On June 26, 2002, the stockholders and Board of Directors of Weatherford International, Inc. (Weatherford Inc.) approved our corporate reorganization, and Weatherford International Ltd. (Weatherford Limited), a newly formed Bermuda company, became the parent holding company of Weatherford International, Inc. The realization of the tax benefit of this reorganization could be impacted by changes in tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof or differing interpretation or enforcement of applicable law by the U.S.

Internal Revenue Service or other taxing jurisdictions. The inability to realize this benefit could have a material impact on our financial statements.

Insurance

We currently carry a variety of insurance for our operations. We are partially self-insured for certain claims in amounts we believe to be customary and reasonable.

Although we believe we currently maintain insurance coverage adequate for the risks involved, there is always a risk our insurance may not be sufficient to cover any particular loss or that our insurance may not cover all losses. For example, while we maintain product liability insurance, this type of insurance is limited in coverage and it is possible an adverse claim could arise in excess of our coverage. Finally, insurance rates have in the past been subject to wide fluctuation. Changes in coverage, insurance markets and our industry may result in further increases in our cost and higher deductibles and retentions.

Bermuda Governance Risks

We are a Bermuda exempt company, and it may be difficult for you to enforce judgments against us or our directors and executive officers. The rights of holders of our shares will be governed by Bermuda law and our memorandum of association and bye-laws. The rights of shareholders under Bermuda law may differ from the rights of shareholders of companies incorporated in other jurisdictions. One of our directors is not a resident of the U.S., and a substantial portion of our assets are located outside the U.S. As a result, it may be difficult for investors to effect service of process on those persons in the U.S. or to enforce in the U.S. judgments obtained in U.S. courts against us or those persons based on the civil liability provisions of the U.S. securities laws. Uncertainty exists as to whether courts in

Bermuda will enforce judgments obtained in other jurisdictions, including the U.S., against us or our directors or officers under the securities laws of those jurisdictions or entertain actions in Bermuda against us or our directors or officers under the securities laws of other jurisdictions.

Our bye-laws restrict shareholders from bringing legal action against our officers and directors.

Our bye-laws contain a broad waiver by our shareholders of any claim or right of action, both individually and on our behalf, against any of our officers or directors. The waiver applies to any action taken by an officer or director, or the

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failure of an officer or director to take any action, in the performance of his or her duties, except with respect to any matter involving any fraud or dishonesty on the part of the officer or director. This waiver limits the right of shareholders to assert claims against our officers and directors unless the act or failure to act involves fraud or dishonesty.

Our bye-laws have anti-takeover provisions that may discourage a change of control. These anti-takeover provisions could result in a lower market price for our shares and may limit a shareholder s ability to obtain a premium for our shares.

Our bye-laws contain provisions that could make it more difficult for a third party to acquire us without the consent of our board of directors, even if the third party s offer may be considered beneficial by many shareholders. As a result, shareholders may be limited in their ability to obtain a premium for their shares and this may cause the market price of our shares to decrease significantly. These provisions also provide for:

directors to be removed only for cause;

restrictions on the time period in which directors may be nominated; and

the board of directors to determine the powers, preferences and rights and the qualifications, limitations and restrictions of our preference shares and to issue the preference shares without shareholder approval.

Our board of directors may issue preference shares and determine their powers, preferences and rights and their qualifications, limitations and restrictions. The issuance of preference shares may delay, defer or prevent a merger, amalgamation, tender offer or proxy contest involving us.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

Our operations are conducted in approximately 100 countries. We currently have 128 manufacturing facilities and approximately 800 sales, service and distribution locations throughout the world. The following table describes the material facilities we owned or leased as of December 31, 2007:

Location	Facility Size (Sq. Ft.)	Property Size (Acres)	Tenure	Principal Services and Products Offered or Manufactured
North America:				
Pearland, Texas	335,360	60.64	Owned	Fishing, drilling equipment
New Brighton, Minnesota	211,600	25.75	Owned	Water well and industrial screens
Nisku, Alberta, Canada	206,400	15.40	Owned	Reciprocating rod lift
Houma, Louisiana	175,000	13.00	Owned	Cementing products
Houston, Texas	173,000	18.19	Owned	Research and development
Nisku, Alberta, Canada	149,193	27.79	Owned	Drilling equipment, fishing, wireline, controlled pressure

				drilling and testing services
Houston, Texas	130,000	14.00	Owned	Sand screens
Woodward, Oklahoma	118,000	49.58	Leased	Reciprocating rod and hydraulic lift
Houston, Texas	115,649	2.65	Owned	Cased hole and flow control
Huntsville, Texas	112,648	20.00	Owned	Liner hangers
Houston, Texas	109,451		Leased	Operations center
Edmonton, Alberta, Canada	108,797	11.34	Owned	Reciprocating rod lift, progressing cavity pumps
Greenville, Texas	108,300	26.43	Owned	Reciprocating rod lift, electric submersible pumps
Broussard, Louisiana	101,434	9.01	Owned	Tubular running

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Location	Facility Size (Sq. Ft.)	Property Size (Acres)	Tenure	Principal Services and Products Offered or Manufactured
Latin America:				
Neuquen, Argentina	107,639	3.70	Leased	Well installation services, downhole and controlled pressure drilling and testing services, fishing, cementing, drilling equipment
Sao Leopoldo, Brazil	103,490	9.46	Owned	Progressing cavity pumps
Europe/West Africa/CIS:				
Dubnica nad Vahom, Slovakia	163,396	5.75	Owned	Electric submersible pumping
Aberdeen, Scotland	148,379	8.67	Leased	Expandable slotted tubulars
Alberton, South Africa	123,237	5.40	Owned	Conventional screen technologies
Forus, Norway	113,182	4.66	Leased	Downhole services, well installation services, drilling equipment, thru tubing, cementing, fishing, re-entry, well intervention, completion systems
Middle East/North Africa/Asia:				
Hassi Messaoud, Algeria	226,849	40.20	Owned	Fishing, liner hangers, controlled pressure drilling and testing services
Singapore, Singapore	160,170	2.33	Leased	Fishing, re-entry and decommissioning drilling tools and services, production operations and systems
Awjila, Libya	150,910	27.67	Leased	Warehouse and service
Corporate:				
Houston, Texas	254,438		Leased	Corporate offices

Item 3. *Legal Proceedings*

In the ordinary course of business, we become the subject of various claims and litigation. We maintain insurance to cover many of our potential losses, and we are subject to various self-retention limits and deductibles with respect to our insurance.

See Item 1. Business Other Business Data Federal Regulation and Environmental Matters on page 9 of this report, which is incorporated by reference into this item.

Although we are subject to various ongoing items of litigation, we do not believe any of the items of litigation to which we are currently subject will result in any material uninsured losses to us. It is possible, however, an unexpected judgment could be rendered against us in the cases in which we are involved that could be uninsured and beyond the amounts we currently have reserved.

Item 4. *Submission of Matters to a Vote of Security Holders*

No matters were submitted to a vote of shareholders of the Company during the fourth quarter of the year ended December 31, 2007.

PART II

Item 5. ***Market for Registrant s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities***

Our common shares are traded on the New York Stock Exchange under the symbol WFT. As of February 15, 2008, there were 2,049 shareholders of record. Additionally, there were 259 stockholders of Weatherford International, Inc. as of the same date who had not yet exchanged their shares. The following table sets forth, for the

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periods indicated, the range of high and low sales prices per common share as reported on the New York Stock Exchange.

	Price	
	High	Low
Year ending December 31, 2007		
First Quarter	$ 47.03	$ 35.90
Second Quarter	59.04	45.00
Third Quarter	71.00	48.63
Fourth Quarter	72.22	56.36
Year ending December 31, 2006		
First Quarter	$ 46.19	$ 36.50
Second Quarter	58.73	44.04
Third Quarter	51.70	37.08
Fourth Quarter	47.05	38.25

On February 15, 2008, the closing sales price of our common shares as reported by the New York Stock Exchange was $65.20 per share. We have not declared or paid cash dividends on our common shares since 1984.

In December 2005, our Board of Directors approved a share repurchase program under which up to $1 billion of our outstanding common shares could be purchased. Future purchases of our shares can be made in the open market or privately negotiated transactions, at the discretion of management and as market conditions warrant. During the quarter ended December 31, 2007, we purchased our common shares in the following amounts at the following average prices:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
October 1-October 31, 2007	1,000,000	$ 66.93	1,000,000	$ 205,233,968
November 1-November 30, 2007				205,233,968
December 1-December 31, 2007				205,233,968
	1,000,000	66.93	1,000,000	205,233,968

In addition, under our restricted share plan, employees may elect to have us withhold common shares to satisfy minimum statutory federal, state and local tax withholding obligations arising on the vesting of restricted stock awards and exercise of options. When we withhold these shares, we are required to remit to the appropriate taxing authorities the market price of the shares withheld, which could be deemed a purchase of the common shares by us on the date of withholding.

During the quarter ended December 31, 2007, we withheld common shares to satisfy these tax withholding obligations as follows:

Period	**No. of Shares**	**Average Price**
October 1-October 31, 2007	3,998	$ 63.50
November 1-November 30, 2007	133	65.75
December 1-December 31, 2007	470,158	66.43

On February 28, 2002, we issued a warrant to purchase up to 6.5 million of our common shares at $30.00 per share as part of the consideration given to obtain a worldwide license to Shell Technology Ventures Inc. s expandable technology. Effective July 12, 2006, we and Shell Technology Ventures Inc. amended and restated this warrant. The amendments reflect, among other things, changes in our capital and organizational structure since the original warrant was issued in February 2002. The warrant is exercisable until February 28, 2012 and is subject to adjustment for changes in our capital structure or our issuance of dividends in cash, securities or property. To the extent that the amendment and restatement of the warrant constitutes the issuance of a new security, that new security was issued solely in exchange for the original warrant. There were no cash proceeds from the exchange. That new security was an exempted security not subject to registration as provided by Section 3(a)(9) of the Securities Act of 1933.

On August 31, 2005, in connection with our acquisition of Precision Energy Services and Precision Drilling International, we issued 52.0 million of our common shares to Precision Drilling Corporation in a private placement exempt from registration under Section 4(2) of the Securities Act of 1933, as amended.

Information concerning securities authorized for issuance under equity compensation plans is set forth in Part III of this report under Item 12(d). Security Authorized for Issuance Under Equity Compensation Plans, which is incorporated herein by reference.

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Performance Graph

This graph compares the yearly cumulative return on our common shares with the cumulative return on the Dow Jones U.S. Oil Equipment and Services Index and the Dow Jones U.S. Index for the last five years. The graph assumes the value of the investment in the Company s common shares and each index was $100 on December 31, 2002. The stockholder return set forth below is not necessarily indicative of future performance. The following graph and related information shall not be deemed soliciting material or to be filed with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that Weatherford specifically incorporates it by reference into such filing.

Comparison of Five Year Total Return

Item 6. ***Selected Financial Data***

The following table sets forth certain selected historical consolidated financial data and should be read in conjunction with Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and Notes thereto included elsewhere herein. The following information may not be deemed indicative of our future operating results.

	Year Ended December 31,				
	2007	**2006**	**2005(a)**	**2004(b)**	**2003(c)**
	(In thousands, except per share amount)				
Statements of Operations Data:					
Revenues	$ 7,832,062	$ 6,578,928	$ 4,333,227	$ 3,131,774	$ 2,562,034
Operating Income	1,624,336	1,354,687	570,598	402,995	279,365
Income From Continuing Operations	1,091,975	906,106	470,095	337,969	147,243
Basic Earnings Per Share From Continuing Operations	3.23	2.62	1.57	1.26	0.58
Diluted Earnings Per Share From Continuing Operations	3.14	2.55	1.48	1.18	0.56
Balance Sheet Data:					
Total Assets	$ 13,190,957	$ 10,139,248	$ 8,580,304	$ 5,543,482	$ 4,994,324
Long-term Debt	3,066,335	1,564,600	632,071	1,404,431	1,379,611
Shareholders Equity	7,406,719	6,174,799	5,666,817	3,313,389	2,708,068
Cash Dividends Per Share					

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(a) In August 2005, we acquired Precision Energy Services and Precision Drilling International for $942.7 million in cash and 52.0 million Weatherford common shares. In connection with the acquisition we recorded exit and restructuring charges of $114.2 million, $78.7 million net of tax. In December 2005, we recorded a $115.5 million gain on the sale of our remaining shares of Universal common stock with no related income tax impact.

(b) In 2004, we recorded a $77.6 million gain on the sale of Universal common stock. There was no income tax impact related to the sale.

(c) In August 2003, we incurred $20.9 million, $13.6 million net of taxes, of debt redemption expenses related to the early extinguishment of our Convertible Preferred Debentures.

Item 7. *Management s Discussion and Analysis of Financial Condition and Results of Operations*

Our Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) begins with an executive overview which, provides a general description of our company today, a synopsis of industry market trends, insight into management s perspective of the opportunities and challenges we face and our outlook for 2008 and 2009. Next, we analyze the results of our operations for the last three years, including the trends in our business. Then we review our cash flows and liquidity, capital resources and contractual commitments. We conclude with an overview of our critical accounting judgments and estimates and a summary of recently issued accounting pronouncements.

The following discussion should be read in conjunction with our Consolidated Financial Statements and Notes thereto included in Item 8. Financial Statements and Supplementary Data. Our discussion includes various forward-looking statements about our markets, the demand for our products and services and our future results. These statements are based on certain assumptions we consider reasonable. For information about these assumptions, you should refer to the section entitled Item 1. Business Forward-Looking Statements.

Overview

General

We provide equipment and services used for drilling, completion and production of oil and natural gas wells throughout the world. We conduct operations in approximately 100 countries and have service and sales locations in nearly all of the oil and natural gas producing regions in the world. Our offerings include drilling services, well construction services, wireline services, fishing and intervention services, completion systems and all forms of artificial lift.

We reviewed the presentation of our reporting segments during the first quarter of 2007. Based on this review, we determined that our operational performance is segmented and reviewed on a geographic basis. As a result, we realigned our financial reporting segments and now report the following regions as separate, distinct reporting segments (1) North America, (2) Latin America, (3) Europe/West Africa/CIS and (4) Middle East/North Africa/Asia. Our historical segment data previously reported under our Evaluation, Drilling & Intervention Services and Completion and Production Systems divisions have been restated for all periods to conform to the new presentation.

In June 2007, we approved a plan to sell our oil and gas development and production business. The business was formerly reported within our North America and Europe/West Africa/CIS segments and has been reclassified as a discontinued operation for all periods presented.

In July 2005, we sold our Gas Services International compression fabrication business. Results of this business were formerly reported within our Middle East/North Africa/Asia segment and have been reclassified as a discontinued operation for all periods presented.

Industry Trends

Changes in the current price and expected future prices of oil and natural gas influence the level of energy industry spending. Changes in expenditures result in an increased or decreased demand for our products and services. Rig count is an indicator of the level of spending for the exploration for and production of oil and natural gas reserves.

The following chart sets forth certain statistics that reflect historical market conditions:

	WTI Oil(1)	Henry Hub Gas(2)	North American Rig Count(3)	International Rig Count(3)
2007	$ 95.98	$ 7.48	2,171	1,122
2006	61.05	6.30	2,178	1,029
2005	61.04	11.23	2,046	948

(1) Price per barrel as of December 31 *Source:* Applied Reasoning, Inc.

(2) Price per MM/BTU as of December 31 *Source:* Oil World

(3) Average rig count for December *Source:* Baker Hughes Rig Count and other third-party data

Oil prices have increased during the twelve months of 2007 ranging from a low of $50.48 per barrel in mid-January to a high of $98.18 per barrel in November. Natural gas prices have increased approximately 19% since December 31, 2006, with prices ranging from a low of $5.38 MM/BTU at the end of August to a high of $8.64 MM/BTU in November. Factors influencing oil and natural gas prices during the period include hydrocarbon inventory levels, realized and expected economic growth, levels of spare production capacity within the Organization of Petroleum Exporting Countries (OPEC), weather and geopolitical uncertainty.

North America rig count has stayed relatively flat as compared to the end of 2006, as a reduction in Canadian activity was offset by an increase in U.S. activity. International rig count has increased approximately 9% since the end of 2006.

During 2007, drilling and completion spending continued to increase in both North America and the international markets. According to Spears & Associates, 2007 drilling and completion spending increased approximately 3% in North America and 19% in international markets compared to 2006 levels. Drilling and completion spending growth during 2008 is anticipated to be driven by the international markets. According to Spears & Associates, drilling and completion spending during 2008 is anticipated to increase approximately 18% in international markets while declining approximately 6% in North America markets as compared to 2007 levels.

Opportunities and Challenges

The nature of our industry offers many opportunities and challenges. We have created a long-term strategy aimed at growing our business, servicing our customers, and most importantly, creating value for our shareholders. The success of our long-term strategy will be determined by our ability to manage effectively any industry cyclicality, respond to industry demands and successfully penetrate new markets with our younger technologies.

The cyclicality of the energy industry impacts the demand for our products and services. Certain of our products and services, such as our drilling and evaluation services, well installation services and well completion services, depend on the level of exploration and development activity and the completion phase of the well life cycle. Other products and services, such as our production optimization and artificial lift systems, are dependent on production activity. We believe that decline rates, a measure of the fall in production from a well over time, are accelerating. We also believe that there has been, and will continue to be, a deterioration in the quality of incremental hydrocarbon formations that our customers develop and that these formations will require more of our products and services than higher quality formations. The market for oilfield services will grow year-on-year relative to the decline rates and the implicit rate of demand growth. We are aggressively, but methodically, growing our employee base, manufacturing capacity and equipment base to meet the demands of the industry.

2008 and 2009 Outlook

We believe the outlook for our businesses is favorable. As decline rates accelerate and reservoir productivity complexities increase, our clients will face growing challenges securing desired rates of production growth. Assuming the demand for hydrocarbons does not weaken, we believe this provides us with a robust outlook. The

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acceleration of decline rates and the increasing complexity of the reservoirs increase our customers requirements for technologies that improve productivity and efficiency.

Looking into 2008 and 2009, we expect average worldwide rig activity to grow as compared to fourth quarter 2007 levels, and we expect our business to continue to grow at a faster rate than the underlying rig count. We expect the Eastern Hemisphere to be our highest growth market during 2008, followed by the Latin America market. We expect our growth in 2008 and 2009 to be broad based, with all of our product and service lines continuing to build on 2007 achievements. These improvements should be driven by the strength of our technology and our global infrastructure. We expect our newer technologies to continue to gain traction across a wider breadth of geographic markets, similar to our performance in 2006 and 2007.

Geographic Markets. Climate, natural gas and oil storage levels and commodity prices will dictate the rate of oilfield service activity growth in North America during 2008 and 2009. While these factors are difficult to predict with any certainty over short periods of time, we believe that the North American market has positive secular growth attributes over the longer term. During 2008, we expect North America activity to remain at or around current levels, on average. In October 2007, the Alberta provincial government adopted a new royalty regime applicable to hydrocarbon production in this province of Canada. Although the new program does not begin until 2009, we believe our customers have already begun to factor the increased costs imposed by the program into their economic planning process. We believe the net effect of the program will be a negative factor weighing on Canadian oil and gas activity.

We expect most of our growth in 2008 and 2009 will come out of the international markets. We expect Eastern Hemisphere growth rates for 2008 to be similar to our growth rates achieved for 2007 as compared to 2006. Furthermore, we believe it is likely we will experience similar growth rates in 2009. We expect North Africa, Russia, Middle East, West Africa, China and Central Europe to show the largest year-on-year growth. In addition, we expect volume increases in Latin America with the larger growth improvements stemming from Brazil, Mexico, Venezuela and Argentina. Similar to the Eastern Hemisphere, we anticipate Latin America growth rates for 2008 and 2009 to approximate year-on-year growth rates achieved during 2007.

Pricing. The overall pricing outlook is positive. Pricing is trending upwards, concurrently with raw material and labor cost inflation. We expect pricing to remain positive throughout 2008, net of cost increases. Price improvements are being realized on a contract-by-contract basis and are occurring in different classes of products and service lines depending upon the region.

Overall, the level of improvements for our businesses for 2008 will continue to depend heavily on our ability to further penetrate existing markets with our younger technologies and to successfully introduce these technologies to new markets. The recruitment, training and retention of personnel will also be a critical factor in growing our business in 2008 and beyond. The continued strength of the industry will be highly dependent on many external factors, such as world economic and political conditions, member country quota compliance within OPEC and weather conditions. The extreme volatility of our markets makes predictions regarding future results difficult.

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Results of Operations

The following charts contain selected financial data comparing our consolidated and segment results from operations for 2007, 2006 and 2005. On August 31, 2005, we completed the acquisition of Precision Energy Services and Precision Drilling International, divisions of Precision Drilling Corporation. The results of operations from the acquired businesses are included in our results of operations from the date of acquisition; therefore, the year ended December 31, 2005 includes four months of activity from these acquired businesses.

Comparative Financial Data

	Year Ended December 31,		
	2007	2006	2005
	(In thousands, except percentages and per share data)		
Revenues:			
North America	$ 3,937,456	$ 3,672,630	$ 2,400,705
Latin America	882,318	726,197	423,974
Europe/West Africa/CIS	1,188,519	827,343	659,308
Middle East/North Africa/Asia	1,823,769	1,352,758	849,240
	7,832,062	6,578,928	4,333,227
Gross Profit%(a):	35.4%	36.0%	31.9%
Research and Development:	169,317	149,429	107,362
Selling, General and Administrative Attributable to Segments	850,359	746,386	535,465
Corporate General and Administrative	130,440	115,593	77,154
Exit Costs and Restructuring Charges			93,581
Operating Income (Expense):			
North America	1,012,402	1,035,804	509,290
Latin America	201,810	132,616	60,117
Europe/West Africa/CIS	293,823	171,437	121,179
Middle East/North Africa/Asia	416,058	279,852	158,109
Exit Costs and Restructuring Charges			(93,581)
Corporate and other(b)	(299,757)	(265,022)	(184,516)
	1,624,336	1,354,687	570,598
Gain on Sale of Universal Common Stock			115,456
Debt Redemption Expense			(4,733)
Interest Income	11,847	6,656	11,208
Interest Expense	(183,128)	(109,216)	(80,189)
Other, Net	(8,569)	(13,218)	19,777
Effective Tax Rate	23.0%	25.9%	25.5%
Income from Continuing Operations per Diluted Share	$ 3.14	$ 2.55	$ 1.48
Loss from Discontinued Operation, Net of Taxes	(21,369)	(9,737)	(2,675)
Net Income per Diluted Share	3.08	2.53	1.47
Depreciation and Amortization	606,226	482,948	334,330

(a)

During the year ended December 31, 2005, we incurred $20.7 million of inventory write-downs associated with our 2005 acquisition of Precision.

(b) Includes research and development expenses, which are not allocated geographically.

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Consolidated Revenues by Product Line

	Year Ended December 31,		
	2007	2006	2005
Artificial Lift Systems	18%	18%	21%
Well Construction	16	15	17
Drilling Services	15	15	12
Drilling Tools	12	12	13
Completion Systems	10	10	13
Wireline	8	10	7
Re-entry & Fishing	8	8	7
Stimulation & Chemicals	6	6	6
Integrated Drilling	5	5	2
Pipeline & Specialty Services	2	1	2
Total	100%	100%	100%

Company Results

Revenues

Consolidated revenues increased $1,253.1 million, or 19.0%, in 2007 as compared to 2006. The increase resulted primarily from organic growth as our businesses continued to benefit from increasing market activity and share gains. Approximately 79% of our revenue growth was derived from outside of North America. International revenues increased $988.3 million, or 34.0%, in 2007 as compared to 2006. This increase outpaced the 8% increase in average international rig count over the comparable period. Revenues from our drilling services, well construction and artificial lift product lines were strong contributors to the year-over-year increase.

Consolidated revenues increased $2,245.7 million, or 51.8%, in 2006 as compared to 2005. The 2005 acquisition of Precision Energy Services and Precision Drilling International contributed approximately $1,040 million of the increase. Excluding our acquisitions, the revenue increase was generated by increased volume through market share and activity improvement and increased pricing obtained through the renewal of long-term contracts.

Gross Profit

Our gross profit as a percentage of revenues declined marginally to 35.4% in 2007 from 36.0% in 2006. The decline in margin was driven by the downturn in the Canadian market experienced during 2007. This decline was offset by stronger contributions from our international markets, all of which increased their gross profit and margins year-over-year.

Our gross profit as a percentage of revenues increased from 31.9% in 2005 to 36.0% in 2006. This increase was primarily the result of the positive impact of higher base revenues to cover fixed costs, with additional contributions from stronger North America and international pricing. In addition, the year ended December 31, 2005 included inventory write downs of $20.7 million associated with our 2005 integration/reorganization plan.

Research and Development

Research and development expenses increased $19.9 million, or 13.3%, in 2007 as compared to 2006 and $42.1 million, or 39.2%, in 2006 as compared to 2005. Research and development expenses as a percentage of revenues were 2.2%, 2.3% and 2.5% in 2007, 2006 and 2005, respectively. Our 2005 acquisition accounted for approximately $40 million of the increase experienced during 2006. The remaining increases of research and development expenditures reflect our continued focus on developing and commercializing new technologies as well as investing in our core product offerings.

Selling, General and Administrative Attributable to Segments

Selling, general and administrative expenses attributable to segments increased $104.0 million, or 13.9%, in 2007 as compared to 2006, and $210.9 million, or 39.4%, in 2006 compared to 2005. Selling, general and administrative expenses as a percentage of revenues were 10.9%, 11.3% and 12.4% in 2007, 2006 and 2005, respectively. The percentage decline was due primarily to our higher revenue base to absorb fixed costs.

Corporate General and Administrative

Corporate general and administrative expenses increased $14.8 million, or 12.8%, from 2006 to 2007 and $38.4 million, or 49.8%, from 2005 to 2006. The current year increase is primarily attributable to approximately $13 million in costs incurred during the current year in connection with on-going investigations by the U.S. government (see Item 1A. Risk Factors-U.S. Government and Internal Investigations). Severance charges of approximately $15 million and $17 million were incurred during the years ended December 31, 2007 and 2006, respectively. The increase in corporate, general and administrative expenses from 2005 to 2006 was due to the $17 million in severance charges incurred during 2006 with the remainder of the increase primarily due to increased costs associated with higher employee compensation expense and professional services fees.

Exit Costs and Restructuring Charges

During 2005, we underwent both a restructuring related to our acquisition of Precision and reorganization activities related to our historical businesses, including a change in management, a change in regional structure and an evaluation of product lines. We incurred exit costs of $114.2 million related to this exit and reorganization. The charge included an inventory write-down of $20.7 million which has been recorded in Cost of Products and a remaining amount of $93.6 million which has been recorded as Exit Costs and Restructuring Charges in the accompanying Consolidated Statements of Income.

The 2005 integration and reorganization plans were substantially complete as of December 31, 2006. No additional costs were recorded during the years ended December 31, 2007 or 2006, and we do not anticipate future charges relating to these activities.

Gain on Sale of Universal Common Stock

We sold our remaining 6.75 million shares of Universal Compression common stock during 2005 for net proceeds of $276.8 million and recognized a gain of $115.5 million with no related tax impact.

Interest Expense

Interest expense increased $73.9 million, or 67.7%, in 2007 compared to 2006. The increase in interest expense was primarily attributable to an overall increase in our long-term debt combined with higher effective interest rates associated with the long-term debt. The incremental borrowings added during the current year were used to fund capital expenditures, to fund our current year acquisitions and to fund our acquisition of shares under our share repurchase program.

Interest expense increased $29.0 million, or 36.2%, in 2006 as compared to 2005. This increase was due primarily to our additional long-term debt issuances during 2006 used to fund our acquisition of shares under our share repurchase program and to fund current year acquisitions. The increase was partially offset by the settlement of our Zero Coupon Convertible Senior Debentures and the reduction of our outstanding debt balance with the proceeds received from the sale of our remaining investment in Universal Compression, which occurred in the third and fourth quarters of 2005, respectively.

Other, Net

Other, net increased $4.7 million from 2006 to 2007 and decreased $33.0 million from 2005 to 2006. The decrease from 2005 to 2006 was primarily a result of unfavorable changes in foreign currency exchange rates experienced during 2006. In addition, the year ended December 31, 2005 included equity in earnings of $9.5 million

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from our investment in Universal Compression. Our remaining interest in Universal Compression was sold in December of 2005.

Income Taxes

Our effective tax rates were 23.0% in 2007, 25.9% in 2006 and 25.5% in 2005. The decrease in our effective tax during 2007 as compared to 2006 was due to benefits realized from the refinement of our international tax structure and changes in our geographic earnings mix.

During 2006, we realized a tax benefit of $26.4 million related to the favorable settlement of certain foreign tax exposures, which lowered our effective rate for the period. During 2005, we incurred exit and restructuring charges and debt redemption expense of $119.0 million, $81.9 million net of tax, and a gain on our sale of Universal Compression common stock of $115.5 million with no related tax impact. We also incurred additional tax expense of $23.9 million associated with the impairment of certain foreign tax credits resulting from the integration of the Precision acquisition into our tax structure. On a net basis, these items and their associated income tax impact reduced our 2005 effective income tax rate.

Segment Results

North America

North America revenues increased $264.8 million, or 7.2%, in 2007 as compared to 2006. The increase in North America revenues was entirely attributable to the U.S. where the average rig count increased 7% over the same period. Our Canadian revenues decreased approximately 15% in 2007 as compared to 2006, which reflected the deterioration in drilling activity in the region. Canadian rig count over the comparable period decreased 27%. Revenues from our artificial lift, well construction, stimulation & chemicals and drilling services product lines were the strongest contributors to the year-over-year increase.

Operating income decreased $23.4 million, or 2.3%, from $1,035.8 million in 2006 to $1,012.4 million in 2007. Operating margins were 25.7% in 2007 compared to 28.2% in 2006. The decline in operating income and margin was the result of the adverse conditions experienced in the Canadian market during 2007, particularly in our services businesses which typically contribute higher margins.

North America revenues increased $1,271.9 million, or 53.0%, in 2006 as compared to 2005. The increase in North America revenues was primarily attributable to the U.S., which increased approximately 56% over 2005. This increase exceeded the 19% increase in U.S. rig count over the same period. Excluding revenues from acquisitions, North America revenues increased approximately 33% over the prior year. This region s increase outpaced the North America rig count increase of 15%. The increase in activity and pricing in the U.S. and Canadian markets were key contributors to revenue growth during 2006.

Operating income increased $526.5 million, or 103.4%, from $509.3 million in 2005 to $1,035.8 million in 2006. Operating margins were 28.2% in 2006 compared to 21.2% in 2005. The increase in operating income and margins was due primarily to the additional incremental revenues generated during 2006 to cover our fixed cost base. Our operating income for 2006 includes a full year of results from our acquisition of Precision Energy Services versus four months during 2005. In addition, 2005 operating results were negatively impacted by hurricane activity in the Gulf Coast region.

Latin America

Revenues in our Latin America segment increased $156.1 million, or 21.5%, in 2007 as compared to 2006. This increase outpaced the 10% increase in Latin American rig count over the comparable period. Revenues from our artificial lift, drilling tools and drilling services service lines were the strongest contributors to the year-over-year increase.

Operating income increased $69.2 million, or 52.2%, from $132.6 million in 2006 to $201.8 million in 2007. Operating margins were 22.9% in 2007 compared to 18.3% in 2006. The increase in operating income and margins was primarily attributable to the incremental revenues generated during the current year to cover our fixed cost base.

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Revenues in our Latin America segment increased $302.2 million, or 71.3%, in 2006 as compared to 2005. The revenue increase was partially attributable to increased activity in the region. Excluding acquisitions, Latin America revenues increased approximately $100 million, or 30%, over the prior year. This increase outpaced the 3% increase in Latin American rig count over the comparable period.

Operating income increased $72.5 million, or 120.6%, from $60.1 million in 2005 to $132.6 million in 2006. Operating margins were 14.2% in 2005 compared to 18.3% in 2006. The increase in operating income and margins was primarily attributable to the incremental revenues generated during 2006 through both acquisitions and organic growth combined with a shift to more service-based activity, which typically contributes higher margins.

Europe/West Africa/CIS

Revenues in our Europe/West Africa/CIS segment increased $361.2 million, or 43.7%, in 2007 as compared to 2006. The region contributed approximately 29% of our total revenue growth for 2007 and exceeded the 1% increase in average rig count in the region over the comparable period. Revenues from our well construction, drilling services and completion systems product lines were the strongest contributors to the year-over-year increase.

Operating income increased $122.4 million, or 71.4%, from $171.4 million in 2006 to $293.8 million in 2007. Operating margins were 24.7% in 2007 compared to 20.7% in 2006. This year-over-year improvement in operating income and margins was primarily the result of higher revenues during the current year absorbing the region s fixed cost base. In addition, the current year operating results includes our share in earnings from our equity investment in a Russian joint venture acquired in June 2007.

Revenues in our Europe/West Africa/CIS segment increased $168.0 million, or 25.5%, in 2006 as compared to 2005, which exceeded the 11% increase in average rig count in the region over the comparable period. Operating income increased $50.3 million, or 41.5%, from $121.2 million in 2005 to $171.4 million in 2006. Operating margins were 18.4% in 2005 compared to 20.7% in 2006. This year-over-year improvement in operating income and margins was primarily the result of higher revenues during the current year absorbing the region s fixed cost base.

Middle East/North Africa/Asia

Revenues in our Middle East/North Africa/Asia segment increased $471.0 million, or 34.8%, in 2007 as compared to 2006. This region contributed approximately 38% of our total revenue growth for 2007 and exceeded the average rig count increase of 9% for this region over the comparable period. Revenues from our drilling services, re-entry & fishing and well construction product lines were among the strongest contributors to the year-over-year increase.

Operating income increased $136.2 million, or 48.7%, from $279.9 million in 2006 to $416.1 million in 2007. Operating margins were 22.8% in 2007 compared to 20.7% in 2006. The increase in operating income and margins was due to the incremental revenues generated during the current period to cover our fixed cost base.

Revenues in our Middle East/North Africa/Asia segment increased $503.5 million, or 59.3%, in 2006 as compared to 2005. Excluding acquisitions, revenues increased approximately $250 million, or 34%, over the prior year. This increase exceeded the average rig count increase of 15% for this region over the comparable period.

Operating income increased $121.7 million, or 77.0%, from $158.1 million in 2005 to $279.9 million in 2006. Operating margins were 18.6% in 2005 compared to 20.7% in 2006. Similar to the increase experienced in the current year, operating income and margins were up due primarily to the incremental revenues generated, which helped cover our fixed cost base.

Discontinued Operations

Our discontinued operations consist of our oil and gas development and production company and our Gas Services International fabrication business. We had losses from our discontinued operations, net of taxes, of $21.4 million, $9.7 million and $2.7 million for the years ended 2007, 2006 and 2005, respectively.

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We had a loss from our oil and gas development and production company, net of taxes, of $21.4 million, $9.7 million and $3.9 million, respectively, for the years ended December 31, 2007, 2006, and 2005. The current year loss includes approximately $17 million, net of tax, for asset impairment charges related to write-downs of the operation s U.S. properties currently held for sale. We completed the sale of the operation s international properties in November 2007 and recorded a gain of approximately $5 million, net of tax, in connection with the sale.

We generated income from our fabrication business discontinued operation of $1.2 million, net of taxes, for the year ended December 31, 2005. The sale of the fabrication business was finalized in July 2005 for a gain of approximately $0.6 million.

Equity Investment Acquisition

We acquired a 33% ownership interest in Premier Business Solutions (PBS) in June 2007 for approximately $330 million. PBS conducts business in Russia and is the world s largest electric submersible pump manufacturer by volume. Subsequent to year-end, we sold our electrical submersible pumps product line to PBS.

Liquidity and Capital Resources

Sources of Liquidity

Our sources of liquidity include current cash and cash equivalent balances, cash generated from operations, and committed availabilities under our Revolving Credit Facility (defined below). In 2005, we also generated cash proceeds from the sale of our investment in Universal Compression Holdings, Inc. and non-core businesses. We also historically have accessed banks for short-term loans from uncommitted borrowing arrangements and the capital markets with debt, equity and convertible offerings. We maintain a shelf registration statement covering the future issuance of various types of securities, including debt, common shares, preferred shares and warrants.

Committed Borrowing Facility

We maintain a revolving credit agreement with a syndicate of banks of which JPMorgan Chase Bank is the Administrative Agent (Revolving Credit Facility). This facility allows for a combination of borrowings, support for our commercial paper program and issuances of letters of credit and expires in May 2011. The weighted average interest rate on the outstanding borrowings of this facility was 5.2% at December 31, 2007. The Revolving Credit Facility requires us to maintain a debt-to-capitalization ratio of less than 60% and contains other covenants and representations customary for an investment-grade commercial credit. We were in compliance with these covenants at December 31, 2007. The following is a recap of our availability under the Revolving Credit Facility at December 31, 2007 (in millions):

Facility amount	$ 1,500.0
Less uses of facility:	
Amount drawn	491.0
Commercial paper	191.6
Letters of credit	68.6
Availability	$ 748.8

Commercial Paper

We have a $1.5 billion commercial paper program under which we may from time to time issue short-term, unsecured notes. Our commercial paper issuances are supported by the Revolving Credit Facility. The weighted average interest rate related to outstanding commercial paper issuances at December 31, 2007 was 5.1%.

Cash Requirements

During 2008, we anticipate our cash requirements to include working capital needs, capital expenditures and the repurchase of our common shares, subject to market conditions, and business acquisitions. We anticipate funding these requirements from cash generated from operations and availability under our Revolving Credit

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Facility. In addition, we anticipate receiving approximately $200 million during the first quarter of 2008 from the sale of our electrical submersible pumps product line to PBS and from entering into a long-term joint venture with Qatar Petroleum Company.

Capital expenditures for 2008 are projected to be approximately $1.8 billion. The expenditures are expected to be used primarily to support the growth of our business and operations. Capital expenditures during the year ended December 31, 2007 were $1,568.0 million, net of proceeds from tools lost down hole of $67.0 million.

In December 2005, our board authorized us to repurchase up to $1.0 billion of our outstanding common shares. We may from time to time repurchase our common shares depending upon the price of our common shares, our liquidity and other considerations. During the year ended December 31, 2007, we repurchased 5.1 million of our common shares at an aggregate price of $246.2 million.

From time to time we acquire businesses or technologies that increase our range of products and services, expand our geographic scope or are otherwise strategic to our businesses. During the year ended December 31, 2007, we used approximately $275.1 million in cash, net of cash acquired, in business acquisitions.

Contractual Obligations

The following summarizes our contractual obligations and contingent commitments by period. The obligations we pay in future periods may vary from those reflected here due to certain assumptions including the duration of our obligations and anticipated actions by third parties.

		Payments Due by Period			
Obligations and Commitments	**Total**	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
			(In millions)		
Short-term debt	$ 762.6	$ 762.6	$	$	$
Long-term debt(a)	3,076.5	9.2	13.0	954.3	2,100.0
Interest on long-term debt	2,562.6	188.0	376.0	333.1	1,665.5
Noncancellable operating leases	345.7	71.8	91.5	51.9	130.5
Purchase obligations	280.0	280.0			
Total contractual obligations	$ 6,747.4	$ 1,031.6	$ 480.5	$ 1,339.3	$ 3,896.0

(a) Amounts represent the expected cash payments for our total debt and do not include any unamortized discounts or deferred gains on terminated interest rate swap agreements.

Due to the uncertainty with respect to the timing of future cash flows associated with the Company s unrecognized tax benefits at December 31, 2007, we are unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authorities. Therefore, unrecognized tax benefits, including interest and penalties, of $48.9 million have been excluded from the contractual obligations table above.

Senior Notes

On June 18, 2007, we completed a $1.5 billion long-term debt offering comprised of (i) $600 million of 5.95% senior notes due 2012 (5.95% Senior Notes), (ii) $600 million of 6.35% senior notes due 2017 (6.35% Senior Notes) and (iii) $300 million of 6.80% senior notes due 2037 (6.80% Senior Notes). Net proceeds of approximately $1.486 billion were used to repay outstanding borrowings on our commercial paper program and for general corporate purposes. Interest on these notes are due payable semi-annually on June 15 and December 15 of each year.

On August 7, 2006, we completed an offering of $600.0 million senior notes at a coupon rate of 6.50% (6.50% Senior Notes) with a maturity in August 2036. Net proceeds of $588.3 million were used to partially repay outstanding borrowings on our commercial paper program. Interest on the notes is payable semi-annually in arrears on February 1 and August 1 of each year.

On May 15, 2006, the stated maturity date, we repaid in full the outstanding $200.0 million of 7.25% Senior Notes plus all accrued interest.

On February 17, 2006, we completed an offering of $350.0 million of 5.50% senior notes due 2016 (5.50% Senior Notes). Interest on the notes is payable semi-annually in arrears on February 15 and August 15 of each year. Net proceeds from the offering were $346.2 million and were used to reduce borrowings on our commercial paper program.

Interest Rate Swaps

As of December 31, 2007 and 2006, we had net unamortized gains of $12.0 million and $14.3 million, respectively, associated with interest rate swap terminations. Our interest expense was reduced by $2.3 million, $4.0 million and $6.8 million for 2007, 2006 and 2005, respectively, as a result of our interest rate swap activity. There were no interest rate swap agreements outstanding as of December 31, 2007 and 2006.

Other Derivative Instruments

As of December 31, 2007 and 2006, we had several foreign currency forward contracts and one option contract with notional amounts aggregating $681.7 million and $271.0 million, respectively, which were entered into to hedge exposure to currency fluctuations in various foreign currencies, including, but not limited to, the British pound sterling, the Canadian dollar, the euro and the Norwegian krone. The total estimated fair value of these contracts at December 31, 2007 resulted in an asset of $2.4 million and at December 31, 2006 resulted in a liability of $1.0 million. These derivative instruments were not designated as hedges and the changes in fair value of the contracts are recorded each period in current earnings.

In addition, after the closing of the acquisition of Precision Energy Services and Precision Drilling International, we entered into a series of cross-currency swaps between the U.S. dollar and Canadian dollar to hedge certain exposures to the Canadian dollar created as a result of the acquisition. At December 31, 2007, we had notional amounts outstanding of $364.3 million. The total estimated fair value of these contracts at December 31, 2007 and 2006 resulted in a liability of $73.8 million and $11.1 million, respectively. These derivative instruments were not designated as hedges and the changes in fair value of the contracts are recorded each period in current earnings.

Warrant

On February 28, 2002, we issued Shell Technology Ventures Inc. a warrant to purchase up to 6.5 million common shares at a price of $30.00 per share. Effective July 12, 2006, this agreement was amended and restated to reflect, among other things, changes in our capital structure. The warrant remains exercisable until February 28, 2012 and is subject to adjustment for changes in our capital structure or the issuance of dividends in cash, securities or property. Upon exercise by the holder, settlement may occur through physical delivery, net share settlement, net cash settlement or a combination of those methods. The net cash settlement option upon exercise is at our sole discretion. In addition, the amended and restated warrant no longer contains a conversion feature, which previously allowed the warrant holder to convert the warrant into common shares. The amendment did not affect the accounting or classification of the warrant.

Pension Plans

We have defined benefit pension plans covering certain of our U.S. and international employees that provide various pension benefits. During 2007, we contributed $12.5 million towards those plans, and for 2008, we anticipate funding approximately $13.2 million through cash flows from operating activities.

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Zero Coupon Convertible Senior Debentures

On June 30, 2000, we completed the private placement of $910.0 million face amount of Zero Coupon Debentures. These debentures were issued at $501.6 million, providing the holders with an annual 3% yield to maturity. At June 30, 2005, the holders had the option to require us to repurchase the Zero Coupon Debentures at the accreted amount which was $582.2 million. In total, $11.0 million of face value for an aggregate accreted value of $7.1 million was put to us. We settled this obligation during July 2005 with cash on hand.

On July 28, 2005, we called for redemption on August 29, 2005 of all of the outstanding Zero Coupon Debentures. At their option, certain holders tendered for conversion an aggregate of $367.4 million principal amount at maturity. The debentures were converted to an aggregate of approximately 7.3 million of our common shares. We redeemed the remaining $531.6 million aggregate principal amount at maturity for a cost of $341.8 million.

Off Balance Sheet Arrangements

Guarantees

The following obligations of Weatherford International, Inc. (Issuer) were guaranteed by Weatherford International Ltd. (Parent) as of December 31, 2007: (i) the 6.625% Senior Notes, (ii) the 5.95% Senior Notes, (iii) the 6.35% Senior Notes, and (iv) the 6.80% Senior Notes.

The following obligations of the Parent were guaranteed by the Issuer as of December 31, 2007: (i) the Revolving Credit Facility, (ii) the 4.95% Senior Notes, (iii) the 5.50% Senior Notes, (iv) the 6.50% Senior Notes and (v) issuances of notes under the commercial paper program.

Letters of Credit

We execute letters of credit in the normal course of business. While these obligations are not normally called, these obligations could be called by the beneficiaries at any time before the expiration date should we breach certain contractual or payment obligations. As of December 31, 2007, we had $216.1 million of letters of credit and bid and performance bonds outstanding, consisting of $147.5 million outstanding under various uncommitted credit facilities and $68.6 million letters of credit outstanding under our committed facilities. If the beneficiaries called these letters of credit, the called amount would become an on-balance sheet liability, and our available liquidity would be reduced by the amount called.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operation is based upon our consolidated financial statements. We prepare these financial statements in conformity with U.S. generally accepted accounting principles. As such, we are required to make certain estimates, judgments 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 periods presented. We base our estimates on historical experience, available information and various other assumptions we believe to be reasonable under the circumstances. On an on-going basis, we evaluate our estimates; however, actual results may differ from these estimates under different assumptions or conditions. The accounting policies we believe require management s most difficult, subjective or complex judgments and are the most critical to our reporting of results of operations and financial position are as follows:

Business Combinations and Goodwill and Indefinite-Lived Intangible Assets

Goodwill and intangible assets acquired in connection with business combinations represent the excess of consideration over the fair value of tangible net assets acquired. Certain assumptions and estimates are employed in determining the fair value of assets acquired, the fair value of liabilities assumed, as well as in determining the allocation of goodwill to the appropriate reporting unit.

We perform an impairment test for goodwill and indefinite-lived intangible assets annually as of October 1, or earlier if indicators of potential impairment exist. Our goodwill impairment test involves a comparison of the fair value of each of our reporting units with their carrying value. Our impairment test for indefinite-lived intangible assets involves the comparison of the fair value of the intangible asset and its carrying value. The fair value is determined using discounted cash flows. Certain estimates and judgments are required in the application of these fair value models. The discounted cash flow analysis consists of estimating the future cash flows that are directly associated with each of our reporting units. These cash flows are inherently subjective and require significant estimates based upon historical experience and future expectations such as budgets and industry projections. We have determined no impairment exists; however, if for any reason the fair value of our goodwill or that of any of our reporting units or the fair value of our intangible assets with indefinite lives declines below the carrying value in the future, we may incur charges for the impairment. The amount of the impairment, if any, is then determined based on an allocation of the reporting unit fair values to individual assets and liabilities.

Long-Lived Assets

Long-lived assets, which includes property, plant and equipment and definite-lived intangibles, comprise a significant amount of our total assets. In accounting for long-lived assets, we must make estimates about the expected useful lives of the assets and the potential for impairment based on the fair value of the assets and the cash flows they are expected to generate. The value of the long-lived assets is then amortized over its expected useful life. A change in the estimated useful lives of our long-lived assets would have an impact on our results of operations. We estimate the useful lives of our long-lived asset groups as follows:

	Useful Lives
Buildings and leasehold improvements	5-40 years or lease term
Rental and service equipment	2-20 years
Machinery and other	2-12 years
Intangible assets	2-20 years

In estimating the useful lives of our property, plant and equipment, we rely primarily on our actual experience with the same or similar assets. The useful lives of our intangible assets are determined by the years over which we expect the assets to generate a benefit based on legal, contractual or regulatory terms.

Long-lived assets to be held and used by us are reviewed to determine whether any events or changes in circumstances indicate that we may not be able to recover the carrying amount of the asset. Factors that might indicate a potential impairment may include, but are not limited to, significant decreases in the market value of the long-lived asset, a significant change in the long-lived asset s physical condition, the introduction of competing technologies, legal challenges, a change in industry conditions or a reduction in cash flows associated with the use of the long-lived asset. If these or other factors exist that indicate the carrying amount of the asset may not be recoverable, we determine whether an impairment has occurred through the use of an undiscounted cash flow analysis. The undiscounted cash flow analysis consists of estimating the future cash flows that are directly associated with and expected to arise from the use and eventual disposition of the asset over its remaining useful life. These cash flows are inherently subjective and require significant estimates based upon historical experience and future expectations such as budgets and internal projections. If the undiscounted cash flows do not exceed the carrying value of the long-lived asset, an impairment has occurred, and we recognize a loss for the difference between the carrying amount and the estimated fair value of the asset. The fair value of the asset is measured using market prices, or in the absence of market prices, is based on an estimate of discounted cash flows. Cash flows are generally discounted at an interest rate commensurate with our weighted average cost of capital for a similar asset.

Employee Stock-Based Compensation

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 123 (Revised 2004) *Share-Based Payment* (SFAS No. 123R). SFAS No. 123R addresses the accounting for all share-based payment awards, including shares issued under employee stock purchase plans, stock options, restricted stock and stock appreciation rights. Under the new standard, companies are no longer able to account for share-based compensation transactions using the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*. Under the intrinsic method, no compensation expense is recognized when the exercise price of an employee stock option is equal to the common share market price on the grant date and all other factors of the grant are fixed. Under SFAS No. 123R, companies must account for share-based compensation transactions using a fair-value method and recognize the expense in the consolidated statement of income. Effective January 1, 2006, we adopted SFAS No. 123R using the modified-prospective transition method. Under this method, compensation cost is recognized for all awards granted, modified or settled after the adoption date as well as for any awards that were granted prior to the adoption date for which the requisite service has not yet been rendered.

Effective January 1, 2003, we adopted SFAS No. 123, *Accounting for Stock-Based Compensation* (SFAS No. 123), to expense the fair value of employee stock-based compensation for awards granted, modified or settled subsequent to December 31, 2002. We elected the prospective method of adoption, and under this method, the fair value of employee stock-based awards granted or modified subsequent to adoption is measured at the grant date and is recognized as an expense over the service period, which is usually the vesting period. Accordingly, the adoption of SFAS No. 123R s fair value method did not have a significant impact on our reported results of operations for the year ended December 31, 2006 as all of the grants issued prior to the adoption of SFAS No. 123 were fully vested in the prior year and the grants issued subsequent to January 1, 2003 are being expensed at their estimated fair value.

The fair value of each option is estimated using the Black-Scholes option pricing model. Key assumptions in the Black-Scholes option pricing model, some of which are based on subjective expectations, are subject to change. A change in one or more of these assumptions would impact the expense associated with future grants. These key assumptions include the volatility of our common shares, the risk-free interest rate and the expected life of options.

We used the following weighted average assumptions in the Black-Scholes option pricing model for determining the fair value of our 2006 and 2007 stock option grants:

	Expected Volatility	**Risk-Free Interest Rate**	**Expected Life**	**Dividends**
2006	36.2%	4.7%	5.0	None
2007	31.0%	4.5%	5.0	None

We calculated the expected volatility of options granted in 2007 using a blended rate based upon implied volatility calculated on actively traded options on our common shares and upon the historical volatility of our common shares. We calculated the expected volatility for options granted in 2006 by measuring the volatility of our historical stock price for a period equal to the expected life of the option and ending at the time the option was granted. We determined the risk-free interest rate based upon the interest rate on a U.S. Treasury Bill with a term equal to the expected life of the option at the time the option was granted. In estimating the expected lives of our stock options, we have relied primarily on our actual experience with our previous stock option grants. The expected life is less than the term of the option as option holders, in our experience, exercise or forfeit the options during the term of the option.

Pension and Other Postretirement Benefits

In September 2006, the FASB issued Statement No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)* (SFAS No. 158). Among other items, SFAS No. 158 requires recognition of the overfunded or underfunded status of an entity s defined benefit or postretirement plan as an asset or liability in the financial statements, requires the measurement of defined benefit or postretirement plan assets and obligations as of the end of the employer s fiscal year, and requires recognition of the previously deferred portion of defined benefit or postretirement plans in other comprehensive income.

Amounts recognized in the financial statements must be determined on an actuarial basis. Two of the more critical assumptions in the actuarial calculations are the discount rate for determining the current value of plan benefits and the expected rate of return on plan assets. Discount rates are based on the yields of government bonds or high quality corporate bonds in the respective country or economic market. The expected long-term rates of return on plan assets are based on a combination of historical experience and anticipated future returns in each of the asset categories. As we have both domestic and international plans, the assumptions, though the same in nature, are based on varying factors specific to each particular country or economic environment. Changes in any of the assumptions used could impact our projected benefit obligations and benefit costs as well as other pension and postretirement benefit calculations.

Due to the significance of the discount rates and expected long-term rates of return, the following sensitivity analysis demonstrates the effect that a 50 basis point change in those assumptions will have on annual pension expense:

	Increase (Decrease) of Annual Pension Expense	
	50 Basis Point Increase	50 Basis Point Decrease
	(In millions)	
Discount rate	$ (1.3)	$ 1.6
Expected long-term rate of return	$ (0.8)	$ 0.8

Income Taxes

We provide for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes.* This standard takes into account the differences between the financial statement treatment and tax treatment of certain transactions. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates is recognized as income or expense in the period that includes the enactment date. Our effective tax rates for 2007, 2006 and 2005 were 23.0%, 25.9% and 25.5%, respectively.

Effective January 1, 2007, we adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109* (FIN No. 48). FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements and prescribes a recognition threshold and measurement attributes of income tax positions taken or expected to be taken on a tax return. Under FIN No. 48, the impact of an uncertain tax position taken or expected to be taken on an income tax return must be recognized in the financial statements at the largest amount that is more-likely-than-not to be sustained upon examination by the relevant taxing authority.

We operate in approximately 100 countries through various legal entities. As a result, we are subject to numerous domestic and foreign tax jurisdictions and tax agreements and treaties among the various taxing authorities. Our operations in these jurisdictions are taxed on various bases: income before taxes, deemed profits (which is generally determined using a percentage of revenues rather than profits) and withholding taxes based on revenue. The calculation of our tax liabilities involves consideration of uncertainties in the application and interpretation of complex tax regulations in a multitude of jurisdictions across our global operations. We recognize potential liabilities and record tax liabilities for anticipated tax audit issues in the U.S. and other tax jurisdictions based on our estimate of whether, and the extent to which, additional taxes will be due. The tax liabilities are reflected net of realized tax loss carryforwards. We adjust these reserves upon specific events; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is different from our current estimate of the tax liabilities. If our estimate of tax liabilities proves to be less than the ultimate assessment, an additional charge to expense would result. If payment of these amounts ultimately proves to be less than the recorded amounts, the reversal of the liabilities would result in tax benefits being recognized in the period when the contingency has been resolved and the liabilities are no longer necessary. If the tax liabilities relate to tax uncertainties existing at the date of the acquisition of a business, the adjustment of such tax liabilities will result in an adjustment to the goodwill recorded at the date of acquisition. Changes in tax laws, regulations, agreements and treaties, foreign currency exchange restrictions or our level of operations or profitability in each taxing jurisdiction could have an impact upon the amount of income taxes that we provide during any given year.

Valuation Allowance for Deferred Tax Assets

We record a valuation allowance to reduce the carrying value of our deferred tax assets when it is more likely than not that a portion or all of the deferred tax assets will expire before realization of the benefit or that future deductibility is not probable. The ultimate realization of the deferred tax assets depends on the ability to generate sufficient taxable income of the appropriate character and in the related jurisdiction in the future. In evaluating our ability to recover our deferred tax assets, we consider all reasonably available positive and negative evidence, including our past operating results, the existence of cumulative losses in the most recent years and our forecast of future taxable income. In estimating future taxable income, we develop assumptions, including the amount of future state, federal and international pretax operating income, the reversal of temporary differences and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment.

We have identified various domestic and international tax planning strategies that we would implement, if necessary, to enable the realization of our deferred tax assets; however, when the likelihood of the realization of existing deferred tax assets changes, adjustments to the valuation allowance are charged to our income tax provision in the period in which the determination is made.

As of December 31, 2007, our net deferred tax assets were $66.3 million before a related valuation allowance of $61.6 million. As of December 31, 2006, our net deferred tax assets were $90.0 million excluding a related valuation allowance of $51.8 million.

For a more comprehensive list of our accounting policies, see Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note 1.

New Accounting Pronouncements

In June 2006, the FASB ratified the consensus reached on Emerging Issues Task Force Issue No. 06-3 (EITF 06-3), How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation). EITF 06-3 requires a company to disclose its policy regarding the presentation of tax receipts on the face of the income statement. The scope of this guidance includes any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between a seller and a customer and may include, but is not limited to, sales, use, value added, and some excise taxes. The provisions of EITF 06-3 are effective for periods beginning after December 15, 2006. Therefore, we adopted EITF 06-3 on January 1, 2007. We present taxes collected from customers on a net basis.

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* (SFAS No. 157), which defines fair value, established a framework for measuring fair value under generally accepted accounting principles (GAAP) and expands disclosures about fair value measurements. SFAS No. 157 applies to other accounting pronouncements that require or permit fair value measurements. The new guidance is effective for financial statements issued for fiscal years beginning after November 15, 2007, and for interim periods within those fiscal years. We are currently evaluating the potential impact, if any, of the adoption of SFAS No. 157 on our consolidated financial position, results of operations and cash flows.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159). This standard allows companies to elect to follow fair value accounting for certain financial assets and liabilities in an effort to mitigate volatility in earnings without having to apply complex hedge accounting provisions. SFAS No. 159 is applicable only to certain financial instruments and is effective for fiscal years beginning after November 15, 2007. We are currently evaluating the potential impact, if any, of the adoption of SFAS No. 159 on our consolidated financial position, results of operations and cash flows.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* (SFAS No. 141R). SFAS No. 141R establishes principles and requirements for how a company recognizes assets acquired, liabilities assumed, contractual contingencies and contingent consideration measured at fair value at the acquisition date. The Statement also establishes disclosure requirements which will enable users to evaluate the nature and financial effect of the business combination. SFAS No. 141R is effective for business combinations completed in fiscal years beginning after December 15, 2008.

In December 2007, the FASB issued SFAS No. 160 *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51* (SFAS No. 160). SFAS No. 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent s ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. The Statement also establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interest of the parent and the interest of the noncontrolling owners. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008. We are currently evaluating the impact that the adoption of SFAS No. 160 will have on our financial position, results of operation and cash flows.

Item 7A. *Quantitative and Qualitative Disclosure About Market Risk*

We are currently 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, but we do not enter into derivative transactions for speculative purposes. A discussion of our market risk exposure in these financial instruments follows.

Foreign Currency Exchange Rates

We operate in virtually every oil and natural gas exploration and production region in the world. In some parts of the world, such as the Middle East and Southeast Asia, the currency of our primary economic environment is the U.S. dollar. We use this as our functional currency. In other parts of the world, we conduct our business in currencies other than the U.S. dollar and the functional currency is the applicable local currency. In those countries in which we operate in the local currency, the effects of foreign currency fluctuations are largely mitigated because local expenses of such foreign operations are also generally denominated in the same currency.

Assets and liabilities of which the functional currency is the local currency are translated into U.S. dollars using the exchange rates in effect at the balance sheet date, resulting in translation adjustments that are reflected as Accumulated Other Comprehensive Income in the shareholders equity section on our Consolidated Balance Sheets. A portion of our net assets are impacted by changes in foreign currencies in relation to the U.S. dollar. We recorded a $334.2 million adjustment to increase our equity account for the year ended December 31, 2007 to reflect the net impact of the strengthening of various foreign currencies against the U.S. dollar.

As of December 31, 2007 and 2006, we had several foreign currency forward contracts and one option contract with notional amounts aggregating $681.7 million and $271.0 million, respectively, which were entered into to hedge exposure to currency fluctuations in various foreign currencies, including, but not limited to, the British pound sterling, the Canadian dollar, the euro and the Norwegian krone. The total estimated fair value of these contracts at December 31, 2007 resulted in an asset of $2.4 million and at December 31, 2006, resulted in a liability of $1.0 million. These derivative instruments were not designated as hedges and the changes in fair value of the contracts are recorded each period in current earnings.

In addition, after the closing of the acquisition of Precision Energy Services and Precision Drilling International, we entered into a series of cross-currency swaps between the U.S. dollar and Canadian dollar to hedge certain exposures to the Canadian dollar created as a result of the acquisition. At December 31, 2007, we had notional amounts outstanding of $364.3 million. The estimated fair value of these contracts at December 31, 2007 and 2006 resulted in a liability of $73.8 million and $11.1 million, respectively. These derivative instruments were not designated as hedges and the changes in fair value of the contracts are recorded each period in current earnings.

Interest Rates

We are subject to interest rate risk on our long-term fixed-interest rate debt and variable-interest rate borrowings. Variable rate debt, where the interest rate fluctuates periodically, exposes us to short-term changes in market interest rates. Fixed rate debt, where the interest rate is fixed over the life of the instrument, exposes us to changes in market interest rates reflected in the fair value of the debt and to the risk that we may need to refinance maturing debt with new debt at a higher rate. All other things being equal, the fair value of our fixed rate debt will increase or decrease as interest rates change.

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Our long-term borrowings that were outstanding at December 31, 2007 subject to interest rate risk consist of the following:

	December 31, 2007		December 31, 2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In millions)			
6.625% Senior Notes due 2011	$ 355.6	$ 369.0	$ 356.9	$ 368.8
5.95% Senior Notes due 2012	598.9	617.6		
4.95% Senior Notes due 2013	254.7	245.0	255.4	245.2
5.50% Senior Notes due 2016	348.7	337.8	348.6	339.9
6.35% Senior Notes due 2017	599.5	623.9		
6.50% Senior Notes due 2036	595.8	597.6	595.7	619.5
6.80% Senior Notes due 2037	298.1	312.8		

We have various other long-term debt instruments of $21.6 million at December 31, 2007, but believe the impact of changes in interest rates in the near term will not be material to these instruments. Short-term borrowings of $762.6 million at December 31, 2007 approximate fair value.

As it relates to our variable rate debt, if market interest rates average 1.0% more in 2008 than the rates as of December 31, 2007, interest expense for 2008 would increase by $7.8 million. This amount was determined by calculating the effect of the hypothetical interest rate on our variable rate debt. This sensitivity analysis assumes there are no changes in our financial structure.

Interest Rate Swaps

We manage our debt portfolio to achieve an overall desired position of fixed and floating rates and 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. The counterparties to our interest rate swaps are multinational commercial banks. In light of recent 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.

We have used interest rate swaps to take advantage of available short-term interest rates. Amounts received upon termination of the swaps 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 being amortized as a reduction to interest expense over the remaining term of the debt.

As of December 31, 2007 and 2006, we had net unamortized gains of $12.0 million and $14.3 million, respectively, associated with interest rate swap terminations. Our interest expense was reduced by $2.3 million and $4.0 million for the years ended December 31, 2007 and 2006, respectively. There were no interest rate swap agreements outstanding as of December 31, 2007.

Item 8. ***Financial Statements and Supplementary Data***

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

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MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in the Securities Exchange Act of 1934 Rule 13a-15(f). The Company s internal controls were designed to provide reasonable assurance as to the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

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

Management assessed the effectiveness of the Company s internal control over financial reporting as of December 31, 2007. In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control-Integrated Framework*. Based on this assessment, management concluded that as of December 31, 2007 the Company s internal control over financial reporting is effective.

The effectiveness of the Company s internal control over financial reporting as of December 31, 2007, has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of
Weatherford International Ltd. and Subsidiaries

We have audited Weatherford International Ltd s internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Weatherford International Ltd s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

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

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

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

In our opinion, Weatherford International Ltd. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007 based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Weatherford International Ltd. and Subsidiaries as of December 31, 2007 and 2006 and the related consolidated statements of income, shareholders equity, and cash flows for each of the three years in the period ended December 31, 2007, and our report dated February 20, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Houston, Texas
February 20, 2008

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of
Weatherford International Ltd. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Weatherford International Ltd. and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, shareholders equity, and cash flows for each of the three years in the period ended December 31, 2007. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Weatherford International Ltd and subsidiaries at December 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the years in the period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2007, the Company adopted FASB Interpretations FIN 48: *Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109* and, as discussed in Note 17, effective December 31, 2006 the Company adopted Statement of Financial Accounting Standards No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R).*

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Weatherford International Ltd. s internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 20, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Houston, Texas
February 20, 2008

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WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31, 2007	December 31, 2006
	(In thousands, except par value)	
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 170,714	$ 126,287
Accounts Receivable, Net of Allowance for Uncollectible Accounts of $13,760 in 2007 and $13,452 in 2006	1,961,854	1,560,849
Inventories	1,607,684	1,239,034
Current Deferred Tax Assets	165,508	144,833
Other Current Assets	566,009	320,772
	4,471,769	3,391,775
Property, Plant and Equipment, at Cost:		
Land, Buildings and Leasehold Improvements	557,081	433,671
Rental and Service Equipment	3,984,942	2,813,739
Machinery and Other	2,011,884	1,657,038
	6,553,907	4,904,448
Less: Accumulated Depreciation	2,400,062	1,925,177
	4,153,845	2,979,271
Goodwill	3,358,490	3,000,589
Other Intangible Assets, Net	596,999	599,828
Equity Investments	368,618	31,175
Other Assets	241,236	136,610
	$ 13,190,957	$ 10,139,248
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities:		
Short-term Borrowings and Current Portion of Long-term Debt	$ 774,220	$ 648,736
Accounts Payable	612,775	509,942
Accrued Salaries and Benefits	239,870	240,327
Foreign Income Taxes Payable	105,982	217,815
Other Current Liabilities	469,518	426,325
	2,202,365	2,043,145

Long-term Debt	3,066,335	1,564,600
Deferred Tax Liabilities	197,494	136,208
Other Liabilities	318,044	220,496
Shareholders Equity:		
Common Shares, $1 Par Value, Authorized 1,000,000 Shares, Issued 363,602 and 361,921 Shares, Respectively	363,602	361,921
Capital in Excess of Par Value	4,359,349	4,275,534
Treasury Shares, Net	(924,202)	(681,116)
Retained Earnings	3,170,182	2,099,307
Accumulated Other Comprehensive Income	437,788	119,153
	7,406,719	6,174,799
	$ 13,190,957	$ 10,139,248

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

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WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31, 2007	2006	2005
	(In thousands, except per share amounts)		
Revenues:			
Products	$ 2,983,427	$ 2,490,059	$ 1,856,278
Services	4,848,635	4,088,869	2,476,949
	7,832,062	6,578,928	4,333,227
Costs and Expenses:			
Cost of Products	2,087,296	1,731,373	1,301,738
Cost of Services	2,970,314	2,481,460	1,647,329
Research and Development	169,317	149,429	107,362
Selling, General and Administrative Attributable to Segments	850,359	746,386	535,465
Corporate General and Administrative	130,440	115,593	77,154
Exit Costs and Restructuring Charges			93,581
	6,207,726	5,224,241	3,762,629
Operating Income	1,624,336	1,354,687	570,598
Other Income (Expense):			
Gain on Sale of Universal Common Stock			115,456
Interest Income	11,847	6,656	11,208
Interest Expense	(183,128)	(109,216)	(80,189)
Debt Redemption Expense			(4,733)
Other, Net	(8,569)	(13,218)	19,777
Income from Continuing Operations Before Income Taxes and Minority Interest	1,444,486	1,238,909	632,117
Provision for Income Taxes	(332,760)	(321,473)	(161,205)
Income from Continuing Operations Before Minority Interest	1,111,726	917,436	470,912
Minority Interest, Net of Taxes	(19,751)	(11,330)	(817)
Income from Continuing Operations	1,091,975	906,106	470,095
Loss from Discontinued Operations, Net of Taxes	(21,369)	(9,737)	(2,675)
Net Income	$ 1,070,606	$ 896,369	$ 467,420
Basic Earnings Per Share:			
Income from Continuing Operations	$ 3.23	$ 2.62	$ 1.57
Loss from Discontinued Operations	(0.07)	(0.03)	(0.01)
Net Income	$ 3.16	$ 2.59	1.56

Diluted Earnings Per Share:						
Income from Continuing Operations	$	3.14	$	2.55	$	1.48
Loss from Discontinued Operations		(0.06)		(0.02)		(0.01)
Net Income	$	3.08	$	2.53	$	1.47
Weighted Average Shares Outstanding:						
Basic		338,516		346,123		300,336
Diluted		347,758		354,832		322,286

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WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

	Common Shares $1 Par	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Shares: Shares	Treasury Shares: Share Value	Deferred Compensation	Total Shareholde Equity
	(In thousands, except par value)							
ance at December 31, 4	$ 290,558	$ 2,386,086	$ 735,518	$ 129,291	(18,088)	$ (244,533)	$ 16,469	$ 3,313,3
nprehensive Income:								
Income			467,420					467,4
eign Currency nslation Adjustment				(23,856)				(23,8
sion Liability ustment, Net of Tax				(8,880)				(8,8
ealized Loss on ivative Instruments, of Tax				(4,180)				(4,1
lized Loss on ivative Instruments, of Tax				277				2
nprehensive Income ss)			467,420	(36,639)				430,7
res Issued in uisition	52,000	1,346,020						1,398,0
nversion of Zero pon Convertible ior Debentures	7,346	228,845						236,1
ity Awards Granted, ted and Exercised	9,069	130,907			6,064	74,971		214,9
ess Tax Benefit of re-Based npensation Plans		72,507						72,5
er					165	(473)	1,455	9
ance at December 31, 5	358,973	4,164,365	1,202,938	92,652	(11,859)	(170,035)	17,924	5,666,8
nprehensive Income:								
Income			896,369					896,3
eign Currency nslation Adjustment				45,445				45,4
				3,292				3,2

sion Liability ustment, Net of Tax								
ealized Gain on ivative Instruments, of Tax				4,693				4,69
lized Loss on ivative Instruments, of Tax				134				1:
nprehensive Income			896,369	53,564				949,9:
ustment to Initially oly FASB Statement 158, Net of Tax				(27,063)				(27,06
estiture of Subsidiary res		5,336						5,3:
chase of Treasury res					(12,525)	(548,575)		(548,5'
ity Awards Granted, ted and Exercised	2,948	87,087			2,113	18,176		108,2
ess Tax Benefit of re-Based npensation Plans		14,121						14,1:
er		4,625			139	1,535	(141)	6,0
ance at December 31, 6	361,921	4,275,534	2,099,307	119,153	(22,132)	(698,899)	17,783	6,174,79
nprehensive Income:								
Income			1,070,606					1,070,60
eign Currency nslation Adjustment				334,217				334,2
ined Benefit Pension ns, Net of Tax				(15,736)				(15,7:
lized Loss on ivative Instruments, of Tax				154				1:
nprehensive Income			1,070,606	318,635				1,389,2
chase of Treasury res					(5,112)	(246,190)		(246,1!
ity Awards Granted, ted and Exercised	1,681	53,712			2,751	2,733		58,1:
ess Tax Benefit of re-Based npensation Plans		28,895						28,8!
option of FIN No. 48			269					2(
er		1,208			(16)	(2,886)	3,257	1,5'
ance at December 31, 7	$ 363,602	$ 4,359,349	$ 3,170,182	$ 437,788	(24,509)	$ (945,242)	$ 21,040	$ 7,406,7

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

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WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2007	2006	2005
	(In thousands)		
Cash Flows From Operating Activities:			
Net Income	$ 1,070,606	$ 896,369	$ 467,420
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Operating Activities:			
Depreciation and Amortization	606,226	482,948	334,330
Gain on Sale of Universal Common Stock			(115,456)
(Gain) Loss on Sale of Assets and Businesses, Net	(41,185)	(42,232)	6,625
Loss from Discontinued Operation	21,369	9,737	2,675
Employee Stock-Based Compensation Expense	64,901	62,739	28,948
Excess Tax Benefits from Share-Based Compensation	(28,895)	(14,121)	
Minority Interest	19,751	11,330	817
Non-cash Portion of Exit Costs and Restructuring Charges			65,200
Amortization of Original Issue Discount			11,432
Debt Redemption Expense			4,733
Deferred Income Tax Provision	28,873	48,413	30,816
Other, Net	4,608	5,760	(13,867)
Change in Operating Assets and Liabilities, Net of Effect of Businesses Acquired:			
Accounts Receivable	(296,120)	(299,335)	(244,947)
Inventories	(417,305)	(338,323)	(150,762)
Other Current Assets	(45,794)	(66,561)	3,543
Accounts Payable	74,815	27,018	31,074
Accrued Current Liabilities	(108,362)	255,009	140,228
Other, Net	(70,833)	55,155	(95,287)
Net Cash Provided by Operating Activities-Continuing Operations	882,655	1,093,906	507,522
Net Cash Used by Operating Activities-Discontinued Operations	(10,149)	(6,887)	(4,428)
Net Cash Provided by Operating Activities	872,506	1,087,019	503,094
Cash Flows from Investing Activities:			
Acquisitions of Businesses, Net of Cash Acquired	(275,149)	(194,314)	(991,067)
Capital Expenditures for Property, Plant and Equipment for Continuing Operations	(1,635,041)	(1,051,100)	(522,841)
Acquisition of Intellectual Property	(23,035)	(31,201)	(13,423)
(Purchase) Sale of Equity Investments in Unconsolidated Affiliates	(335,220)	14,240	(16,424)

Proceeds from Sale of Universal Common Stock			276,750
Proceeds from Sale of Assets and Businesses, Net	84,476	39,860	15,874
Other Investing Activities	(38,500)		
Net Cash Used by Investing Activities-Continuing Operations	(2,222,469)	(1,222,515)	(1,251,131)
Net Cash Used by Investing Activities-Discontinued Operations	(10,579)	(19,984)	(3,777)
Net Cash Used by Investing Activities	(2,233,048)	(1,242,499)	(1,254,908)
Cash Flows From Financing Activities:			
Borrowings of (Repayments on) Short-term Debt, Net	117,865	(109,490)	731,132
Borrowings of Long-term Debt	1,488,934	947,820	3,259
Repayments on Long-term Debt	(18,171)	(215,805)	(5,633)
Redemption of Convertible Debentures			(348,816)
Purchase of Treasury Shares	(246,190)	(548,575)	
Proceeds from Exercise of Stock Options	34,192	55,438	191,127
Excess Tax Benefits from Share-Based Compensation	28,895	14,121	
Other Financing Activities, Net	(3,896)	1,603	(960)
Net Cash Provided by Financing Activities-Continuing Operations	1,401,629	145,112	570,109
Net Cash Provided by Financing Activities-Discontinued Operations			
Net Cash Provided by Financing Activities	1,401,629	145,112	570,109
Effect of Exchange Rate Changes on Cash and Cash Equivalents			