

Weatherford International Ltd./Switzerland

Form 10-Q/A

April 14, 2011

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q/A
(AMENDMENT NO. 2)**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2010

OR

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

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

Switzerland
(State or other jurisdiction of
incorporation or organization)

98-0606750
(I.R.S. Employer
Identification No.)

4-6 Rue Jean-Francois Bartholoni, 1204 Geneva,
Switzerland
(Address of principal executive offices)

Not Applicable
(Zip Code)

Registrant's telephone number, including area code: 41.22.816.1500

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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 No

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

Accelerated filer

Non-accelerated filer

Smaller reporting
company

(Do not check if a smaller
reporting company)

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

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

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As of July 28, 2010, there were 741,028,800 shares of Weatherford registered shares, 1.16 Swiss francs par value per share, outstanding.

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EXPLANATORY NOTE

Weatherford International Ltd. (the Company) is filing this Amendment No. 2 to its Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, which was originally filed on August 3, 2010 (the Form 10-Q) and then amended on September 1, 2010 to attach our extensible business reporting language (XBRL) files, to restate financial information for the three and six months ended June 30, 2010 and 2009 due to errors in the Company's accounting for income taxes. The Company's management identified a related material weakness with respect to its internal control over financial reporting for income taxes. Disclosures related to these matters are included in Part I, Item 4, under Evaluation of Disclosure Controls and Procedures, which describes the material weakness and management's conclusion that our internal control over financial reporting for income taxes was not effective as of June 30, 2010. In addition, further details on the adjustments are included in Part I, Item 1. Financial Statements, under Note 2. Restatement of Condensed Consolidated Financial Statements.

For convenience of the reader, this Amendment No. 2 sets forth the Form 10-Q in its entirety, as modified and superseded where necessary to reflect the restatement. The following items have been amended principally as a result of, and to reflect, the restatement:

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

This Amendment No. 2 amends only the portions of the Form 10-Q listed in the sections noted above. The Risk Factors, Forward-Looking Statements and our Disputes, Litigation, and Contingencies financial statement footnote included within this document have been updated consistent with the disclosures contained in the Form 10-K for the year ended December 31, 2010, originally filed March 8, 2011 and subsequently amended on March 11, 2011 and April 14, 2011. The remainder of the Form 10-Q is substantially unchanged, but is reproduced in this Amendment No. 2 for convenience. With the exception of the updated Risk Factors, Forward-Looking Statements and the Disputes, Litigation and Contingencies financial statement footnote, this Amendment No. 2 does not reflect events occurring after the original filing date of the Form 10-Q other than those associated with the restatement.

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands, except par value)**

| | June 30, 2010 (Restated) (unaudited) | December 31, 2009 (Restated) |
|---|---|---|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 222,783 | \$ 252,519 |
| Accounts Receivable, Net of Allowance for Uncollectible Accounts of \$23,780 and \$20,466, Respectively | 2,468,861 | 2,510,948 |
| Inventories | 2,369,008 | 2,238,294 |
| Current Deferred Tax Assets | 258,536 | 259,077 |
| Other Current Assets | 715,573 | 721,115 |
| Total Current Assets | 6,034,761 | 5,981,953 |
| Property, Plant and Equipment, Net of Accumulated Depreciation of \$3,775,366 and \$3,440,448, Respectively | 6,772,300 | 6,989,379 |
| Goodwill | 4,128,966 | 4,156,105 |
| Other Intangible Assets, Net of Accumulated Amortization of \$402,142 and \$359,052, Respectively | 741,878 | 772,786 |
| Equity Investments | 539,817 | 533,138 |
| Other Assets | 308,566 | 263,329 |
| Total Assets | \$ 18,526,288 | \$ 18,696,690 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | |
| Current Liabilities: | | |
| Short-term Borrowings and Current Portion of Long-term Debt | \$ 628,108 | \$ 869,581 |
| Accounts Payable | 1,127,875 | 1,002,359 |
| Income Taxes Payable | 121,200 | 201,647 |
| Other Current Liabilities | 1,005,797 | 927,113 |
| Total Current Liabilities | 2,882,980 | 3,000,700 |
| Long-term Debt | 6,005,472 | 5,847,258 |
| Other Liabilities | 373,197 | 410,359 |
| Total Liabilities | 9,261,649 | 9,258,317 |
| Shareholders Equity: | 761,077 | 761,077 |

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Shares, CHF 1.16 Par Value: Authorized 1,137,670 Shares, Conditionally
 Authorized 379,223 Shares, Issued 758,447 Shares at June 30, 2010;
 Authorized 1,093,303 Shares, Conditionally Authorized 364,434 Shares,
 Issued 758,447 Shares at December 31, 2009

| | | |
|--|-------------------|-------------------|
| Capital in Excess of Par Value | 4,659,471 | 4,642,800 |
| Treasury Shares, Net | (566,501) | (616,048) |
| Retained Earnings | 4,340,523 | 4,456,770 |
| Accumulated Other Comprehensive Income (Loss) | (795) | 114,742 |
| Weatherford Shareholders' Equity | 9,193,775 | 9,359,341 |
| Noncontrolling Interests | 70,864 | 79,032 |
| Total Shareholders' Equity | 9,264,639 | 9,438,373 |
| Total Liabilities and Shareholders' Equity | \$ 18,526,288 | \$ 18,696,690 |

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

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

(In thousands, except per share amounts)

| | Three Months | | Six Months | |
|---|-----------------------|-------------------|-----------------------|-------------------|
| | Ended June 30, | | Ended June 30, | |
| | 2010 | 2009 | 2010 | 2009 |
| | (Restated) | (Restated) | (Restated) | (Restated) |
| Revenues: | | | | |
| Products | \$ 831,158 | \$ 650,553 | \$ 1,612,214 | \$ 1,393,453 |
| Services | 1,606,005 | 1,347,874 | 3,156,016 | 2,859,605 |
| | 2,437,163 | 1,998,427 | 4,768,230 | 4,253,058 |
| Costs and Expenses: | | | | |
| Cost of Products | 603,144 | 522,198 | 1,176,941 | 1,089,454 |
| Cost of Services | 1,203,607 | 926,606 | 2,382,270 | 1,897,962 |
| Research and Development | 53,530 | 46,113 | 102,387 | 95,134 |
| Selling, General and Administrative Attributable to Segments | 417,854 | 298,118 | 755,790 | 607,199 |
| Corporate General and Administrative | 53,939 | 54,187 | 138,192 | 106,818 |
| | 2,332,074 | 1,847,222 | 4,555,580 | 3,796,567 |
| Operating Income | 105,089 | 151,205 | 212,650 | 456,491 |
| Other Expense: | | | | |
| Interest Expense, Net | (95,719) | (93,498) | (191,058) | (184,561) |
| Devaluation of Venezuelan Bolivar | | | (63,859) | |
| Other, Net | (14,186) | (3,871) | (23,404) | (17,410) |
| Income (Loss) Before Income Taxes | (4,816) | 53,836 | (65,671) | 254,520 |
| Provision for Income Taxes | (39,758) | (24,327) | (43,225) | (88,145) |
| Net Income (Loss) | (44,574) | 29,509 | (108,896) | 166,375 |
| Net Income Attributable to Noncontrolling Interests | (3,316) | (8,574) | (7,351) | (17,432) |
| Net Income (Loss) Attributable to Weatherford | \$ (47,890) | \$ 20,935 | \$ (116,247) | \$ 148,943 |
| Earnings (Loss) Per Share Attributable to Weatherford: | | | | |
| Basic | \$ (0.06) | \$ 0.03 | \$ (0.16) | \$ 0.21 |
| Diluted | \$ (0.06) | \$ 0.03 | \$ (0.16) | \$ 0.21 |
| Weighted Average Shares Outstanding: | | | | |
| Basic | 743,209 | 700,424 | 740,537 | 699,375 |
| Diluted | 743,209 | 709,412 | 740,537 | 706,024 |

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

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

| | Six Months | |
|---|-----------------------|-------------------|
| | Ended June 30, | |
| | 2010 | 2009 |
| | (Restated) | (Restated) |
| Cash Flows from Operating Activities: | | |
| Net Income (Loss) | \$ (108,896) | \$ 166,375 |
| Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities: | | |
| Depreciation and Amortization | 508,275 | 415,087 |
| Employee Share-Based Compensation Expense | 49,869 | 55,046 |
| Loss on Sales of Assets and Businesses, Net | 13,508 | 3,964 |
| Deferred Income Tax Benefit | (114,779) | (71,768) |
| Devaluation of Venezuelan Bolivar | 63,859 | |
| Supplemental Executive Retirement Plan | 38,021 | |
| Revaluation of Contingent Consideration | 92,763 | |
| Other, Net | 4,386 | (257) |
| Change in Operating Assets and Liabilities, Net of Effect of Businesses Acquired | | |
| Accounts Receivable | (32,925) | 283,830 |
| Inventories | (169,980) | (135,855) |
| Accounts Payable | 115,855 | (57,303) |
| Other | (51,801) | (362,787) |
| Net Cash Provided by Operating Activities | 408,155 | 296,332 |
| Cash Flows from Investing Activities: | | |
| Capital Expenditures for Property, Plant and Equipment | (448,751) | (970,384) |
| Acquisitions of Businesses, Net of Cash Acquired | (51,131) | (22,049) |
| Acquisition of Intellectual Property | (12,701) | (14,656) |
| Acquisition of Equity Investments in Unconsolidated Affiliates | (1,031) | (26,509) |
| Proceeds from Sale of Assets and Businesses, Net | 134,022 | 40,873 |
| Other Investing Activities | 41,840 | |
| Net Cash Used by Investing Activities | (337,752) | (992,725) |
| Cash Flows from Financing Activities: | | |
| Borrowings (Repayments) of Short-term Debt, Net | (242,252) | (564,808) |
| Borrowings (Repayments) of Long-term Debt, Net | 162,235 | 1,230,214 |
| Other Financing Activities, Net | 3,284 | (3,920) |
| Net Cash Provided (Used) by Financing Activities | (76,733) | 661,486 |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | (23,406) | 1,781 |

| | | |
|--|------------|------------|
| Net Decrease in Cash and Cash Equivalents | (29,736) | (33,126) |
| Cash and Cash Equivalents at Beginning of Period | 252,519 | 238,398 |
| Cash and Cash Equivalents at End of Period | \$ 222,783 | \$ 205,272 |
| Supplemental Cash Flow Information: | | |
| Interest Paid | \$ 209,620 | \$ 167,332 |
| Income Taxes Paid, Net of Refunds | 224,117 | 258,482 |

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

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

| | Three Months | | Six Months | |
|---|-----------------------|-------------------|-----------------------|-------------------|
| | Ended June 30, | | Ended June 30, | |
| | 2010 | 2009 | 2010 | 2009 |
| | (Restated) | (Restated) | (Restated) | (Restated) |
| Net Income (Loss) | \$ (44,574) | \$ 29,509 | \$ (108,896) | \$ 166,375 |
| Other Comprehensive Income: | | | | |
| Curtailment and Remeasurement of Supplemental Executive Retirement Plan | (10,126) | | 35,111 | |
| Amortization of Pension Components | 133 | 3,348 | 1,646 | 4,528 |
| Foreign Currency Translation Adjustment | (85,217) | 210,282 | (152,604) | 160,222 |
| Other | 156 | 152 | 311 | 303 |
| Comprehensive Income (Loss) | (139,628) | 243,291 | (224,432) | 331,428 |
| Comprehensive Income Attributable to Noncontrolling Interests | (3,316) | (8,574) | (7,351) | (17,311) |
| Comprehensive Income (Loss) Attributable to Weatherford | \$ (142,944) | \$ 234,717 | \$ (231,783) | \$ 314,117 |

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

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

1. General

The accompanying unaudited condensed consolidated financial statements of Weatherford International Ltd. and all majority-owned subsidiaries (the Company) are prepared in accordance with U.S. generally accepted accounting principles and include all adjustments of a normal recurring nature which, in the opinion of management, are necessary to present fairly our Condensed Consolidated Balance Sheet at June 30, 2010, Condensed Consolidated Statements of Income, Condensed Consolidated Statements of Comprehensive Income and Condensed Consolidated Statements of Cash Flows for the three and six months ended June 30, 2010 and 2009. Although we believe the disclosures in these financial statements are adequate to make the restated interim information presented not misleading, certain information relating to our organization and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted in this Form 10-Q/A pursuant to U.S. Securities and Exchange Commission (SEC) rules and regulations. These financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2009 as restated and presented in our Annual Report on Form 10-K for the year ended December 31, 2010. The restated results of operations for the three and six months ended June 30, 2010 are not necessarily indicative of the results expected for the full year.

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

Principles of Consolidation

The consolidated financial statements include the accounts of Weatherford International Ltd., all majority-owned subsidiaries, all controlled joint ventures and variable interest entities where the Company has determined it is the primary beneficiary. When referring to Weatherford and using phrases such as we, us, and our, the intent is to refer to Weatherford International Ltd. and its subsidiaries as a whole or on a regional basis, depending on the context in which the statements are made.

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

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

2. Restatement of Condensed Consolidated Financial Statements

We identified a material weakness in our internal controls over the accounting for income taxes in 2010 that resulted in the identification of certain errors in our income tax accounts. The correction of these errors resulted in restatements of our previously reported financial statements as of and for the years ended December 31, 2009 and 2008, including beginning retained earnings in 2008, and our condensed consolidated financial statements for each of the quarters within 2009 and 2010. The restated annual results for 2008 and 2009 were included in our 2010 Annual Report on Form 10-K. In addition, we have amended this Quarterly Report on Form 10-Q to restate results as of June 30, 2010 and for the three and six month periods ended June 30, 2010 and 2009.

The most significant adjustment for the errors identified relates to the correction of our accounting for the income tax consequences of certain intercompany transactions that were inappropriately tax-effected over multiple years. This error resulted in the understatement of income tax expense by \$31 million and \$48 million for the six months ended June 30, 2010 and 2009, respectively. We also recorded other adjustments to our tax provision to correct for certain errors and items recorded in the improper period. These adjustments were not recorded previously as we concluded that they were not material to the respective periods. These other adjustments resulted in an increase to our tax provision during the six months ended June 30, 2010 of \$12 million, primarily comprised of minimum tax in Mexico. Our tax provision was increased by \$2 million during the six months ended June 30, 2009 for these other tax adjustments.

In addition, we recorded other adjustments to correct for previously identified immaterial errors affecting operating income that were recorded in improper periods. These adjustments were not recorded previously as we concluded that these adjustments were not material to the respective periods. During the six months ended June 30, 2010 and 2009, operating income was reduced by \$7 million and \$8 million, respectively. The impact of these adjustments reduced operating cash flows by \$1 million and \$2 million for the six months ended June, 30, 2010 and 2009 respectively.

The following tables summarize the impact of these adjustments on our previously reported results filed on our Quarterly Report on Form 10-Q for the three and six months ended June 30, 2010 and 2009.

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

The effects of the restatements on our condensed consolidated income statement for the quarter ended June 30, 2010 follows:

| | Three Months Ended June 30, 2010 | | |
|--|---|--------------------|-----------------|
| | Previously Reported | Adjustments | Restated |
| | <i>(In thousands, except per share amounts)</i> | | |
| Revenues: | | | |
| Products | \$ 831,158 | \$ | \$ 831,158 |
| Services | 1,607,113 | (1,108) | 1,606,005 |
| | 2,438,271 | (1,108) | 2,437,163 |
| Costs and Expenses: | | | |
| Cost of Products | 603,144 | | 603,144 |
| Cost of Services | 1,205,734 | (2,127) | 1,203,607 |
| Research and Development | 53,530 | | 53,530 |
| Selling, General and Administrative Attributable to Segments | 418,998 | (1,144) | 417,854 |
| Corporate General and Administrative | 54,001 | (62) | 53,939 |
| | 2,335,407 | (3,333) | 2,332,074 |
| Operating Income | 102,864 | 2,225 | 105,089 |
| Other Expense: | | | |
| Interest Expense, Net | (95,719) | | (95,719) |
| Other, Net | (14,186) | | (14,186) |
| Income (Loss) Before Income Taxes | (7,041) | 2,225 | (4,816) |
| Provision for Income Taxes | (16,207) | (23,551) | (39,758) |
| Net Income (Loss) | (23,248) | (21,326) | (44,574) |
| Net Income Attributable to Noncontrolling Interests | (3,316) | | (3,316) |
| Net Income (Loss) Attributable to Weatherford | \$ (26,564) | \$ (21,326) | \$ (47,890) |
| Earnings (Loss) Per Share Attributable to Weatherford: | | | |
| Basic | \$ (0.04) | \$ (0.02) | \$ (0.06) |
| Diluted | \$ (0.04) | \$ (0.02) | \$ (0.06) |
| Weighted Average Shares Outstanding: | | | |
| Basic | 743,209 | | 743,209 |
| Diluted | 743,209 | | 743,209 |

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

The effects of the restatements on our condensed consolidated income statement for the quarter ended June 30, 2009 follows:

| | Three Months Ended June 20, 2009 | | |
|--|---|--------------------|-----------------|
| | Previously Reported | Adjustments | Restated |
| | <i>(In thousands, except per share amounts)</i> | | |
| Revenues: | | | |
| Products | \$ 650,553 | \$ | \$ 650,553 |
| Services | 1,344,279 | 3,595 | 1,347,874 |
| | 1,994,832 | 3,595 | 1,998,427 |
| Costs and Expenses: | | | |
| Cost of Products | 525,180 | (2,982) | 522,198 |
| Cost of Services | 917,662 | 8,944 | 926,606 |
| Research and Development | 46,113 | | 46,113 |
| Selling, General and Administrative Attributable to Segments | 296,625 | 1,493 | 298,118 |
| Corporate General and Administrative | 55,887 | (1,700) | 54,187 |
| | 1,841,467 | 5,755 | 1,847,222 |
| Operating Income | 153,365 | (2,160) | 151,205 |
| Other Expense: | | | |
| Interest Expense, Net | (93,498) | | (93,498) |
| Other, Net | (3,871) | | (3,871) |
| Income Before Income Taxes | 55,996 | (2,160) | 53,836 |
| Provision for Income Taxes | (5,441) | (18,886) | (24,327) |
| Net Income | 50,555 | (21,046) | 29,509 |
| Net Income Attributable to Noncontrolling Interests | (8,574) | | (8,574) |
| Net Income Attributable to Weatherford | \$ 41,981 | \$ (21,046) | \$ 20,935 |
| Earnings Per Share Attributable to Weatherford: | | | |
| Basic | \$ 0.06 | \$ (0.03) | \$ 0.03 |
| Diluted | \$ 0.06 | \$ (0.03) | \$ 0.03 |
| Weighted Average Shares Outstanding: | | | |
| Basic | 700,424 | | 700,424 |
| Diluted | 709,412 | | 709,412 |

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

The effects of the restatements on our condensed consolidated income statement for the six months ended June 30, 2010 follows:

| | Six Months Ended June 30, 2010 | | |
|--|---|--------------------|-----------------|
| | Previously Reported | Adjustments | Restated |
| | <i>(In thousands, except per share amounts)</i> | | |
| Revenues: | | | |
| Products | \$ 1,612,214 | \$ | \$ 1,612,214 |
| Services | 3,164,305 | (8,289) | 3,156,016 |
| | 4,776,519 | (8,289) | 4,768,230 |
| Costs and Expenses: | | | |
| Cost of Products | 1,176,941 | | 1,176,941 |
| Cost of Services | 2,381,257 | 1,013 | 2,382,270 |
| Research and Development | 102,387 | | 102,387 |
| Selling, General and Administrative Attributable to Segments | 755,843 | (53) | 755,790 |
| Corporate General and Administrative | 140,316 | (2,124) | 138,192 |
| | 4,556,744 | (1,164) | 4,555,580 |
| Operating Income | 219,775 | (7,125) | 212,650 |
| Other Expense: | | | |
| Interest Expense, Net | (191,058) | | (191,058) |
| Devaluation of Venezuelan Bolivar | (63,859) | | (63,859) |
| Other, Net | (23,404) | | (23,404) |
| Income (Loss) Before Income Taxes | (58,546) | (7,125) | (65,671) |
| Provision for Income Taxes | (676) | (42,549) | (43,225) |
| Net Income (Loss) | (59,222) | (49,674) | (108,896) |
| Net Income Attributable to Noncontrolling Interests | (7,351) | | (7,351) |
| Net Income Attributable to Weatherford | \$ (66,573) | \$ (49,674) | \$ (116,247) |
| Earnings Per Share Attributable to Weatherford: | | | |
| Basic | \$ (0.09) | \$ (0.07) | \$ (0.16) |
| Diluted | \$ (0.09) | \$ (0.07) | \$ (0.16) |
| Weighted Average Shares Outstanding: | | | |
| Basic | 740,537 | | 740,537 |

Diluted

740,537

740,537

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

The effects of the restatements on our condensed consolidated income statement for the six months ended June 30, 2009 follows:

| | Six Months Ended June 30, 2009 | | |
|--|---|--------------------|-----------------|
| | Previously Reported | Adjustments | Restated |
| | <i>(In thousands, except per share amounts)</i> | | |
| Revenues: | | | |
| Products | \$ 1,393,453 | \$ | \$ 1,393,453 |
| Services | 2,857,520 | 2,085 | 2,859,605 |
| | 4,250,973 | 2,085 | 4,253,058 |
| Costs and Expenses: | | | |
| Cost of Products | 1,094,236 | (4,782) | 1,089,454 |
| Cost of Services | 1,883,126 | 14,836 | 1,897,962 |
| Research and Development | 95,134 | | 95,134 |
| Selling, General and Administrative Attributable to Segments | 605,369 | 1,830 | 607,199 |
| Corporate General and Administrative | 109,018 | (2,200) | 106,818 |
| | 3,786,883 | 9,684 | 3,796,567 |
| Operating Income | 464,090 | (7,599) | 456,491 |
| Other Expense: | | | |
| Interest Expense, Net | (184,561) | | (184,561) |
| Other, Net | (17,410) | | (17,410) |
| Income Before Income Taxes | 262,119 | (7,599) | 254,520 |
| Provision for Income Taxes | (37,904) | (50,241) | (88,145) |
| Net Income | 224,215 | (57,840) | 166,375 |
| Net Income Attributable to Noncontrolling Interests | (17,432) | | (17,432) |
| Net Income Attributable to Weatherford | \$ 206,783 | \$ (57,840) | \$ 148,943 |
| Earnings Per Share Attributable to Weatherford: | | | |
| Basic | \$ 0.30 | \$ (0.09) | \$ 0.21 |
| Diluted | \$ 0.29 | \$ (0.08) | \$ 0.21 |
| Weighted Average Shares Outstanding: | | | |
| Basic | 699,375 | | 699,375 |

Diluted

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706,024

706,024

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

The effects of the restatements on our condensed consolidated balance sheet at June 30, 2010 follows:

| | Previously Reported | June 30, 2010 Adjustments (In thousands) | Restated |
|---|--------------------------------|---|----------------------|
| Current Assets: | | | |
| Cash and Cash Equivalents | \$ 222,783 | \$ | \$ 222,783 |
| Accounts Receivable | 2,471,078 | (2,217) | 2,468,861 |
| Inventories | 2,371,489 | (2,481) | 2,369,008 |
| Current Deferred Tax Assets | 258,536 | | 258,536 |
| Other Current Assets | 994,725 | (279,152) | 715,573 |
| Total Current Assets | 6,318,611 | (283,850) | 6,034,761 |
| | | | |
| Property, Plant and Equipment at Cost | 10,547,666 | | 10,547,666 |
| Less Accumulated Depreciation | 3,773,166 | 2,200 | 3,775,366 |
| | 6,774,500 | (2,200) | 6,772,300 |
| | | | |
| Goodwill | 4,128,966 | | 4,128,966 |
| Other Intangible Assets | 749,654 | (7,776) | 741,878 |
| Equity Investments | 539,817 | | 539,817 |
| Other Assets | 303,179 | 5,387 | 308,566 |
| Total Assets | \$ 18,814,727 | \$ (288,439) | \$ 18,526,288 |
| | | | |
| Current Liabilities: | | | |
| Short-term Borrowings and Current Portion of Long-term Debt | \$ 628,108 | \$ | \$ 628,108 |
| Accounts Payable | 1,127,875 | | 1,127,875 |
| Income Taxes Payable | | 121,200 | 121,200 |
| Other Current Liabilities | 994,757 | 11,040 | 1,005,797 |
| Total Current Liabilities | 2,750,740 | 132,240 | 2,882,980 |
| | | | |
| Long-term Debt | 6,005,472 | | 6,005,472 |
| Other Liabilities | 383,871 | (10,674) | 373,197 |
| Total Liabilities | 9,140,083 | 121,566 | 9,261,649 |

Shareholders' Equity:

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| | | | |
|--|---------------|--------------|---------------|
| Shares | 761,077 | | 761,077 |
| Capital in Excess of Par Value | 4,659,471 | | 4,659,471 |
| Treasury Shares, at Cost | (566,501) | | (566,501) |
| Retained Earnings | 4,750,528 | (410,005) | 4,340,523 |
| Accumulated Other Comprehensive Income | (795) | | (795) |
| Weatherford Shareholders' Equity | 9,603,780 | (410,005) | 9,193,775 |
| Noncontrolling Interests | 70,864 | | 70,864 |
| Total Shareholders' Equity | 9,674,644 | (410,005) | 9,264,639 |
| Total Liabilities and Shareholders' Equity | \$ 18,814,727 | \$ (288,439) | \$ 18,526,288 |

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

The effects of the restatements on our condensed consolidated cash flow for the six months ended June 30, 2010 follows:

| | Six Months Ended June 30, 2010 | | |
|--|---------------------------------------|--|-----------------|
| | Previously Reported | Adjustments <i>(In thousands)</i> | Restated |
| Cash Flows From Operating Activities: | | | |
| Net Income (Loss) | \$ (59,222) | \$ (49,674) | \$ (108,896) |
| Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities: | | | |
| Depreciation and Amortization | 507,649 | 626 | 508,275 |
| Employee Share-Based Compensation Expense | 49,869 | | 49,869 |
| Loss on Sale of Assets and Businesses, Net | 13,508 | | 13,508 |
| Deferred Income Tax Benefit | (117,368) | 2,589 | (114,779) |
| Devaluation of Venezuelan Bolivar | 63,859 | | 63,859 |
| Supplemental Executive Retirement Plan | 38,021 | | 38,021 |
| Revaluation of Contingent Consideration | 89,563 | 3,200 | 92,763 |
| Other, Net | 13,915 | (9,529) | 4,386 |
| Change in Operating Assets and Liabilities, Net of Effect of Businesses Acquired: | | | |
| Accounts Receivable | (41,214) | 8,289 | (32,925) |
| Inventories | (170,993) | 1,013 | (169,980) |
| Accounts Payable | 115,855 | | 115,855 |
| Other | (94,137) | 42,336 | (51,801) |
| Net Cash Provided by Operating Activities | 409,305 | (1,150) | 408,155 |
| Cash Flows from Investing Activities: | | | |
| Capital Expenditures for Property, Plant and Equipment | (448,751) | | (448,751) |
| Acquisitions of Businesses, Net of Cash Acquired | (51,131) | | (51,131) |
| Acquisition of Intellectual Property | (13,851) | 1,150 | (12,701) |
| Acquisition of Equity Investments in Unconsolidated Affiliates | (1,031) | | (1,031) |
| Proceeds from Sale of Assets and Businesses, Net | 134,022 | | 134,022 |
| Other Investing Activities | 41,840 | | 41,840 |
| Net Cash Used by Investing Activities | (338,902) | 1,150 | (337,752) |
| Cash Flows From Financing Activities: | | | |
| Borrowings (Repayments) of Short-term Debt, Net | (242,252) | | (242,252) |
| Borrowings (Repayments) of Long-term Debt, Net | 162,235 | | 162,235 |
| Other Financing Activities, Net | 3,284 | | 3,284 |
| Net Cash (Used) Provided by Financing Activities | (76,733) | | (76,733) |

| | | | |
|---|------------|----|------------|
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | (23,406) | | (23,406) |
| Net Decrease in Cash and Cash Equivalents | (29,736) | | (29,736) |
| Cash and Cash Equivalents at Beginning of Year | 252,519 | | 252,519 |
| Cash and Cash Equivalents at End of Year | \$ 222,783 | \$ | \$ 222,783 |

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WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES
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(UNAUDITED)

The effects of the restatements on our condensed consolidated cash flow for the six months ended June 30, 2009 follows:

| | Six Months Ended June 30, 2009 | | |
|--|---------------------------------------|---------------------------------------|------------------|
| | Previously Reported | Adjustments (In thousands) | Restated |
| Cash Flows From Operating Activities: | | | |
| Net Income | \$ 224,215 | \$ (57,840) | \$ 166,375 |
| Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities: | | | |
| Depreciation and Amortization | 415,087 | | 415,087 |
| Employee Share-Based Compensation Expense | 55,046 | | 55,046 |
| Loss on Sale of Assets and Businesses, Net | 3,964 | | 3,964 |
| Deferred Income Tax Benefit | (61,770) | (9,998) | (71,768) |
| Other, Net | 1,224 | (1,481) | (257) |
| Change in Operating Assets and Liabilities, Net of Effect of Businesses Acquired: | | | |
| Accounts Receivable | 285,915 | (2,085) | 283,830 |
| Inventories | (132,380) | (3,475) | (135,855) |
| Accounts Payable | (57,303) | | (57,303) |
| Other | (435,866) | 73,079 | (362,787) |
| Net Cash Provided by Operating Activities | 298,132 | (1,800) | 296,332 |
| Cash Flows from Investing Activities: | | | |
| Capital Expenditures for Property, Plant and Equipment | (970,384) | | (970,384) |
| Acquisitions of Businesses, Net of Cash Acquired | (22,049) | | (22,049) |
| Acquisition of Intellectual Property | (16,456) | 1,800 | (14,656) |
| Acquisition of Equity Investments in Unconsolidated Affiliates | (26,509) | | (26,509) |
| Proceeds from Sale of Assets and Businesses, Net | 40,873 | | 40,873 |
| Net Cash Used by Investing Activities | (994,525) | 1,800 | (992,725) |
| Cash Flows From Financing Activities: | | | |
| Borrowings (Repayments) of Short-term Debt, Net | (564,808) | | (564,808) |
| Borrowings (Repayments) of Long-term Debt, Net | 1,230,214 | | 1,230,214 |
| Other Financing Activities, Net | (3,920) | | (3,920) |
| Net Cash Provided by Financing Activities | 661,486 | | 661,486 |
| | 1,781 | | 1,781 |

Effect of Exchange Rate Changes on Cash and Cash
Equivalents

| | | |
|--|------------|------------|
| Net Decrease in Cash and Cash Equivalents | (33,126) | (33,126) |
| Cash and Cash Equivalents at Beginning of Year | 238,398 | 238,398 |
| Cash and Cash Equivalents at End of Year | \$ 205,272 | \$ 205,272 |

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WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES
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3. Business Combinations

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

In July 2009, we acquired the Oilfield Services Division (OFS) of TNK-BP. In this transaction, we acquired drilling, well workover and cementing services operations in West Siberia, East Siberia and the Volga-Urals region. We issued 24.3 million shares valued at approximately \$450 million. Under our sale and purchase agreement dated May 29, 2009, if TNK-BP sold the shares it received in consideration for the transaction for a price less than \$18.50 per share prior to June 29, 2010, we were obligated to pay TNK-BP additional consideration in an amount equal to the difference between the price at which the shares were sold and \$18.50. On June 24, 2010, we entered into an amendment that modifies the provisions relating to the value guarantee mechanism to allow the parties additional time to settle the amount of consideration received by TNK-BP under the agreement. The settlement date has been extended from June 29, 2010 to the earlier of (a) December 1, 2010, or (b) 30 days after the third business day following our public announcement of our quarterly earnings for the third quarter of 2010. In addition, the base dollar amount used to calculate potential guarantee payments was increased from \$18.50 to \$19.50, and our option to pay the guarantee payment in stock was ended. We made a preliminary allocation of the purchase price as of the date of the acquisition. We will continue to adjust the allocations until final valuation of the assets and liabilities are completed.

Accounting guidance for business combinations requires contingent consideration to be recognized at its acquisition date fair value. Based on the terms of the arrangement, we classified the contingent consideration for the OFS acquisition as a liability. Such liabilities are required to be remeasured to fair value at each reporting date until the contingency is resolved, with changes in fair value being recognized in earnings. We estimated the fair value of the contingent consideration for the OFS acquisition to be a liability of \$84 million at the date of acquisition and \$60 million at December 31, 2009. This liability was estimated to have a fair value of \$152 million at June 30, 2010, resulting in the recognition of a \$92 million loss during the first half of 2010. This loss was recorded in the Selling, General and Administrative Attributable to Segments line in the Condensed Consolidated Statements of Income. The valuation of the contingent consideration was determined using a lattice-based model incorporating the term of the contingency, the price of our shares over the relevant periods and the volatility of our stock price.

In November 2008, we acquired a group of affiliated companies in Latin America. Consideration for the transaction totaled approximately \$160 million, which was comprised of approximately six million shares valued at approximately \$65 million, non-cash consideration of approximately \$75 million and cash of approximately \$20 million. Additional consideration of up to \$65 million is contingent on the occurrence of future events and circumstances. The additional consideration, if any, is payable in cash or our common shares at our option. We will record this contingent consideration when and if these events occur.

4. Inventories

The components of inventory were as follows:

| | June 30, 2010 (Restated) | December 31, 2009 (Restated) |
|--|---|---|
| | <i>(In thousands)</i> | |
| Raw materials, components and supplies | \$ 348,174 | \$ 328,253 |
| Work in process | 112,045 | 115,564 |
| Finished goods | 1,908,789 | 1,794,477 |

\$ 2,369,008 \$ 2,238,294

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

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WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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5. Goodwill

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

The changes in the carrying amount of goodwill for the six months ended June 30, 2010, were as follows:

| | North America | Middle East/ North Africa/ Asia | Europe/ West Africa/ FSU (In thousands) | Latin America | Total |
|---|--------------------------|--|--|--------------------------|--------------|
| As of December 31, 2009 | \$ 2,097,549 | \$ 698,896 | \$ 1,045,577 | \$ 314,083 | \$ 4,156,105 |
| Acquisitions | 2,914 | 22,633 | | | 25,547 |
| Purchase price and other adjustments | (4,543) | (643) | 8,135 | (6,364) | (3,415) |
| Foreign currency translation | 6,311 | (1,494) | (52,346) | (1,742) | (49,271) |
| As of June 30, 2010 | \$ 2,102,231 | \$ 719,392 | \$ 1,001,366 | \$ 305,977 | \$ 4,128,966 |

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

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

The components of short-term borrowings were as follows:

| | June 30, 2010 | December 31, 2009 |
|---|--------------------------|------------------------------|
| | <i>(In thousands)</i> | |
| Revolving credit facilities | \$ 559,768 | \$ 798,500 |
| Other short-term bank loans | 49,349 | 53,007 |
| Total short-term borrowings | 609,117 | 851,507 |
| Current portion of long-term debt | 18,991 | 18,074 |
| Short-term borrowings and current portion of long-term debt | \$ 628,108 | \$ 869,581 |

We maintain various revolving credit facilities with syndicates of banks that can be used for a combination of borrowings, support for our commercial paper program and issuances of letters of credit. At June 30, 2010, these facilities allow for an aggregate availability of \$1.8 billion and mature in May 2011. The weighted average interest rate on outstanding borrowings of these facilities at June 30, 2010, was 0.9%. There were \$67 million in outstanding letters of credit under these facilities at June 30, 2010.

These borrowing facilities require us to maintain a debt-to-capitalization ratio of less than 60% and contain other covenants and representations customary for an investment-grade commercial credit. We are in compliance with these covenants at June 30, 2010.

We have a \$1.5 billion commercial paper program under which we may from time to time issue short-term unsecured notes. The commercial paper program is supported by our revolving credit facilities. There was no commercial paper outstanding at June 30, 2010.

We have short-term borrowings with various domestic and international institutions pursuant to uncommitted facilities. At June 30, 2010, we had \$49 million in short-term borrowings under these arrangements with a weighted average interest rate of 3.8%. In addition, we had \$292 million of letters of credit and bid and performance bonds under these uncommitted facilities. The carrying value of our short-term borrowings approximates their fair value as of June 30, 2010.

In June 2010, we entered into a secured loan agreement with a third-party financial institution and received proceeds of \$180 million. The note bears interest at a rate of 4.8% and will be repaid in monthly installments over seven years. The loan is secured by equipment located in the United States, and is included in long-term debt on our Condensed Consolidated Balance Sheet.

7. Financial Instruments***Accounts Receivable Factoring***

During June 2010, we entered into an accounts receivable sales program to sell accounts receivable related to Latin America to a third party financial institution. In June 2010, one of our subsidiaries sold approximately \$150 million under this program. We received cash totaling \$142 million and recognized a loss of \$1 million on the sale. This transaction qualified for sale accounting under the accounting standards. The remainder of the amounts due to us were recorded as other receivables in the Condensed Consolidated Balance Sheet at June 30, 2010. The initial proceeds received on the sale are included in operating cash flows in our Condensed Consolidated Statement of Cash Flows.

Financial Instruments Measured and Recognized at Fair Value

The accounting guidance for fair value measurements establishes a valuation hierarchy for disclosure of the inputs to the valuations used to measure fair value. This hierarchy prioritizes the inputs into three broad levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for

similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based upon our own assumptions used to measure assets and liabilities at fair value. 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.

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WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES
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The following table presents our non-derivative assets and liabilities that are measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of June 30, 2010 and December 31, 2009:

| | June 30, 2010 | | | |
|--|-----------------------|----------------|----------------|--------------|
| | Level 1 | Level 2 | Level 3 | Total |
| | <i>(In thousands)</i> | | | |
| Other Assets: | | | | |
| Other investments | \$ | \$ | \$ | \$ |
| Other Current Liabilities: | | | | |
| Contingent consideration on acquisition (See Note 3) | | | 152,326 | 152,326 |

| | December 31, 2009 | | | |
|--|--------------------------|----------------|----------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| | <i>(Restated)</i> | | | <i>(Restated)</i> |
| | <i>(In thousands)</i> | | | |
| Other Assets: | | | | |
| Other investments | \$ | \$ 40,822 | \$ | \$ 40,822 |
| Other Current Liabilities: | | | | |
| Contingent consideration on acquisition (See Note 3) | | | 59,563 | 59,563 |

During the first quarter of 2010, we received proceeds of approximately \$42 million from the redemption of our other investments recorded at fair value at December 31, 2009. The proceeds are included in investing activities in the Consolidated Statement of Cash Flows for the period ended June 30, 2010.

The following table provides a summary of changes in fair value of our Level 3 financial liability for the three and six months ended June 30, 2010:

| | Three Months Ended June 30, 2010 | | Six Months Ended June 30, 2010 | |
|---|---|---------|---------------------------------------|---------|
| | <i>(In thousands)</i> | | <i>(In thousands)</i> | |
| Balance at beginning of period | \$ | 70,573 | \$ | 59,563 |
| Unrealized loss on contingent consideration on acquisition included in earnings | | 81,753 | | 92,763 |
| Balance at end of period | \$ | 152,326 | \$ | 152,326 |

The \$92 million loss recorded during the first half of 2010 is included in the Selling, General and Administrative Attributable to Segments line in the Condensed Consolidated Statements of Income.

Fair Value of Other Financial Instruments

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

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

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

| | June 30, 2010 | December 31, 2009 |
|----------------|--------------------------|------------------------------|
| | <i>(In thousands)</i> | |
| Fair value | \$ 6,354,462 | \$ 6,285,129 |
| Carrying value | 6,005,472 | 5,847,258 |

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WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES
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8. Derivative Instruments

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

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

Interest Rate Swaps

We use interest rate swaps to help mitigate exposures related to interest rate movements. 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) to interest expense over the remaining term of the debt. As of June 30, 2010, we had net unamortized gains of \$65 million associated with interest rate swap terminations.

Cash Flow Hedges

In 2008, we entered into interest rate derivative instruments to hedge projected exposures to interest rates in anticipation of a debt offering. Those hedges were terminated at the time of the issuance of the debt, and the loss on these hedges is being amortized from Accumulated Other Comprehensive Income (Loss) to interest expense over the remaining term of the debt. As of June 30, 2010, we had net unamortized losses of \$13 million associated with our cash flow hedge terminations.

Other Derivative Instruments

As of June 30, 2010, we had foreign currency forward and option contracts with notional amounts aggregating to \$995 million, which were entered into to hedge exposure to currency fluctuations in various foreign currencies, including, but not limited to, the British pound sterling, the Canadian dollar, the euro and the Norwegian krone. The total estimated fair value of these contracts at June 30, 2010, resulted in a net liability of approximately \$5 million. These derivative instruments were not designated as hedges and the changes in fair value of the contracts are recorded each period in Other, Net in the accompanying Condensed Consolidated Statements of Income.

We have cross-currency swaps between the U.S. dollar and Canadian dollar to hedge certain exposures to the Canadian dollar. At June 30, 2010, we had notional amounts outstanding of \$215 million. The total estimated fair value of these contracts at June 30, 2010, resulted in a liability of \$28 million. These derivative instruments were not designated as hedges and the changes in fair value of the contracts are recorded each period in Other, Net in the accompanying Condensed Consolidated Statements of Income.

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

| | June 30, 2010 | December 31, 2009 | Classifications |
|--|--------------------------|----------------------------------|-------------------------|
| | <i>(In thousands)</i> | | |
| Derivative assets not designated as hedges: | | | |
| Foreign exchange contracts | \$ 13,228 | \$ 9,831 | Other Current Assets |
| Derivative liabilities not designated as hedges: | | | |

| | | | |
|-------------------------------|--------|--------|---------------------------|
| Foreign exchange contracts | 18,552 | 18,939 | Other Current Liabilities |
| Cross-currency swap contracts | 28,475 | 26,170 | Other Liabilities |
| | 20 | | |

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WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES
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9. Income Taxes

For the three months ended June 30, 2010, we had a tax provision of \$40 million on a pretax loss of \$5 million that includes an \$82 million loss on the fair value adjustment to the put option issued in connection with the OFS acquisition for which no tax benefit has been recorded. For the six months ended June 30, 2010, we had a tax provision of \$43 million on a pretax loss of \$66 million that includes the loss related to the put option issued in connection with the OFS acquisition and curtailment expense on our SERP for which no related tax benefit was recorded. Our tax provision for the six months ended June 30, 2010 includes minimum tax in Mexico and the tax impact of changes in our geographic earnings mix, both of which are partially offset by a tax benefit related to the devaluation of the Venezuelan bolivar. Our effective tax rates were 45.2% and 34.6% for the three and six months ended June 30, 2009.

10. Shareholders Equity

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

| | Total Shareholders Equity (Restated) | Company Shareholders Equity (Restated) | Noncontrolling Interests in Consolidated Subsidiaries |
|---|---|---|--|
| | <i>(In thousands)</i> | | |
| Balance at December 31, 2009 | \$ 9,438,373 | \$ 9,359,341 | \$ 79,032 |
| Comprehensive Income: | | | |
| Net Income (Loss) | (108,896) | (116,247) | 7,351 |
| Curtailment and Remeasurement of Supplemental Executive Retirement Plan | 35,111 | 35,111 | |
| Amortization of Pension Components | 1,646 | 1,646 | |
| Foreign Currency Translation Adjustments | (152,604) | (152,604) | |
| Other | 311 | 311 | |
| Comprehensive Income (Loss) | (224,432) | (231,783) | 7,351 |
| Transactions with Shareholders | 66,217 | 66,217 | |
| Dividends paid to Noncontrolling Interests | (16,881) | | (16,881) |
| Other | 1,362 | | 1,362 |
| Balance at June 30, 2010 | \$ 9,264,639 | \$ 9,193,775 | \$ 70,864 |

11. Earnings Per Share

Basic earnings per share for all periods presented equals net income divided by the weighted average number of our shares outstanding during the period. Diluted earnings per share is computed by dividing net income by the weighted average number of our shares outstanding during the period, adjusted for the dilutive effect of our stock options, restricted shares, performance units and our outstanding warrants. Our diluted earnings per share calculation excludes three million potential shares for the three and six months ended June 30, 2010, four million potential shares for the three months ended June 30, 2009 and 11 million potential shares for the six months ended June 30, 2009, due to their antidilutive effect. Our diluted earnings per share calculation for the three and six months ended June 30, 2010 also excludes five million and six million potential shares, respectively, that would have been included if we had net income for those periods, but are excluded as we had a net losses and their inclusion would have been anti-dilutive.

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--|-------------|--------------------------------------|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| | <i>(In thousands)</i> | | | |
| Basic weighted average shares outstanding | 743,209 | 700,424 | 740,537 | 699,375 |
| Dilutive effect of: | | | | |
| Warrants | | 2,105 | | 1,053 |
| Stock options and restricted shares | | 6,883 | | 5,596 |
| Diluted weighted average shares outstanding | 743,209 | 709,412 | 740,537 | 706,024 |

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12. Share-Based Compensation

In June 2010, the Weatherford International Ltd. 2010 Omnibus Incentive Plan (2010 Omnibus Plan) was approved by our shareholders. This plan permits the grant of options, stock appreciation rights, restricted shares awards, restricted share units, performance share awards, performance unit awards, other share-based awards and cash-based awards to any employee,

non -employee director and other individual service providers or any affiliate. The 2010 Omnibus Plan is similar to our 2006 Omnibus Plan. The aggregate number of shares available for grant under this plan is 10,144,000.

During the six months ended June 30, 2010, we issued one million performance units, which will vest ratably over a three-year period assuming continued employment and if the Company meets certain market-based performance goals. The performance units have a weighted-average grant date fair value of \$12.41 based on the Monte Carlo simulation method.

We recognized the following employee share-based compensation expense during the three and six months ended June 30, 2010 and 2009:

| | Three Months | | Six Months | |
|--------------------------|-----------------------|-------------|-----------------------|-------------|
| | Ended June 30, | | Ended June 30, | |
| | 2010 | 2009 | 2010 | 2009 |
| | <i>(In thousands)</i> | | | |
| Share-based compensation | \$ 26,895 | \$ 28,617 | \$ 49,869 | \$ 55,046 |
| Related tax benefit | 9,413 | 10,016 | 17,454 | 19,266 |

During the six months ended June 30, 2010, we granted one million restricted share awards and units at a weighted average grant date fair value of \$16.40 per share.

As of June 30, 2010, there was \$197 million of total unrecognized compensation cost related to our unvested stock options, restricted share grants and performance units. This cost is expected to be recognized over a weighted average period of two years.

13. Retirement and Employee Benefit Plans

We have defined benefit pension and other postretirement benefit plans covering certain employees. The components of net periodic benefit cost for the three and six months ended June 30, 2010 and 2009 were as follows:

| | Three Months Ended June 30, | | | |
|---|------------------------------------|----------------------|---------------|----------------------|
| | 2010 | | 2009 | |
| | United | United | United | International |
| | States | International | States | International |
| | <i>(In thousands)</i> | | | |
| Service cost | \$ 27 | \$ 1,437 | \$ 906 | \$ 1,681 |
| Interest cost | 1,219 | 1,746 | 2,079 | 1,654 |
| Expected return on plan assets | (149) | (1,141) | (166) | (979) |
| Amortization of transition obligation | | | | |
| Amortization of prior service cost (credit) | 22 | (13) | 1,535 | (12) |
| Amortization of loss | 142 | 39 | 2,209 | 235 |
| Curtailment/settlement loss | 495 | | 1,063 | |
| Net periodic benefit cost | \$ 1,756 | \$ 2,068 | \$ 7,626 | \$ 2,579 |

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| | Six Months Ended June 30, | | | |
|---|---------------------------|---------------|------------------|---------------|
| | 2010 | | 2009 | |
| | United States | International | United States | International |
| | <i>(In thousands)</i> | | | |
| Service cost | \$ 978 | \$ 2,965 | \$ 1,781 | \$ 3,285 |
| Interest cost | 3,156 | 3,576 | 3,785 | 3,250 |
| Expected return on plan assets | (298) | (2,342) | (331) | (1,933) |
| Amortization of transition obligation | | | | (1) |
| Amortization of prior service cost (credit) | 1,534 | (26) | 1,993 | (23) |
| Amortization of loss | 914 | 81 | 3,234 | 463 |
| Curtailment/settlement loss | 35,453 | | 1,063 | |
| Net periodic benefit cost | \$ 41,737 | \$ 4,254 | \$ 11,525 | \$ 5,041 |

Our SERP was amended effective March 31, 2010 to freeze the benefits under the plan. This resulted in the net curtailment loss shown above. The projected benefit obligation of the SERP after recording the curtailment charge in the first quarter of 2010 was \$100 million.

In April 2010, one executive in the plan left the Company and a distribution payment of \$11 million was made and a settlement charge of less than one million was recorded. Three additional executives left the Company in June 2010, and we expect to pay out approximately \$21 million for their SERP benefits in the fourth quarter of 2010. The settlement charge related to the fourth quarter SERP payments is not expected to be material.

Effective April 8, 2010, our SERP was further amended to allow participants a one-time option to convert their vested, fixed-amount, dollar-denominated benefits under the SERP into equity-denominated benefits. The amendment permitted participants in the SERP to make a one-time irrevocable election before June 7, 2010 to convert between 50% and 100% of their cash balance under the plan into units representing the right to receive registered shares in the Company. During May 2010, the remaining participants elected to convert approximately \$76 million of their cash entitlement into approximately 4.7 million shares, which was based on the closing share price on the date of the election.

At June 30, 2010, the projected benefit obligation of the SERP is \$100 million.

We previously disclosed in our financial statements for the year ended December 31, 2009, that we expected to contribute approximately \$7 million to our pension and other postretirement benefit plans during 2010. As of June 30, 2010, we have contributed approximately \$6 million to these plans and anticipate total annual contributions to approximate original estimates previously disclosed.

14. Segment Information

Financial information by segment is summarized below. Revenues are attributable to countries based on the ultimate destination of the sale of products or performance of services. Results for the three and six months ended June 30, 2010 and 2009 have been restated to correct for previously identified immaterial errors affecting operating income that were recorded in improper periods (See Note 2).

| Three Months Ended June 30, 2010 | | |
|--|--|---|
| Net Operating Revenues (Restated) | Income from Operations (Restated) | Depreciation and Amortization (Restated) |

| | | <i>(In thousands)</i> | |
|---|--------------|---------------------------|------------|
| North America | \$ 917,696 | \$ 127,001 | \$ 81,040 |
| Middle East/North Africa/Asia | 602,602 | 73,993 | 75,139 |
| Europe/West Africa/FSU | 506,177 | 67,366 | 52,371 |
| Latin America | 410,688 | 41,991 | 44,753 |
| | 2,437,163 | 310,351 | 253,303 |
| Corporate and Research and Development | | (96,200) | 5,267 |
| Revaluation of Contingent Consideration | | (81,753) | |
| Other (a) | | (27,309) | |
| Total | \$ 2,437,163 | \$ 105,089 | \$ 258,570 |

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| | Three Months Ended June 30, 2009 | | |
|--|--|--|--|
| | Net Operating Revenues (Restated) | Income from Operations (Restated) | Depreciation and Amortization |
| | <i>(In thousands)</i> | | |
| North America | \$ 572,637 | \$ 1,512 | \$ 77,253 |
| Middle East/North Africa/Asia | 593,857 | 118,912 | 60,921 |
| Europe/West Africa/FSU | 366,190 | 68,675 | 35,190 |
| Latin America | 465,743 | 78,258 | 35,971 |
| | 1,998,427 | 267,357 | 209,335 |
| Corporate and Research and Development | | (85,247) | 4,358 |
| Other (b) | | (30,905) | |
| Total | \$ 1,998,427 | \$ 151,205 | \$ 213,693 |

- (a) The three months ended June 30, 2010 includes \$27 million for severance costs related to the separation of four executives during the quarter, as well as restructuring initiatives, primarily in the Western Hemisphere.
- (b) The three months ended June 30, 2009 includes \$14 million for costs incurred in connection with on-going investigations by the U.S. government, \$13 million for severance and facility closure costs associated with reorganization activities and \$4 million in costs related to the Company's withdrawal from certain sanctioned countries.

| | Six Months Ended June 30, 2010 | | |
|---|--|--|---|
| | Net Operating Revenues (Restated) | Income From Operations (Restated) | Depreciation And Amortization (Restated) |
| | <i>(In thousands)</i> | | |
| North America | \$ 1,806,275 | \$ 235,433 | \$ 161,700 |
| Middle East/North Africa/Asia | 1,164,658 | 149,707 | 147,429 |
| Europe/West Africa/FSU | 959,936 | 113,664 | 101,642 |
| Latin America | 837,361 | 68,065 | 87,232 |
| | 4,768,230 | 566,869 | 498,003 |
| Corporate and Research and Development | | (190,115) | 10,272 |
| Revaluation of Contingent Consideration | | (92,763) | |
| Other (c) | | (71,341) | |
| Total | \$ 4,768,230 | \$ 212,650 | \$ 508,275 |

| | Six Months Ended June 30, 2009 | | |
|--|--|--|--|
| | Net Operating Revenues (Restated) | Income from Operations (Restated) <i>(In thousands)</i> | Depreciation and Amortization |
| North America | \$ 1,404,632 | \$ 118,260 | \$ 152,351 |
| Middle East/North Africa/Asia | 1,179,625 | 256,780 | 118,555 |
| Europe/West Africa/FSU | 735,171 | 141,077 | 69,868 |
| Latin America | 933,630 | 169,523 | 66,413 |
| | 4,253,058 | 685,640 | 407,187 |
| Corporate and Research and Development | | (173,367) | 7,900 |
| Other (d) | | (55,782) | |
| Total | \$ 4,253,058 | \$ 456,491 | \$ 415,087 |

- (c) The six months ended June 30, 2010 includes a \$38 million charge related to our SERP which was frozen on March 31, 2010, \$36 million for severance and facility closure costs associated with reorganization activities and the separation of four executives and \$2 million for costs incurred in connection with on-going investigations by the U.S. government. These changes were offset by a \$5 million benefit related to the reversal of prior cost accruals for our exit from certain sanctioned countries.

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- (d) The six months ended June 30, 2009 includes \$27 million for costs incurred in connection with on-going investigations by the U.S. government, \$25 million for severance and facility closure costs associated with reorganization activities and \$4 million in costs related to the Company's withdrawal from certain sanctioned countries.

15. Disputes, Litigation and Contingencies

U.S. Government and Internal Investigations

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

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

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

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

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

The DOJ, SEC and other agencies and authorities have a broad range of civil and criminal penalties they may seek to impose against corporations and individuals for violations of trade sanctions laws, the FCPA and other federal statutes including, but not limited to, injunctive relief, disgorgement, fines, penalties and modifications to business practices and compliance programs. In recent years, these agencies and authorities have entered into agreements with, and obtained a range of penalties against, several public corporations and individuals in similar investigations, under which civil and criminal penalties were imposed, including in some cases fines and other penalties and sanctions in the tens and hundreds of millions of dollars. These agencies are seeking to impose penalties against us for past conduct, but the ultimate amount of any penalties we may pay currently cannot be reasonably estimated. Under trade sanctions laws, the DOJ may also seek to impose modifications to business practices, including immediate cessation of all business activities in specific countries or other limitations that decrease our business, and modifications to

compliance programs, which may increase compliance costs. Any injunctive relief, disgorgement, fines, penalties, sanctions or imposed modifications to business practices resulting from these investigations could adversely affect our results of operations. In addition, our historical activities in sanctioned countries, such as Sudan and Iran, could result in certain investors, such as government sponsored pension funds, divesting or not investing in our registered shares. Based on available information, we cannot predict what, if any, actions the DOJ, SEC or other authorities will take in our situation or the effect any such actions will have on our consolidated financial position or results of operations. To the extent we violated trade sanctions laws, the FCPA, or other laws or regulations, fines and other penalties may be imposed. Because these matters are now pending before the indicated agencies, there can be no assurance that actual fines or penalties, if any, will not have a material adverse effect on our business, financial condition, liquidity or results of operations.

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

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Macondo Litigation

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

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

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

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

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

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

If BP were to avoid its indemnities regarding personal injury and a case is adversely determined against Weatherford with respect to the Macondo incident, Weatherford believes its exposure to personal injury/death claims is within the limits of its insurance coverage. Weatherford has a self-insured retention of \$2 million. Above that amount, Weatherford has aggregate liability insurance coverage with limits of \$303 million. Weatherford believes all claims for personal injury made against Weatherford, even if they are not covered by indemnity from BP, are covered

under its various liability insurance policies, up to the \$303 million in limits. Weatherford has met individually with its insurers to discuss this matter. While some of our insurers have sent notices stating that they lack sufficient information to adequately assess coverage issues at this time, we do not currently anticipate there will be a substantive coverage dispute amongst Weatherford and its insurers.

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

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

Shareholder Litigation

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

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**WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES
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Other Disputes

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

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

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

16. New Accounting Pronouncements

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

17. Condensed Consolidating Financial Statements

As discussed in Note 2, we have restated results of operations and cash flows for the three and six months ended June 30, 2010 and 2009 and we have restated our financial position at June 30, 2010 and December 31, 2009.

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

The following obligations of Weatherford Delaware were guaranteed by Weatherford Bermuda at June 30, 2010 and December 31, 2009: (i) the 6.625% Senior Notes, (ii) the 5.95% Senior Notes, (iii) the 6.35% Senior Notes and (iv) the 6.80% Senior Notes.

The following obligations of Weatherford Bermuda were guaranteed by Weatherford Delaware at June 30, 2010 and December 31, 2009: (i) the revolving credit facilities, (ii) the 4.95% Senior Notes, (iii) the 5.50% Senior Notes, (iv) the 6.50% Senior Notes, (v) the 5.15% Senior Notes, (vi) the 6.00% Senior Notes, (vii) the 7.00% Senior Notes, (viii) the 9.625% Senior Notes, (ix) the 9.875% Senior Notes and (x) issuances of notes under the commercial paper program.

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

changes in equity. Elimination entries relate primarily to the elimination of investments in subsidiaries and associated intercompany balances and transactions.

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(UNAUDITED)

Condensed Consolidating Balance Sheet

June 30, 2010

(Restated)

(unaudited)

(In thousands)

| | Parent | Bermuda | Delaware | Other Subsidiaries | Eliminations | Consolidation |
|--|---------------|----------------|-----------------|-------------------------------|---------------------|----------------------|
| ASSETS | | | | | | |
| Current Assets: | | | | | | |
| Cash and Cash Equivalents | \$ 273 | \$ 27 | \$ 986 | \$ 221,497 | \$ | \$ 222,783 |
| Other Current Assets | 6,548 | 14,866 | 96,282 | 5,694,282 | | 5,811,978 |
| Total Current Assets | 6,821 | 14,893 | 97,268 | 5,915,779 | | 6,034,761 |
| Equity Investments in Affiliates | 9,057,166 | 15,067,045 | 6,882,827 | 11,438,346 | (42,445,384) | |
| Shares Held in Parent | | | 97,701 | 468,800 | (566,501) | |
| Intercompany Receivables, Net | | 1,571,317 | 900,527 | | (2,471,844) | |
| Other Assets | 8,887 | 26,434 | 197,796 | 12,258,410 | | 12,491,527 |
| Total Assets | \$ 9,072,874 | \$ 16,679,689 | \$ 8,176,119 | \$ 30,081,335 | \$ (45,483,729) | \$ 18,526,288 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | | | | | |
| Current Liabilities: | | | | | | |
| Short-term | | | | | | |
| Borrowings and Current Portion of | | | | | | |
| Long-term Debt | \$ | \$ 311,968 | \$ 1,926 | \$ 314,214 | \$ | \$ 628,108 |
| Accounts Payable and Other Current Liabilities | 167,709 | 112,236 | 107,828 | 1,867,099 | | 2,254,872 |
| Total Current Liabilities | 167,709 | 424,204 | 109,754 | 2,181,313 | | 2,882,980 |
| Long-term Debt | | 3,985,718 | 1,847,545 | 172,209 | | 6,005,472 |
| Intercompany Payables, Net | 564,863 | | | 1,906,981 | (2,471,844) | |
| Other Long-term Liabilities | 8,032 | 99,963 | 2,220 | 262,982 | | 373,197 |

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| | | | | | | |
|--|--------------|---------------|--------------|---------------|-----------------|---------------|
| Total Liabilities | 740,604 | 4,509,885 | 1,959,519 | 4,523,485 | (2,471,844) | 9,261,649 |
| Weatherford Shareholders Equity | 8,332,270 | 12,169,804 | 6,216,600 | 25,486,986 | (43,011,885) | 9,193,775 |
| Noncontrolling Interests | | | | 70,864 | | 70,864 |
| Total Liabilities and Shareholders Equity | \$ 9,072,874 | \$ 16,679,689 | \$ 8,176,119 | \$ 30,081,335 | \$ (45,483,729) | \$ 18,526,288 |

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WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES
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(UNAUDITED)
Condensed Consolidating Balance Sheet
December 31, 2009
(Restated)
(In thousands)

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

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| | | | | | | |
|--|--------------|---------------|--------------|---------------|-----------------|---------------|
| Total Liabilities | 90,903 | 4,580,674 | 1,968,772 | 5,306,670 | (2,688,702) | 9,258,317 |
| Weatherford Shareholders Equity | 9,102,874 | 12,123,111 | 5,973,015 | 24,881,270 | (42,720,929) | 9,359,341 |
| Noncontrolling Interests | | | | 79,032 | | 79,032 |
| Total Liabilities and Shareholders Equity | \$ 9,193,777 | \$ 16,703,785 | \$ 7,941,787 | \$ 30,266,972 | \$ (45,409,631) | \$ 18,696,690 |

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

Condensed Consolidating Statements of Income
Three Months Ended June 30, 2010
(Restated)
(unaudited)
(In thousands)

| | Parent | Bermuda | Delaware | Other Subsidiaries | Eliminations | Consolidation |
|--|---------------|----------------|-----------------|-------------------------------|---------------------|----------------------|
| Revenues | \$ | \$ | \$ | \$ 2,437,163 | \$ | \$ 2,437,163 |
| Costs and Expenses | (79,642) | (3,270) | (644) | (2,248,518) | | (2,332,074) |
| Operating Income (Loss) | (79,642) | (3,270) | (644) | 188,645 | | 105,089 |
| Other Income (Expense): | | | | | | |
| Interest Income (Expense), Net | | (65,842) | (29,177) | (700) | | (95,719) |
| Devaluation of Venezuelan Bolivar | | | | | | |
| Intercompany Charges, Net | (11,068) | 1,030 | (42,318) | 52,356 | | |
| Equity in Subsidiary Income (Loss) | 42,833 | 4,752 | 221,869 | | (269,454) | |
| Other, Net | (13) | 95,839 | (219) | (109,793) | | (14,186) |
| Income (Loss) from Before Income Taxes | (47,890) | 32,509 | 149,511 | 130,508 | (269,454) | (4,816) |
| Provision for Income Taxes | | | 9,673 | (49,431) | | (39,758) |
| Net Income (Loss) | (47,890) | 32,509 | 159,184 | 81,077 | (269,454) | (44,574) |
| Noncontrolling Interests | | | | (3,316) | | (3,316) |
| Net Income Attributable to Weatherford | \$ (47,890) | \$ 32,509 | \$ 159,184 | \$ 77,761 | \$ (269,454) | \$ (47,890) |

Condensed Consolidating Statements of Income
Three Months Ended June 30, 2009
(Restated)
(unaudited)
(In thousands)

Other

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| | Parent | Bermuda | Delaware | Subsidiaries | Eliminations | Consolidation |
|---|---------------|----------------|-----------------|---------------------|---------------------|----------------------|
| Revenues | \$ | \$ | \$ | \$ 1,998,427 | \$ | \$ 1,998,427 |
| Costs and Expenses | (703) | (4,083) | (532) | (1,841,904) | | (1,847,222) |
| Operating Income (Loss) | (703) | (4,083) | (532) | 156,523 | | 151,205 |
| Other Income (Expense): | | | | | | |
| Interest Income (Expense), Net | | (66,066) | (28,735) | 1,303 | | (93,498) |
| Intercompany Charges, Net | (9) | 1,836 | (35,204) | 33,377 | | |
| Equity in Subsidiary Income | 21,654 | 62,846 | 26,061 | | (110,561) | |
| Other, Net | (7) | 27,121 | (45) | (30,940) | | (3,871) |
| Income (Loss) Before Income Taxes | 20,935 | 21,654 | (38,455) | 160,263 | (110,561) | 53,836 |
| Provision for Income Taxes | | | 15,628 | (39,955) | | (24,327) |
| Net Income (Loss) | 20,935 | 21,654 | (22,827) | 120,308 | (110,561) | 29,509 |
| Noncontrolling Interests | | | | (8,574) | | (8,574) |
| Net Income Attributable to Weatherford | \$ 20,935 | \$ 21,654 | \$ (22,827) | \$ 111,734 | \$ (110,561) | \$ 20,935 |

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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, 2010

(Restated)
(unaudited)
(In thousands)

| | Parent | Bermuda | Delaware | Other Subsidiaries | Eliminations | Consolidation |
|--|---------------|----------------|-----------------|-------------------------------|---------------------|----------------------|
| Revenues | \$ | \$ | \$ | \$ 4,768,230 | \$ | \$ 4,768,230 |
| Costs and Expenses | (94,891) | (42,628) | (1,251) | (4,416,810) | | (4,555,580) |
| Operating Income (Loss) | (94,891) | (42,628) | (1,251) | 351,420 | | 212,650 |
| Other Income (Expense): | | | | | | |
| Interest Income (Expense), Net | (947) | (130,042) | (58,025) | (2,044) | | (191,058) |
| Devaluation of Venezuelan Bolivar | | | | (63,859) | | (63,859) |
| Intercompany Charges, Net | (11,368) | 1,747 | (85,871) | 95,492 | | |
| Equity in Subsidiary Income | (8,985) | (5,639) | 355,127 | | (340,503) | |
| Other, Net | (56) | 157,251 | (410) | (180,189) | | (23,404) |
| Income (Loss) Before Income Taxes | (116,247) | (19,311) | 209,570 | 200,820 | (340,503) | (65,671) |
| Provision for Income Taxes | | | 34,820 | (78,045) | | (43,225) |
| Net Income (Loss) | (116,247) | (19,311) | 244,390 | 122,775 | (340,503) | (108,896) |
| Noncontrolling Interests | | | | (7,351) | | (7,351) |
| Net Income Attributable to Weatherford | \$ (116,247) | \$ (19,311) | \$ 244,390 | \$ 115,424 | \$ (340,503) | \$ (116,247) |

Condensed Consolidating Statements of Income
Six Months Ended June 30, 2009

(Restated)
(unaudited)
(In thousands)

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| | Parent | Bermuda | Delaware | Other Subsidiaries | Eliminations | Consolidation |
|--|---------------|----------------|-----------------|-------------------------------|---------------------|----------------------|
| Revenues | \$ | \$ | \$ | \$ 4,253,058 | \$ | \$ 4,253,058 |
| Costs and Expenses | (718) | (10,591) | (876) | (3,784,382) | | (3,796,567) |
| Operating Income (Loss) | (718) | (10,591) | (876) | 468,676 | | 456,491 |
| Other Income (Expense): | | | | | | |
| Interest Income (Expense), Net | | (130,118) | (57,166) | 2,723 | | (184,561) |
| Intercompany Charges, Net | (9) | 3,804 | (60,101) | 56,306 | | |
| Equity in Subsidiary Income | 149,677 | 190,621 | 242,040 | | (582,338) | |
| Other, Net | (7) | 95,961 | (333) | (113,031) | | (17,410) |
| Income (Loss) Before Income Taxes | 148,943 | 149,677 | 123,564 | 414,674 | (582,338) | 254,520 |
| Provision for Income Taxes | | | 34,458 | (122,603) | | (88,145) |
| Net Income (Loss) Noncontrolling Interests | 148,943 | 149,677 | 158,022 | 292,071 (17,432) | (582,338) | 166,375 (17,432) |
| Net Income Attributable to Weatherford | \$ 148,943 | \$ 149,677 | \$ 158,022 | \$ 274,639 | \$ (582,338) | \$ 148,943 |

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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, 2010

(Restated)
(unaudited)
(In thousands)

| | Parent | Bermuda | Delaware | Other Subsidiaries | Eliminations | Consolidation |
|---|---------------|----------------|-----------------|-------------------------------|---------------------|----------------------|
| Cash Flows from Operating Activities: | | | | | | |
| Net Income (Loss) | \$ (116,247) | \$ (19,311) | \$ 244,390 | \$ 122,775 | \$ (340,503) | \$ (108,896) |
| Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | | | | |
| Charges from Parent or Subsidiary | 11,368 | (1,747) | 85,871 | (95,492) | | |
| Equity in (Earnings) Loss of Affiliates | 8,985 | 5,639 | (355,127) | | 340,503 | |
| Deferred Income Tax Benefit | | | (34,822) | (79,957) | | (114,779) |
| Other Adjustments | 85,568 | (106,294) | (59,132) | 711,688 | | 631,830 |
| Net Cash Provided (Used) by Operating Activities | (10,326) | (121,713) | (118,820) | 659,014 | | 408,155 |
| Cash Flows from Investing Activities: | | | | | | |
| Acquisitions of Businesses, Net of Cash Acquired | (44,489) | | | (6,642) | | (51,131) |
| Capital Expenditures for Property, Plant and Equipment | | | | (448,751) | | (448,751) |
| Acquisition of Intellectual Property | | | | (12,701) | | (12,701) |
| Purchase of Equity Investment in Unconsolidated Affiliate | | | | (1,031) | | (1,031) |
| Proceeds from Sale of Assets and Businesses, Net | | | | 134,022 | | 134,022 |
| Capital Contribution to Subsidiary | | (873) | (25) | | 898 | |
| Other Investing Activities | | 41,840 | | | | 41,840 |
| | (44,489) | 40,967 | (25) | (335,103) | 898 | (337,752) |

Net Cash Provided (Used)
by Investing Activities

Cash Flows from
Financing Activities:

| | | | | | | |
|--|--------|----------|---------|------------|-------|------------|
| Borrowings of (Repayments on) Short-term Debt, Net | | (40,404) | 58 | (201,906) | | (242,252) |
| Borrowings on Long-term Debt, Net | | | | 162,235 | | 162,235 |
| Borrowings (Repayments) Between Subsidiaries, Net | 54,986 | 121,130 | 116,068 | (292,184) | | |
| Proceeds from Capital Contribution | | | | 898 | (898) | |
| Other, Net | | | 3,284 | | | 3,284 |
| Net Cash Provided (Used) by Financing Activities | 54,986 | 80,726 | 119,410 | (330,957) | (898) | (76,733) |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | | | | (23,406) | | (23,406) |
| Net Increase (Decrease) in Cash and Cash Equivalents | 171 | (20) | 565 | (30,452) | | (29,736) |
| Cash and Cash Equivalents at Beginning of Year | 102 | 47 | 421 | 251,949 | | 252,519 |
| Cash and Cash Equivalents at End of Year | \$ 273 | \$ 27 | \$ 986 | \$ 221,497 | \$ | \$ 222,783 |

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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, 2009

(Restated)
(unaudited)
(In thousands)

| | Parent | Bermuda | Delaware | Other Subsidiaries | Eliminations | Consolidation |
|---|---------------|----------------|-----------------|-------------------------------|---------------------|----------------------|
| Cash Flows from Operating Activities: | | | | | | |
| Net Income | \$ 148,943 | \$ 149,677 | \$ 158,022 | \$ 292,071 | \$ (582,338) | \$ 166,375 |
| Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | | | | |
| Charges from Parent or Subsidiary | 9 | (3,804) | 60,101 | (56,306) | | |
| Equity in (Earnings) Loss of Affiliates | (149,677) | (190,621) | (242,040) | | 582,338 | |
| Deferred Income Tax Provision (Benefit) | | | 12,252 | (84,020) | | (71,768) |
| Other Adjustments | (498) | (82,216) | 231,698 | 52,741 | | 201,725 |
| Net Cash Provided (Used) by Operating Activities | (1,223) | (126,964) | 220,033 | 204,486 | | 296,332 |
| Cash Flows from Investing Activities: | | | | | | |
| Acquisitions of Businesses, Net of Cash Acquired | | | | (22,049) | | (22,049) |
| Capital Expenditures for Property, Plant and Equipment | | | | (970,384) | | (970,384) |
| Acquisition of Intellectual Property | | | | (14,656) | | (14,656) |
| Purchase of Equity Investment in Unconsolidated Affiliate | | | | (26,509) | | (26,509) |
| Proceeds from Sale of Assets and Businesses, Net | | | | 40,873 | | 40,873 |
| | | (336,784) | (39) | | 336,823 | |

Capital Contribution to
Subsidiary

| | | | | | | |
|--|--------|-----------|-----------|------------|-----------|------------|
| Net Cash Provided (Used) by Investing Activities | | (336,784) | (39) | (992,725) | 336,823 | (992,725) |
| Cash Flows from Financing Activities: | | | | | | |
| Borrowings of (Repayments on) Short-term Debt, Net | | (552,247) | 54 | (12,615) | | (564,808) |
| Borrowings of (Repayments on) Long-term Debt, Net | | 1,233,364 | | (3,150) | | 1,230,214 |
| Borrowings (Repayments) Between Subsidiaries, Net | 1,253 | (217,367) | (216,157) | 432,271 | | |
| Proceeds from Capital Contribution | | | | 336,823 | (336,823) | |
| Other, Net | | | (3,920) | | | (3,920) |
| Net Cash Provided (Used) by Financing Activities | 1,253 | 463,750 | (220,023) | 753,329 | (336,823) | 661,486 |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | | | | 1,781 | | 1,781 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 30 | 2 | (29) | (33,129) | | (33,126) |
| Cash and Cash Equivalents at Beginning of Year | 102 | 24 | 50 | 238,222 | | 238,398 |
| Cash and Cash Equivalents at End of Year | \$ 132 | \$ 26 | \$ 21 | \$ 205,093 | \$ | \$ 205,272 |

Table of Contents**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 2010. Next, we analyze the results of our operations for the six months ended June 30, 2010 and 2009, including the trends in our overall business. Then we 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. When using phrases such as Company, we, us and our the intent is to refer to Weatherford International Ltd.

Overview**General**

The following discussion should be read in conjunction with our consolidated financial statements and related MD&A for the year ended December 31, 2009 as restated and presented in our Annual report on Form 10-K for the year ended December 31, 2010. 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.

Our principal business is to provide equipment and services to the oil and natural gas exploration and production industry both on land and offshore, including our ten product and service lines, as described in our Form 10-K. 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.

Industry Trends

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

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

| | WTI Oil (1) | Henry Hub Gas (2) | North American Rig Count (3) | International Rig Count (3) |
|-------------------|----------------|-------------------------|------------------------------------|-----------------------------------|
| June 30, 2010 | \$ 75.63 | \$ 4.62 | 1,784 | 1,196 |
| December 31, 2009 | 79.36 | 5.57 | 1,485 | 1,113 |
| June 30, 2009 | 69.89 | 3.84 | 1,019 | 1,053 |

(1) Price per barrel as of June 30 and December 31 Source: Thomson Reuters

(2) Price per MM/BTU as of June 30 and December 31 Source: Thomson Reuters

(3) Average rig count for the applicable month Source: Baker Hughes Rig Count and other third-party data

Oil prices decreased during the first six months of 2010, ranging from a high of \$86.84 per barrel in early April to a low of \$68.01 per barrel near the end of May. Natural gas prices increased during the first six months of 2010 and ranged from a low of \$3.91 MM/BTU in early April to a high of \$5.19 MM/BTU in mid-June. 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.

Table of Contents**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, 2010 and 2009. Results have been restated in the following table. See Item 1. Financial Statements Note 2. Restatement of Condensed Consolidated Financial Statements.

| | Three Months | | Six Months | |
|--|--|-------------------|-----------------------|-------------------|
| | Ended June 30, | | Ended June 30, | |
| | 2010 | 2009 | 2010 | 2009 |
| | (Restated) | (Restated) | (Restated) | (Restated) |
| | <i>(In thousands, except percentages and per share data)</i> | | | |
| Revenues: | | | | |
| North America | \$ 917,696 | \$ 572,637 | \$ 1,806,275 | \$ 1,404,632 |
| Middle East/North Africa/Asia | 602,602 | 593,857 | 1,164,658 | 1,179,625 |
| Europe/West Africa/FSU | 506,177 | 366,190 | 959,936 | 735,171 |
| Latin America | 410,688 | 465,743 | 837,361 | 933,630 |
| | 2,437,163 | 1,998,427 | 4,768,230 | 4,253,058 |
| Operating Income: | | | | |
| North America | 127,001 | 1,512 | 235,433 | 118,260 |
| Middle East/North Africa/Asia | 73,993 | 118,912 | 149,707 | 256,780 |
| Europe/West Africa/FSU | 67,366 | 68,675 | 113,664 | 141,077 |
| Latin America | 41,991 | 78,258 | 68,065 | 169,523 |
| Research and Development | (53,530) | (46,113) | (102,387) | (95,134) |
| Corporate | (42,670) | (39,134) | (87,728) | (78,233) |
| Revaluation of Contingent Consideration | (81,753) | | (92,763) | |
| Exit and Restructuring | (27,309) | (30,905) | (71,341) | (55,782) |
| | 105,089 | 151,205 | 212,650 | 456,491 |
| Interest Expense, Net | (95,719) | (93,498) | (191,058) | (184,561) |
| Devaluation of Venezuelan Bolivar | | | (63,859) | |
| Other, Net | (14,186) | (3,871) | (23,404) | (17,410) |
| Effective Tax Rate | (825.5)% | 45.2% | (65.8)% | 34.6% |
| Net Income (Loss) per Diluted Share | \$ (0.06) | \$ 0.03 | \$ (0.16) | \$ 0.21 |
| Depreciation and Amortization | 258,570 | 213,693 | 508,275 | 415,087 |

Table of Contents**Revenues**

The following chart contains consolidated revenues by product line for the three and six months ended June 30, 2010 and 2009:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|-------------------------------|--------------------------------|------|------------------------------|------|
| | 2010 | 2009 | 2010 | 2009 |
| Well Construction | 16% | 17% | 17% | 16% |
| Drilling Services | 16 | 16 | 16 | 16 |
| Artificial Lift Systems | 15 | 16 | 15 | 16 |
| Integrated Drilling | 11 | 12 | 12 | 11 |
| Stimulation & Chemicals | 14 | 5 | 11 | 6 |
| Drilling Tools | 8 | 9 | 8 | 9 |
| Completion Systems | 7 | 11 | 7 | 11 |
| Re-entry & Fishing | 6 | 6 | 6 | 6 |
| Wireline | 5 | 5 | 6 | 6 |
| Pipeline & Specialty Services | 2 | 3 | 2 | 3 |
| | 100% | 100% | 100% | 100% |

Consolidated revenues increased \$439 million, or 22%, in the second quarter of 2010 as compared to the second quarter of 2009 against a 37% increase in rig count activity. North American revenue increased \$345 million, or 60%, in the second quarter of 2010 compared to the same quarter of the prior year. International revenues increased \$94 million, or 7%, in the second quarter of 2010 as compared to the second quarter of 2009 against a 10% increase in average international rig count over the comparable period. An increase in revenues in our Europe/West Africa/FSU region was offset by a decline in Latin America. Our stimulation and chemicals product line was the strongest contributor to the quarter-over-quarter increase.

For the first six months of 2010, consolidated revenues increased \$515 million, or 12%, as compared to the first six months of 2009. Similar to what was experienced in the second quarter of 2010, the increase in revenues during the first six months of 2010 was mostly driven by our North American business. International revenue increased \$114 million, or 4%, as compared to the first six months of 2009.

Operating Income

Consolidated operating income decreased \$46 million, or 31%, in the second quarter of 2010 as compared to the second quarter of 2009. This decrease was due to an \$82 million charge for the revaluation of contingent consideration included as part of our acquisition of the Oilfield Services Division (OFS) of TNK-BP. Our operating segments contributed \$43 million of incremental operating income during the second quarter of 2010 as compared to the same quarter of the prior year. This incremental gain was partially offset by an increase in corporate and research and development expenditures of \$11 million over the second quarter of 2009.

During the first six months of 2010, consolidated operating income decreased \$244 million, or 53%, as compared to the first six months of 2009. Our operating segments accounted for \$119 million of this decrease. In addition, the revaluation of contingent consideration resulted in a charge of \$93 million in the first half of 2010. Exit and restructuring charges during the first half of 2010 increased \$16 million and corporate and research and development expenditures increased \$17 million compared to the first half of 2009. The increase in corporate expenses was primarily attributable to higher costs associated with business process optimization initiatives and professional fees. We also 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 sanction laws and import/export laws.

Exit and restructuring costs during the first six months of 2010 include (i) a \$38 million charge related to our Supplemental Executive Retirement Plan (SERP) which was frozen on March 31, 2010, (ii) \$36 million for severance

and facility closure costs and (iii) \$2 million for legal and professional fees incurred in connection with our on-going investigations. These charges were offset by a \$5 million benefit related to the reversal of prior cost accruals for our exit from sanctioned countries.

Exit and restructuring charges during the first six months of 2009 include (i) \$27 million for legal and professional fees incurred in connection with our on-going investigations, (ii) \$25 million for severance and facility closure costs and (iii) \$4 million for unusable assets and cost accruals in certain sanctioned countries.

Devaluation of Venezuelan Bolivar

In January 2010, the Venezuelan government announced its intention to devalue its currency and move to a two tier exchange structure. The official exchange moved from 2.15 to 2.60 for essential goods and 4.30 for non-essential goods and services. In connection with this devaluation, we incurred a charge of \$64 million in the first quarter of 2010 for the remeasurement of our net monetary assets denominated in Venezuelan bolivars at the date of the devaluation.

Table of Contents***Income Taxes***

For the three months ended June 30, 2010, we had a tax provision of \$40 million on a pretax loss of \$5 million that includes an \$82 million loss on the fair value adjustment to the put option issued in connection with the OFS acquisition for which no tax benefit has been recorded. For the six months ended June 30, 2010, we had a tax provision of \$43 million on a pretax loss of \$66 million that includes the loss related to the put option issued in connection with the OFS acquisition and curtailment expense on our SERP for which no related tax benefit was recorded. Our tax provision for the six months ended June 30, 2010 includes minimum tax in Mexico and the tax impact of changes in our geographic earnings mix, both of which are partially offset by a tax benefit related to the devaluation of the Venezuelan bolivar. Our effective tax rates were 45.2% and 34.6% for the three and six months ended June 30, 2009.

Segment Results***North America***

North American revenues increased \$345 million, or 60%, in the second quarter of 2010 as compared to the second quarter of 2009 on a 65% increase in average North American rig count over the comparable period. Revenues increased \$402 million, or 29%, during the first six months of 2010 as compared to the same period of the prior year in line with a 29% increase in rig count. The increase in revenues is the result of a strong performance in the U.S. land market, a more benign Canadian break up season as compared to the prior year, an increase in drilling activity and price improvements.

Operating income increased \$125 million in the second quarter of 2010 compared to the second quarter of 2009. For the first half of 2010, operating income increased \$117 million, or 99%, compared to same period of the prior year. Operating margins were 13% for the first six months of 2010 compared to 8% for the first six months of 2009. The increase in operating income and margins was due to increased onshore activity in the U.S., prior cost reduction efforts, more favorable sales mix and improved pricing.

Middle East/North Africa/Asia

Middle East/North Africa/Asia revenues increased \$9 million, or 2%, in the second quarter of 2010 as compared to the second quarter of 2009. This increase was against a 6% increase in rig count over the comparable period. Revenues decreased \$15 million, or 1%, during the first six months of 2010 as compared to the first six months of 2009.

Operating income decreased \$45 million, or 38%, during the second quarter of 2010 compared to the same quarter of the prior year and decreased \$107 million, or 42%, during the first six months of 2010 compared to the first six months of 2009. Operating margins were 12% in the second quarter of 2010 and 20% in the second quarter of 2009. On a year-to-date basis, operating margins were 13% for the first six months of 2010 as compared to 22% for the first six months of 2009. The decline in operating income and margins was primarily the result of lower pricing, the negative impact of higher mobilization and start-up costs and a less favorable sales mix.

Europe/West Africa/FSU

Revenues in our Europe/West Africa/FSU segment increased \$140 million, or 38%, in the second quarter of 2010 compared to the same quarter of the prior year against a 40% rig count increase over the comparable period.

On a year-to-date basis, revenues increased \$225 million, or 31%, compared to the same period of 2009. This increase was largely attributable to our acquisition of OFS in July 2009.

Operating income decreased one million, or 2% in the second quarter of 2010 compared to the same quarter of 2009 and decreased \$27 million, or 19%, during the first six months of 2010 compared to the first six months of 2009. Operating margins were 13% in the second quarter of 2010 and 19% in the second quarter of 2009. On a year-to-date basis, margins decreased from 19% during the first six months of 2009 to 12% for the first six months of 2010. The decline in year-to-date operating income and margins was due to pricing declines and changes in sales mix over the comparable periods.

Latin America

Revenues in our Latin America segment decreased \$55 million, or 12%, in the second quarter of 2010 as compared to the same quarter of the prior year against an average rig count increase of 10% over the comparable period. Revenues decreased \$96 million, or 10%, during the first six months of 2010 compared to the same period of the prior

year. The decline in revenue was mostly due to reduced project activity in Mexico, lower pricing and deterioration in the Venezuelan market.

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Operating income decreased \$36 million, or 46%, and \$101 million, or 60%, for the three and six months ended June 30, 2010, respectively, over the comparable periods of the prior year. Operating margins were 10% in the second quarter of 2010 and 17% in the second quarter of 2009. On a year-to-date basis, margins decreased from 18% during the first six months of 2009 to 8% for the first six months of 2010. The decline in operating income and operating margins was due to the reduced scale of project work in Mexico and lower pricing.

Liquidity and Capital Resources***Sources of Liquidity***

Our sources of liquidity include current cash and cash equivalent balances, cash generated from operations and committed availabilities under 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.

Committed Borrowing Facilities

We maintain various revolving credit facilities with syndicates of banks that can be used for a combination of borrowings, support for our commercial paper program and issuances of letters of credit. At June 30, 2010, these facilities allow for an aggregate availability of \$1.8 billion and mature in May 2011. The weighted average interest rate on outstanding borrowings of these facilities at June 30, 2010, was 0.9%.

Our committed borrowing facilities require us to maintain a debt-to-capitalization ratio of less than 60% and contain other covenants and representations customary for an investment-grade commercial credit. Our debt-to-capitalization ratio was 41.7% at June 30, 2010, which is in compliance with these covenants.

The following is a recap of our availability under our committed borrowing facilities at June 30, 2010 (in millions):

| | |
|-------------------|----------|
| Facilities | \$ 1,750 |
| Less: | |
| Amount drawn | 560 |
| Commercial paper | |
| Letters of credit | 67 |
| Availability | \$ 1,123 |

Commercial Paper

We have a \$1.5 billion commercial paper program under which we may from time to time issue short-term unsecured notes. The commercial paper program is supported by our revolving credit facilities. There was no commercial paper outstanding at June 30, 2010.

Accounts Receivable Factoring

During June 2010, we entered into an accounts receivable sales program to sell accounts receivable related to Latin America. In June 2010, one of our subsidiaries sold approximately \$150 million under this program. We received cash totaling \$142 million and recognized a loss of \$1 million on the sale. The remainder of the amounts due to us were recorded as other receivables in the Condensed Consolidated Balance Sheet at June 30, 2010. The initial proceeds received on the sale are included in operating cash flows in our Condensed Consolidated Statement of Cash Flows.

Secured Loan Agreement

In June 2010, we entered into a secured loan agreement with a third-party financial institution and received proceeds of \$180 million. The note bears interest at a rate of 4.8% and will be repaid in monthly installments over seven years. The loan is secured by assets located in the United States, and is included in long-term debt on our Condensed Consolidated Balance Sheet.

Cash Requirements

During 2010, we anticipate our cash requirements will include working capital needs and capital expenditures and may include opportunistic business acquisitions. We anticipate funding these requirements from cash generated from operations and availability under our committed borrowing facilities.

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Capital expenditures for 2010 are projected to be approximately \$1.1 billion, net of proceeds from tools lost down hole. The expenditures are expected to be used primarily to support the growth of our businesses and operations. Capital expenditures during the six months ended June 30, 2010 were \$402 million, net of proceeds from tools lost down hole.

Derivative Instruments***Interest Rate Swaps***

We use interest rate swaps to help mitigate exposures related to interest rate movements. 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) to interest expense over the remaining term of the debt. As of June 30, 2010, we had net unamortized gains of \$65 million associated with interest rate swap terminations.

Cash Flow Hedges

In 2008, we entered into interest rate derivative instruments to hedge projected exposures to interest rates in anticipation of a debt offering. Those hedges were terminated at the time of the issuance of the debt, and the loss on these hedges is being amortized from Accumulated Other Comprehensive Income (Loss) to interest expense over the remaining term of the debt. As of June 30, 2010, we had net unamortized losses of \$13 million associated with our cash flow hedge terminations.

Other Derivative Instruments

As of June 30, 2010, we had foreign currency forward and option contracts with notional amounts aggregating to \$995 million, which were entered into to hedge exposure to currency fluctuations in various foreign currencies, including, but not limited to, the British pound sterling, the Canadian dollar, the euro and the Norwegian krone. The total estimated fair value of these contracts at June 30, 2010 resulted in a net liability of approximately \$5 million. These derivative instruments were not designated as hedges and the changes in fair value of the contracts are recorded each period in Other, Net in the accompanying Condensed Consolidated Statements of Income.

We have cross-currency swaps between the U.S. dollar and Canadian dollar to hedge certain exposures to the Canadian dollar. At June 30, 2010, we had notional amounts outstanding of \$215 million. The total estimated fair value of these contracts at June 30, 2010, resulted in a liability of \$28 million. These derivative instruments were not designated as hedges and the changes in fair value of the contracts are recorded each period in Other, Net in the accompanying Condensed Consolidated Statements of Income.

Off Balance Sheet Arrangements

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

The following obligations of Weatherford Delaware were guaranteed by Weatherford Bermuda at June 30, 2010 and December 31, 2009: (i) the 6.625% Senior Notes, (ii) the 5.95% Senior Notes, (iii) the 6.35% Senior Notes and (iv) the 6.80% Senior Notes.

The following obligations of Weatherford Bermuda were guaranteed by Weatherford Delaware at June 30, 2010 and December 31, 2009: (i) the revolving credit facilities, (ii) the 4.95% Senior Notes, (iii) the 5.50% Senior Notes, (iv) the 6.50% Senior Notes, (v) the 5.15% Senior Notes, (vi) the 6.00% Senior Notes, (vii) the 7.00% Senior Notes, (viii) the 9.625% Senior Notes, (ix) the 9.875% Senior Notes and (x) issuances of notes under the commercial paper program.

Letters of Credit

We execute letters of credit and bid and performance bonds in the normal course of business. While these obligations are not normally called, these obligations could be called by the beneficiaries at any time before the expiration date should we breach certain contractual or payment obligations. As of June 30, 2010, we had \$359 million of letters of credit and bid and performance bonds outstanding, consisting of \$292 million outstanding under various uncommitted credit facilities and \$67 million letters of credit outstanding under our committed

facilities. If the beneficiaries called these letters of credit our available liquidity would be reduced by the amount called.

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New Accounting Pronouncements

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

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, for the year ended December 31, 2009.

Exposures

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 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

Forward-Looking Statements

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

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

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. Worldwide drilling activity, as measured by average worldwide rig counts, increased in each year from 2002 to 2008. However, activity began declining in the fourth quarter of 2008, particularly in North America. The weakened global economic climate resulted in lower demand and lower prices for oil and natural gas, which reduced drilling and production activity, which in turn resulted in lower than expected revenues and income in 2009 and 2010 and may affect our future revenues and income. Worldwide drilling activity and global demand for oil and natural gas may also be affected by changes in governmental policies and debt loads, laws and regulations related to environmental or energy security matters, including those addressing alternative energy sources and the risks of global climate change. For 2011, worldwide demand may be significantly weaker than we have assumed.

We may be unable to recognize 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. 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.

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Currency fluctuations could have a material adverse financial impact on our business. A material change in currency rates in our markets, such as the devaluation of the Venezuelan Bolivar experienced during the first quarter of 2010, could affect our future results as well as affect the carrying values of our assets. World currencies have been subject to much volatility. In addition, 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. In a climate of decreasing demand, we are faced with managing our workforce levels to control costs without impairing our ability to provide service to our customers. Conversely, in a climate of increasing demand, we are faced with the challenge of hiring and maintaining a skilled workforce at a reasonable cost. Our forward-looking statements assume we will be able to do so.

Increases in the prices and availability of our raw materials could affect our results of operations. We use large amounts of raw materials for manufacturing our products 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 producing fixed assets used in our business. We have assumed that the prices of our raw materials will remain within a manageable range and will be readily available. If we are unable to 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.

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 of our business processes. Our forward-looking statements assume we will realize the benefits of these efforts.

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. The key to our success will be our ability to commercialize the technology that we have acquired and demonstrate the enhanced value our technology brings to our customers' operations. Our major technological advances include, but are not limited to, those related to controlled pressure drilling and testing systems, expandable solid tubulars, expandable sand screens and intelligent well completion. Our forward-looking statements have assumed successful commercialization of, and above-average growth from, these new products and services, 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 parent Bermuda company became a wholly-owned subsidiary of Weatherford International Ltd., a Swiss joint-stock corporation, and holders of common shares of the Bermuda company received one registered share of the Swiss company 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 operates or is resident. Our income tax expense is based upon our interpretation of the tax laws in effect in various countries at the time that the expense was incurred. If the U.S. Internal Revenue Service or other taxing authorities do not agree with our assessment of the effects of such laws, treaties and regulations, this could have a material adverse effect on us including the imposition of a higher effective tax rate on our worldwide earnings or a reclassification of the tax impact of our significant corporate restructuring transactions. 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.

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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.

The downturn in our industry could affect the carrying value of our goodwill. As of December 31, 2010, we had approximately \$4.2 billion of goodwill. 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.

Adverse weather conditions in certain regions could adversely affect our operations. In the summers of 2005 and 2008, the Gulf of Mexico suffered several significant hurricanes. These hurricanes and associated hurricane threats reduced the number of days on which we and our customers could operate, which resulted in lower revenues than we otherwise would have achieved. In parts of 2006, and particularly in the second quarters of 2007 and 2008, climatic conditions in Canada were not as favorable to drilling as we anticipated, which limited our potential results in that region. Similarly, unfavorable weather in Russia, 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 this area 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 various of our operations. We have begun negotiations with the government agencies to resolve these matters, but we cannot yet anticipate the timing, outcome or possible impact of the ultimate resolution of 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 public corporations and individuals in similar investigations, under which civil and criminal penalties were imposed, including in some cases fines and other penalties and sanctions in the tens and hundreds of millions of dollars. These agencies likely will seek to impose penalties of some amount against us for past conduct, but the ultimate amount of any penalties we may pay currently cannot be reasonably estimated. Under trade sanction laws, the U.S. Department of Justice may also seek to impose modifications to business practices, including immediate cessation of all business activities in specific countries or other limitations that decrease our business, and modifications to compliance programs, which may increase compliance costs. Any injunctive relief, disgorgement, fines, penalties, sanctions or imposed modifications to business practices resulting from these investigations could adversely affect our results of operations. Through December 31, 2010, we have incurred \$49 million for costs in connection with our exit from certain sanctioned countries and incurred \$113 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 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 the local governments, but we cannot quantify those charges or be certain of the timing of them.

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 insurrections, 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 Tunisia, Egypt, and Libya were disrupted by political revolutions and uprisings in these countries. Political disturbances in these countries and elsewhere in the Middle East and North Africa regions, including to a lesser extent Yemen and Bahrain, are ongoing as of the end of February, 2011, and our operations in Libya have not resumed. During 2010, these five countries accounted for approximately 3% of our global revenue. We have taken steps to secure our personnel and assets in affected areas and to resume or continue operations where it is safe for us to do so, and our forward-looking statements assume we will do so successfully. In Libya, we have evacuated all of our non-Libyan employees and their families. At December 31, 2010, we had in Libya inventory, property, plant and equipment (net) with a carrying value of approximately \$141 million, as well as cash, accounts receivable and prepaid expenses of approximately \$76 million. In cases where we must evacuate personnel, it may be difficult, if not impossible, for us to safeguard and recover our operating assets, and our ability to do so will depend on the local turn of events. 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 currently have outstanding approximately \$19 million of performance bonds related to contracts in Libya. Our forward-looking statements assume that we will not incur a substantial loss with respect to our assets or under performance bonds located in or related to affected areas. We have assumed that cessation of business activities in 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 civil war, 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. 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. 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. Our forward-looking statements assume that the financial institutions that have committed to extend us credit will honor their commitments under our credit facilities. 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 counter party 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.

Available Information

We make available, free of charge, on our website (www.weatherford.com) 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 Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file or furnish them to the SEC.

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.

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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. As of June 30, 2010, we had a net monetary asset position denominated in Venezuelan bolivars of approximately \$69 million comprised primarily of cash and accounts receivable. We are continuing to explore opportunities to reduce this 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 \$6 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 (Loss) 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 \$153 million adjustment to reduce our equity account for the six months ended June 30, 2010 to reflect the net impact of the strengthening of the U.S. dollar against various foreign currencies.

As of June 30, 2010, we had foreign currency forward and option contracts with notional amounts aggregating to \$995 million, which were entered into to hedge exposure to currency fluctuations in various foreign currencies, including, but not limited to, the British pound sterling, the Canadian dollar, the euro and the Norwegian krone. The total estimated fair value of these contracts at June 30, 2010 resulted in a net liability of approximately \$5 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, 2010, we had notional amounts outstanding of \$215 million. The total estimated fair value of these contracts at June 30, 2010 resulted in a liability of \$28 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.

Table of Contents**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.

Our long-term borrowings that were outstanding at June 30, 2010 and December 31, 2009 subject to interest rate risk consist of the following:

| | June 30, 2010 | | December 31, 2009 | |
|------------------------------|----------------------|------------|-------------------|------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | <i>(In millions)</i> | | | |
| 6.625% Senior Notes due 2011 | \$ 352 | \$ 374 | \$ 353 | \$ 380 |
| 5.95% Senior Notes due 2012 | 599 | 643 | 599 | 648 |
| 5.15% Senior Notes due 2013 | 510 | 533 | 511 | 526 |
| 4.95% Senior Notes due 2013 | 253 | 266 | 253 | 263 |
| 5.50% Senior Notes due 2016 | 359 | 370 | 360 | 351 |
| 6.35% Senior Notes due 2017 | 600 | 635 | 600 | 647 |
| 6.00% Senior Notes due 2018 | 498 | 511 | 498 | 514 |
| 9.625% Senior Notes due 2019 | 1,034 | 1,215 | 1,034 | 1,236 |
| 6.50% Senior Notes due 2036 | 596 | 583 | 596 | 574 |
| 6.80% Senior Notes due 2037 | 298 | 288 | 298 | 303 |
| 7.00% Senior Notes due 2038 | 498 | 477 | 498 | 517 |
| 9.875% Senior Notes due 2039 | 247 | 298 | 247 | 326 |

We have various other long-term debt instruments of \$180 million at June 30, 2010, 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 \$609 million at June 30, 2010 approximates their fair value.

As it relates to our variable rate debt, if market interest rates average 1% more for the remainder of 2010 than the rates as of June 30, 2010, interest expense for the remainder of 2010 would increase by three million. This amount was determined by calculating the effect of the hypothetical interest rate on our variable rate debt. This sensitivity analysis assumes there are no changes in our financial structure.

Interest Rate Swaps 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 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 as an increase (in the case of losses) to interest expense over the remaining term of the debt.

As of June 30, 2010 we had net unamortized gains of \$65 million associated with interest rate swap terminations.

Table of Contents**ITEM 4. CONTROLS AND PROCEDURES*****Evaluation of Disclosure Controls and Procedures***

At the time of our original Form 10-Q filing, our Chief Executive Officer (CEO) and Chief Financial Officer (CFO) concluded that our disclosure controls and procedures were effective as of June 30, 2010. Subsequent to that evaluation, our management, including the CEO and CFO, has re-evaluated the effectiveness of the design and operations of our disclosure controls and procedures as of the period covered by this report. 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)) include controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and including that such information is accumulated and communicated to management, including the CEO and CFO, to allow timely decisions regarding required disclosure. Based on this re-evaluation and in connection therewith, the restatement of previously issued financial statements described below and the identification of a material weakness in internal control over financial reporting of income taxes described below, the CEO and CFO have concluded that our disclosure controls and procedures were not effective as of June 30, 2010.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - An Integrated Framework* (September 1992).

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2010. In connection with this assessment, management identified a material weakness in our internal controls over financial reporting for income taxes. Our processes, procedures and controls related to financial reporting were not effective to ensure that amounts related to current taxes payable, certain deferred tax assets and liabilities, reserves for uncertain tax positions, the current and deferred income tax expense and related footnote disclosures were accurate. Specifically, our processes and procedures were not designed to provide for adequate and timely identification and review of various income tax calculations, reconciliations and related supporting documentation required to apply our accounting policies for income taxes in accordance with U.S. GAAP. This material weakness resulted in the restatement for material errors in the income tax accounts in 2008 and 2009 consolidated financial statements and our condensed consolidated financial statements for the each of the quarters within 2009 and 2010.

The principal factors contributing to the material weakness were: 1) inadequate staffing and technical expertise within the company related to taxes, 2) ineffective review and approval practices relating to taxes, 3) inadequate processes to effectively reconcile income tax accounts and 4) inadequate controls over the preparation of the quarterly tax provision.

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 the quarter ended June 30, 2010 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

Remediation Plan

In an effort to remediate the material weakness, we plan to undertake the following:

Redesign the tax accounting processes to improve the flow of information to provide for more timely generation of account reconciliations and supporting documentation that will facilitate supervision and review of the resulting account analyses;

Hire experienced personnel within the tax and financial reporting process to ensure effective preparation and review of account reconciliations and analyses and enhance training programs for local finance and corporate personnel;

Increase the frequency of the preparation of a formal tax basis balance sheet and reconciliations of the all tax accounts to enable more timely detection of potential errors; and

Implement a quarterly process to highlight significant matters requiring the attention of both local finance and corporate personnel.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 15 to our condensed consolidated financial statements included elsewhere in this report.

ITEM 1A. RISK FACTORS

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

Physical dangers are inherent in our operations and may expose us to significant potential losses. Personnel and property may be harmed during the process of drilling for oil and natural gas.

Drilling for and producing hydrocarbons, and the associated products and services that we provide, include inherent dangers that may lead to property damage, personal injury, death or the discharge of hazardous materials into the environment. Many of these events are outside our control. Typically, we provide products and services at a well site where our personnel and equipment are located together with personnel and equipment of our customer and third parties, such as other service providers. At many sites, we depend on other companies and personnel to conduct drilling operations in accordance with appropriate safety standards. From time to time, personnel are injured or equipment or property is damaged or destroyed as a result of industrial accidents, failed equipment, faulty products or services, failure of safety measures, uncontained formation pressures, or other dangers inherent in drilling for oil and natural gas. Any of these events can be the result of human error. With increasing frequency, our products and services are deployed on more challenging prospects both onshore and offshore, where the occurrence of the types of events mentioned above can have an even more catastrophic impact on people, equipment and the environment. Such events may expose us to significant potential losses.

We may not be fully indemnified against financial losses in all circumstances where damage to or loss of property, personal injury, death or environmental harm occur.

As is customary in our industry, our contracts typically provide that our customers indemnify us for claims arising from the injury or death of their employees, the loss or damage of their equipment, damage to the reservoir and pollution emanating from the customer's equipment or from the reservoir (including uncontained oil flow from a reservoir). Conversely, we typically indemnify our customers for claims arising from the injury or death of our employees, the loss or damage of our equipment, or pollution emanating from our equipment. Our contracts typically provide that our customer will indemnify us for claims arising from catastrophic events, such as a well blowout, fire or explosion.

Our indemnification arrangements may not protect us in every case. For example, from time to time we may enter into contracts with less favorable indemnities or perform work without a contract that protects us; our indemnity arrangements may be held unenforceable in some courts and jurisdictions; or we may be subject to other claims brought by third parties or government agencies. Furthermore, the parties from which we seek indemnity may not be solvent, may become bankrupt, may lack resources or insurance to honor their indemnities, or may not otherwise be able to satisfy their indemnity obligations to us. The lack of enforceable indemnification could expose us to significant potential losses.

Further, our assets generally are not insured against loss from political violence such as war, terrorism or civil commotion. If any of our assets are damaged or destroyed as a result of an uninsured cause, we would recognize a loss of those assets.

Our business may be exposed to uninsured claims, and litigation might result in significant potential losses.

In the ordinary course of business, we become the subject of various claims and litigation. For example, we have been named in a number of lawsuits because, along with other oilfield service companies, we provided products and services on the Deepwater Horizon in the Gulf of Mexico. We maintain liability insurance, which includes insurance against damage to people, equipment and the environment, up to maximum limits of \$600 million, and subject to self-insured retentions and deductibles of \$2 million, per occurrence.

Our insurance policies are subject to exclusions, limitations, and other conditions and may not apply in all cases, for example where willful wrongdoing on our part is alleged. It is possible an unexpected judgment could be rendered against us in cases in which we could be uninsured and beyond the amounts we currently have reserved or anticipate

incurring, and in some cases those potential losses could be material.

Our insurance may not be sufficient to cover any particular loss, or our insurance may not cover all losses. For example, although we maintain product liability insurance, this type of insurance is limited in coverage and it is possible an adverse claim could arise in excess of our coverage. Finally, insurance rates have in the past been subject to wide fluctuation. In response to the recent catastrophic accident in the Gulf of Mexico, insurance rates are volatile and increasing, and some forms of insurance may become entirely unavailable in the future or unavailable on terms that we or our customers believe are economically acceptable. Reductions in coverage, changes in the insurance markets and accidents affecting our industry may result in further increases in our cost and higher deductibles and retentions in future years and may also result in reduced activity levels in certain markets. Any of these events would have an adverse impact on our financial performance.

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Our operations are subject to environmental and other laws and regulations that may expose us to significant liabilities and could reduce our business opportunities and revenues.

We are subject to various federal, state and local laws and regulations relating to the energy industry in general and the environment in particular. An environmental claim could arise with respect to one or more of our current businesses, products or services, or a business or property that one of our predecessors owned or used, and such claims could involve material expenditures. Generally, environmental laws have in recent years become more stringent and have sought to impose greater liability on a larger number of potentially responsible parties. The scope of regulation of our industry and our products and services may increase further following recent events in the Gulf of Mexico, including possible increases in liabilities or funding requirements imposed by governmental agencies. In early 2010, a moratorium was issued on new deepwater projects in the Gulf of Mexico. Although that moratorium was recently lifted, we cannot anticipate when and to what extent drilling activity in the deepwater Gulf will resume. We also cannot ensure that our future business in the deepwater Gulf, if any, will be profitable in light of new regulations that may be promulgated and in light of the current risk environment and insurance markets. Further, additional regulations on deepwater drilling elsewhere in the world could be imposed as a result of the Deepwater Horizon incident, and those regulations could limit our business where they are imposed. In addition, members of the U.S. Congress and the U.S. Environmental Protection Agency are reviewing more stringent regulation of hydraulic fracturing, a technology which is used in one of our business segments, and regulators are investigating whether any chemicals used in the fracturing process might adversely affect groundwater. A significant portion of North American service activity today is directed at prospects that require hydraulic fracturing in order to produce hydrocarbons. Additional regulation could increase the costs of conducting our business and could materially reduce our business opportunities and revenues if our customers decrease their levels of activity in response to such regulation.

We have significant operations that would be adversely impacted in the event of war, political disruption, civil disturbance, economic and legal sanctions or changes in global trade policies.

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

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

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

In early 2011, our operations in Tunisia, Egypt and Libya have been disrupted by the political revolutions and uprisings in these countries. Political disturbances in these countries and elsewhere in the Middle East and North Africa regions, including to a lesser extent Yemen and Bahrain, are ongoing as of the end of February, 2011, and our operations in Libya have not resumed. During 2010, these five countries accounted for approximately 3% of our global revenue. In Libya, we have evacuated all of our non-Libyan employees and their families.

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At December 31, 2010, we had in Libya inventory, property, plant and equipment (net) with a carrying value of approximately \$141 million, as well as cash, accounts receivable and prepaid expenses of approximately \$76 million. In cases where we must evacuate personnel, it may be difficult, if not impossible, for us to safeguard and recover our operating assets, and our ability to do so will depend on the local turn of events. 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 currently have outstanding approximately \$19 million of performance bonds related to contracts in Libya. We could suffer material losses with respect to these assets.

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 civil war, these political activities could have a material adverse effect on our business in the region.

We are involved in several governmental and internal investigations, which are costly to conduct, have resulted in a loss of revenue and may result in substantial financial penalties.

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

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

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

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

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

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The DOJ, SEC and other agencies and authorities have a broad range of civil and criminal penalties they may seek to impose against corporations and individuals for violations of trade sanctions laws, the FCPA and other federal statutes including, but not limited to, injunctive relief, disgorgement, fines, penalties and modifications to business practices and compliance programs. In recent years, these agencies and authorities have entered into agreements with, and obtained a range of penalties against, several public corporations and individuals in similar investigations, under which civil and criminal penalties were imposed, including in some cases fines and other penalties and sanctions in the tens and hundreds of millions of dollars. These agencies are seeking to impose penalties against us for past conduct, but the ultimate amount of any penalties we may pay currently cannot be reasonably estimated. Under trade sanctions laws, the DOJ may also seek to impose modifications to business practices, including immediate cessation of all business activities in specific countries or other limitations that decrease our business, and modifications to compliance programs, which may increase compliance costs. Any injunctive relief, disgorgement, fines, penalties, sanctions or imposed modifications to business practices resulting from these investigations could adversely affect our results of operations. In addition, our historical activities in sanctioned countries, such as Sudan and Iran, could result in certain investors, such as government sponsored pension funds, divesting or not investing in our registered shares. Based on available information, we cannot predict what, if any, actions the DOJ, SEC or other authorities will take in our situation or the effect any such actions will have on our consolidated financial position or results of operations. To the extent we violated trade sanctions laws, the FCPA, or other laws or regulations, fines and other penalties may be imposed. Because these matters are now pending before the indicated agencies, there can be no assurance that actual fines or penalties, if any, will not have a material adverse effect on our business, financial condition, liquidity or results of operations.

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

Our significant operations in foreign countries expose us to currency fluctuation risks or devaluation.

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

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

In January 2010, the Venezuelan government announced its intention to devalue its currency and move to a two tier exchange structure. The official exchange moved from 2.15 to 2.60 for essential goods and 4.30 for non-essential goods and services. 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. 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. We currently utilize the 4.30 Venezuelan bolivar to U.S. dollar exchange rate. At December 31, 2010, we had a net monetary asset position denominated in Venezuelan bolivars of approximately \$56 million comprised primarily of cash and accounts receivable. We are continuing to explore opportunities to reduce this 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 \$6 million. 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 will not have a material impact to our financial position or results of operations.

As a result of discussions with a customer and the economic environment in Venezuela, we reviewed how the dual exchange rate might affect amounts we receive for our U.S. dollar-denominated receivables in Venezuela. We believe

our contracts are legally enforceable and our customers continue to accept our invoices. However, based on the current political and economic environment in Venezuela, we believe a loss is probable. Accordingly, we recorded a reserve of \$32 million against this exposure in the fourth quarter of 2010.

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Customer credit risks could result in losses.

The concentration of our customers in the energy industry may impact our overall exposure to credit risk as customers may be similarly affected by prolonged changes in economic and industry conditions. Those countries that rely heavily upon income from hydrocarbon exports will be hit particularly hard given the drop in oil prices. Further, laws in some jurisdictions in which we operate could make collection difficult or time consuming. We perform ongoing credit evaluations of our customers and do not generally require collateral in support of our trade receivables. While we maintain reserves for potential credit losses, we cannot assure such reserves will be sufficient to meet write-offs of uncollectible receivables or that our losses from such receivables will be consistent with our expectations.

Any capital financing that may be necessary to fund growth may not be available to us at economic rates.

Turmoil in the credit markets and the potential impact on liquidity of major financial institutions may have an adverse effect on our ability to fund growth opportunities through borrowings, under either existing or newly created instruments in the public or private markets on terms we believe to be reasonable.

A terrorist attack could have a material and adverse effect on our business.

We operate in many dangerous countries, such as Iraq, in which acts of terrorism or political violence are a substantial and frequent risk. Such acts could result in kidnappings or the loss of life of our employees or contractors, a loss of equipment, which may or may not be insurable in all cases, or a cessation of business in an affected area. We cannot be certain that our security efforts will in all cases be sufficient to deter or prevent acts of political violence or terrorist strikes against us or our customers' operations.

We have identified a material weakness in accounting for income taxes in our internal control over financial reporting, which, if not remedied effectively, could have an adverse effect on our share price.

Management, through documentation, testing and assessment of our internal control over financial reporting pursuant to the rules promulgated by the SEC under Section 404 of the Sarbanes-Oxley Act of 2002 and Item 308 of Regulation S-K, has concluded that our internal control over financial reporting had a material weakness in accounting for income taxes as of December 31, 2010. 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.

In future periods, if the process required by Section 404 of the Sarbanes-Oxley Act reveals further material weaknesses or significant deficiencies, the correction of any such material weakness or significant deficiency could require additional remedial measures including additional personnel which could be costly and time-consuming. If a material weakness exists as of a future period year-end (including a material weakness identified prior to year-end for which there is an insufficient period of time to evaluate and confirm the effectiveness of the corrections or related new procedures), our management will be unable to report favorably as of such future period year-end to the effectiveness of our control over financial reporting. If we are unable to assert that our internal control over financial reporting is effective in any future period, or if we continue to experience material weaknesses in our internal control over financial reporting for accounting for income taxes, 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 potentially subject us to additional and potentially costly litigation and governmental inquiries/investigations. In March 2011, shareholders filed suit relating to the matters described above. In addition, the SEC is investigating the circumstances surrounding the material weakness and related restatement of historical financial statements. We are cooperating with the investigation.

Changes in tax laws could adversely impact our results.

On June 26, 2002, the shareholders and Board of Directors of Weatherford International, Inc. (Weatherford Delaware) approved our corporate reorganization, and Weatherford International Ltd. (Weatherford Bermuda), a newly formed Bermuda company, became the parent holding company of Weatherford International, Inc. During the first quarter of 2009, we completed a transaction in which Weatherford Bermuda became a wholly-owned subsidiary of Weatherford International Ltd., a Swiss joint-stock company (Weatherford Switzerland), and holders of our common shares received one registered share of Weatherford Switzerland for each common share of Weatherford Bermuda that they held. We refer to this transaction as the redomestication. The realization of the tax benefit of this

reorganization could be impacted by changes in tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof or differing interpretation or enforcement of applicable law by the U.S. Internal Revenue Service or other taxing jurisdictions. The inability to realize this benefit could have a material impact on our financial statements.

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In connection with the redomestication, we relocated our principal executive offices from Houston, Texas to Geneva, Switzerland. Most of our executive officers, including our Chief Executive Officer, and other key decision makers have relocated or will relocate to Switzerland. We may face significant challenges in relocating our executive offices to a different country, including difficulties in retaining and attracting officers, key personnel and other employees and challenges in maintaining our executive offices in a country different from the country where other employees, including corporate support staff, are located. Employees may be uncertain about their future roles within our organization as a result of the redomestication. Management may also be required to devote substantial time to the redomestication and related matters, which could otherwise be devoted to focusing on ongoing business operations and other initiatives and opportunities. In addition, we may not realize the benefits we anticipate from the redomestication, including the benefit of moving to a location that is more centrally located within our area of worldwide operations. Any such difficulties could have an adverse effect on our business, results of operations or financial condition.

The rights of our shareholders are governed by Swiss law and documents following the redomestication.

Following the redomestication, the rights of our shareholders are governed by Swiss law and Weatherford Switzerland's articles of association and organizational regulations. The rights of shareholders under Swiss law differ from the rights of shareholders of companies incorporated in other jurisdictions. For example, directors of Weatherford Switzerland may be removed by shareholders with or without cause, but such removal requires the vote of shareholders holding at least 66 2/3% of the voting rights and the absolute majority of the par value of the registered shares represented at the meeting as well as a quorum of at least two-thirds of the registered shares recorded in the share register.

We hold shareholder meetings in Switzerland, and our required quorum for those meetings is lower.

We hold shareholders meetings in Switzerland, which may make attendance in person more difficult for some investors. For shareholders meetings for Weatherford-Switzerland for the transaction of any business other than removal of a director or certain other specified resolutions, a quorum comprises at least one-third of the registered shares recorded in the share register and entitled to vote (and at least two-thirds of the registered shares recorded in the share register and entitled to vote for the removal of directors and certain other specified resolutions).

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

In December 2005, our Board of Directors approved a share repurchase program under which up to \$1 billion of our outstanding common shares (now registered shares) could be purchased. Future purchases of our shares can be made in the open market or privately negotiated transactions, at the discretion of management and as market conditions and our liquidity position warrant. During the quarter ended June 30, 2010, we did not purchase any of our registered shares.

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 the registered shares by us on the date of withholding. During the quarter ended June 30, 2010, we withheld registered shares to satisfy these tax withholding obligations as follows:

| Period | No. of Shares | Average Price |
|--------------------------|----------------------|----------------------|
| April 1 - April 30, 2010 | 111,133 | \$ 16.71 |
| May 1 - May 31, 2010 | 28,913 | 15.66 |
| June 1 - June 30, 2010 | 115,489 | 13.73 |

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ITEM 6. EXHIBITS

(a) Exhibits:

| Exhibit Number | Description |
|---------------------------|---|
| 3.1 | Articles of Association of Weatherford International Ltd., a Swiss joint stock corporation, (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 1-34258) filed June 23, 2010). |
| 10.1 | Second Amendment dated June 24, 2010 to Sale and Purchase Agreement between Weatherford International Ltd. and Novy Investments Limited dated May 29, 2009 (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K (File No. 1-34258) filed June 28, 2010). |
| 10.2 | Form of Performance Unit Award Agreement pursuant to Weather International Ltd. 2010 Omnibus Incentive Plan. (Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 (File No. 1-34258) filed on August 3, 2010). |
| *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/A for the quarter ended June 30, 2010, formatted in XBRL (Extensible Business Reporting Language): (i) the unaudited Condensed Consolidated Balance Sheets, (ii) the unaudited Condensed Consolidated Statements of Income, (iii) the unaudited Condensed Consolidated Statements of Cash Flows, (iv) the unaudited Condensed Consolidated Statements of Comprehensive Income and (v) related notes to the unaudited Condensed Consolidated Financial Statements. |
| * | Filed with this Form 10-Q/A |
| ** | Furnished with this Form 10-Q/A |

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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/ Andrew P. Becnel
Andrew P. Becnel
Senior Vice President and Chief
Financial Officer
(Principal Financial Officer)

Date: April 13, 2011

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