Weatherford International Ltd./Switzerland
Form 10-Q
December 17, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2012
OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
001-34258
(Commission file number)
WEATHERFORD INTERNATIONAL LTD.
(Exact name of registrant as specified in its charter)

Switzerland	9**8-0606750**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4-6 Rue Jean-Francois Bartholoni, 1204 Geneva, Switzerland	**Not Applicable**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 41.22.816.1500
Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes o No þ
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 o No þ
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ Accelerated filer o Non-accelerated filer o Smaller reporting company o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No þ
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

As of December 10, 2012, there were 764,754,521 shares of Weatherford registered shares, 1.16 Swiss francs par value per share, outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	June 30, 2012 (Unaudited)	December 31, 2011
Current Assets:		
Cash and Cash Equivalents	$ 381	$ 371
Accounts Receivable, Net of Allowance for Uncollectible Accounts of $90 and $91	3,608	3,233
Inventories	3,399	3,158
Current Deferred Tax Assets	285	274
Other Current Assets	828	695
Total Current Assets	8,501	7,731
Property, Plant and Equipment, Net of Accumulated Depreciation of $5,455 and $5,023	7,733	7,287
Goodwill	3,769	4,423
Other Intangible Assets, Net of Accumulated Amortization of $595 and $546	812	711
Equity Investments	629	616
Other Non-current Assets	259	283
Total Assets	$ 21,703	$ 21,051
Current Liabilities:		
Short-term Borrowings and Current Portion of Long-term Debt	$ 1,263	$ 1,320
Accounts Payable	1,635	1,571
Other Current Liabilities	1,696	1,392
Total Current Liabilities	4,594	4,283
Long-term Debt	7,311	6,286
Other Non-current Liabilities	1,187	1,137
Total Liabilities	13,092	11,706
Shareholders' Equity:		
Shares, CHF 1.16 Par Value: Authorized 840, Conditionally Authorized 373, Issued 840 at June 30, 2012 and Authorized 1,139 Shares, Conditionally Authorized 378 Shares, Issued 765 Shares at December 31, 2011	775	769
Capital in Excess of Par Value	4,686	4,675
Treasury Shares, at Cost	(229)	(334)
Retained Earnings	3,408	4,134
Accumulated Other Comprehensive Income (Loss)	(52)	80
Weatherford Shareholders' Equity	8,588	9,324

Noncontrolling Interests	23	21
Total Shareholders' Equity	8,611	9,345
Total Liabilities and Shareholders' Equity	$ 21,703	$ 21,051

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 OPERATIONS
(UNAUDITED)
(In millions, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Revenues:				
Products	$1,510	$1,152	$2,922	$2,216
Services	2,237	1,900	4,416	3,692
	3,747	3,052	7,338	5,908
Costs and Expenses:				
Cost of Products	1,153	874	2,206	1,666
Cost of Services	1,818	1,395	3,465	2,736
Research and Development	64	62	126	122
Selling, General and Administrative Attributable to Segments	408	384	780	768
Corporate, General and Administrative	71	45	158	115
Goodwill and Equity Investment Impairment	793	—	793	—
Sanctioned Countries	100	—	100	—
Gain on Sale of Business	(28)	—	(28)	—
	4,379	2,760	7,600	5,407
Operating Income (Loss)	(632)	292	(262)	501
Other Expense:				
Interest Expense, Net	(121)	(114)	(233)	(226)
Other, Net	(27)	(22)	(45)	(41)
Income (Loss) Before Income Taxes	(780)	156	(540)	234
Provision for Income Taxes	(63)	(100)	(173)	(146)
Net Income (Loss)	(843)	56	(713)	88
Net Income Attributable to Noncontrolling Interests	(6)	(5)	(13)	(7)
Net Income (Loss) Attributable to Weatherford	$(849)	$51	$(726)	$81
Earnings (Loss) Per Share Attributable to Weatherford:				
Basic	$(1.11)	$0.07	$(0.95)	$0.11
Diluted	$(1.11)	$0.07	$(0.95)	$0.11
Weighted Average Shares Outstanding:				
Basic	765	751	763	749
Diluted	765	758	763	758

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 millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net Income (Loss)	$(843)	$ 56	$(713)	$88
Other Comprehensive Income (Loss):				
Foreign Currency Translation Adjustment	(316)	15	(133)	197
Amortization of Pension Components	—	—	1	1
Other Comprehensive Income (Loss)	(316)	15	(132)	198
Comprehensive Income (Loss)	(1,159)	71	(845)	286
Comprehensive Income Attributable to Noncontrolling Interests	(6)	(5)	(13)	(7)
Comprehensive Income (Loss) Attributable to Weatherford	$(1,165)	$ 66	$(858)	$279

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 millions)

	Six Months Ended June 30, 2012	2011
Cash Flows from Operating Activities:		
Net Income (Loss)	$(713)	$88
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Goodwill and Equity Investment Impairment	793	—
Depreciation and Amortization	610	561
Employee Share-Based Compensation Expense	37	48
Deferred Income Tax Provision (Benefit)	40	(103)
(Gain) Loss on Sale of Assets and Businesses, Net	(19)	8
Other, Net	44	(3)
Change in Operating Assets and Liabilities, Net of Effect of Businesses Acquired and Sold		
Accounts Receivable	(380)	(321)
Inventories	(374)	(319)
Other Current Assets	(206)	(124)
Accounts Payable	63	160
Other Current Liabilities	327	161
Other	63	(66)
Net Cash Provided by Operating Activities	285	90
Cash Flows from Investing Activities:		
Capital Expenditures for Property, Plant and Equipment	(1,098)	(743)
Acquisitions of Businesses, Net of Cash Acquired	(156)	(47)
Acquisition of Intellectual Property	(6)	(4)
Acquisition of Equity Investments in Unconsolidated Affiliates	(8)	(7)
Proceeds from Sale of Assets and Businesses, Net	16	15
Net Cash Used by Investing Activities	(1,252)	(786)
Cash Flows from Financing Activities:		
Borrowings of Long-term Debt, Net	1,013	3
Borrowings (Repayments) of Short-term Debt, Net	(86)	601
Proceeds from Exercise of Warrants	65	—
Other Financing Activities	(12)	1
Net Cash Provided by Financing Activities	980	605
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(3)	5
Net Increase (Decrease) in Cash and Cash Equivalents	10	(86)
Cash and Cash Equivalents at Beginning of Period	371	416
Cash and Cash Equivalents at End of Period	$381	$330
Supplemental Cash Flow Information:		
Interest Paid.	$224	$234

Income Taxes Paid, Net of Refunds	244	135

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. (the "Company") are prepared in accordance with U.S. generally accepted accounting principles and include all adjustments of a normal recurring nature which, in the opinion of management, are necessary to present fairly our Condensed Consolidated Balance Sheet at June 30, 2012, Condensed Consolidated Statements of Operations, Condensed Consolidated Statements of Comprehensive Income and Condensed Consolidated Statements of Cash Flows for the three and six months ended June 30, 2012 and 2011. When referring to "Weatherford" and using phrases such as "we", "us", and "our", the intent is to refer to Weatherford International Ltd., a Swiss joint-stock company, and its subsidiaries as a whole or on a regional basis, depending on the context in which the statements are made.

Although we believe the disclosures in these financial statements are adequate to make the interim information presented not misleading, certain information relating to our organization and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to U.S. Securities and Exchange Commission ("SEC") rules and regulations. These financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2011 in our Annual Report on Form 10-K/A. The results of operations for the three and six months ended June 30, 2012 are not necessarily indicative of the results expected for the year ending December 31, 2012.

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

Principles of Consolidation

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

Prior Restatements

We identified a material weakness in our internal controls over the accounting for income taxes during 2010 and 2011 that resulted in material errors in our income tax accounts. The correction of these errors resulted in the restatement of our previously reported financial statements for the years ended December 31, 2009 and 2008, and our condensed consolidated financial statements for each quarter within 2010 and 2009 (the "2010 restatement") and for the years ended December 31, 2010 and 2009 and our condensed consolidated financial statements for each quarter within 2011 and 2010 (the "2011 restatement"). During 2012, in connection with the preparation of our first and second quarter financial statements and our ongoing income tax remediation activities, we identified additional errors related to prior years. Due to the continued accumulation of these errors, the Audit Committee of our Board of Directors concluded, on July 24, 2012, that investors should no longer rely upon our previously issued financial statements. Management determined that the Company would delay filing restated financial statements for 2011 and the first quarter of 2012, as well as interim financial statements for the second and third quarters of 2012, until significant procedures and reviews of our accounting for income taxes were performed. As a result of these additional procedures, we identified additional errors across multiple jurisdictions resulting in further restatement of our previously issued financial statements for the years ended December 31, 2011, 2010 and 2009 and our condensed consolidated financial statements for the first quarter of 2012 and each quarter within 2011 and 2010 (the "2012 restatement"). Prior to filing this Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, we filed an amended Annual Report on Form 10-K/A for the year ended December 31, 2011 and an amended Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2012 to reflect the 2012 restatement.

We have also restated our previously issued financial statements for the three months ended March 31, 2012 to correct errors in revenue and operating income associated with the early produciton facility construction contract discussed in Note 3. Under the accounting guidance applicable to construction-type contracts, claims arising from construction contracts that have or will be made against customers for costs incurred in excess of current contract provisions can be recognized as revenue, to the extent of cost incurred, when the contract or other evidence provides a legal basis for the claim, the additional costs were caused by circumstances that were unforeseen at the contract date and are not the result of deficiencies in our performance, claim-related costs are identifiable and considered reasonable in view of the work performed, and evidence supporting the claim is objective and verifiable. During the three months ended March 31, 2012, we included in our revenue estimates claims and unapproved change orders for the recovery of cost overruns that did not meet this recognition criteria. In addition, we did not include in our revenue estimates liquidated damages that we are contractually obligated to pay as a result of delays in the expected completion of the project. With the removal of these amounts from estimated revenue, estimated costs to be incurred under the contract exceed estimated revenue to be earned under contract, and therefore the anticipated loss on the contract as of March 31, 2012 should have been recorded in full during the three months ended March 31, 2012. The correction of these errors is reflected in our amended Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2012.

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

2. Business Combinations and Dispositions

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

In May 2012, we acquired a company that designs and produces well completion tools. As purchase consideration, we paid $28 million in cash, issued three million shares valued at approximately $39 million, settled a previously existing note receivable for $16 million and entered into a contingent consideration arrangement initially valued at approximately $11 million that will be settled in early 2015. This contingent consideration arrangement is dependent on the market price of our common stock and the resulting obligation will be marked to market in each reporting period prior to settlement. As of June 2012, the valuation of the acquired assets, liabilities and contingent consideration was not yet complete. During the six months ended June 30, 2012, we also acquired other businesses and equity investments for cash consideration of $136 million, net of cash acquired.

During the three months ended June 30, 2012, we completed the sale of our subsea controls business in exchange for an equity investment valued at $173 million in an entity that is positioned to provide complete subsea solutions to clients. We recognized a $28 million gain from the transaction. The major classes of assets sold included $39 million of accounts receivable and other current assets, $38 million of inventories, $5 million of property plant and equipment and $74 million of goodwill. Liabilities of $13 million were also transferred in the sale.

3. Loss Contract

During the three and six months ended June 30, 2012, we recognized losses of $61 million ($0.08 per share) and $87 million ($0.11 per share), respectively, related to a long-term early production facility construction contract in Iraq accounted for under the percentage-of-completion method. As of June 30, 2012, we have claims against our customer of $73 million that are not included in our revenue estimates because they do not meet the criteria for recognition under the guidance applicable to construction-type contracts. Additionally, we have accrued $17 million for liquidated damages that we are contractually obligated to pay as a result of delays in the expected completion of the project. Although we have not yet met the recognition criteria for revenue recognition, we expect to vigorously pursue collection of the claims and reduction or elimination of the liquidated damages. Any benefits resulting from those efforts will be recognized when the criteria for revenue recognition are met.

4. Accounts Receivable Factoring

During the six months ended June 30, 2012, a subsidiary in our Latin America segment factored approximately $51 million of accounts receivables under the program we entered into in 2010. We received $47 million in proceeds and recognized an immaterial loss on these sales. These transactions qualified for sale accounting under the applicable accounting standards and the proceeds received through June 30, 2012 are included in operating cash flows in our Condensed Consolidated Statement of Cash Flows. We did not factor receivables in the six months ended June 30, 2011.

5. Inventories

The components of inventory were as follows:

	June 30, 2012	December 31, 2011
	(In millions)	
Raw materials, components and supplies	$441	$ 443
Work in process	181	149
Finished goods	2,777	2,566
	$3,399	$ 3,158

Work in process and finished goods inventories include cost of materials, labor and manufacturing overhead. During the three months ended June 30, 2012, we recognized a charge for excess and obsolete inventory of $64 million or $0.08 per share.

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

6. Goodwill

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

During the three months ended June 30, 2012, there was a sustained decline in the market price of our registered shares such that our market capitalization was lower than our total shareholders' equity for an extended period. Additionally, certain of our reporting units were not performing at the levels previously expected. In response, we considered the associated circumstances to assess whether an event or change occurred that, more likely than not, reduced the fair value of any of our reporting units below their carrying amount. After considering the relevant circumstances, we concluded that the decline in our market capitalization was a potential indicator of impairment and we prepared the analysis necessary to identify potential impairment through the comparison of reporting unit fair values and carrying amounts. This "step one" analysis indicated that the goodwill attributable to our MENA and SSA reporting units was potentially impaired. Consequently, we performed the "step two" analysis of the goodwill impairment test, comparing the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. The "step two" analysis indicated that the goodwill for both reporting units was fully impaired and we recognized an impairment loss of $589 million, of which $512 million was attributable to MENA and $77 million to SSA. We recognized a tax benefit of $1 million for these impairment losses.

The changes in the carrying amount of goodwill by segment for the six months ended June 30, 2012, were as follows:

	North America (In millions)	MENA/ Asia Pacific	Europe/ SSA/ Russia	Latin America	Total
As of December 31, 2011	$2,272	$ 743	$ 1,024	$ 384	$4,423
Acquisitions	36	—	32	—	68
Disposals	(2)	(7)	(65)	—	(74)
Impairment loss	—	(512)	(77)	—	(589)
Purchase price and other adjustments	(18)	—	—	—	(18)
Foreign currency translation	(12)	(1)	(21)	(7)	(41)
As of June 30, 2012	$2,276	$ 223	$ 893	$ 377	$3,769

7. Equity Investments

In connection with our goodwill impairment test, we prepared an analysis to determine the fair value of our equity investments in less than majority owned entities. Upon completion of this valuation, we determined that the fair value attributable to certain equity investments was significantly below our carrying value for these investments. We assessed these declines in value as other than temporary and recognized an impairment loss of $204 million, with no corresponding tax benefit.

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

The components of short-term borrowings were as follows:

	June 30, 2012	December 31, 2011

	(In millions)	
Commercial paper	$912	$ 997
Other short-term bank loans	12	14
Total short-term borrowings	924	1,011
Current portion of long-term debt	339	309
Short-term borrowings and current portion of long-term debt	$1,263	$ 1,320

We maintain a $2.25 billion unsecured, revolving credit agreement (the "Credit Agreement") with JPMorgan Chase Bank, N.A., as administrative agent. The Credit Agreement has a scheduled maturity date of July 13, 2016, and can be used for a combination of borrowings, support for our commercial paper program and issuances of letters of credit. This agreement requires us to maintain a debt-to-capitalization ratio of less than 60% and it limits our total debt to $10 billion while our financial reporting is not current. We are in compliance with these covenants at June 30, 2012.

On April 16, 2012, we increased the size of our commercial paper program to $2.25 billion from $1.5 billion. From time to time, we use the commercial paper program to issue short-term, unsecured notes. Our commercial paper issuances are supported by the Credit Agreement. At June 30, 2012, our borrowings under our commercial paper program had a weighted average interest rate of 0.61% and there were $86 million in outstanding letters of credit under the Credit Agreement.

We have short-term borrowings with various domestic and international institutions pursuant to uncommitted facilities. At June 30, 2012, we had $12 million in short-term borrowings under these arrangements with a weighted average interest rate of 6.2%. In addition, we had $538 million of letters of credit under various uncommitted facilities and $99 million of performance bonds issued by financial sureties against an indemnification from us at June 30, 2012.

The carrying value of our short-term borrowings approximates their fair value as of June 30, 2012. The current portion of long-term debt at June 30, 2012 includes $296 million of 5.15% Senior Notes due March 2013 and other long-term debt of $43 million.

On April 4, 2012, we completed a $1.3 billion long-term debt offering comprised of (1) $750 million of 4.5% Senior Notes due 2022 and (2) $550 million of 5.95% Senior Notes due 2042. The net proceeds from this offering were used to repay short-term indebtedness under our commercial paper program and for general corporate purposes.

9. Fair Value of Financial Instruments

Financial Instruments Measured and Recognized at Fair Value

We estimate fair value at a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market for the asset or liability. Our valuation techniques require inputs that we categorize using a three level hierarchy, from highest to lowest level of observable inputs. Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 inputs are quoted prices or other market data for similar assets and liabilities in active markets, or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based upon our own judgment and assumptions used to measure assets and liabilities at fair value. Classification of a financial asset or liability within the hierarchy is determined based on the lowest level of input that is significant to the fair value measurement. Other than disclosed below under derivative instruments, we had no assets or liabilities measured and recognized at fair value on a recurring basis at June 30, 2012 and December 31, 2011.

Fair Value of Other Financial Instruments

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

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

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

	June 30, 2012	December 31, 2011
	(In millions)	
Fair value	$8,312	$ 7,270
Carrying value	7,650	6,595

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

10. Derivative Instruments

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

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

Fair Value Hedges

We may use interest rate swaps to help mitigate exposures related to changes in the fair values of the associated debt. Amounts paid or received upon termination of interest rate swaps accounted for as fair value hedges represent the fair value of the agreements at the time of termination and are recorded as an adjustment to the carrying value of the related debt. These amounts are amortized as a reduction, in the case of gains, or as an increase, in the case of losses, of interest expense over the remaining term of the debt.

In July 2011, we entered into interest rate swap agreements to pay a variable interest rate and receive a fixed interest rate with an aggregate notional amount of $300 million. These swaps were designated as fair value hedges of our 6.35% Senior Notes due 2017. In June 2012 these swaps were terminated. As a result of these terminations, we received a cash settlement of $18 million. The gain associated with these interest rate swap terminations was deferred and is being amortized over the remaining term of our 6.35% Senior Notes as a reduction in interest expense.

As of June 30, 2012, including the gain discussed above, we had net unamortized gains of $57 million associated with interest rate swap terminations. These gains are being amortized over the remaining terms of the originally hedged debt as a reduction in interest expense.

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 (Loss) into interest expense over the remaining term of the debt. As of June 30, 2012, we had net unamortized losses of $12 million associated with our cash flow hedge terminations.

Other Derivative Instruments

As of June 30, 2012, we had foreign currency forward contracts with notional amounts aggregating to $828 million. These contracts were entered into to hedge exposure to currency fluctuations in various foreign currencies. The total estimated fair value of these contracts and amounts receivable or owed associated with closed contracts resulted in a net asset of approximately $7 million. These derivative instruments were not designated as hedges and the changes in fair value of the contracts are recorded each period in Other, Net in the accompanying Condensed Consolidated Statements of Operations.

We have cross-currency swaps between the U.S. dollar and Canadian dollar to hedge certain exposures to the Canadian dollar. At June 30, 2012, we had notional amounts outstanding of $168 million. The total estimated fair value of these contracts at June 30, 2012, resulted in a liability of $26 million. These derivative instruments were not designated as hedges and the changes in fair value of the contracts are recorded each period in Other, Net in the accompanying Condensed Consolidated Statements of Operations.

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

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

	June 30, 2012	December 31, 2011	Classifications
	(In millions)		
Derivative assets designated as hedges:			
Interest rate swaps	$—	$ 13	Other Assets
Derivative assets not designated as hedges:			
Foreign currency forward contracts	17	20	Other Current Assets
Derivative liabilities not designated as hedges:			
Foreign currency forward contracts	10	8	Other Current Liabilities
Interest rate locks	—	9	Other Current Liabilities
Cross-currency swap contracts	26	27	Other Liabilities

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

11. Shareholders' Equity

The following summarizes our shareholders' equity activity for the six months ended June 30, 2012 and 2011:

	Issued Shares	Capital In Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss) (In millions)	Treasury Shares	Noncontrolling Interests	Total Shareholders' Equity
Balance at December 31, 2010	$ 761	$ 4,617	$ 3,949	$ 202	$ (478)	$ 67	$ 9,118
Net Income	—	—	81	—	—	7	88
Other Comprehensive Income	—	—	—	198	—	—	198
Dividends Paid to Noncontrolling Interests	—	—	—	—	—	(14)	(14)
Shares Issued for Acquisitions	—	(6)	—	—	65	—	59
Equity Awards Granted, Vested and Exercised	—	(8)	—	—	44	—	36
Other	2	(2)	1	—	—	2	3
Balance at June 30, 2011	$ 763	$ 4,601	$ 4,031	$ 400	$ (369)	$ 62	$ 9,488
Balance at December 31, 2011	$ 769	$ 4,675	$ 4,134	$ 80	$ (334)	$ 21	$ 9,345
Net Income (Loss)	—	—	(726)	—	—	13	(713)
Other Comprehensive Loss	—	—	—	(132)	—	—	(132)
Dividends Paid to Noncontrolling Interests	—	—	—	—	—	(11)	(11)
Shares Issued for Acquisitions	—	(27)	—	—	66	—	39
Equity Awards Granted, Vested and Exercised	—	(20)	—	—	39	—	19
Other	6	58	—	—	—	—	64
Balance at June 30, 2012	$ 775	$ 4,686	$ 3,408	$ (52)	$ (229)	$ 23	$ 8,611

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

Effective May 23, 2012, we issued 70 million registered shares to one of our subsidiaries in an internal restructuring of certain of the Company's assets. These shares are held as treasury shares as of June 30, 2012.

12. Earnings Per Share

Basic earnings per share for all periods presented equals net income divided by the weighted average number of our shares outstanding during the period. Diluted earnings per share is computed by dividing net income by the weighted average number of our shares outstanding during the period, adjusted for the dilutive effect of our stock options, restricted shares, performance units and warrants. Our diluted earnings per share calculation excludes three million potential shares for both the three and six months ended June 30, 2012, and three million and two million potential shares for the three and six months ended June 30, 2011, due to their anti-dilutive effect. Our diluted earnings per share calculation for the three and six months ended June 30, 2012 also excludes four 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.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(In millions)			
Basic weighted average shares outstanding	765	751	763	749
Dilutive effect of:				
Stock options, restricted shares and performance units	—	5	—	6
Warrants	—	2	—	3
Diluted weighted average shares outstanding	765	758	763	758

13. Share-Based Compensation

We recognized the following employee share-based compensation expense during the three and six months ended June 30, 2012 and 2011:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(In millions)			
Share-based compensation	$ 15	$ 25	$ 37	$ 48
Related tax benefit	5	9	13	17

During the six months ended June 30, 2012, we issued approximately one million performance units, which will vest with continued employment and if the Company meets certain market-based performance goals. The performance units have a weighted-average grant date fair value of $21.52 per share based on the Monte Carlo simulation method. As of June 30, 2012, there was $31 million of unrecognized compensation related to our performance units. This cost is expected to be recognized over a weighted average period of two years.

During the six months ended June 30, 2012, we also granted one million restricted share awards at a weighted average grant date fair value of $15.00 per share. As of June 30, 2012, there was $73 million of unrecognized compensation cost related to all of our unvested restricted share grants. This cost is expected to be recognized over a weighted average period of two years.

During the three months ended June 30, 2012, our Executive Deferred Compensation Stock Ownership Plan ("EDC") was terminated, resulting in a partial distribution of vested balances under the plan. This plan contains fully paid and vested shares of the Company held in employee participant accounts. Our EDC plan was frozen in 2008, and no further benefits have accrued to participants in the plan since then. These shares were purchased in prior years using compensation deferred in prior years by participants and previously matched by the Company. Shares that were not distributed on termination will be distributed to each participant in 2017 or upon his or her earlier departure from the Company.

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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.

	Three Months Ended June 30, 2012		
	Net Operating Revenues	Income from Operations (c)	Depreciation and Amortization
	(In millions)		
North America	$1,663	$ 226	$ 101
MENA/Asia Pacific	649	(38)	85
Europe/SSA/Russia	653	102	60
Latin America	782	90	59
	3,747	380	305
Corporate and Research and Development	—	(113)	6
Goodwill and Equity Investment Impairment	—	(793)	—
Other (a)	—	(106)	—
Total	$3,747	$ (632)	$ 311

	Three Months Ended June 30, 2011		
	Net Operating Revenues	Income from Operations	Depreciation and Amortization
	(In millions)		
North America	$1,344	$ 244	$ 88
MENA/Asia Pacific	617	33	83
Europe/SSA/Russia	593	87	58
Latin America	498	50	49
	3,052	414	278
Corporate and Research and Development	—	(103)	5
Other (b)	—	(19)	—
Total	$3,052	$ 292	$ 283

(a) The three months ended June 30, 2012 includes $23 million for severance, exit and other costs, a $100 million accrual for a loss contingency related to sanctioned country matters, income tax restatement and material weakness remediation expenses of $11 million and an offsetting gain of $28 million related to the sale of our subsea controls business.

(b) The three months ended June 30, 2011 includes $16 million for severance and exit costs and $3 million for legal and professional fees incurred in connection with our on-going investigations.

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

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	Six Months Ended June 30, 2012		
	Net Operating Revenues	Income From Operations (c)	Depreciation and Amortization
	(In millions)		
North America	$3,417	$ 584	$ 196
MENA/Asia Pacific	1,244	(16)	168
Europe/SSA/Russia	1,224	168	121
Latin America	1,453	173	114
	7,338	909	599
Corporate and Research and Development	—	(225)	11
Goodwill and Equity Investment Impairment	—	(793)	—
Other (a)	—	(153)	—
Total	$7,338	$ (262)	$ 610

	Six Months Ended June 30, 2011		
	Net Operating Revenues	Income From Operations	Depreciation and Amortization
	(In millions)		
North America	$2,704	$ 526	$ 176
MENA/Asia Pacific	1,193	42	165
Europe/SSA/Russia	1,103	126	115
Latin America	908	70	95
	5,908	764	551
Corporate and Research and Development	—	(223)	10
Other (b)	—	(40)	—
Total	$5,908	$ 501	$ 561

(a) The six months ended June 30, 2012 includes $53 million for severance, exit and other costs, a $100 million accrual for a loss contingency related to sanctioned country matters, $3 million in legal and professional fees incurred in connection with our on-going investigations, income tax restatement and material weakness remediation expenses of $25 million and an offsetting gain of $28 million related to the sale of our subsea controls business.

(b) The six months ended June 30, 2011 includes $27 million for severance and exit costs, $9 million in connection with the termination of a corporate consulting contract, and $4 million for legal and professional fees incurred in connection with our on-going investigations.

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

Early in 2011, our operations in Libya were disrupted by civil unrest. Most employees were evacuated and steps were taken to safeguard assets within the country. Due to the on-going hostilities, we were unable to physically verify the existence or condition of the majority of our assets in country for most of 2011 and the information available to us about those assets evolved during the year. Additionally, due to international sanctions against all entities affiliated with the Libyan government, we were unable to pursue collections of accounts receivable from a significant portion of our Libyan customers. In the fourth quarter of 2011, hostilities subsided and limited company personnel were able to re-enter the country. Additionally, we were able to engage in discussions with our customers. Following an examination of our Libyan assets and evaluation of our accounts receivable from Libyan customers, we recognized an expense of $59 million primarily to establish a reserve for receivables, machinery and equipment and inventory in Libya. Our operations in Libya have not resumed and we are not able to predict when they will resume. Given our evacuation from the country, it may be difficult, if not impossible, for us to safeguard and recover all of our operating assets; our ability to do so will depend on the local turn of events. At June 30, 2012, we had inventory and property, plant and equipment in Libya with a carrying value of $113 million, as well as $3 million of accounts receivable. We risk loss of assets in any location where hostilities arise and persist. In these areas we also may not be able to perform the work we are contracted to perform, which could lead to forfeiture of performance bonds.

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15. Disputes, Litigation and Contingencies
U.S. Government and Internal Investigations
We are currently involved in government and internal investigations.
The U.S. Department of Commerce, Bureau of Industry & Security, Office of Foreign Assets Control ("OFAC"), Department of Justice ("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 these investigations and have retained legal counsel, reporting to our Audit Committee, to investigate these matters.

In light of these investigations, the 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 and have conducted further withdrawal activities, pursuant to the licenses issued by OFAC, which have now ceased. Certain of our subsidiaries continue to conduct business in countries such as Myanmar that are subject to more limited U.S. trading sanctions. In 2011, the country of South Sudan came into formal existence without the same sanction restrictions as those imposed upon Sudan; the Company may operate in South Sudan.

We have been in negotiations with the government agencies to resolve the investigation into alleged violations of the trade sanctions laws for more than a year, and these negotiations have advanced significantly. During the quarter ended June 30, 2012, the negotiations progressed to a point where we recognized a liability for a loss contingency that we believe is probable and for which a reasonable estimate can be made. The Company estimates that the most likely amount of this loss is $100 million, although the actual amount could be greater or less, and the timing of the payment cannot yet be determined. The Company has therefore recognized a $100 million loss contingency, wiht no corresponding tax benefit, in the quarter ended June 30, 2012 as our best estimate for the potential settlement of the sanctioned country matters. However, uncertainties remain and therefore an exposure to loss may exist in excess of the amount accrued, pending the ultimate resolution of the investigation, and we may ultimately not reach a final settlement with the government and may proceed to litigation. As part of any potential resolution with the government, the DOJ may seek to impose modifications to business practices that decrease our business and modifications to the Company's compliance programs, which may increase compliance costs.

Until 2003, we participated in the United Nations oil-for-food program governing sales of goods and services into Iraq. The DOJ and 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 are in 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 and SEC are also 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 we are cooperating fully with the DOJ and SEC. As part of our internal investigations, we have uncovered potential violations of U.S. law in connection with activities in several jurisdictions. We have been in negotiations with the government agencies to resolve these matters for more than a year, 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 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. Any injunctive relief, disgorgement, fines, penalties, sanctions or imposed modifications to business practices resulting from these investigations could adversely affect our results of operations, and the cost of our investigations have been significant.

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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 is uncertainty as to the ultimate amount of any penalties we may pay. We have not yet recognized a loss contingency related to the matters other than trade sanction laws, as we have not concluded that there are related losses that we believe are probable and for which a reasonable estimate can be made. However, 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.

In addition, the SEC and the DOJ are investigating the circumstances surrounding the material weakness in the Company's internal controls over financial reporting for income taxes that was disclosed on Forms 12b-25 and 8-K on March 1, 2011 and February 21, 2012, respectively, and the related restatements of our historical financial statements. We are cooperating fully with the government investigation.

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.

We 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, we 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. We are 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 us and other defendants. They allege that we 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.

We were not designated as a "Responsible Party," as that term is defined by OPA. Therefore, we were not charged with responsibility for cleaning up the oil released from the Macondo well or handling any claims. A Responsible Party may make a claim for contribution against any other party it alleges contributed to the oil spill. Since we have not been named a Responsible Party, we sought to be dismissed from any and all OPA-related claims.

In June 2011, we reached an agreement with BP wherein BP agreed to indemnify us for the vast majority of our potential exposure related to the Macondo incident, including OPA claims. Pursuant to this agreement, we agreed to pay BP $75 million, an amount covered by our insurance policies.

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In February 2012, the Court in which the consolidated Multidistrict Litigation is pending dismissed all claims against Weatherford, finding that there was no evidence that the Weatherford equipment used in the Macondo well was defective or that any actions or inactions by Weatherford caused or contributed to the cause of the blowout and oil spill. Subsequent to these claims being dismissed, new claims were brought against the Company, and may continue to be brought against the Company, in Federal District Court. These claims have been, and we expect that they will continue to be, consolidated into the Multidistrict Litigation. We expect such new claims will also be dismissed. Additionally, claims brought against us in state court, which have not been consolidated in the Multidistrict Litigation, are still pending. We cannot predict whether or not those claims will proceed against Weatherford. However, given the dismissal of the claims against us in the Multidistrict Litigation and the June 2011 indemnification agreement with BP, we do not believe that we have any material exposure with regard to these remaining claims. Additional lawsuits could be filed in the future relating to the Macondo incident.

Additionally, we are cooperating fully with the investigations of the accident initiated by various agencies of the U.S. government and, to the extent requested, have responded to several subpoenas, information and document requests and requests for testimony of employees.

Shareholder Litigation

In 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. Separately, in 2011 and 2012, shareholders filed suit relating to the material weakness in the Company's internal controls over financial reporting for income taxes that was disclosed on Forms 12b-25 and 8-K filed on March 1, 2011 and February 21, 2012, respectively, and the related restatement of historical financial statements. These suits name the Company as well as current and former members of management and our directors. We cannot predict the ultimate outcome of these claims.

Other Disputes

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 or for which we can only estimate a range of liability. If one or more negative outcomes were to occur, the impact to our financial condition could be as high as $20 million.

16. New Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board ("FASB") issued new guidance to achieve common fair value measurement and disclosure requirements between U.S. Generally Accepted Accounting Principles and International Financial Reporting Standards. This new guidance amends current fair value measurement and disclosure guidance to include increased transparency around valuation inputs and investment categorization. This new guidance is effective for fiscal years and interim periods beginning after December 15, 2011. Our adoption of the new guidance did not impact our consolidated financial position, results of operations or cash flows, although it did require additional fair value disclosures.

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In June 2011, the FASB issued new guidance on the presentation of comprehensive income. The new guidance allows an entity to present components of net income and other comprehensive income in one continuous statement, referred to as the statement of comprehensive income, or in two separate, but consecutive statements. The new guidance eliminates the current option to report other comprehensive income and its components in the statement of changes of shareholders' equity. While the new guidance changes the presentation of comprehensive income, there are no changes to the components that are recognized in net income or other comprehensive income under current accounting guidance. In December 2011, the FASB modified the June guidance to defer the requirement that companies present reclassification adjustments for each component of Accumulated Other Comprehensive Income (Loss) in both net income and other comprehensive income. This guidance, with the exception of the deferral, is effective for fiscal years and interim periods beginning after December 15, 2011. Our adoption of the new guidance did not impact on our consolidated financial position, results of operations or cash flows. Consistent with the guidance we have presented comprehensive income and the components of comprehensive income in a separate statement that immediately follows the condensed consolidated statements of operations.

17. Subsequent Events

In August 2012, as a result of the delay in filing our second quarter report on Form 10-Q and potential delay in filing our third quarter report on Form 10-Q, we sought consents from the holders of our Senior Notes to extend the due date under the Senior Note indentures for providing our Form 10-Q filings to no later than March 31, 2013. We received sufficient consents to apply this extension to all series of our publicly traded Senior Notes. We also obtained waivers of the financial reporting requirement under our Credit Facility for providing our Form 10-Q filings to no later than March 19, 2013. We paid approximately $30 million in connection with the consent solicitation and waivers, including other associated costs.

18. Condensed Consolidating Financial Statements

A Swiss joint-stock company named Weatherford International Ltd. is the ultimate parent of the Weatherford group ("Weatherford Switzerland" or "Parent"). The Parent guarantees the obligations of Weatherford International Ltd., which is incorporated in Bermuda ("Weatherford Bermuda") and Weatherford International, Inc., which is incorporated in Delaware ("Weatherford Delaware"), noted below.

The following obligations of Weatherford Delaware were guaranteed by Weatherford Bermuda at June 30, 2012 and December 31, 2011: (1) the 5.95% Senior Notes, (2) the 6.35% Senior Notes and (3) the 6.80% Senior Notes.

The following obligations of Weatherford Bermuda were guaranteed by Weatherford Delaware at June 30, 2012: (1) the revolving credit facility, (2) the 4.95% Senior Notes, (3) the 5.50% Senior Notes, (4) the 6.50% Senior Notes, (5) the 5.15% Senior Notes, (6) the 6.00% Senior Notes, (7) the 7.00% Senior Notes, (8) the 9.625% Senior Notes, (9) the 9.875% Senior Notes, (10) the 5.125% Senior Notes, (11) the 6.75% Senior Notes, (12) the 4.50% Senior Notes and (13) the 5.95% Senior Notes due 2042.

The following obligations of Weatherford Bermuda were guaranteed by Weatherford Delaware December 31, 2011: (1) the revolving credit facility, (2) the 4.95% Senior Notes, (3) the 5.50% Senior Notes, (4) the 6.50% Senior Notes, (5) the 5.15% Senior Notes, (6) the 6.00% Senior Notes, (7) the 7.00% Senior Notes, (8) the 9.625% Senior Notes, (9) the 9.875% Senior Notes, (10) the 5.125% Senior Notes and (11) the 6.75% Senior Notes.

As a result of the 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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Condensed Consolidating Balance Sheet
June 30, 2012
(Unaudited)
(In millions)

	Weatherford Switzerland	Weatherford Bermuda	Weatherford Delaware	Other Subsidiaries	Eliminations	Consolidation
Current Assets:						
Cash and Cash Equivalents	$ —	$ —	$ 3	$ 378	$ —	$ 381
Other Current Assets	6	18	249	7,953	(106)	8,120
Total Current Assets	6	18	252	8,331	(106)	8,501
Equity Investments in Affiliates	8,153	14,911	7,576	11,903	(42,543)	—
Shares Held in Parent	—	—	9	220	(229)	—
Intercompany Receivables, Net	540	2,254	—	—	(2,794)	—
Other Non-current Assets	18	47	40	13,097	—	13,202
Total Assets	$ 8,717	$ 17,230	$ 7,877	$ 33,551	$ (45,672)	$ 21,703
Current Liabilities:						
Short-term Borrowings and Current Portion of Long-term Debt	$ —	$ 1,214	$ 22	$ 27	$ —	$ 1,263
Accounts Payable and Other Current Liabilities	116	138	—	3,183	(106)	3,331
Total Current Liabilities	116	1,352	22	3,210	(106)	4,594
Long-term Debt	—	6,161	1,035	115	—	7,311
Intercompany Payables, Net	—	—	350	2,442	(2,792)	—
Other Non-current Liabilities	13	82	2	1,090	—	1,187
Total Liabilities	129	7,595	1,409	6,857	(2,898)	13,092
Weatherford Shareholders' Equity	8,588	9,635	6,468	26,671	(42,774)	8,588
Noncontrolling Interests	—	—	—	23	—	23
Total Liabilities and Shareholders' Equity	$ 8,717	$ 17,230	$ 7,877	$ 33,551	$ (45,672)	$ 21,703

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Condensed Consolidating Balance Sheet
December 31, 2011
(In millions)

	Weatherford Switzerland	Weatherford Bermuda	Weatherford Delaware	Other Subsidiaries	Eliminations	Consolidation
Current Assets:						
Cash and Cash Equivalents	$ —	$ —	$ —	$ 371	$ —	$ 371
Other Current Assets	3	16	147	7,293	(99)	7,360
Total Current Assets	3	16	147	7,664	(99)	7,731
Equity Investments in Affiliates	9,654	15,287	7,770	12,102	(44,813)	—
Shares Held in Parent	—	—	4	330	(334)	—
Intercompany Receivables, Net	—	1,252	64	—	(1,316)	—
Other Non-current Assets	20	37	32	13,231	—	13,320
Total Assets	$ 9,677	$ 16,592	$ 8,017	$ 33,327	$ (46,562)	$ 21,051
Current Liabilities:						
Short-term Borrowings and Current Portion of Long-Term Debt	$ —	$ 1,005	$ 292	$ 23	$ —	$ 1,320
Accounts Payable and Other Current Liabilities	10	133	—	2,919	(99)	2,963
Total Current Liabilities	10	1,138	292	2,942	(99)	4,283
Long-term Debt	—	5,163	1,046	77	—	6,286
Intercompany Payables, Net	343	—	—	972	(1,315)	—
Other Non-current Liabilities	—	81	5	1,051	—	1,137
Total Liabilities	353	6,382	1,343	5,042	(1,414)	11,706
Weatherford Shareholders' Equity	9,324	10,210	6,674	28,264	(45,148)	9,324
Noncontrolling Interests	—	—	—	21	—	21
Total Liabilities and Shareholders' Equity	$ 9,677	$ 16,592	$ 8,017	$ 33,327	$ (46,562)	$ 21,051

WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES
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(UNAUDITED)
Condensed Consolidating Statements of Comprehensive Income
Three Months Ended June 30, 2012
(Unaudited)
(In millions)

	Weatherford Switzerland	Weatherford Bermuda	Weatherford Delaware	Other Subsidiaries	Eliminations	Consolidation
Revenues	$ —	$ —	$ —	$ 3,747	$ —	$ 3,747
Costs and Expenses	(110)	—	—	(4,269)	—	(4,379)
Operating Income (Loss)	(110)	—	—	(522)	—	(632)
Other Income (Expense):						
Interest Expense, Net	—	(101)	(17)	(3)	—	(121)
Intercompany Charges, Net	(27)	7	(52)	72	—	—
Equity in Subsidiary Income (Loss)	(711)	(785)	(447)	—	1,943	—
Other, Net	(1)	55	(1)	(80)	—	(27)
Income (Loss) Before Income Taxes	(849)	(824)	(517)	(533)	1,943	(780)
(Provision) Benefit for Income Taxes	—	—	25	(88)	—	(63)
Net Income (Loss)	(849)	(824)	(492)	(621)	1,943	(843)
Noncontrolling Interests	—	—	—	(6)	—	(6)
Net Income (Loss) Attributable to Weatherford	$ (849)	$ (824)	$ (492)	$ (627)	$ 1,943	$ (849)
Comprehensive Income (Loss) Attributable to Weatherford	$ (849)	$ (824)	$ (492)	$ (943)	$ 1,943	$ (1,165)

Condensed Consolidating Statements of Comprehensive Income
Three Months Ended June 30, 2011
(Unaudited)
(In millions)

	Weatherford Switzerland	Weatherford Bermuda	Weatherford Delaware	Other Subsidiaries	Eliminations	Consolidation
Revenues	$ —	$ —	$ —	$ 3,052	$ —	$ 3,052
Costs and Expenses	(10)	(1)	(1)	(2,748)	—	(2,760)
Operating Income (Loss)	(10)	(1)	(1)	304	—	292
Other Income (Expense):						
Interest Expense, Net	—	(87)	(24)	(3)	—	(114)
Intercompany Charges, Net	(28)	2	(37)	63	—	—
Equity in Subsidiary Income (Loss)	89	95	261	—	(445)	—
Other, Net	—	(32)	—	10	—	(22)
Income (Loss) from Before Income Taxes	51	(23)	199	374	(445)	156
(Provision) Benefit for Income Taxes	—	—	(23)	(77)	—	(100)
Net Income (Loss)	51	(23)	176	297	(445)	56

Noncontrolling Interests	—	—	—	(5)	—	(5)
Net Income (Loss) Attributable to Weatherford	$ 51	$ (23)	$ 176	$ 292	$ (445)	$ 51
Comprehensive Income (Loss) Attributable to Weatherford	$ 51	$ (23)	$ 176	$ 307	$ (445)	$ 66

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WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
Condensed Consolidating Statements of Income
Six Months Ended June 30, 2012
(Unaudited)
(In millions)

	Weatherford Switzerland	Weatherford Bermuda	Weatherford Delaware	Other Subsidiaries	Eliminations	Consolidation
Revenues	$ —	$ —	$ —	$ 7,338	$ —	$ 7,338
Costs and Expenses	(126)	(1)	(1)	(7,472)	—	(7,600)
Operating Income (Loss)	(126)	(1)	(1)	(134)	—	(262)
Other Income (Expense):						
Interest Expense, Net	—	(190)	(36)	(7)	—	(233)
Intercompany Charges, Net	(27)	15	(27)	39	—	—
Equity in Subsidiary Income (Loss)	(572)	(524)	(193)	—	1,289	—
Other, Net	(1)	20	(1)	(63)	—	(45)
Income (Loss) Before Income Taxes	(726)	(680)	(258)	(165)	1,289	(540)
(Provision) Benefit for Income Taxes	—	—	23	(196)	—	(173)
Net Income (Loss)	(726)	(680)	(235)	(361)	1,289	(713)
Noncontrolling Interests	—	—	—	(13)	—	(13)
Net Income (Loss) Attributable to Weatherford	$ (726)	$ (680)	$ (235)	$ (374)	$ 1,289	$ (726)
Comprehensive Income (Loss) Attributable to Weatherford	$ (726)	$ (680)	$ (235)	$ (506)	$ 1,289	$ (858)

Condensed Consolidating Statements of Income
Six Months Ended June 30, 2011
(Unaudited)
(In millions)

	Weatherford Switzerland	Weatherford Bermuda	Weatherford Delaware	Other Subsidiaries	Eliminations	Consolidation
Revenues	$ —	$ —	$ —	$ 5,908	$ —	$ 5,908
Costs and Expenses	(31)	(2)	(2)	(5,372)	—	(5,407)
Operating Income (Loss)	(31)	(2)	(2)	536	—	501
Other Income (Expense):						
Interest Expense, Net	—	(174)	(47)	(5)	—	(226)
Intercompany Charges, Net	(28)	2	(4)	30	—	—
Equity in Subsidiary Income (Loss)	140	298	456	—	(894)	—
Other, Net	—	(81)	—	40	—	(41)
Income (Loss) Before Income Taxes	81	43	403	601	(894)	234

(Provision) Benefit for Income Taxes	—	—	(20)	(126)	—	(146)
Net Income (Loss)	81	43	383	475	(894)	88
Noncontrolling Interests	—	—	—	(7)	—	(7)
Net Income (Loss) Attributable to Weatherford	$ 81	$ 43	$ 383	$ 468	$ (894)	$ 81
Comprehensive Income (Loss) Attributable to Weatherford	$ 81	$ 43	$ 383	$ 666	$ (894)	$ 279

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WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
Condensed Consolidating Statement of Cash Flows
Six Months Ended June 30, 2012
(Unaudited)
(In millions)

	Weatherford Switzerland	Weatherford Bermuda	Weatherford Delaware	Other Subsidiaries	Eliminations	Consolidation
Cash Flows from Operating Activities:						
Net Income (Loss)	$ (726)	$ (680)	$ (235)	$ (361)	$ 1,289	$ (713)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Charges from Parent or Subsidiary	27	(15)	27	(39)	—	—
Equity in (Earnings) Loss of Affiliates	572	524	193	—	(1,289)	—
Deferred Income Tax Benefit (Provision)	—	—	(31)	71	—	40
Other Adjustments	80	(67)	268	677	—	958
Net Cash Provided (Used) by Operating Activities	(47)	(238)	222	348	—	285
Cash Flows from Investing Activities:						
Capital Expenditures for Property, Plant and Equipment	—	—	—	(1,098)	—	(1,098)
Acquisitions of Businesses, Net of Cash Acquired	(29)	—	—	(127)	—	(156)
Acquisition of Intellectual Property	—	—	—	(6)	—	(6)
Acquisition of Equity Investments in Unconsolidated Affiliates	—	—	—	(8)	—	(8)
Proceeds from Sale of Assets and Businesses, Net	—	—	—	16	—	16
Capital Contribution to Subsidiary	29	—	(118)	118	(29)	—
Other Investing Activities	—	—	—	—	—	—
Net Cash Used by Investing Activities	—	—	(118)	(1,105)	(29)	(1,252)
Cash Flows from Financing Activities:						
Borrowings (Repayments) Short-term Debt, Net	—	(85)	—	(1)	—	(86)
Borrowings (Repayments) Long-term Debt, Net	—	1,295	(10)	(272)	—	1,013
Borrowings (Repayments) Between Subsidiaries, Net	47	(972)	(91)	1,016	—	—
Proceeds from Capital Contribution	—	—	—	(29)	29	—
Other, Net	—	—	—	53	—	53
Net Cash Provided (Used) by Financing Activities	47	238	(101)	767	29	980

Effect of Exchange Rate Changes on Cash and Cash Equivalents	—	—	—	(3)	—	(3)
Net Increase in Cash and Cash Equivalents	—	—	3	7	—	10
Cash and Cash Equivalents at Beginning of Year	—	—	—	371	—	371
Cash and Cash Equivalents at End of Year	$ —	$ —	$ 3	$ 378	$ —	$ 381

WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
Condensed Consolidating Statement of Cash Flows
Six Months Ended June 30, 2011
(Unaudited)
(In millions)

	Weatherford Switzerland	Weatherford Bermuda	Weatherford Delaware	Other Subsidiaries	Eliminations	Consolidation
Cash Flows from Operating Activities:						
Net Income (Loss)	$ 81	$ 43	$ 383	$ 475	$ (894)	$ 88
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Charges from Parent or Subsidiary	28	(2)	4	(30)	—	—
Equity in (Earnings) Loss of Affiliates	(140)	(298)	(456)	—	894	—
Deferred Income Tax Benefit (Provision)	—	—	23	(126)	—	(103)
Other Adjustments	1	(156)	(29)	289	—	105
Net Cash Provided (Used) by Operating Activities	(30)	(413)	(75)	608	—	90
Cash Flows from Investing Activities:						
Capital Expenditures for Property, Plant and Equipment	—	—	—	(743)	—	(743)
Acquisitions of Businesses, Net of Cash Acquired	—	—	—	(47)	—	(47)
Acquisition of Intellectual Property	—	—	—	(4)	—	(4)
Acquisition of Equity Investments in Unconsolidated Affiliate	—	—	—	(7)	—	(7)
Proceeds from Sale of Assets and Businesses, Net	—	—	—	15	—	15
Capital Contribution to Subsidiary	—	(20)	—	—	20	—
Net Cash Provided (Used) by Investing Activities	—	(20)	—	(786)	20	(786)
Cash Flows from Financing Activities:						
Borrowings (Repayments) Short-term Debt, Net	—	585	—	16	—	601
Borrowings (Repayments) Long-term Debt, Net	—	—	(9)	12	—	3
Borrowings (Repayments) Between Subsidiaries, Net	30	(264)	77	157	—	—
Proceeds from Capital Contribution	—	—	—	20	(20)	—
Other, Net	—	—	—	1	—	1
Net Cash Provided (Used) by Financing Activities	30	321	68	206	(20)	605
Effect of Exchange Rate on Cash and Cash Equivalents	—	—	—	5	—	5

Net Increase (Decrease) in Cash and Cash Equivalents	—	(112)	(7)	33	—	(86)
Cash and Cash Equivalents at Beginning of Year	—	114	12	290	—	416
Cash and Cash Equivalents at End of Year	$ —	$ 2	$ 5	$ 323	$ —	$ 330

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ITEM 2. 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 level 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 the remainder of 2012. Next, we analyze the results of our operations for the three and six months ended June 30, 2012 and 2011, including the trends in our business and review our liquidity and capital resources. We conclude with a discussion of our critical accounting policies and estimates and a summary of recently issued accounting pronouncements. The "Company," "we," "us" and "our" refer to Weatherford International Ltd., a Swiss joint-stock corporation.

The following discussion should be read in conjunction with our financial statements included with this report and our financial statements and related MD&A for the year ended December 31, 2011 included in our Annual Report on Form 10-K/A. 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 "Forward-Looking Statements."

Overview

General

Our principal business is to provide equipment and services to the oil and natural gas exploration and production industry both on land and offshore, through our product and service line groups 1) Formation Evaluation and Well Construction and 2) Completion and Production.

- Formation Evaluation and Well Construction includes: Drilling Services, Well Construction, Integrated Drilling, Wireline and Evaluation Services, Drilling Tools and Re-entry and Fishing
- Completion and Production includes: Artificial Lift Systems, Stimulation and Chemicals, Completion Systems and Pipeline and Specialty Services

We may sell our products and services separately or may bundle them together to provide integrated solutions, up to and including integrated well construction where we are responsible for the entire process of drilling, constructing and completing a well. Our customers include both exploration and production companies and other oilfield service companies. Depending on the service line, customer and location, our contracts vary in their terms, provisions and indemnities. We earn revenues under our contracts when products and services are delivered. Typically, we provide products and services at a well site where our personnel and equipment may be located together with personnel and equipment of our customer and third parties, such as other service providers.

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 operational performance is segmented and reviewed on a geographic basis and we report the following regions as separate, distinct reporting segments: (1) North America; (2) Latin America; (3) Europe/Sub-Sahara Africa ("SSA")/Russia; and (4) Middle East/North Africa ("MENA")/Asia Pacific.

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.

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

	WTI Oil (a)	Henry Hub Gas (b)	North American Rig Count (c)	International Rig Count (c)
June 30, 2012	$84.96	$2.82	2,148	1,230
December 31, 2011	98.83	2.99	2,481	1,188
June 30, 2011	95.42	4.37	2,019	1,146

(a) Price per barrel as of June 30 and December 31 – Source: Thomson Reuters
(b) Price per MM/BTU as of June 30 and December 31 – Source: Thomson Reuters
(c) Average rig count for the applicable quarter – Source: Baker Hughes Rig Count

Oil prices decreased during the first six months of 2012, ranging from a low of $77.69 per barrel in at the end of June to a high of $109.77 per barrel at the end of February. Natural gas prices decreased during the first six months of 2012 and ranged from a high of $3.10 MM/BTU in early January to a low of $1.91 MM/BTU in mid-April. Factors influencing oil and natural gas prices during the period include hydrocarbon inventory levels, realized and expected economic growth, realized and expected levels of hydrocarbon demand, levels of spare production capacity within the Organization of Petroleum Exporting Countries ("OPEC"), weather and geopolitical uncertainty.

Outlook

We believe the long-term 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. These challenges increase our customers' requirements for technologies that improve productivity and efficiency and increase demand for our products and services. These phenomena provide us with a positive outlook over the longer term.

The level of improvement in our businesses in 2012 will continue to depend heavily on pricing and volume increases, our control of costs and our ability to further penetrate existing markets with our younger technologies, as well as our ability to successfully introduce these technologies to new markets.

For 2012, we maintain a positive outlook with respect to increases in North American revenue and profitability. Assuming a flat to slightly declining rig count, we expect 2012 revenue to increase modestly and operating income to increase slightly compared to 2011. We believe the predominance of oil activity and our market share in Canada as well as the strength of oil-based activity in the United States mostly offset the declines in natural gas related activity. Our artificial lift, formation evaluation, completion, production optimization, and wireline product lines should continue to show meaningful growth compared to 2011 and offset declines in our stimulation and chemicals product lines, where we continue to anticipate comparative weakness.

Internationally, our outlook remains positive for 2012. Latin America has a solid backlog that should result in increases in revenue and profitability driven by continuous progress in several countries including Mexico, Colombia, Brazil and Argentina as compared to 2011. Growth in our Europe/SSA/Russia region will be broad based and driven by profitability improvements. Our MENA operation should show improvement in revenue compared to 2011 due to the start of certain new contracts, primarily in Saudi Arabia and Kuwait, but with declining margins due to losses in Iraq and we expect little to no improvement in North Africa by the end of the year. We anticipate that the revenue and profitability growth in Asia will be driven by a strong backlog in China and Australia.

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Results of Operations

The following charts contain selected financial data comparing our consolidated and segment results from operations for the three and six months ended June 30, 2012 and 2011:

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
	(In millions, except per share data)			
Revenues:				
North America	$1,663	$1,344	$3,417	$2,704
MENA/Asia Pacific	649	617	1,244	1,193
Europe/SSA/Russia	653	593	1,224	1,103
Latin America	782	498	1,453	908
	3,747	3,052	7,338	5,908
Operating Income:				
North America	226	244	584	526
MENA/Asia Pacific	(38)	33	(16)	42
Europe/SSA/Russia	102	87	168	126
Latin America	90	50	173	70
Research and Development	(64)	(62)	(126)	(122)
Corporate Expenses	(49)	(41)	(99)	(101)
Goodwill and Equity Investment Impairment	(793)	—	(793)	—
Sanctioned Countries Loss Contingency	(100)	—	(100)	—
Other Items	(6)	(19)	(53)	(40)
	(632)	292	(262)	501
Interest Expense, Net	(121)	(114)	(233)	(226)
Other, Net	(27)	(22)	(45)	(41)
Net Income per Diluted Share	$(1.11)	$0.07	$(0.95)	$0.11
Depreciation and Amortization	311	283	610	561

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Revenues

The following chart contains consolidated revenues by product line for the three and six months ended June 30, 2012 and 2011:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Formation Evaluation and Well Construction	55%	55%	56%	58%
Completion and Production.	45%	45%	44%	42%
	100%	100%	100%	100%

Consolidated revenues increased $695 million, or 23%, in the second quarter of 2012 as compared to the second quarter of 2011. This increase outpaced the 7% increase in average rig count over the comparable period. North America revenue increased $319 million, or 24%, in the second quarter of 2012 compared to the same quarter of the prior year. International revenues increased $376 million, or 22%, in the second quarter of 2012 as compared to the second quarter of 2011. Our artificial lift systems, drilling services, and stimulation and chemicals product lines were the strongest contributors to the increase over the year-ago period.

Consolidated revenues increased $1.4 billion, or 24%, as compared to the first six months of 2011. The increase in revenues during the first six months of 2012 compared to the first six months of 2011 was mostly driven by our North America and Latin America regions.

Operating Income

Consolidated operating income decreased $924 million or 316%, in the second quarter of 2012 as compared to the second quarter of 2011. Our operating segments accounted for $34 million of the decrease during the current quarter as compared to the same quarter of the prior year. During the second quarter of 2012, we recognized a goodwill and equity investment impairment of $793 million and a $100 million accrual for a loss contingency related to the sanctioned country matters. Our operating segments results declined primarily due to losses on percentage of completion contracts, primarily in Iraq, and declines in stimulation and chemicals in North America.

Consolidated operating income decreased $763 million, or 152%, during the first six months of 2012 as compared to the first six months of 2011. Our operating segments contributed $145 million of incremental operating income, which was offset by the goodwill and equity investment impairment and the loss contingency accrual.

Other items during the six months ended June 30, 2012 include $53 million for severance, exit and other costs, income tax restatement and material weakness remediation expense of $25 million and an offsetting gain of $28 million related to the sale of our subsea controls business.

Other items during the six months ended June 30, 2011 includes $27 million for severance and exit costs, $4 million for legal, professional and related fees incurred in connection with our on-going investigations and $9 million in connection with the termination of a corporate consulting contract.

Interest Expense, Net

Interest Expense, Net increased $7 million, or 6% in the second quarter of 2012, as compared to the same period of the prior year, due to increases in overall indebtedness. Interest expense was flat in the first quarter of 2012 when compared to the same period in the prior year.

Income Taxes

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

For the three and six months ended June 30, 2011, we had a tax provision of $100 million and $146 million on income before taxes of $156 million and $234 million, respectively. Our tax provision for the three and six months ended June 30, 2011 includes discrete tax benefits of $12 million and $18 million, respectively, related to changes in prior period tax positions during the three and six month periods.

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Segment Results

North America

North American revenues increased $319 million, or 24%, in the second quarter of 2012, as compared to the second quarter of 2011 and $713 million, or 26%, during the six month period ended June 30, 2012. This increase outpaced the 6% and 10% increase in average North American rig count over the comparable periods. Revenues from our well construction, artificial lift, completions and drilling services product lines were the strongest contributors to the increase in these periods.

Operating income decreased $18 million, or 7%, in the second quarter of 2012, as compared to the second quarter of the prior year. Operating margins were 13.6% in the second quarter of 2012 and 18.2% in the second quarter of 2011. Operating margins decreased 240 basis points to 17.1% for the first six months of 2012, compared to 19.5% for the first six months of 2011. Declines in operating margins are primarily attributable to stimulation and chemicals margin reductions.

MENA/Asia Pacific

MENA/Asia Pacific revenues increased $32 million, or 5%, in the second quarter of 2012, as compared to the second quarter of 2011and $51 million or 4% during the first six months of 2012 as compared to the same period of the prior year. Our stimulation and chemicals, pipeline and specialty services, and artificial lift product line were the strongest contributors to the increase in revenue.

Operating income decreased $71 million during the second quarter of 2012, compared to the same quarter of the prior year and $58 during the six months ended June 30, 2012 compared to the same period in the prior year. The 2012 decrease in operating income is primarily due to losses on percentage of completion contracts in Iraq.

Europe/SSA/Russia

Revenues in our Europe/SSA/Russia segment increased $60 million, or 10%, in the second quarter of 2012, compared to the same quarter of the prior year and $121 million or 11% in the year-to-date period, compared to the same period in the prior year. The region realized strong performances from our pipeline and specialty services, wireline and drilling tools product lines in the three and six months ended June 30, 2012, as compared to the same period of the prior year.

Operating income increased $15 million, or 17%, in the second quarter of 2012, as compared to the same quarter of 2011. Operating margins were 15.6% in the second quarter of 2012 and 14.7% in the second quarter of 2011. The increase in operating income and margins was due to an abatement noted in the increased fuel and transportation costs in Russia, relative to the prior year quarter and year-to-date period as well as the realization of our strong backlog in integrated drilling, wireline, completion and artificial lift. During the six month period ended June 30 2011, operating income increased by $42 million or 33%.

Latin America

Revenues in our Latin America segment increased $284 million or 57%, in the second quarter of 2012, as compared to the same quarter of the prior year and $545 million during the six month period compared to the same period in the prior year. Increases were attributable to drilling and artificial lift product line revenues.

Operating income increased $40 million, or 80%, in the second quarter of 2012 and $103 million, or 147% in the six months ended June 30, 2012 when compared to same periods of the prior year. Operating margins increased from 10.0% for the second quarter of 2011 to 11.5% for the second quarter of 2012. The prior year quarter and year to date period operating income was negatively impacted by a $16 million charge due to an equity tax enacted in Colombia.

Liquidity and Capital Resources

Sources of Liquidity

Our sources of available liquidity include cash and cash equivalent balances, cash generated from operations, commercial paper and committed bank lines of credit. We also historically have accessed banks for short-term loans from uncommitted borrowing arrangements and the capital markets with debt, equity and convertible bond offerings. From time to time we may enter into transactions to factor accounts receivable or dispose of businesses or capital assets that are no longer core to our long-term growth strategy.

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Committed Borrowing Facilities

We maintain a $2.25 billion unsecured, revolving credit agreement (the "Credit Agreement") with JPMorgan Chase Bank, N.A., as administrative agent. The Credit Agreement has a scheduled maturity date of July 13, 2016 and can be used for a combination of borrowings, support for our commercial paper program and issuances of letters of credit. This agreement requires us to maintain a debt-to-capitalization ratio of less than 60%. In August 2012, as a result of the delay in filing our second quarter report on Form 10-Q and a potential delay in filing our third quarter report on Form 10-Q, we sought and obtained waivers to extend the due date under the Credit Agreement for providing our Form 10-Q filings to no later than March 19, 2013. During the period in which the waiver was in effect we were subject to an additional covenants and provisions primarily including one that limited our aggregate indebtedness to not more than $10 billion. We are in compliance with these covenants at June 30, 2012.

The following is a recap of our availability under our committed borrowing facility at June 30, 2012 (in millions):

Facilities	$2,250
Less:	
Amount drawn	—
Commercial paper	912
Letters of credit	86
Availability	$1,252

On April 16, 2012, we increased the size of our commercial paper program to $2.25 billion from $1.5 billion. From time to time, we use the commercial paper program to issue short-term, unsecured notes. Our commercial paper issuances are supported by the Credit Agreement.

On April 4, 2012, we completed a $1.3 billion long-term debt offering comprised of (1) $750 million of 4.5% Senior Notes due 2022 and (2) $550 million of 5.95% Senior Notes due 2042. The net proceeds from this offering were used to repay short-term indebtedness under our commercial paper program and for general corporate purposes.

In August 2012, as a result of the delay in filing our second quarter report on Form 10-Q and potential delay in filing our third quarter report on Form 10-Q, we sought consents from the holders of our Senior Notes to extend the due date under the Senior Note indentures for providing our Form 10-Q filings to no later than March 31, 2013. We received sufficient consents to apply this extension to all series of our publicly traded Senior Notes. We offered a cash payment of $2.50 for each $1,000 in principal amount for those note holders who consented to the extension and we paid approximately $30 million in connection with this consent solicitation including costs.

Cash Requirements

During the remainder of 2012, we anticipate our cash requirements will include interest payments on our outstanding debt, working capital needs and capital expenditures. Our cash requirements may also include limited business acquisitions and an indeterminate amount to settle the governmental investigations described in Note 15 to our condensed consolidated financial statements. Consistent with 2011, we anticipate funding these requirements from cash generated from operations, availability under our Credit Agreement, the issuance of commercial paper and potential proceeds from disposals of businesses or capital assets that are no longer core to our long-term growth strategy.

Capital expenditures for 2012 are projected to be between 14% and 15% of our revenues. The amounts ultimately spent will depend on a number of factors including the type of contracts we enter into and asset availability. The expenditures are expected to be used primarily to support anticipated near-term growth. Capital expenditures during the six months ended June 30, 2012 were $1.1 billion.

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Accounts Receivable Factoring

During the three months ended March 31, 2012, a subsidiary in our Latin America segment factored approximately $51 million of accounts receivables under the program we entered into in 2010. We received $47 million in proceeds and recognized an immaterial loss on these sales. These transactions qualified for sale accounting under the accounting standards and the proceeds received through June 30, 2012 are included in operating cash flows in our Condensed Consolidated Statement of Cash Flows. We did not factor receivables in the three months ended June 30, 2012 or the six months ended June 30, 2011.

Derivative Instruments

Fair Value Hedges

We may use interest rate swaps to help mitigate exposures related to changes in the fair values of the associated debt. Amounts paid or received upon termination of interest rate swaps accounted for as fair value hedges represent the fair value of the agreements at the time of termination and are recorded as an adjustment to the carrying value of the related debt. These amounts are amortized as a reduction, in the case of gains, or as an increase, in the case of losses, of interest expense over the remaining term of the debt. As of June 30, 2012, we had net unamortized gains of $57 million associated with interest rate swap terminations.

In July 2011, we entered into interest rate swap agreements to pay a variable interest rate and receive a fixed interest rate with an aggregate notional amount of $300 million. These swaps were designated as fair value hedges of our 6.35% Senior Notes due 2017. In June 2012 these swaps were terminated. As a result of these terminations, we received a cash settlement of $18 million. The gain associated with these interest rate swap terminations was deferred and is being amortized over the remaining term of our 6.35% Senior Notes as a reduction in interest expense.

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 (Loss) into interest expense over the remaining term of the debt. As of June 30, 2012, we had net unamortized losses of $12 million associated with our cash flow hedge terminations.

Other Derivative Instruments

As of June 30, 2012, we had foreign currency forward contracts with notional amounts aggregating to $828 million. These contracts were entered into to hedge exposure to currency fluctuations in various foreign currencies. The total estimated fair value of these contracts and amounts receivable or owed associated with closed contracts resulted in a net asset of approximately $7 million. These derivative instruments were not designated as hedges and the changes in fair value of the contracts are recorded each period in Other, Net in the accompanying Condensed Consolidated Statements of Operations.

We have cross-currency swaps between the U.S. dollar and Canadian dollar to hedge certain exposures to the Canadian dollar. At June 30, 2012, we had notional amounts outstanding of $168 million. The total estimated fair value of these contracts at June 30, 2012, resulted in a liability of $26 million. These derivative instruments were not designated as hedges and the changes in fair value of the contracts are recorded each period in Other, Net in the accompanying Condensed Consolidated Statements of Operations.

Off Balance Sheet Arrangements

A Swiss joint-stock company named Weatherford International Ltd. is the ultimate parent ("Weatherford Switzerland") of the Weatherford group and guarantees the obligations of Weatherford International Ltd., which is incorporated in Bermuda ("Weatherford Bermuda") and Weatherford International, Inc., which is incorporated in Delaware ("Weatherford Delaware") noted below.

The following obligations of Weatherford Delaware were guaranteed by Weatherford Bermuda at June 30, 2012 and December 31, 2011: (1) the 5.95% Senior Notes, (2) the 6.35% Senior Notes and (3) the 6.80% Senior Notes. The 6.625% Senior Notes were also guaranteed by Weatherford Bermuda at December 31, 2011.

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The following obligations of Weatherford Bermuda were guaranteed by Weatherford Delaware at June 30, 2012: (1) the revolving credit facility, (2) the 4.95% Senior Notes, (3) the 5.50% Senior Notes, (4) the 6.50% Senior Notes, (5) the 5.15% Senior Notes, (6) the 6.00% Senior Notes, (7) the 7.00% Senior Notes, (8) the 9.625% Senior Notes, (9) the 9.875% Senior Notes, (10) the 5.125% Senior Notes, (11) the 6.75% Senior Notes, (12) the 4.50% Senior Notes and (13) the 5.95% Senior Notes due 2042.
The following obligations of Weatherford Bermuda were guaranteed by Weatherford Delaware December 31, 2011: (1) the revolving credit facility, (2) the 4.95% Senior Notes, (3) the 5.50% Senior Notes, (4) the 6.50% Senior Notes, (5) the 5.15% Senior Notes, (6) the 6.00% Senior Notes, (7) the 7.00% Senior Notes, (8) the 9.625% Senior Notes, (9) the 9.875% Senior Notes, (10) the 5.125% Senior Notes and (11) the 6.75% Senior Notes.

Letters of Credit

We execute letters of credit and bid and performance bonds in the normal course of business. As of June 30, 2012, we had $723 million of letters of credit and bid and performance bonds outstanding, consisting of $538 million outstanding under various uncommitted credit facilities, $86 million letters of credit outstanding under our committed facilities and $99 million of performance bonds issued by financial sureties against an indemnification from us. These obligations could be called by the beneficiaries should we breach certain contractual or performance obligations. If the beneficiaries were to call the letters of credit under our committed facilities, 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 operations 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. There have been no material changes or developments in our evaluation of the accounting estimates and the underlying assumptions or methodologies that we believe to be Critical Accounting Policies and Estimates as disclosed in our Form 10-K/A for the year ended December 31, 2011.

New Accounting Pronouncements

See Note 16 to our condensed consolidated financial statements included elsewhere in this report.

Risk Factors

An investment in our registered shares involves various risks. When considering an investment in our Company, you should consider carefully all of the risk factors described in our most recent Annual Report as restated on Form 10-K, under the heading "Item 1A. Risk Factors" as well as the information below and other information included and incorporated by reference in this report.

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 financial performance and results, including certain projections and business trends and other statements that are not historical facts. 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," "could," "will," "would," "will be," "will continue," "will likely result," and similar expressions, although not all forward-looking statements contain these identifying words.

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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 correct, update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise, except to the extent required under federal securities laws. The following sets forth 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, those described below under Item 1A – Risk Factors and the following:

- Global political, economic and market conditions could affect projected results. Our operating results and the forward-looking information we provide are based on our current assumptions about oil and natural gas supply and demand, oil and natural gas prices, rig count and other market trends. Our assumptions on these matters are in turn based on currently available information, which is subject to change. The oil and natural gas industry is extremely volatile and subject to change based on political and economic factors outside our control. A weakened global economic climate generally results in lower demand and lower prices for oil and natural gas, which reduces drilling and production activity, which in turn results in lower revenues and income for us. Worldwide drilling activity and global demand for oil and natural gas may also be affected by changes in governmental policies and sovereign debt, laws and regulations related to environmental or energy security matters, including those addressing alternative energy sources and the risks of global climate change. Worldwide economic conditions, and the related demand for oil and natural gas, may in future periods be significantly weaker than we have assumed.

- We may be unable to realize our expected revenues from current and future contracts. Our customers, many of whom are national oil companies, often have significant bargaining leverage over us and may elect to cancel or revoke contracts, not renew contracts, modify the scope of contracts or delay contracts, in some cases preventing us from realizing expected revenues and/or profits. The 2011 conflict in Libya and the continued security problems have slowed, and may continue to slow or ultimately prevent, collection of certain accounts receivable generated in Libya. Our projections assume that our customers will honor the contracts we have been awarded and that those contracts and the business that we believe is otherwise substantially firm will result in anticipated revenues in the periods for which they are scheduled.

- 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. Any hedging activity in which we engage may not adequately protect us from these fluctuations. The terms and size of our hedges are based on the information available to us at the time we enter into them. As a result, our hedging activity may not entirely offset our exposures. World currencies have been subject to significant volatility. Due to the volatility we may be unable to enter into foreign currency contracts at a reasonable cost. As we are not able to predict changes in currency valuations, our forward-looking statements assume no material impact from future changes in currency exchange rates.

- Our ability to manage our workforce could affect our projected results. We employ tens of thousands of people on six continents in a multitude of legal jurisdictions with differing labor laws. Our need for human resources varies from time to time and place to place, corresponding largely to global drilling and production activity. In a climate of decreasing demand, we are faced with managing our workforce levels to control costs without impairing our ability to provide services to our customers and in compliance with various local laws. Conversely, in a climate of increasing demand, we are faced with the challenge of recruiting and retaining a skilled workforce at a reasonable cost. Our forward-looking statements assume we will be able to manage, cost effectively, our workforce in all jurisdictions in which we operate in both up cycles and down cycles.
- Increases in the prices and availability of our raw materials could affect our results of operations. We use large amounts of raw materials (including steel and other metals, chemicals, plastics, polymers and energy inputs) for manufacturing our products and some of our fixed assets. The price of these raw materials has a significant impact

on our cost of producing products for sale or constructing 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 obtain necessary raw materials or if we are unable to minimize the impact of increased raw material costs or to realize the benefit of cost decreases in a timely fashion through our supply chain initiatives or pricing, our margins and results of operations could be adversely affected.

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- Our ability to manage our supply chain and business processes could affect our projected results. We have undertaken efforts to improve our supply chain, invoicing and collection processes and procedures. These undertakings include costs, which we expect will result in long-term benefits for our business processes. Our forward-looking statements assume we will realize the benefits of these efforts.
- Rapid increases in demand for our products may challenge our supply chain. Many of our products have months-long manufacturing lead times, and we must maintain appropriate levels of manufacturing facilities and trained personnel to ensure the quality and safety of our supply chain. During periods of rapidly increasing or unexpected demand, we may not be able to manufacture sufficient quantities of certain products to meet our customers' demands, which could result in lost opportunities and reputational damage. Conversely, during periods of rapidly decreasing or unexpected declines in demand, we may have committed resources to manufacturing resulting in excess inventories, or we may have underutilized manufacturing capacity, which could adversely affect our financial condition. Our forward-looking statements assume we will be able to forecast and manage our supply chain needs and inventory levels efficiently.
- 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 improve our products and services through innovation, 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 by leveraging our worldwide infrastructure. Our success will depend on 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, our new products and services, as well as legal protection of our intellectual property rights.
- Nonrealization of expected benefits from our redomestication could affect our projected results. We operate through our various subsidiaries in numerous countries throughout the world including the United States. During the first quarter of 2009, we completed a transaction in which our former Bermuda incorporated parent company became a wholly-owned subsidiary of Weatherford Switzerland, a Swiss joint-stock company, and holders of common shares of the Bermuda company received one registered share of Weatherford Switzerland in exchange for each common share that they held. Consequently, we are or may become subject to changes in tax laws, treaties or regulations or the interpretation or enforcement thereof in the U.S., Bermuda, Switzerland or any other jurisdictions in which we or any of our subsidiaries operate or are 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. In addition, our realization of expected tax benefits is based upon the assumption that we take successful planning steps and that we maintain and execute adequate processes to support our planning activities. If we fail to do so, we may not achieve the expected benefits.
- Nonrealization of expected benefits from our acquisitions or business dispositions 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 those acquisitions. Further, we may from time to time undertake to dispose of businesses or capital assets that are no longer core to our long-term growth strategy and the disposition of which may improve our capital structure. Our forward-looking statements assume that if we decide to dispose of a business or asset we will find a buyer willing to pay a price we deem favorable to Weatherford and that we will successfully dispose of the business or asset. Our inability to complete dispositions timely and at attractive prices may impair our ability to improve our capital structure as rapidly as our forward-looking statements may indicate.

A downturn in our industry could affect the carrying value of our goodwill. As of June 30, 2012, we had approximately $3.8 billion of goodwill. During the second quarter of 2012, we recorded a goodwill impairment charge of $589 million, precipitated by a sustained decline in the market price of the Company's registered shares. Our estimates of the value of our goodwill could be reduced in the future as a result of various factors, including market factors, some of which are beyond our control. Our forward-looking statements do not assume any future goodwill impairment. Any reduction in the fair value of our businesses may result in an impairment charge and therefore adversely affect our results.

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- Adverse weather conditions in certain regions could adversely affect our operations. From time to time, hurricanes, typhoons and severe weather impact our operations in the Gulf of Mexico and Southeast Asia. These storms and associated threats reduce the number of days on which we and our customers operate which results in lower revenues than we otherwise would have achieved. Our Canadian operations, particularly in the second quarter of each year, may vary greatly depending on the timing of "break-up", or the spring thaw, which annually results in a period in which conditions are not conducive to operations. Similarly, unfavorable weather in Russia, Caspian, China, Mexico, Australia and in the North Sea, as well as exceedingly cold winters in other areas of the world, could reduce our operations and revenues from these areas during the relevant period. Our forward-looking statements assume weather patterns in our primary areas of operations will be conducive to our operations.
- U.S. Government and internal investigations could affect our results of operations. We are currently involved in government and internal investigations involving our operations. We are in negotiations with the government agencies to resolve these matters, but we cannot yet anticipate with certainty the timing, outcome or possible impact of the ultimate resolution 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 trade sanction 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 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. We recognized a $100 million loss contingency in the quarter ended June 30, 2012 for the potential settlement of the sanctioned countries matter. However, the timing and ultimate amount we may pay in connection with those investigations is not certain. Under trade sanction laws, the U.S. DOJ may also seek to impose modifications to business practices 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 and the on-going costs resulting from these investigations could adversely affect our results of operations. Through June 30, 2012, we have incurred $125 million for legal and professional fees in connection with complying with and conducting these on-going investigations. This amount excludes the costs we have incurred to augment and improve our compliance function. We also have incurred $44 million from 2007 through 2009 for costs in connection with our exit from certain sanctioned countries. We may have additional charges related to these matters in future periods, which costs may include labor claims, contractual claims, penalties assessed by customers, and costs, fines, taxes and penalties assessed by local governments, but we cannot quantify those charges or be certain of the timing of them. In addition, the SEC and DOJ are investigating the circumstances surrounding the material weakness in the Company's internal controls over financial reporting for income taxes that was disclosed on Forms 12b-25 and 8-K on March 1, 2011 and February 21, 2012, respectively, and the related restatements of our historical financial statements. We are cooperating fully with the government investigations.
- Failure in the future to ensure ongoing compliance with certain laws could affect our results of operations. In 2009, we substantially augmented our compliance infrastructure with increased staff and more rigorous policies, procedures and training of our employees regarding compliance with applicable anti-corruption laws, trade sanctions laws and import/export laws. As part of this effort, we now undertake audits of our compliance performance in various countries. Our forward-looking statements assume that our compliance efforts will be successful and that we will comply with our internal policies and applicable laws regarding these issues. Our failure to do so could result in additional enforcement action in the future, the results of which could be material and adverse to us.

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- Political disturbances, war, or terrorist attacks and changes in global trade policies could adversely impact our operations. We operate in over 100 countries, and as such are at risk of various types of political activities, including acts of insurrection, war, terrorism, nationalization of assets and changes in trade policies. We have assumed there will be no material political disturbances or terrorist attacks and there will be no material changes in global trade policies that affect our business. In early 2011, our operations in Libya, Algeria, Tunisia, Egypt, and to a lesser extent Yemen and Bahrain were disrupted by political revolutions and uprisings in these countries. Conflict in Libya and lesser political disturbances elsewhere in the Middle East and North Africa regions are ongoing, and our operations in Libya have not resumed. During 2011, these six countries accounted for approximately 3% of our global revenue, down from 6% in 2010. We take steps to secure our personnel and assets in affected areas and resume or continue operations where it is safe for us to do so; our forward-looking statements assume we will do so successfully. In Libya, we evacuated all of our non-Libyan employees and their families shortly after hostilities commenced and we have assumed our operations in Libya will not resume in the remainder of 2012. Given our evacuation from the country, it may be difficult, if not impossible, for us to safeguard and recover all of our operating assets; our ability to do so will depend on the local turn of events. At June 30, 2012, we had inventory and property, plant and equipment in Libya with a carrying value of $113 million, as well as $3 million of accounts receivable. We risk loss of assets in any location where hostilities arise and persist. In these areas we also may not be able to perform the work we are contracted to perform, which could lead to forfeiture of performance bonds. We have assumed that cessation of business activities in other parts of the Middle East and North Africa regions due to political turmoil will be short-lived, that the negative impact on our business will not be material, and that the region will not experience further disruptive political revolution in the near term. However, if political violence were to curtail our activities in other countries in the region from which we derive greater business, such as Saudi Arabia, Iraq and Algeria, and particularly if political activities were to result in prolonged violence or conflict, we may fail to achieve the results reflected in our forward-looking statements.

- The material weakness in accounting for income taxes could have an adverse effect on our share price or our debt ratings and our ability to report our financial information timely and accurately. If we are unable to effectively remediate this material weakness in a timely manner, we could lose investor confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on our share price and could subject us to additional potentially costly shareholder litigation or government inquiries. Further, if we are unable to effectively remediate this material weakness in a timely manner, our failure to do so could limit our ability to obtain financing, harm our reputation or result in debt rating agencies adjusting the ratings on our debt downward. Our forward-looking statements assume we will be able to remediate the material weakness in a timely manner and will maintain an effective internal control environment in the future.
- Recent turmoil in the credit markets may reduce our access to capital or reduce the availability of financial risk-mitigation tools. The worldwide credit markets experienced turmoil and uncertainty from mid-2008 through most of 2009, and certain markets remained challenging in parts of 2010. In 2011, several important financial and banking institutions were perceived to be overexposed to credit risks with respect to certain sovereign debt. We do not have access to complete information about the exposures of any particular institution, and we cannot predict what systemic risks may exist to a failure of any sovereign debtor, major financial institution or bank. Our forward-looking statements assume that the financial institutions that have committed to extend us credit will honor their commitments under our credit facilities and that capital markets will remain orderly. If one or more of those institutions becomes unwilling or unable to honor its commitments, our access to liquidity could be impaired and our cost of capital to fund growth could increase. We use interest rate and foreign exchange swap transactions with financial institutions to mitigate certain interest rate and foreign exchange risks associated with our capital structure and our business. Our forward-looking statements assume that those tools will continue to be available to us at prices we deem reasonable. However, the failure of any counterparty to honor a swap agreement could reduce the availability of these financial risk mitigation tools or could result in the loss of expected financial benefits.

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 under the Securities Exchange Act of 1934, as amended, and the Securities

Act of 1933, as amended. For additional information regarding risks and uncertainties, see our other filings with the SEC. 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 of 1934 are made available free of charge on our internet web site www.weatherford.com as soon as reasonably practicable after we have electronically filed the material with, or furnished it to, the SEC.

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ITEM 3. 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. 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.

In January 2010, the Venezuelan government announced its intention to devalue its currency and move to a two tier exchange structure. The official exchange rate moved from 2.15 to 2.60 for essential goods and from 2.15 to 4.30 for non-essential goods and services. Our Venezuelan entities maintain the U.S. dollar as their functional currency. In connection with this devaluation, we incurred a charge of $64 million for the remeasurement of our net monetary assets denominated in Venezuelan bolivars at the date of the devaluation, which was not tax deductible in Venezuela. We also recorded a $24 million tax benefit for local Venezuelan income tax purposes related to our net U.S. dollar-denominated monetary liability position in the country. Effective January 1, 2011, the Venezuelan government again modified the fixed rate of exchange, eliminating the two tier structure and establishing 4.30 as the official exchange rate for all goods and services. This modification did not have a material impact to our financial position or results of operations. As of June 30, 2012, we had a net monetary asset position denominated in Venezuelan bolivars of approximately $262 million comprised primarily of cash and accounts receivable. We are continuing to explore opportunities to reduce our exposure but should another devaluation occur in the future, we may be required to take further charges related to the remeasurement of our net monetary asset position. For example, if the Venezuela bolivar devalued by an additional 10% in the future, we would record a devaluation charge of approximately $26 million.

Assets and liabilities of entities for 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 in Accumulated Other Comprehensive Income in the shareholders' equity section on our Condensed 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 $133 million adjustment to decrease our equity account for the six months ended June 30, 2012, to reflect the change U.S. dollar against various foreign currencies.

As of June 30, 2012, we had foreign currency forward contracts with notional amounts aggregating to $828 million, which were entered into to hedge exposure to currency fluctuations in various foreign currencies. The total estimated fair value of these contracts at June 30, 2012, resulted in a net asset of approximately $7 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.

We have cross-currency swaps between the U.S. dollar and Canadian dollar to hedge certain exposures to the Canadian dollar. At June 30, 2012, we had notional amounts outstanding of $168 million. The total estimated fair value of these contracts at June 30, 2012, resulted in a liability of $26 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.

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 June 30, 2012 and December 31, 2011, subject to interest rate risk consist of the following:

	June 30, 2012		December 31, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In millions)			
5.95% Senior Notes due 2012	$—	$—	$273	$279
5.15% Senior Notes due 2013	296	303	297	306
4.95% Senior Notes due 2013	251	261	252	264
5.50% Senior Notes due 2016	356	387	357	386
6.35% Senior Notes due 2017	615	692	613	674
6.00% Senior Notes due 2018	498	569	498	563
9.625% Senior Notes due 2019	1,029	1,291	1,030	1,323
5.125% Senior Notes due 2020	799	864	799	861
4.50% Senior Notes due 2022	749	775	—	—
6.50% Senior Notes due 2036	596	645	596	680
6.80% Senior Notes due 2037	298	343	298	338
7.00% Senior Notes due 2038	499	571	498	556
9.875% Senior Notes due 2039	247	365	247	350
6.75% Senior Notes due 2040	598	669	598	690
5.95% Senior Notes due 2042	546	577	—	—

On April 16, 2012, we increased the size of our commercial paper program to $2.25 billion from $1.5 billion. From time to time, we use the commercial paper program to issue short-term, unsecured notes. Our commercial paper issuances are supported by the Credit Agreement.

We have various other long-term debt instruments of $274 million at June 30, 2012, but believe the impact of changes in interest rates in the near term will not be material to these instruments. The carrying value of our short-term borrowings of $1.3 billion at June 30, 2012 approximates their fair value.

As it relates to our variable rate debt, if market interest rates average 1% more for the remainder of 2012 than the rates as of June 30, 2012, interest expense for the remainder of 2012 would increase approximately $6 million. This amount was determined by calculating the effect of the hypothetical interest rate on our variable rate debt. For purposes of this sensitivity analysis, we assumed no changes in our capital structure.

Interest Rate Swaps and Derivatives

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 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.

Amounts paid or received upon termination of the interest rate 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 amortized as a reduction, in the case of gains, or an increase, in the case of losses, to interest expense over the remaining term of the debt.

In July 2011, we entered into interest rate swap agreements to pay a variable interest rate and receive a fixed interest rate with an aggregate notional amount of $300 million. These swaps were designated as fair value hedges of our 6.35% Senior Notes. In June 2012 these swaps were terminated. As a result of these terminations, we received a cash settlement of $18 million. The gain associated with these interest rate swap terminations was deferred and is being amortized over the remaining term of our 6.35% Senior Notes.

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ITEM 4. CONTROLS AND PROCEDURES

Income Tax Material Weakness Previously Disclosed

As disclosed in our Annual Report on Form 10-K/A and Form 10-K for the years ended December 31, 2011 and 2010, respectively, we previously identified a material weakness in our internal controls over the accounting for income taxes relating to current taxes payable, deferred tax assets and liabilities, reserves for uncertain tax positions, and current and deferred tax expense. This material weakness resulted in the restatement of our consolidated financial statements included in our Annual Reports on Form 10-K for both 2011 and 2010. As further disclosed, we took steps during 2011 to remediate this material weakness, including:

- Engaged third-party tax advisors and consultants to assist with enhancing internal controls over financial reporting for income taxes and developing and implementing a remediation plan;
- Revised the process for the quarterly and annual tax provisions including additional resources focused on the review and oversight of the tax accounts, reserves for uncertain tax positions and preparation of the income tax provision;
- Began recruitment of various positions within the tax and financial reporting departments and completed the hiring of several newly created positions by the end of 2011;
- Completed the review and validation of the current and deferred tax balance sheet accounts at significant locations; and
- Provided income tax accounting training to tax and financial personnel within each region.

Although we had designed and implemented certain new internal controls in an effort to remediate the material weakness, we continued to conclude that the material weakness was not remediated as of December 31, 2011 because our processes, procedures, controls and oversight over the income tax process were not effective to ensure that amounts related to current taxes payable, deferred tax assets and liabilities, reserves for uncertain tax positions, current and deferred income tax expense and related footnote disclosures were accurate.

During 2012, in connection with the preparation of our first and second quarter financial statements and our ongoing income tax remediation activities, we identified additional income tax errors related to prior years. Due to the continued accumulation of these errors, the Audit Committee of our Board of Directors concluded, on July 24, 2012, that investors should no longer rely upon our previously issued financial statements. Management determined that we would delay filing restated financial statements until significant procedures and reviews of our accounting for income taxes were performed. During the third and fourth quarters of 2012, we performed additional procedures to restate our consolidated financial statements and ensure they have been prepared in accordance with generally accepted accounting principles. These procedures included the validation of all our income tax accounts and focused on reconciliations of current taxes payable and deferred tax balances with the tax bases of assets and liabilities in all jurisdictions, expanded review of uncertain tax positions in all jurisdictions with an additional focus on transfer pricing activities and a further review of our accounting for withholding taxes. To ensure the appropriateness and completeness of our accounting for uncertain tax positions, we performed (1) a validation of all previously identified uncertain tax positions and related measurement amounts and (2) a completeness assessment from several processes, including surveys completed by in-country and regional tax and accounting personnel, review of the status and pending issues in open tax audits, and consideration of findings from all other validation and completeness procedures performed in connection with the restatement.As a result of these additional procedures, we identified additional errors across multiple jurisdictions that resulted in further restatement of our previously reported financial statements for the years ended December 31, 2011, 2010 and 2009 and our condensed consolidated financial statements for the first quarter of 2012 and each quarter within 2011 and 2010.

As of the filing date of this Quarterly Report on Form 10-Q, the material weakness in our internal controls over the accounting for income taxes has not been remediated.

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Remediation Plan

We believe that the additional adjustments to prior period income taxes are a result of additional procedures and improvements the Company implemented during 2012 to existing procedures or procedures implemented in 2011. These procedures are part of our efforts to remediate the material weakness and included enhanced reviews and validation of potential uncertain tax positions reported by internal personnel, additional training and communication of potential tax exposures, enhanced procedures related to tax returns filed during 2012 to identify differences in amounts accrued, enhancements to the quarterly tax provision process and implementation of technology solutions to eliminate manual processes. In an effort to remediate the material weakness, the Company plans to continue the implementation of its remediation plan by undertaking the following:

- Ongoing evaluation and continued enhancement of tax department personnel and organizational structure including the use of third-party tax advisors and consultants to both assist with enhancing internal controls over financial reporting and augment our existing tax staff until new appropriately qualified employees are hired to ensure effective preparation and review of the income tax provision, account reconciliations and analyses:
- Timely preparation of tax basis balance sheets and reconciliations of the tax accounts to enable more timely detection of potential errors;
- Ongoing analysis of uncertain tax positions in all jurisdictions, leveraging the extensive work performed by the Company in connection with the current restatement into a routine process for identifying and assessing uncertain tax positions on a timely basis;
- Continued evaluation of the information technology infrastructure supporting our income tax process and implementation of additional technology solutions to further eliminate manual processes and provide long-term sustainability of the process improvements; and
- Continued delivery of income tax accounting training for tax and financial personnel.

Material Weakness Related to Percentage of Completion Contract in Iraq

We also identified a material weakness in our internal controls related to a long-term early production facility construction contract in Iraq accounted for under the percentage-of-completion method. We concluded that the Company's processes, procedures and internal controls were not effective to ensure that amounts related to the revenue and costs associated with this contract were accounted for in accordance with generally accepted accounting principles. Specifically, we determined that there was: (i) a lack of internal controls over the accounting for claims; and (ii) a failure of internal controls over monitoring the contract scope of work and approval of all estimates related to project change orders. As a result of these control deficiencies, during the first and second quarters of 2012, we included in our revenue estimates claims and unapproved change orders for the recovery of cost overruns that did not meet the recognition criteria for including claims in revenue estimates. In addition, did not to include in our revenue estimates liquidated damages that we are contractually obligated to pay as a result of delays in the expected completion of the project. With the removal of these amounts from estimated revenue, the estimated costs to be incurred under the contract exceed estimated revenue to be earned under contract, and therefore the anticipated loss on the contract should have been recorded in full at each balance sheet date. The aforementioned errors had an impact on our Operating Income of $24 million and $55 million in the first and second quarters of 2012, respectively. We restated our first quarter financial statements and adjusted our second quarter financial statements to correct for these errors.

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Remediation Plan

The Company implemented the following additional controls and procedures over percentage-of-completion accounting during the third and fourth quarters of 2012 to remediate the material weakness:

- Documentary evidence and multiple reviews required for change orders;
- Third-party legal opinions required to support the inclusion of claims in revenue estimates;
- Contract summary and technical accounting review of contracts; and
- Training on an annual basis for all locations using percentage-of-completion accounting.

These new controls and procedures will be taken into account in our annual internal control assessment as of December 31, 2012.

Evaluation of Disclosure Controls and Procedures

At the end of the period covered by this Quarterly Report on Form 10-Q, we carried out an evaluation under the supervision and with the participation of management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act of 1934, as amended ("Exchange Act")). Based upon that evaluation and the evaluation of the identified material weaknesses in our internal controls over financial reporting, our CEO and CFO have concluded our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) were not effective to provide reasonable assurance that the information required to be disclosed in the reports we file and submit under the Exchange Act is recorded, processed, summarized and reported within the time period specified in the Securities and Exchange Commission's rules and forms and that information relating to us (including our consolidated subsidiaries) required to be disclosed is accumulated and communicated to management, including the CEO and CFO, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

Our management, including the CEO and CFO, identified no change in our internal control over financial reporting that occurred during our fiscal quarter ended June 30, 2012, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting other than the changes resulting from the income tax remediation activities described above.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 14 to our condensed consolidated financial statements included elsewhere in this report.

ITEM 1A. RISK FACTORS

There have been no material changes during the quarter ended June 30, 2012 to the risk factors set forth in Part I, Item 1A in our Annual Report on Form 10-K/A for the year ended December 31, 2011.

ITEM 2. UNREGISTERED SALES OF EQUITY IN SECURITIES AND USE OF PROCEEDS

On the date listed below, in connection with an acquisition, we sold registered shares to the shareholders of the acquired company as consideration for the shares of the acquired company. The sale of our registered shares was exempt from registration under the Securities Act of 1933 pursuant to Section 4(2) of that act and pursuant to Regulation D and Regulation S promulgated under that act as a non-public sale to accredited investors and/or to non-U.S. persons outside the United States.

Date	No. of Shares
May 23, 2012	3,084,096

Under our restricted share plan, employees may elect to have us withhold registered 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 shares by us on the date of withholding. During the quarter ended June 30, 2012, we withheld shares to satisfy these tax withholding obligations as follows:

Period	No. of Shares	Average Price
April 1 – April 30, 2012	101,166	$ 14.27
May 1 – May 31, 2012	10,282	13.79
June 1 – June 30, 2012	22,087	13.00

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ITEM 6. EXHIBITS

Exhibit Number	Description
3.1	Articles of Association of Weatherford International Ltd., dated May 23, 2012 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 1-34258) filed May 23, 2012).
4.1	Form of Fifth Supplemental Indenture, to be dated April 4, 2012, among Weatherford International Ltd., a Bermuda exempted company, Weatherford International Ltd., a Swiss joint-stock corporation, Weatherford International, Inc., a Delaware corporation, and Deutsche Bank Trust Company Americas (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File 1-34258) filed April 4, 2012).
4.2	Form of global note for 4.50% Senior Notes due 2022 (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K (File 1-34258) filed April 4, 2012).
4.3	Form of global note for 5.95% Senior Notes due 2042 (incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K (File 1-34258) filed April 4, 2012).
4.4	Form of guarantee notation (incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K (File 1-34258) filed April 4, 2012).
4.5	Registration Rights Agreement among Weatherford International Ltd. and certain shareholders, dated May 17, 2012 (incorporated by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K (File No. 1-34258) filed May 17, 2012).
*31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
**32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
**32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
**101	The following materials from Weatherford International Ltd.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, formatted in XBRL (Extensible Business Reporting Language): (1) the unaudited Condensed Consolidated Balance Sheets, (2) the unaudited Condensed Consolidated Statements of Operations, (3) the unaudited Condensed Consolidated Statements of Cash Flows, (4) the unaudited Condensed Consolidated Statements of Comprehensive Income and (5) related notes to the unaudited Condensed Consolidated Financial Statements.

* Filed with this Form 10-Q
** Furnished with this Form 10-Q

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Weatherford International Ltd.

By: /s/ Bernard J. Duroc-Danner
Bernard J. Duroc-Danner
Chief Executive Officer
(Principal Executive Officer)

/s/ John H. Briscoe
John H. Briscoe
Senior Vice President and
Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: December 17, 2012