Weatherford International Ltd./Switzerland
Form 10-Q/A
April 14, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q/A
(AMENDMENT NO. 1)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2010

OR

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

WEATHERFORD INTERNATIONAL LTD.
(Exact name of registrant as specified in its charter)
001-34258
(Commission file number)

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

Registrant s telephone number, including area code: 41.22.816.1500
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (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 Exchange Act). Yes o No þ

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

As of April 23, 2010, there were 740,659,690 shares of Weatherford registered shares, 1.16 Swiss francs par value per share, outstanding.

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EXPLANATORY NOTE

Weatherford International Ltd. (the Company) is filing this Amendment No. 1 to its Quarterly Report on Form 10-Q for the quarter ended March 31, 2010, which was originally filed on May 3, 2010 (the Form 10-Q), to restate financial information for the three months ended March 31, 2010 and 2009 due to errors in the Company s accounting for income taxes. The Company s management identified a related material weakness with respect to its internal control over financial reporting for income taxes. Disclosures related to these matters are included in Part I, Item 4, under Evaluation of Disclosure Controls and Procedures, which describes the material weakness and management s conclusion that our internal control over financial reporting for income taxes was not effective as of March 31, 2010. In addition, further details on the adjustments are included in Part I, Item 1. Financial Statements, under Note 2. Restatement of Condensed Consolidated Financial Statements .

For convenience of the reader, this Amendment No. 1 sets forth the Form 10-Q in its entirety, as modified and superseded where necessary to reflect the restatement. The following items have been amended principally as a result of, and to reflect, the restatement:

- Part I Item 1. Financial Statements;
- Part I Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations;
- Part I Item 4. Controls and Procedures;
- Part II Item 1A. Risk Factors; and
- Part II Item 6. Exhibits

This Amendment No. 1 amends only the portions of the Form 10-Q listed in the sections noted above. The Risk Factors, Forward-Looking Statements and our Disputes, Litigation and Contingencies financial statement footnote included within this document have been updated consistent with the disclosures contained in the Form 10-K for the year ended December 31, 2010, originally filed March 8, 2011 and subsequently amended on March 11, 2011 and April 14, 2011. The remainder of the Form 10-Q is substantially unchanged, but is reproduced in this Amendment No. 1 for convenience. With the exception of the updated Risk Factors, Forward-Looking Statements and the Disputes, Litigation and Contingencies financial statement footnote, this Amendment No. 1 does not reflect events occurring after the original filing date of the Form 10-Q other than those associated with the restatement.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

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

	March 31, 2010 (Restated) (unaudited)	December 31, 2009 (Restated)
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 207,099	$ 252,519
Accounts Receivable, Net of Allowance for Uncollectible Accounts of $21,847 and $20,466, Respectively	2,654,568	2,510,948
Inventories	2,315,337	2,238,294
Current Deferred Tax Assets	258,790	259,077
Other Current Assets	665,541	721,115
Total Current Assets	6,101,335	5,981,953
Property, Plant and Equipment, Net of Accumulated Depreciation of $3,604,422 and $3,440,448, Respectively	6,881,544	6,989,379
Goodwill	4,141,362	4,156,105
Other Intangible Assets, Net of Accumulated Amortization of $380,164 and $359,052, Respectively	754,828	772,786
Equity Investments	533,248	533,138
Other Assets	313,459	263,329
Total Assets	$ 18,725,776	$ 18,696,690
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities:		
Short-term Borrowings and Current Portion of Long-term Debt	$ 991,440	$ 869,581
Accounts Payable	1,121,175	1,002,359
Income Tax Payable	171,586	201,647
Other Current Liabilities	836,647	927,113
Total Current Liabilities	3,120,848	3,000,700
Long-term Debt	5,844,610	5,847,258
Other Liabilities	372,873	410,359
Total Liabilities	9,338,331	9,258,317
Shareholders Equity:		
Shares, CHF 1.16 Par Value, Authorized 1,093,303 Shares, Conditionally Authorized 364,434 Shares, Issued 758,447 Shares at March 31, 2010 and at December 31, 2009	761,077	761,077
Capital in Excess of Par Value	4,640,579	4,642,800

Treasury Shares, Net	(573,847)	(616,048)
Retained Earnings	4,388,413	4,456,770
Accumulated Other Comprehensive Income	94,260	114,742
Weatherford Shareholders Equity	9,310,482	9,359,341
Noncontrolling Interests	76,963	79,032
Total Shareholders Equity	9,387,445	9,438,373
Total Liabilities and Shareholders Equity	$ 18,725,776	$ 18,696,690

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

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

	Three Months Ended March 31, 2010 (Restated)	Three Months Ended March 31, 2009 (Restated)
Revenues:		
Products	$ 781,056	$ 742,900
Services	1,550,011	1,511,731
	2,331,067	2,254,631
Costs and Expenses:		
Cost of Products	573,797	567,256
Cost of Services	1,178,663	971,356
Research and Development	48,857	49,021
Selling, General and Administrative Attributable to Segments	337,936	309,081
Corporate General and Administrative	84,253	52,631
	2,223,506	1,949,345
Operating Income	107,561	305,286
Other Expense:		
Interest Expense, Net	(95,339)	(91,063)
Devaluation of Venezuelan Bolivar	(63,859)	
Other, Net	(9,218)	(13,539)
Income (Loss) Before Income Taxes	(60,855)	200,684
Provision for Income Taxes	(3,467)	(63,818)
Net Income (Loss)	(64,322)	136,866
Net Income Attributable to Noncontrolling Interests	(4,035)	(8,858)
Net Income (Loss) Attributable to Weatherford	$ (68,357)	$ 128,008
Earnings (Loss) Per Share Attributable to Weatherford:		
Basic	$ (0.09)	$ 0.18
Diluted	$ (0.09)	$ 0.18
Weighted Average Shares Outstanding:		
Basic	737,865	698,327
Diluted	737,865	702,636

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

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

	Three Months Ended March 31, 2010 (Restated)	Three Months Ended March 31, 2009 (Restated)
Cash Flows from Operating Activities:		
Net Income (Loss)	$ (64,322)	$ 136,866
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	249,705	201,394
Employee Share-Based Compensation Expense	22,974	26,429
Deferred Income Tax Benefit	(91,651)	(27,593)
Devaluation of Venezuelan Bolivar	63,859	
Supplemental Executive Retirement Plan	38,021	
Revaluation of Contingent Consideration	11,010	
Other, Net	7,646	4,486
Change in Operating Assets and Liabilities, Net of Effect of Businesses Acquired		
Accounts Receivable	(211,917)	154,317
Inventories	(99,094)	(148,214)
Accounts Payable	128,522	53,453
Other	(49,797)	(234,480)
Net Cash Provided by Operating Activities	4,956	166,658
Cash Flows from Investing Activities:		
Capital Expenditures for Property, Plant and Equipment	(231,087)	(583,719)
Acquisitions of Businesses, Net of Cash Acquired	(46,579)	(7,094)
Acquisition of Intellectual Property	(6,072)	(10,196)
Acquisition of Equity Investments in Unconsolidated Affiliates		(26,509)
Proceeds from Sale of Assets and Businesses, Net	87,790	30,616
Other Investing Activities	41,840	
Net Cash Used by Investing Activities	(154,108)	(596,902)
Cash Flows from Financing Activities:		
Borrowings (Repayments) of Short-term Debt, Net	122,746	(873,938)
Borrowings (Repayments) of Long-term Debt, Net	(2,113)	1,231,209
Other Financing Activities, Net	3,227	(3,883)
Net Cash Provided by Financing Activities	123,860	353,388
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(20,128)	174
Net Decrease in Cash and Cash Equivalents	(45,420)	(76,682)
Cash and Cash Equivalents at Beginning of Period	252,519	238,398

Cash and Cash Equivalents at End of Period	$ 207,099	$ 161,716
Supplemental Cash Flow Information:		
Interest Paid	$ 139,597	$ 98,725
Income Taxes Paid, Net of Refunds	90,735	128,632

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

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

	Three Months Ended March 31, 2010 (Restated)	2009 (Restated)
Net Income (Loss)	$ (64,322)	$ 136,866
Other Comprehensive Income:		
Curtailment of Supplemental Executive Retirement Plan	45,237	
Amortization of Pension Components	1,513	1,180
Foreign Currency Translation Adjustment	(67,387)	(50,060)
Other	155	151
Comprehensive Income (Loss)	(84,804)	88,137
Comprehensive Income Attributable to Noncontrolling Interests	(4,035)	(8,737)
Comprehensive Income (Loss) Attributable to Weatherford	$ (88,839)	$ 79,400

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

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

1. General

The accompanying unaudited condensed consolidated financial statements of Weatherford International Ltd. and all majority-owned subsidiaries (the Company) are prepared in accordance with U.S. generally accepted accounting principles and include all adjustments of a normal recurring nature which, in the opinion of management, are necessary to present fairly our Condensed Consolidated Balance Sheet at March 31, 2010, Condensed Consolidated Statements of Income, Condensed Consolidated Statements of Comprehensive Income and Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2010 and 2009. Although we believe the disclosures in these financial statements are adequate to make the restated interim information presented not misleading, certain information relating to our organization and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted in this Form 10-Q/A pursuant to U.S. Securities and Exchange Commission (SEC) rules and regulations. These financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2009 as restated and presented in our Annual Report on Form 10-K for the year ended December 31, 2010. The restated results of operations for the three months ended March 31, 2010 are not necessarily indicative of the results expected for the full year.

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

Principles of Consolidation

The consolidated financial statements include the accounts of Weatherford International Ltd., all majority-owned subsidiaries, all controlled joint ventures and variable interest entities where the Company has determined it is the primary beneficiary. When referring to Weatherford and using phrases such as we , us , and our , the 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.

Investments in affiliates in which we exercise significant influence over operating and financial policies are accounted for using the equity method. All material intercompany accounts and transactions have been eliminated in consolidation.

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

2. Restatement of Condensed Consolidated Financial Statements

We identified a material weakness in our internal controls over the accounting for income taxes in 2010 that resulted in the identification of certain errors in our income tax accounts. The correction of these errors resulted in restatements of our previously reported financial statements as of and for the years ended December 31, 2009 and 2008, including beginning retained earnings in 2008, and our condensed consolidated financial statements for each of the quarters within 2009 and 2010. The restated annual results for 2008 and 2009 were included in our 2010 Annual Report on Form 10-K. In addition, we have amended this Quarterly Report on Form 10-Q to restate results as of March 31, 2010 and for the three month periods ended March 31, 2010 and 2009.

The most significant adjustment for the errors identified relates to the correction of our accounting for the income tax consequences of certain intercompany transactions that were inappropriately tax-effected over multiple years. This error resulted in the understatement of income tax expense by $13 million and $32 million for the three months ended March 31, 2010 and 2009, respectively. We also recorded other adjustments to our tax provision to correct for certain errors and items recorded in the improper period. These adjustments were not recorded previously as we concluded that they were not material to the respective periods. These other adjustments resulted in an increase to our tax provision during the three months ended March 31, 2010 of $6 million, which is primarily comprised of minimum tax in Mexico. Our tax provision was reduced by less than $1 million during the three months ended March 31, 2009 for these other tax adjustments.

In addition, we recorded other adjustments to correct for previously identified immaterial errors affecting operating income that were recorded in improper periods. These adjustments were not recorded previously as we concluded that these adjustments were not material to the respective periods. During the three months ended March 31, 2010 and 2009, operating income was reduced by $9 million and $5 million, respectively. The impact of these adjustments on operating cash flows was less than $1 million for the three months ended March, 31, 2010 and 2009.

The following tables summarize the impact of these adjustments on our previously reported results filed on our Quarterly Report on Form 10-Q for the three months ended March 31, 2010 and 2009.

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

The effects of the restatements on our condensed consolidated income statement for the quarter ended March 31, 2010 follows:

	Three Months Ended March 31, 2010		
	Previously Reported	Adjustments	Restated
	(In thousands, except per share amounts)		
Revenues:			
Products	$ 781,056	$	$ 781,056
Services	1,557,192	(7,181)	1,550,011
	2,338,248	(7,181)	2,331,067
Costs and Expenses:			
Cost of Products	573,797		573,797
Cost of Services	1,175,523	3,140	1,178,663
Research and Development	48,857		48,857
Selling, General and Administrative Attributable to Segments	336,845	1,091	337,936
Corporate General and Administrative	86,315	(2,062)	84,253
	2,221,337	2,169	2,223,506
Operating Income	116,911	(9,350)	107,561
Other Expense:			
Interest Expense, Net	(95,339)		(95,339)
Devaluation of Venezuelan Bolivar	(63,859)		(63,859)
Other, Net	(9,218)		(9,218)
Income (Loss) Before Income Taxes	(51,505)	(9,350)	(60,855)
(Provision) Benefit for Income Taxes	15,531	(18,998)	(3,467)
Net Income (Loss)	(35,974)	(28,348)	(64,322)
Net Income Attributable to Noncontrolling Interests	(4,035)		(4,035)
Net Income (Loss) Attributable to Weatherford	$ (40,009)	$ (28,348)	$ (68,357)
Earnings (Loss) Per Share Attributable to Weatherford:			
Basic	$ (0.05)	$ (0.04)	$ (0.09)
Diluted	$ (0.05)	$ (0.04)	$ (0.09)
Weighted Average Shares Outstanding:			
Basic	737,865		737,865

Diluted	737,865	737,865

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

The effects of the restatements on our condensed consolidated income statement for the quarter ended March 31, 2009 follows:

	Three Months Ended March 31, 2009		
	Previously Reported	Adjustments	Restated
	(In thousands, except per share amounts)		
Revenues:			
Products	$ 742,900	$	$ 742,900
Services	1,513,241	(1,510)	1,511,731
	2,256,141	(1,510)	2,254,631
Costs and Expenses:			
Cost of Products	569,056	(1,800)	567,256
Cost of Services	965,464	5,892	971,356
Research and Development	49,021		49,021
Selling, General and Administrative Attributable to Segments	308,744	337	309,081
Corporate General and Administrative	53,131	(500)	52,631
	1,945,416	3,929	1,949,345
Operating Income	310,725	(5,439)	305,286
Other Expense:			
Interest Expense, Net	(91,063)		(91,063)
Other, Net	(13,539)		(13,539)
Income Before Income Taxes	206,123	(5,439)	200,684
Provision for Income Taxes	(32,463)	(31,355)	(63,818)
Net Income	173,660	(36,794)	136,866
Net Income Attributable to Noncontrolling Interests	(8,858)		(8,858)
Net Income Attributable to Weatherford	$ 164,802	$ (36,794)	$ 128,008
Earnings Per Share Attributable to Weatherford:			
Basic	$ 0.24	$ (0.06)	$ 0.18
Diluted	$ 0.23	$ (0.05)	$ 0.18
Weighted Average Shares Outstanding:			
Basic	698,327		698,327
Diluted	702,636		702,636

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

The effects of the restatements on our consolidated balance sheet at March 31, 2010 follows:

	March 31, 2010		
	Previously Reported	Adjustments	Restated
		(In thousands)	
Current Assets:			
Cash and Cash Equivalents	$ 207,099	$	$ 207,099
Accounts Receivable	2,655,677	(1,109)	2,654,568
Inventories	2,316,155	(818)	2,315,337
Current Deferred Tax Assets	258,790		258,790
Other Current Assets	889,984	(224,443)	665,541
Total Current Assets	6,327,705	(226,370)	6,101,335
Property, Plant and Equipment at Cost	10,485,966		10,485,966
Less Accumulated Depreciation	3,602,222	2,200	3,604,422
	6,883,744	(2,200)	6,881,544
Goodwill	4,141,362		4,141,362
Other Intangible Assets	761,716	(6,888)	754,828
Equity Investments	538,621	(5,373)	533,248
Other Assets	304,611	8,848	313,459
Total Assets	$ 18,957,759	$ (231,983)	$ 18,725,776
Current Liabilities:			
Short-term Borrowings and Current Portion of Long-term Debt	$ 991,440	$	$ 991,440
Accounts Payable	1,121,175		1,121,175
Income Taxes Payable	11,016	160,570	171,586
Other Current Liabilities	829,847	6,800	836,647
Total Current Liabilities	2,953,478	167,370	3,120,848
Long-term Debt	5,844,610		5,844,610
Other Liabilities	383,547	(10,674)	372,873
Total Liabilities	9,181,635	156,696	9,338,331
Shareholders Equity:			
Shares	761,077		761,077

Capital in Excess of Par Value	4,640,579		4,640,579
Treasury Shares, at Cost	(573,847)		(573,847)
Retained Earnings	4,777,092	(388,679)	4,388,413
Accumulated Other Comprehensive Income	94,260		94,260
Weatherford Shareholders Equity	9,699,161	(388,679)	9,310,482
Noncontrolling Interests	76,963		76,963
Total Shareholders Equity	9,776,124	(388,679)	9,387,445
Total Liabilities and Shareholders Equity	$ 18,957,759	$ (231,983)	$ 18,725,776

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

The effects of the restatements on our condensed consolidated cash flow for the quarter ended March 31, 2010 follows:

	Three Months March 31, 2010		
	Previously Reported	Adjustments	Restated
		(In thousands)	
Cash Flows From Operating Activities:			
Net Income (Loss)	$ (35,974)	$ (28,348)	$ (64,322)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	249,392	313	249,705
Employee Share-Based Compensation Expense	22,974		22,974
Deferred Income Tax Benefit	(93,623)	1,972	(91,651)
Devaluation of Venezuelan Bolivar	63,859		63,859
Supplemental Executive Retirement Plan	38,021		38,021
Revaluation of Contingent Consideration	7,810	3,200	11,010
Other, Net	14,646	(7,000)	7,646
Change in Operating Assets and Liabilities, Net of Effect of Businesses Acquired:			
Accounts Receivable	(219,098)	7,181	(211,917)
Inventories	(98,444)	(650)	(99,094)
Accounts Payable	128,522		128,522
Other	(72,554)	22,757	(49,797)
Net Cash Provided by Operating Activities	5,531	(575)	4,956
Cash Flows from Investing Activities:			
Capital Expenditures for Property, Plant and Equipment	(231,087)		(231,087)
Acquisitions of Businesses, Net of Cash Acquired	(46,579)		(46,579)
Acquisition of Intellectual Property	(6,647)	575	(6,072)
Proceeds from Sale of Assets and Businesses, Net	87,790		87,790
Other Investing Activities	41,840		41,840
Net Cash Used by Investing Activities	(154,683)	575	(154,108)
Cash Flows From Financing Activities:			
Borrowings (Repayments) of Short-term Debt, Net	122,746		122,746
Borrowings (Repayments) of Long-term Debt, Net	(2,113)		(2,113)
Other Financing Activities, Net	3,227		3,227
Net Cash Provided by Financing Activities	123,860		123,860

Effect of Exchange Rate Changes on Cash and Cash Equivalents	(20,128)		(20,128)
Net Decrease in Cash and Cash Equivalents	(45,420)		(45,420)
Cash and Cash Equivalents at Beginning of Year	252,519		252,519
Cash and Cash Equivalents at End of Year	$ 207,099	$	$ 207,099

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

The effects of the restatements on our condensed consolidated cash flow for the quarter ended March 31, 2009 follows:

	Three Months Ended March 31, 2009		
	Previously Reported	Adjustments	Restated
		(In thousands)	
Cash Flows From Operating Activities:			
Net Income	$ 173,660	$ (36,794)	$ 136,866
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	201,394		201,394
Employee Share-Based Compensation Expense	26,429		26,429
Deferred Income Tax Provision	(23,594)	(3,999)	(27,593)
Other, Net	5,146	(660)	4,486
Change in Operating Assets and Liabilities, Net of Effect of Businesses Acquired:			
Accounts Receivable	152,807	1,510	154,317
Inventories	(147,536)	(678)	(148,214)
Accounts Payable	53,453		53,453
Other	(274,201)	39,721	(234,480)
Net Cash Provided by Operating Activities	167,558	(900)	166,658
Cash Flows from Investing Activities:			
Capital Expenditures for Property, Plant and Equipment	(583,719)		(583,719)
Acquisitions of Businesses, Net of Cash Acquired	(7,094)		(7,094)
Acquisition of Intellectual Property	(11,096)	900	(10,196)
Acquisition of Equity Investments in Unconsolidated Affiliates	(26,509)		(26,509)
Proceeds from Sale of Assets and Businesses, Net	30,616		30,616
Net Cash Used by Investing Activities	(597,802)	900	(596,902)
Cash Flows From Financing Activities:			
Borrowings (Repayments) of Short-term Debt, Net	(873,938)		(873,938)
Borrowings (Repayments) of Long-term Debt, Net	1,231,209		1,231,209
Other Financing Activities, Net	(3,883)		(3,883)
Net Cash Provided by Financing Activities	353,388		353,388
Effect of Exchange Rate Changes on Cash and Cash Equivalents	174		174

Net Decrease in Cash and Cash Equivalents		(76,682)	(76,682)
Cash and Cash Equivalents at Beginning of Year		238,398	238,398
Cash and Cash Equivalents at End of Year	$	161,716	161,716

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3. Business Combinations

We have acquired businesses we feel are important to our long-term growth strategy. Results of operations for acquisitions are included in the accompanying Condensed Consolidated Statements of Income from the date of acquisition. The balances included in the Condensed Consolidated Balance Sheets related to recent acquisitions are based on preliminary information and are subject to change when final asset valuations are obtained and the potential for liabilities has been evaluated. The purchase price is allocated to the net assets acquired based upon their estimated fair values at the date of acquisition.

In July 2009, we acquired the Oilfield Services Division (OFS) of TNK-BP. In this transaction, we acquired drilling, well workover and cementing services operations in West Siberia, East Siberia and the Volga-Urals region. We issued 24.3 million shares valued at approximately $450 million. In addition, if TNK-BP sells the shares it received in consideration for the transaction for a price less than $18.50 per share prior to June 29, 2010, we are obligated to pay TNK-BP additional consideration in an amount equal to the difference between the price at which the shares were sold and $18.50. We will pay any additional consideration in cash or, at our option in certain instances, in additional shares following such date. We made a preliminary allocation of the purchase price as of the date of the acquisition. We will continue to adjust the allocations until final valuation of the assets and liabilities are completed.

Accounting guidance for business combinations requires contingent consideration to be recognized at its acquisition date fair value. Based on the terms of the arrangement, we classified the contingent consideration as a liability. Such liabilities are required to be remeasured to fair value at each reporting date until the contingency is resolved, with changes in fair value being recognized in earnings. We estimated the fair value of the contingent consideration for the OFS acquisition at the date of acquisition to be a liability of $84 million and $60 million at December 31, 2009. This liability was estimated to have a fair value of $71 million at March 31, 2010, resulting in the recognition of an $11 million loss during the first three months of 2010. This loss was recorded in the Selling, General and Administrative Attributable to Segments line in the Consolidated Statements of Income. The valuation of the contingent consideration was determined using a lattice-based model incorporating the term of the contingency, the price of our shares over the relevant periods and the volatility of our stock price.

In November 2008, we acquired a group of affiliated companies in Latin America, which provide project management services, drilling fluids, contract drilling and environmental services in that region. Consideration for the transaction totaled approximately $160 million, which was comprised of approximately six million shares valued at approximately $65 million, non-cash consideration of approximately $75 million and cash of approximately $20 million. Additional consideration of up to $65 million in cash or the issuance of shares of equivalent value, at our option, is contingent on the occurrence of future events and circumstances. We will record this contingent consideration when and if these events occur.

During the three months ended March 31, 2010, we paid $44 million to TNK-BP related to working capital adjustments in connection with the OFS acquisition. In addition, we paid cash consideration of $2 million and approximately 1.8 million common shares valued at $28 million for other acquisitions.

4. Inventories

The components of inventory were as follows:

	March 31, 2010 (Restated)	December 31, 2009 (Restated)
	(In thousands)	
Raw materials, components and supplies	$ 337,061	$ 328,253
Work in process	117,082	115,564
Finished goods	1,861,194	1,794,477

	$ 2,315,337	$ 2,238,294

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

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5. Goodwill

Goodwill is evaluated for impairment on at least an annual basis. We perform our annual goodwill impairment test as of October 1. Our 2009 impairment tests indicated goodwill was not impaired. We will continue to test our goodwill annually as of October 1 unless events occur or circumstances change between annual tests that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

The changes in the carrying amount of goodwill for the three months ended March 31, 2010 were as follows:

	North America	Middle East/ North Africa/ Asia	Europe/ West Africa/ FSU	Latin America	Total
			(In thousands)		
As of December 31, 2009	$ 2,097,549	$ 698,896	$ 1,045,577	$ 314,083	$ 4,156,105
Acquisitions	3,463				3,463
Disposals					
Purchase price and other adjustments	(3,482)	(643)	(1,093)	(906)	(6,124)
Foreign currency translation	16,299	1,541	(27,803)	(2,119)	(12,082)
As of March 31, 2010	$ 2,113,829	$ 699,794	$ 1,016,681	$ 311,058	$ 4,141,362

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

The components of short-term borrowings were as follows:

	March 31, 2010	December 31, 2009
	(In thousands)	
Revolving credit facilities	$ 943,000	$ 798,500
Commercial paper program		
Other short-term bank loans	30,849	53,007
Total short-term borrowings	973,849	851,507
Current portion of long-term debt	17,591	18,074
Short-term borrowings and current portion of long-term debt	$ 991,440	$ 869,581

We maintain various revolving credit facilities with syndicates of banks that can be used for a combination of borrowings, support for our commercial paper program and issuances of letters of credit. At March 31, 2010, these facilities allow for an aggregate availability of $1.8 billion and mature in May 2011. The weighted average interest rate on outstanding borrowings of these facilities at March 31, 2010 was 1.0%. There were $75 million in outstanding letters of credit under these facilities at March 31, 2010.

These borrowing facilities require us to maintain a debt-to-capitalization ratio of less than 60% and contain other covenants and representations customary for an investment-grade commercial credit. We are in compliance with these covenants at March 31, 2010.

We have a $1.5 billion commercial paper program under which we may from time to time issue short-term unsecured notes. The commercial paper program is supported by our revolving credit facilities. There was no commercial paper outstanding at March 31, 2010.

We have short-term borrowings with various domestic and international institutions pursuant to uncommitted facilities. At March 31, 2010, we had $31 million in short-term borrowings under these arrangements with a weighted average interest rate of 1.4%. In addition, we had $276 million of letters of credit and bid and performance bonds under these uncommitted facilities. The carrying value of our short-term borrowings approximates their fair value as of March 31, 2010.

7. Fair Value of Financial Instruments

Financial Instruments Measured and Recognized at Fair Value

The accounting guidance for fair value measurements establishes a valuation hierarchy for disclosure of the inputs to the valuations used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based upon our own assumptions used to measure assets and liabilities at fair value. A financial asset or liability s classification within the hierarchy is determined based on the lowest level of input that is significant to the fair value measurement.

The following table presents our non-derivative assets and liabilities that are measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of March 31, 2010 and December 31, 2009:

March 31, 2010

	Level 1	Level 2	Level 3	Total
		(In thousands)		
Other Assets:				
Other investments	$	$	$	$
Other Current Liabilities:				
Contingent consideration on acquisition (See Note 3)			70,573	70,573

		December 31, 2009		
	Level 1	**Level 2**	**Level 3**	**Total**
		(Restated)		
		(In thousands)		
Other Assets:				
Other investments	$	$ 40,822	$	$ 40,822
Other Current Liabilities:				
Contingent consideration on acquisition (See Note 3)			59,563	59,563

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During the first quarter of 2010, we received proceeds of approximately $42 million from the redemption of our other investments recorded at fair value at December 31, 2009. The proceeds are included in investing activities in the Condensed Consolidated Statement of Cash Flows for the period ended March 31, 2010.

The following table provides a summary of changes in fair value of our Level 3 financial liability for the three months ended March 31, 2010:

	Three Months Ended March 31, 2010 (In thousands)
Balance at beginning of period	$ 59,563
Contingent consideration on acquisition (See Note 3)	
Unrealized loss on contingent consideration on acquisition included in earnings	11,010
Balance at end of period	$ 70,573

The $11 million loss recorded during the first quarter of 2010 is included in the Selling, General and Administrative Attributable to Segments line in the Consolidated Statements of Income.

Fair Value of Other Financial Instruments

Our other financial instruments include cash and cash equivalents, foreign currency exchange contracts, interest rate swaps, accounts receivable, notes receivable, accounts payable and short and long-term debt. With the exception of long-term debt, the carrying value of these financial instruments approximates their fair value.

The fair value of outstanding debt fluctuates with changes in applicable interest rates. Fair value will exceed carrying value when the current market interest rate is lower than the interest rate at which the debt was originally issued. The fair value of a company s debt is a measure of its current value under present market conditions. It does not impact the financial statements under current accounting rules. The fair value of our long-term debt was established based on quoted market prices.

The fair value and carrying value of our long-term debt is as follows:

	March 31, 2010	December 31, 2009
	(In thousands)	
Fair value	$ 6,392,261	$ 6,285,129
Carrying value	5,844,610	5,847,258

8. Derivative Instruments

We are exposed to market risk from changes in foreign currency and changes in interest rates. From time to time, we may enter into derivative financial instrument transactions to manage or reduce our market risk, but we do not enter into derivative transactions for speculative purposes. We manage our debt portfolio to achieve an overall desired position of fixed and floating rates and we may employ interest rate swaps as a tool to achieve that goal. The major risks from interest rate derivatives include changes in the interest rates affecting the fair value of such instruments, potential increases in interest expense due to market increases in floating interest rates and the creditworthiness of the counterparties in such transactions. In light of events in the global credit markets and the potential impact of these events on the liquidity of the banking industry, we continue to monitor the creditworthiness of our counterparties, which are multinational commercial banks.

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

Interest Rate Swaps

We use interest rate swaps to help mitigate exposures related to interest rate movements. Amounts received upon termination of the swaps accounted for as fair value hedges represent the fair value of the agreements at the time of termination and are recorded as an adjustment to the carrying value of the related debt. These amounts are being amortized as a reduction to interest expense over the

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remaining term of the debt. We have no interest rate swaps outstanding at March 31, 2010. As of March 31, 2010, we had net unamortized gains of $67 million, associated with interest rate swap terminations.

Cash Flow Hedges

In 2008, we entered into interest rate derivative instruments to hedge projected exposures to interest rates in anticipation of a debt offering. Those hedges were terminated at the time of the issuance of the debt, and the loss on these hedges is being amortized from Accumulated Other Comprehensive Income to interest expense over the remaining term of the debt. As of March 31, 2010, we had net unamortized losses of $13 million associated with our cash flow hedge terminations.

Other Derivative Instruments

As of March 31, 2010, we had several foreign currency forward and option contracts with notional amounts aggregating to $620 million, 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 March 31, 2010 resulted in a net liability of approximately $8 million. These derivative instruments were not designated as hedges and the changes in fair value of the contracts are recorded each period in Other, Net in the accompanying Condensed Consolidated Statements of Income.

We have cross-currency swaps between the U.S. dollar and Canadian dollar to hedge certain exposures to the Canadian dollar. At March 31, 2010, we had notional amounts outstanding of $335 million. The total estimated fair value of these contracts at March 31, 2010 resulted in a liability of $33 million. These derivative instruments were not designated as hedges and the changes in fair value of the contracts are recorded each period in Other, Net in the accompanying Condensed Consolidated Statements of Income.

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

	March 31, 2010	December 31, 2009	Classifications
		(In thousands)	
Derivative assets not designated as hedges:			
Foreign exchange contracts	7,778	$ 9,831	Other Current Assets
Derivative liabilities not designated as hedges:			
Foreign exchange contracts	15,872	18,939	Other Current Liabilities
Cross-currency swap contracts	33,293	26,170	Other Liabilities

9. Income Taxes

For the three months ended March 31, 2010, we had a tax provision of $3 million on a pretax loss of $61 million that includes curtailment expense on our SERP for which no related tax benefit was recorded. Our tax provision for the three months ended March 31, 2010 includes minimum tax in Mexico, and the tax impact of changes in our geographic earnings mix, both of which are partially offset by a tax benefit related to the devaluation of the Venezuelan bolivar. Our effective tax rate was a provision of 31.8% for the three months ended March 31, 2009.

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10. Shareholders Equity

The following summarizes our shareholders equity activity for the period presented:

	Total Shareholders Equity (Restated)	Company Shareholders Equity (Restated)	Noncontrolling Interests in Consolidated Subsidiaries
		(In thousands)	
Balance at December 31, 2009	$ 9,438,373	$ 9,359,341	$ 79,032
Comprehensive Income:			
Net Income (Loss)	(64,322)	(68,357)	4,035
Curtailment of Supplemental Executive Retirement Plan	45,237	45,237	
Amortization of Pension Components	1,513	1,513	
Foreign Currency Translation Adjustments	(67,387)	(67,387)	
Other	155	155	
Comprehensive Income (Loss)	(84,804)	(88,839)	4,035
Transactions with Shareholders	39,980	39,980	
Dividends paid to Noncontrolling Interests	(6,442)		(6,442)
Other	338		338
Balance at March 31, 2010	$ 9,387,445	$ 9,310,482	$ 76,963

11. Earnings Per Share

Basic earnings per share for all periods presented equals net income divided by the weighted average number of our shares outstanding during the period. Diluted earnings per share is computed by dividing net income by the weighted average number of our shares outstanding during the period, adjusted for the dilutive effect of our stock option and restricted share plans and our outstanding warrants. Our diluted earnings per share calculation excludes three million potential shares for the three months ended March 31, 2010 and 19 million potential shares for the three months ended March 31, 2009, due to their antidilutive effect. Our diluted earnings per share calculation for the three months ended March 31, 2010 also excludes 10 million potential shares that would have been included if we had net income for that period, but are excluded as we had a net loss and their inclusion would have been anti-dilutive.

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

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
	(In thousands)	
Basic weighted average shares outstanding	737,865	698,327
Dilutive effect of:		
Warrants		
Stock options and restricted shares		4,309
Diluted weighted average shares outstanding	737,865	702,636

12. Share-Based Compensation

In March 2010, our compensation committee of our board of directors authorized the award of performance units to officers under our 2006 Omnibus Incentive Plan. Subsequently, we issued 707,000 performance units, which will vest ratably over a three-year period assuming continued employment of the officer and if the Company meets certain market-based performance goals. The performance units were valued at $13.19 based on the Monte Carlo simulation method.

We recognized the following employee share-based compensation expense during the three months ended March 31, 2010 and 2009:

	Three Months Ended March 31,	
	2010	**2009**
	(In thousands)	
Share-based compensation	$ 22,974	$ 26,429
Related tax benefit	8,041	9,250

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During the three months ended March 31, 2010, we granted one million restricted share awards and units at a weighted average grant date fair value of $14.49 per share.

As of March 31, 2010, there was $216 million of total unrecognized compensation cost related to our unvested stock options, restricted share grants, and units. This cost is expected to be recognized over a weighted average period of 2 years.

13. Retirement and Employee Benefit Plans

We have defined benefit pension and other post-retirement benefit plans covering certain employees. The components of net periodic benefit cost for the three months ended March 31, 2010 and 2009 were as follows:

	Three Months Ended March 31,			
	2010		2009	
	United States	International	United States	International
	(In thousands)			
Service cost	$ 951	$ 1,528	$ 875	$ 1,604
Interest cost	1,937	1,830	1,706	1,596
Expected return on plan assets	(149)	(1,201)	(165)	(954)
Amortization of transition obligation				(1)
Amortization of prior service cost (credit)	1,512	(13)	458	(11)
Amortization of loss	772	42	1,025	228
Curtailment/settlement loss	34,958			
Net periodic benefit cost	$ 39,981	$ 2,186	$ 3,899	$ 2,462

The net curtailment loss shown above primarily represents the accelerated recognition of prior service costs associated with the amendment of our SERP which was effective as of March 31, 2010 and resulted in the freezing of the benefits under this plan.

The freezing of the SERP may constitute good reason for five of our executive officers to terminate their employment under their employment agreements, if they choose to do so, which would entitle these officers to certain termination benefits. Our CEO entered into a new employment agreement effectively waiving his right to assert good reason due to the freezing of the SERP. However, one of our operational vice presidents, David Colley, has notified the Company of his intention to terminate his employment for good reason, and we expect to record a charge of approximately $4 million in connection with his termination and pay out total cash consideration of approximately $7 million, both during 2010. The amount recorded related to the curtailment of the SERP for the three months ended March 31, 2010 does not include any accrual for any executive s potential termination for good reason. If the remaining three executives were to terminate their employment for good reason , we would anticipate recording an expense of approximately $25 million and make total cash consideration payments of approximately $41 million.

We previously disclosed in our financial statements for the year ended December 31, 2009, that we expected to contribute approximately $7 million to our pension and other postretirement benefit plans during 2010. As of March 31, 2010, we have contributed approximately $2 million to these plans and anticipate total annual contributions to approximate original estimates previously disclosed and pay out total cash consideration of approximately $7 million, both during 2010.

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14. Segment Information

Financial information by segment is summarized below. Revenues are attributable to countries based on the ultimate destination of the sale of products or performance of services. Results for the three months ended March 31, 2010 and 2009 have been restated to correct for previously identified immaterial errors affecting operating income that were recorded in improper periods (See Note 2).

	Three Months Ended March 31, 2010		
	Net Operating Revenues (Restated)	Income from Operations (Restated)	Depreciation and Amortization (Restated)
		(In thousands)	
North America	$ 888,579	$ 108,432	$ 80,660
Middle East/North Africa/Asia	562,056	75,714	72,290
Europe/West Africa/FSU	453,759	46,298	49,271
Latin America	426,673	26,074	42,479
	2,331,067	256,518	244,700
Corporate and Research and Development		(93,915)	5,005
Revaluation of Contingent consideration		(11,010)	
Other (a)		(44,032)	
Total	$ 2,331,067	$ 107,561	$ 249,705

	Three Months Ended March 31, 2009		
	Net Operating Revenues (Restated)	Income from Operations (Restated)	Depreciation and Amortization
		(In thousands)	
North America	$ 831,995	$ 116,748	$ 75,098
Middle East/North Africa/Asia	585,768	137,868	57,634
Europe/West Africa/FSU	368,981	72,402	34,678
Latin America	467,887	91,265	30,442
	2,254,631	418,283	197,852
Corporate and Research and Development		(88,120)	3,542
Other (b)		(24,877)	
Total	$ 2,254,631	$ 305,286	$ 201,394

(a) The three months ended March 31, 2010 includes $2 million for costs incurred in connection with on-going investigations by the U.S. government, $9 million for severance and facility closure costs associated with reorganization activities and a $38 million charge related to our SERP which was frozen on March 31, 2010. These changes were offset by a $5 million benefit related to the reversal of prior cost accruals for our exit from certain sanctioned countries.

(b) The three months ended March 31, 2009 includes $12 million for severance charges associated with reorganization activities and $13 million in costs incurred in connection with on-going investigations by the U.S. government.

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15. Disputes, Litigation and Contingencies

U.S. Government and Internal Investigations

We are currently involved in government and internal investigations involving various areas of our operations.

Until 2003, we participated in the United Nations oil-for-food program governing sales of goods and services into Iraq. The U.S. Department of Justice (DOJ) and the SEC have undertaken investigations of our participation in the oil-for-food program and have subpoenaed certain documents in connection with these investigations. We have cooperated fully with these investigations. We have retained legal counsel, reporting to our audit committee, to investigate this matter. We have begun negotiations with the government agencies to resolve these matters, but we cannot yet anticipate the timing, outcome or possible impact of the ultimate resolution of the investigations, financial or otherwise.

The U.S. Department of Commerce, Bureau of Industry & Security, Office of Foreign Assets Control (OFAC), DOJ and SEC have undertaken investigations of allegations of improper sales of products and services by the Company and its subsidiaries in certain sanctioned countries. We have cooperated fully with this investigation. We have retained legal counsel, reporting to our audit committee, to investigate these matters and to cooperate fully with these agencies. We have begun negotiations with the government agencies to resolve these matters, but we cannot yet anticipate the timing, outcome or possible impact of the ultimate resolution of the investigation, financial or otherwise.

In light of this investigation and of 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 comprehensive U.S. economic and trade sanctions, specifically Cuba, Iran, and Sudan, as well as Syria. Effective September 2007, we ceased entering into any new contracts in these countries and began an orderly discontinuation and winding down of our existing business in these sanctioned countries. Effective March 31, 2008, we substantially completed our winding down of business in these countries. We can complete the withdrawal process only pursuant to licenses issued by OFAC. Our remaining activities in Iran, Sudan and Syria include ongoing withdrawal activities such as attempts to collect accounts receivable, attempts to settle tax liabilities or legal claims and attempts to recover or liquidate assets, including equipment and funds. Certain of our subsidiaries continue to conduct business in countries such as Myanmar that are subject to more limited U.S. trading sanctions.

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The DOJ and SEC are investigating our compliance with the Foreign Corrupt Practices Act (FCPA) and other laws worldwide. We have retained legal counsel, reporting to our audit committee, to investigate these matters and to cooperate fully with the DOJ and SEC. As part of our investigations, we have uncovered potential violations of U.S. law in connection with activities in West Africa. We have begun negotiations with the government agencies to resolve these matters, but we cannot yet anticipate the timing, outcome or possible impact of the ultimate resolution of the investigations, financial or otherwise.

The DOJ, 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 trade sanctions laws, the FCPA 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 fines and other penalties and sanctions in the tens and hundreds of millions of dollars. These agencies are seeking to impose penalties against us for past conduct, but the ultimate amount of any penalties we may pay currently cannot be reasonably estimated. Under trade sanctions laws, the DOJ may also seek to impose modifications to business practices, including immediate cessation of all business activities in specific countries or other limitations that decrease our business, 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. In addition, our historical 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 registered shares. Based on available information, we cannot predict what, if any, actions the DOJ, SEC or other authorities will take in our situation or the effect any such actions will have on our consolidated financial position or results of operations. To the extent we violated trade sanctions laws, the FCPA, or other laws or regulations, fines and other penalties may be imposed. Because these matters are now pending before the indicated agencies, there can be no assurance that actual fines or penalties, if any, will not have a material adverse effect on our business, financial condition, liquidity or results of operations.

Through December 31, 2010, we have incurred $49 million for costs in connection with our exit from sanctioned countries and incurred $113 million for legal and professional fees in connection with complying with and conducting these on-going investigations.

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Macondo Litigation

On April 20, 2010, the Deepwater Horizon rig operating under contract with BP at the Macondo well in the Gulf of Mexico exploded and sank, resulting in 11 deaths, several injuries and significant damages to property and the environment.

Weatherford provided the following services and products to BP on the Macondo well: (1) connected and tightened four intermediate casing strings and one tapered production string (long string); (2) furnished a liner hanger on one casing string; (3) furnished centralizers, most of which were not used in the well, and (4) provided float equipment on the long string. The float equipment consisted of a reamer shoe, a float collar and wiper plugs. The float collar is designed to control backflow or ingress of the cement through the shoe track while the cement hardens. At the time of the explosion, Weatherford had two employees on the Deepwater Horizon; they sustained minor injuries.

As a result of the explosion, approximately 400 lawsuits were filed, mainly for personal injuries, wrongful death and pollution damage. Weatherford is currently named, along with BP and other defendants, in several dozen of these lawsuits. The United States Judicial Panel on Multidistrict Litigation issued an order centralizing most of these cases in the Federal District Court for the Eastern District of Louisiana. The pollution damage complaints generally refer to the Oil Pollution Act of 1990 (OPA) and allege, among other things, negligence and gross negligence by Weatherford and other defendants. They allege that Weatherford and the other defendants are responsible for property damage, trespass, nuisance and economic loss as a result of environmental pollution and generally seek awards of unspecified economic, compensatory, and punitive damages, as well as injunctive relief. Additional lawsuits may be filed in the future relating to the Macondo incident.

Weatherford was not designated as a Responsible Party, as that term is defined by OPA. Therefore, Weatherford was not charged with responsibility for cleaning up the oil or handling any claims. The Responsible Party may make a claim for contribution against any other party it alleges contributed to the oil spill. Since Weatherford has not been named a Responsible Party, we intend to seek to be dismissed from any and all OPA-related claims and to seek indemnity from any and all liability under OPA.

In the master service contract between BP and Weatherford, under which Weatherford provided products and services to BP related to the Macondo well, BP agreed to save, indemnify, release, defend and hold harmless [Weatherford, its subcontractors and their affiliates, directors, officers and employees] from and against any claim of whatsoever nature arising from pollution and/or contamination including without limitation such pollution or contamination from the reservoir . BP further agreed to save, indemnify, release, defend and hold harmless [Weatherford, its subcontractors and their affiliates, directors, officers and employees] from and against any claims, losses, damages, costs (including legal costs) expenses and liabilities resulting from...blowout, fire, explosion, cratering or any uncontrolled well condition (including the costs to control a wild well and the removal of debris) . These indemnity provisions include direct claims asserted against Weatherford by third parties and any claim by BP for contribution under OPA. These indemnities apply regardless of the cause of the condition giving rise to the claim. The indemnities exclude claims for injury to Weatherford s employees and subcontractors. However, as injuries to our two employees were minor, we do not anticipate any significant liabilities with respect to our employees.

We believe that the indemnification obligations of BP are valid and enforceable. However, BP may seek to avoid its indemnification obligations. Should a court determine that the wrongful death and personal injury indemnity provisions are unenforceable, Weatherford might be liable for injuries to, or the death of, BP personnel and personnel of third party contractors if a case is adversely determined. The cause of the Macondo incident remains under investigation and has yet to be determined.

WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES
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(UNAUDITED)

If BP were to avoid its indemnities regarding personal injury and a case is adversely determined against Weatherford with respect to the Macondo incident, Weatherford believes its exposure to personal injury/death claims is within the limits of its insurance coverage. Weatherford has a self-insured retention of $2 million. Above that amount, Weatherford has aggregate liability insurance coverage with limits of $303 million. Weatherford believes all claims for personal injury made against Weatherford, even if they are not covered by indemnity from BP, are covered under its various liability insurance policies, up to the $303 million in limits. Weatherford has met individually with its insurers to discuss this matter. While some of our insurers have sent notices stating that they lack sufficient information to adequately assess coverage issues at this time, we do not currently anticipate there will be a substantive coverage dispute amongst Weatherford and its insurers.

We do not expect that we will have liability for these claims, but the litigation surrounding these matters is complex and likely to continue for some time, and the damages claimed are significant. We cannot predict the ultimate outcome of these claims.

Weatherford is cooperating fully with the investigations of the accident initiated by various agencies of the U.S. Government and, to the extent requested, has responded to several subpoenas, information and document requests, and requests for testimony of employees.

Shareholder Litigation

In June and July 2010, shareholders filed suit in Weatherford s name against those directors in place before June 2010 and certain current and former members of management relating to the U.S. government and internal investigations disclosed above and in our SEC filings since 2007. In March 2011, shareholders filed suit relating to the matters described in Note 2. We will investigate these claims appropriately. We cannot predict the ultimate outcome of these claims.

Other Disputes

As a result of discussions with a customer, we reviewed how the dual exchange rate might affect amounts we receive for our U.S. dollar-denominated receivables in Venezuela. We believe our contracts are legally enforceable and our customers continue to accept our invoices. However, based on the current political and economic environment in Venezuela, we believe a loss is probable. Accordingly, we recorded a reserve of $32 million against this exposure in the fourth quarter of 2010.

Our former Senior Vice President and General Counsel (the Executive) left the Company in June 2009. The Executive had employment agreements with us that terminated on his departure. There is currently a dispute between the Executive and us as to the amount of compensation we are obligated to pay under these employment agreements based on the Executive s separation. This dispute has not resulted in a lawsuit being filed. It is our belief that an unfavorable outcome regarding this dispute is not probable, and as such, we have not accrued for $9 million of the Executive s claimed severance and other benefits.

Additionally, we are aware of various disputes and potential claims and are a party in various litigation involving claims against us, some of which are covered by insurance. For claims, disputes and pending litigation in which we believe a negative outcome is probable and a loss can be reasonably estimated, we have recorded a liability for the expected loss. These liabilities are immaterial to our financial condition and results of operations. In addition we have certain claims, disputes and pending litigation in which we do not believe a negative outcome is probable. If one or more negative outcomes were to occur, the impact to our financial condition could be as high as $180 million.

16. New Accounting Pronouncements

In October 2009, the FASB issued an update to existing guidance on revenue recognition for arrangements with multiple deliverables. This update will allow companies to allocate consideration received for qualified separate deliverables using estimated selling price for both delivered and undelivered items when vendor-specific objective evidence or third-party evidence is unavailable. Additional disclosures discussing the nature of multiple element arrangements, the types of deliverables under the arrangements, the general timing of their delivery, and significant factors and estimates used to determine estimated selling prices are required. We will adopt this update for new revenue arrangements entered into or materially modified beginning January 1, 2011. We do not expect the provisions of this update to have a material impact on our condensed consolidated financial statements.

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

17. Condensed Consolidating Financial Statements

As discussed in Note 2, we have restated results of operations and cash flows for the three months ended March 31, 2010 and 2009 and we have restated our financial position at March 31, 2010 and December 31, 2009.

A Swiss corporation named Weatherford International Ltd. is the ultimate parent of the Weatherford group (Parent). The Parent guarantees the obligations of Weatherford International Ltd. incorporated in Bermuda (Weatherford Bermuda) and Weatherford International, Inc. incorporated in Delaware (Weatherford Delaware) noted below.

The following obligations of Weatherford Delaware were guaranteed by Weatherford Bermuda at March 31, 2010 and December 31, 2009: (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 Weatherford Bermuda were guaranteed by Weatherford Delaware at March 31, 2010 and December 31, 2009: (i) the revolving credit facilities, (ii) the 4.95% Senior Notes, (iii) the 5.50% Senior Notes, (iv) the 6.50% Senior Notes, (v) the 5.15% Senior Notes, (vi) the 6.00% Senior Notes, (vii) the 7.00% Senior Notes (viii) the 9.625% Senior Notes, (ix) the 9.875% Senior Notes and (x) issuances of notes under the commercial paper program.

As a result of these guarantee arrangements, we are required to present the following condensed consolidating financial information. The accompanying guarantor financial information is presented on the equity method of accounting for all periods presented. Under this method, investments in subsidiaries are recorded at cost and adjusted for our share in the subsidiaries cumulative results of operations, capital contributions and distributions and other changes in equity. Elimination entries relate primarily to the elimination of investments in subsidiaries and associated intercompany balances and transactions.

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WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
Condensed Consolidating Balance Sheet
March 31, 2010
(Restated)
(unaudited)
(In thousands)

	Parent	Bermuda	Delaware	Other Subsidiaries	Eliminations	Consolidation
ASSETS						
Current Assets:						
Cash and Cash Equivalents	$ 1,462	$ 24	$ 51	$ 205,562	$	$ 207,099
Other Current Assets	3,910	10,276	101,798	5,778,252		5,894,236
Total Current Assets	5,372	10,300	101,849	5,983,814		6,101,335
Equity Investments in Affiliates	8,479,942	14,942,609	6,660,944	12,092,435	(42,175,930)	
Shares Held in Parent			105,372	468,800	(574,172)	
Intercompany Receivables, Net		1,872,468	978,812		(2,851,280)	
Other Assets	9,270	27,296	185,889	12,401,986		12,624,441
Total Assets	$ 8,494,584	$ 16,852,673	$ 8,032,866	$ 30,947,035	$ (45,601,382)	$ 18,725,776
LIABILITIES AND SHAREHOLDERS EQUITY						
Current Liabilities:						
Short-term Borrowings and Current Portion of Long-term Debt	$	$ 576,102	$ 1,897	$ 413,441	$	$ 991,440
Accounts Payable and Other Current Liabilities	10,140	44,560	139,352	1,935,356		2,129,408
Total Current Liabilities	10,140	620,662	141,249	2,348,797		3,120,848
Long-term Debt		3,987,773	1,847,871	8,966		5,844,610
Intercompany Payables, Net	95,754			2,755,526	(2,851,280)	
Other Long-term Liabilities	6,216	99,704	2,265	264,688		372,873
Total Liabilities	112,110	4,708,139	1,991,385	5,377,977	(2,851,280)	9,338,331

Weatherford Shareholders Equity	8,382,474	12,144,534	6,041,481	25,492,095	(42,750,102)	9,310,482
Noncontrolling Interests				76,963		76,963
Total Liabilities and Shareholders Equity	$ 8,494,584	$ 16,852,673	$ 8,032,866	$ 30,947,035	$ (45,601,382)	$ 18,725,776

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WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
Condensed Consolidating Balance Sheet
December 31, 2009
(Restated)
(In thousands)

	Parent	Bermuda	Delaware	Other Subsidiaries	Eliminations	Consolidation
ASSETS						
Current Assets:						
Cash and Cash Equivalents	$ 102	$ 47	$ 421	$ 251,949	$	$ 252,519
Other Current Assets	496	11,163	98,033	5,619,742		5,729,434
Total Current Assets	598	11,210	98,454	5,871,691		5,981,953
Equity Investments in Affiliates	9,183,803	14,952,128	6,527,676	11,441,274	(42,104,881)	
Shares Held in Parent			108,268	507,780	(616,048)	
Intercompany Receivables, Net		1,671,487	1,017,215		(2,688,702)	
Other Assets	9,376	68,960	190,174	12,446,227		12,714,737
Total Assets	$ 9,193,777	$ 16,703,785	$ 7,941,787	$ 30,266,972	$ (45,409,631)	$ 18,696,690
LIABILITIES AND SHAREHOLDERS EQUITY						
Current Liabilities:						
Short-term Borrowings and Current Portion of Long-Term Debt	$	$ 352,373	$ 1,868	$ 515,340	$	$ 869,581
Accounts Payable and Other Current Liabilities	46,160	107,984	116,404	1,860,571		2,131,119
Total Current Liabilities	46,160	460,357	118,272	2,375,911		3,000,700
Long-term Debt		3,988,162	1,848,191	10,905		5,847,258
Intercompany Payables, Net	36,611			2,652,091	(2,688,702)	
Other Long-term Liabilities	8,132	132,155	2,309	267,763		410,359
Total Liabilities	90,903	4,580,674	1,968,772	5,306,670	(2,688,702)	9,258,317
Weatherford Shareholders Equity	9,102,874	12,123,111	5,973,015	24,881,270	(42,720,929)	9,359,341
Noncontrolling Interests				79,032		79,032

Total Liabilities and Shareholders Equity	$ 9,193,777	$ 16,703,785	$ 7,941,787	$ 30,266,972	$ (45,409,631)	$ 18,696,690

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WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
Condensed Consolidating Statements of Income
Three Months Ended March 31, 2010
(Restated)
(unaudited)
(In thousands)

	Parent	Bermuda	Delaware	Other Subsidiaries	Eliminations	Consolidation
Revenues	$	$	$	$ 2,331,067	$	$ 2,331,067
Costs and Expenses	(15,249)	(39,358)	(607)	(2,168,292)		(2,223,506)
Operating Income (Loss)	(15,249)	(39,358)	(607)	162,775		107,561
Other Income (Expense):						
Interest Income (Expense), Net	(947)	(64,200)	(28,848)	(1,344)		(95,339)
Devaluation of Venezuelan Bolivar				(63,859)		(63,859)
Intercompany Charges, Net	(300)	717	(43,553)	43,136		
Equity in Subsidiary Income (Loss)	(51,818)	(10,391)	133,258		(71,049)	
Other, Net	(43)	61,412	(191)	(70,396)		(9,218)
Income (Loss) from Before Income Taxes	(68,357)	(51,820)	60,059	70,312	(71,049)	(60,855)
Provision for Income Taxes			25,147	(28,614)		(3,467)
Net Income (Loss)	(68,357)	(51,820)	85,206	41,698	(71,049)	(64,322)
Noncontrolling Interests				(4,035)		(4,035)
Net Income Attributable to Weatherford	$ (68,357)	$ (51,820)	$ 85,206	$ 37,663	$ (71,049)	$ (68,357)

Condensed Consolidating Statements of Income
Three Months Ended March 31, 2009
(Restated)
(unaudited)
(In thousands)

	Parent	Bermuda	Delaware	Other Subsidiaries	Eliminations	Consolidation
Revenues	$	$				