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Weatherford International Ltd./Switzerland
Form 10-Q
November 05, 2013

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

FORM 10-Q

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

For the quarterly period ended September 30, 2013

OR

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

001-34258
(Commission file number)

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

Switzerland 98-0606750
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

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

41.22.816.1500
(Registrant's telephone number, including area code)

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 ☐

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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:

As of October 31, 2013, there were 769,395,168 registered shares, 1.16 Swiss francs par value per share, of the registrant outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except par value)

	September 30, 2013 (Unaudited)	December 31, 2012
Current Assets:		
Cash and Cash Equivalents	\$ 316	\$ 300
Accounts Receivable, Net of Allowance for Uncollectible Accounts of \$85 and \$84	4,004	3,885
Inventories, Net	3,580	3,675
Current Deferred Tax Assets	362	376
Other Current Assets	811	793
Total Current Assets	9,073	9,029
Property, Plant and Equipment, Net of Accumulated Depreciation of \$6,708 and \$6,030	8,397	8,299
Goodwill	3,754	3,871
Other Intangible Assets, Net of Accumulated Amortization of \$720 and \$658	667	766
Equity Investments	686	646
Other Non-current Assets	360	184
Total Assets	\$ 22,937	\$ 22,795
Current Liabilities:		
Short-term Borrowings and Current Portion of Long-term Debt	\$ 2,230	\$ 1,585
Accounts Payable	2,117	2,108
Other Current Liabilities	1,804	2,017
Total Current Liabilities	6,151	5,710
Long-term Debt	7,065	7,049
Other Non-current Liabilities	1,140	1,218
Total Liabilities	14,356	13,977
Shareholders' Equity:		
Shares, CHF 1.16 Par Value: Authorized 840, Conditionally Authorized 372, Issued 840 at September 30, 2013 and December 31, 2012	775	775
Capital in Excess of Par Value	4,619	4,674
Treasury Shares, at Cost	(73)	(182)
Retained Earnings	3,282	3,356
Accumulated Other Comprehensive Income (Loss)	(63)	163
Weatherford Shareholders' Equity	8,540	8,786
Noncontrolling Interests	41	32
Total Shareholders' Equity	8,581	8,818
Total Liabilities and Shareholders' Equity	\$ 22,937	\$ 22,795

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

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

(In millions, except per share amounts)

	Three Months Ended September 30, 2013		Nine Months Ended September 30, 2012	
Revenues:				
Products	\$1,533	\$1,535	\$4,510	\$4,456
Services	2,287	2,284	7,015	6,701
	3,820	3,819	11,525	11,157
Costs and Expenses:				
Cost of Products	1,158	1,208	3,372	3,414
Cost of Services	1,878	1,759	5,796	5,224
Research and Development	65	68	203	194
Selling, General and Administrative Attributable to Segments	404	382	1,211	1,162
Corporate, General and Administrative	76	87	225	245
Goodwill and Equity Investment Impairment	—	—	—	793
U.S. Government Investigation Loss Contingency	—	—	153	100
Gain on Sale of Business	—	—	(8)	(28)
	3,581	3,504	10,952	11,104
Operating Income	239	315	573	53
Interest Expense, Net	(129)	(127)	(388)	(360)
Devaluation of Venezuelan Bolivar	—	—	(100)	—
Other, Net	(30)	(25)	(61)	(70)
Income (Loss) Before Income Taxes	80	163	24	(377)
Provision for Income Taxes	(49)	(86)	(74)	(259)
Net Income (Loss)	31	77	(50)	(636)
Net Income Attributable to Noncontrolling Interests	(9)	(7)	(24)	(20)
Net Income (Loss) Attributable to Weatherford	\$22	\$70	\$(74)	\$(656)
Income (Loss) Per Share Attributable to Weatherford:				
Basic	\$0.03	\$0.09	\$(0.10)	\$(0.86)
Diluted	\$0.03	\$0.09	\$(0.10)	\$(0.86)
Weighted Average Shares Outstanding:				
Basic	773	767	771	764
Diluted	779	771	771	764

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 (LOSS)
 (UNAUDITED)
 (In millions)

	Three Months Ended September 30, 2013		Nine Months Ended September 30, 2012	
Net Income (Loss)	\$31	\$77	\$(50)	\$(636)
Other Comprehensive Income (Loss):				
Foreign Currency Translation	96	215	(227)	82
Defined Benefit Pension Activity	—	—	1	1
Other Comprehensive Income (Loss)	96	215	(226)	83
Comprehensive Income (Loss)	127	292	(276)	(553)
Comprehensive Income Attributable to Noncontrolling Interests	(9)	(7)	(24)	(20)
Comprehensive Income (Loss) Attributable to Weatherford	\$118	\$285	\$(300)	\$(573)

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

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

	Nine Months Ended September 30,	
	2013	2012
Cash Flows from Operating Activities:		
Net Income (Loss)	\$(50)	\$(636)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,039	939
Goodwill and Equity Investment Impairment	—	793
U.S. Government Investigation Loss Contingency	153	100
Employee Share-Based Compensation Expense	45	54
Deferred Income Tax Provision (Benefit)	(168)	36
Devaluation of Venezuelan Bolivar	100	—
Loss (Gain) on Sale of Assets and Businesses	7	(22)
Other, Net	(45)	72
Change in Operating Assets and Liabilities, Net of Effect of Businesses Acquired:		
Accounts Receivable	(308)	(739)
Inventories	3	(753)
Billings in Excess of Costs and Estimated Earnings	(164)	10
Other Current Assets	69	(221)
Accounts Payable	90	474
Other Current Liabilities	(227)	335
Other	23	74
Net Cash Provided by Operating Activities	567	516
Cash Flows from Investing Activities:		
Capital Expenditures for Property, Plant and Equipment	(1,211)	(1,670)
Acquisitions of Businesses, Net of Cash Acquired	(7)	(156)
Acquisition of Intellectual Property	(7)	(16)
Acquisition of Equity Investments in Unconsolidated Affiliates	—	(8)
Proceeds from Sale of Assets and Businesses, Net	74	33
Net Cash Used by Investing Activities	(1,151)	(1,817)
Cash Flows from Financing Activities:		
Borrowings (Repayments) Long-term Debt, Net	(329)	1,002
Borrowings (Repayments) of Short-term Debt, Net	932	257
Proceeds from Exercise of Warrants	—	65
Other Financing Activities	1	(30)
Net Cash Provided by Financing Activities	604	1,294
Effect of Exchange Rate Changes on Cash and Cash Equivalents, Excluding Devaluation of Venezuelan Bolivar	(4)	1

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Net (Decrease) Increase in Cash and Cash Equivalents	16	(6)
Cash and Cash Equivalents at Beginning of Period	300	371
Cash and Cash Equivalents at End of Period	\$316	\$365

Supplemental Cash Flow Information:

Interest Paid	\$442	\$401
Income Taxes Paid, Net of Refunds	336	299

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

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

1. General

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

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

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

Principles of Consolidation

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

2. Business Combinations and Dispositions

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

During the nine months ended September 30, 2013, we completed the sale of our industrial screen business for proceeds totaling \$135 million. Proceeds consisted of \$100 million in cash and a \$35 million receivable. Through our industrial screen operations, we delivered screen technologies used in numerous industries and, as a result, the screen business was not closely aligned with our goals as a leading provider of equipment and services used in the drilling, evaluation, completion, production and intervention of oil and natural gas wells. In the nine months ended September

30, 2013 we recognized gains totaling \$8 million resulting from the industrial screen transactions. The major classes of assets sold in these transactions included \$54 million in cash, \$36 million of accounts receivable, \$37 million of inventory, \$92 million of other assets primarily comprised of property, plant and equipment, Other intangible assets and goodwill. Liabilities of \$69 million were also transferred in the sale, of which \$60 million were current liabilities.

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WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

On October 7, 2013 we closed the sale of our 38.5% equity interest in Borets International Limited ("Borets") for \$400 million pursuant to an agreement executed August 21, 2013. Borets is an electric submersible pump manufacturer that operates in Russia. The \$400 million in consideration consists of \$370 million in cash and a three-year \$30 million promissory note. At closing we collected \$325 million in cash and expect to collect the remaining cash consideration in November 2013.

In 2012, we acquired a company that designs and produces well completion tools. As part of the purchase consideration, we entered into a contingent consideration arrangement valued at approximately \$9 million at September 30, 2013 that will be settled in early 2015. This contingent consideration arrangement is dependent on the acquired company's 2014 results of operations. This obligation will be marked to market through current earnings in each reporting period prior to settlement and the liability is valued using a Monte Carlo simulation and Level 3 inputs.

3. Accounts Receivable Factoring

During the nine months ended September 30, 2013, we sold approximately \$139 million of accounts receivable under our factoring program in Mexico. We received cash totaling \$132 million and recognized a loss of approximately \$2 million on the sales. These sales occurred in the first and third quarters of 2013. During the three and nine months ended September 30, 2012, we sold approximately \$96 million and \$147 million, respectively, of accounts receivable under the program. We received cash totaling \$136 million and ultimately collected amounts that resulted in a loss of less than \$1 million on these sales.

Our factoring transactions qualify for sale accounting under the accounting standards and the proceeds are included in operating cash flows in our Condensed Consolidated Statements of Cash Flows.

4. Inventories

The components of inventory were as follows:

	September 30, 2013	December 31, 2012
	(In millions)	(In millions)
Raw materials, components and supplies	\$438	\$ 461
Work in process	140	166
Finished goods	3,002	3,048
	\$3,580	\$ 3,675

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

5. Goodwill

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

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

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

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

	North America	MENA/ Asia Pacific	Europe/ SSA/ Russia	Latin America	Total
	(In millions)				
Balance at December 31, 2012	\$2,336	\$ 226	\$ 955	\$ 354	\$3,871
Acquisitions	—	—	2	—	2
Disposals	(23)	(4)	(13)	(1)	(41)
Purchase price and other adjustments	1	—	(2)	2	1
Foreign currency translation	(39)	(6)	(27)	(7)	(79)
Balance at September 30, 2013	\$2,275	\$ 216	\$ 915	\$ 348	\$3,754

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

The components of short-term borrowings were as follows:

	September 30, 2013	December 31, 2012
	(In millions)	
Commercial paper	\$968	\$ 888
Revolving credit facility	450	—
364-day term loan facility	300	—
Other short-term bank loans	194	109
Total short-term borrowings	1,912	997
Current portion of long-term debt	318	588
	\$2,230	\$ 1,585

We maintain a \$2.25 billion unsecured, revolving credit agreement (the "Credit Agreement") with JPMorgan Chase Bank, N.A., as administrative agent. The Credit Agreement has a scheduled maturity date of July 13, 2016, and can be used for a combination of borrowings, support for our commercial paper program and issuances of letters of credit.

This agreement requires us to maintain a debt-to-capitalization ratio of less than 60%. We are in compliance with this covenant at September 30, 2013. At September 30, 2013, our borrowings under our commercial paper program had a weighted average interest rate of 1.01% and there were \$41 million in outstanding letters of credit under the Credit Agreement.

On May 1, 2013, we entered into a \$300 million, 364-day, term loan facility with a syndicate of banks. The facility was fully drawn on May 1, 2013 and will mature on April 30, 2014. The terms and conditions of the facility are

substantially similar to our \$2.25 billion revolving credit agreement. The facility is used for general corporate purposes, including the repayment of other credit facility borrowings.

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WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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We also have short-term borrowings with various domestic and international institutions pursuant to uncommitted facilities. At September 30, 2013, we had \$194 million in short-term borrowings under these arrangements with a weighted average interest rate of 5.05%. In addition, we had \$557 million of letters of credit under various uncommitted facilities and \$265 million of performance bonds issued by financial sureties against an indemnification from us at September 30, 2013.

The carrying value of our short-term borrowings approximates their fair value as of September 30, 2013. The current portion of long-term debt at September 30, 2013 includes \$250 million of 4.95% Senior Notes due October 2013 and other debt maturing in 2013 totaling \$68 million.

7. Fair Value of Financial Instruments

Financial Instruments Measured and Recognized at Fair Value

We estimate fair value at a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market for the asset or liability. Our valuation techniques require inputs that we categorize using a three level hierarchy, from highest to lowest level of observable inputs.

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 inputs are quoted prices or other market data for similar assets and liabilities in active markets, or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based upon our own judgment and assumptions used to measure assets and liabilities at fair value. Classification of a financial asset or liability within the hierarchy is determined based on the lowest level of input that is significant to the fair value measurement. Other than the contingent consideration discussed in Note 2 and our derivative instruments discussed in Note 8, we had no assets or liabilities measured and recognized at fair value on a recurring basis at September 30, 2013 and December 31, 2012.

Fair Value of Other Financial Instruments

Our other financial instruments include short-term borrowings and long-term debt. The carrying value of our commercial paper and other short-term borrowings approximates their fair value due to the short-term duration of the associated interest rate periods. These short-term borrowings are classified as Level 2 in the fair value hierarchy. The fair value of our long-term debt fluctuates with changes in applicable interest rates. Fair value will exceed carrying value when the current market interest rate is lower than the interest rate at which the debt was originally issued. The fair value of our long-term debt is a measure of its current value under present market conditions and is established based on observable inputs in non-active markets. Our long-term debt is classified as Level 2 in the fair value hierarchy.

The fair value and carrying value of our senior notes were as follows:

	September 30, 2013	December 31, 2012
	(In millions)	
Fair value	\$7,671	\$ 8,368
Carrying value	7,056	7,355

8. Derivative Instruments

We are exposed to market risk from changes in foreign currency and changes in interest rates. From time to time, we may enter into derivative financial instrument transactions to manage or reduce our market risk. We manage our debt portfolio to achieve an overall desired position of fixed and floating rates and we may employ interest rate swaps as a

tool to achieve that goal. The major risks from interest rate derivatives include changes in the interest rates affecting the fair value of such instruments, potential increases in interest expense due to market increases in floating interest rates and the creditworthiness of the counterparties in such transactions. In light of events in the global credit markets and the potential impact of these events on the liquidity of the banking industry, we continue to monitor the creditworthiness of our counterparties, which are multinational commercial banks.

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

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WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Fair Value Hedges

From time to time we may use interest rate swaps to help mitigate exposures related to changes in the fair values of our debt. Amounts paid or received upon termination of interest rate swaps accounted for as fair value hedges represent the fair value of the agreements at the time of termination and are recorded as an adjustment to the carrying value of the related debt. These amounts are amortized as a reduction, in the case of gains, or as an increase, in the case of losses, of interest expense over the remaining term of the debt. As of September 30, 2013, we had net unamortized gains of \$44 million associated with interest rate swap terminations. These gains are being amortized over the remaining term of the originally hedged debt as a reduction in interest expense.

Cash Flow Hedges

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

Other Derivative Instruments

As of September 30, 2013, we had foreign currency forward contracts with notional amounts aggregating to \$753 million. These contracts were entered into to hedge exposure to currency fluctuations in various foreign currencies.

The total estimated fair value of these contracts, and amounts receivable or owed associated with closed contracts, resulted in a net liability of approximately \$11 million. These derivative instruments were not designated as hedges and the changes in fair value of the contracts are recorded each period in other, net in the accompanying Condensed Consolidated Statements of Operations.

We have cross-currency swaps between the U.S. dollar and Canadian dollar to hedge certain exposures to the Canadian dollar. At September 30, 2013, we had notional amounts outstanding of \$168 million. The total estimated fair value of these contracts at September 30, 2013, resulted in a liability of \$27 million. These derivative instruments were not designated as hedges and the changes in fair value of the contracts are recorded each period in other, net in the accompanying Condensed Consolidated Statements of Operations.

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

	September 30, 2013	December 31, 2012	Classifications
	(In millions)		
Derivative assets not designated as hedges:			
Foreign currency forward contracts	\$7	\$ 5	Other Current Assets
Derivative liabilities not designated as hedges:			
Foreign currency forward contracts	(18)	(20)	Other Current Liabilities
Cross-currency swap contracts	(27)	(34)	Other Liabilities

9. Income Tax

For the three and nine months ended September 30, 2013, we had a tax provision of \$49 million and \$74 million on income before tax of \$80 million and \$24 million. Our effective tax rate for the three and nine months ended September 30, 2013 is 61% and 308%, respectively. Our income before taxes for the nine months ended September 30, 2013 includes a \$153 million charge for the potential settlement of the oil-for-food and Foreign Corrupt Practices Act matters with no tax benefit. Our tax provision for the three months ended September 30, 2013 includes discrete

tax benefits primarily due to audit closures and tax planning activities, which decreased our effective tax rate for the period. Our provision for the nine months ended September 30, 2013, in addition to items above, also includes discrete tax benefits due to the devaluation of the Venezuelan bolivar, return-to-accrual adjustments, decreases in reserves for uncertain tax positions due to statute of limitation expiration and the enactment of the American Taxpayer Relief Act, which decreased our effective tax rate for the period.

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WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

For the three and nine months ended September 30, 2012, we had a tax provision of \$86 million and \$259 million on income before tax of \$163 million and loss before tax of \$377 million. Our effective tax rate for the three and nine months ended September 30, 2012 was 53% and (69)%, respectively. Our loss before taxes for the nine months ended September 30, 2012 includes a \$589 million charge for the impairment of goodwill, substantially all of which was non-deductible, a \$204 million equity method impairment charge and a \$100 million accrual for a loss contingency, both of which were fully non-deductible.

We anticipate a possible reduction in the balance of uncertain tax positions between \$60 million to \$100 million in the next twelve months due to expiration of statutes of limitations, settlements and/or conclusions of tax examinations.

10. Shareholders' Equity

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

	Capital In Excess Issued of Par Shares Value (In millions)		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Shares	Noncontrolling Interests	Total
Balance at December 31, 2011	\$ 769	\$ 4,675	\$ 4,134	\$ 80	\$ (334)	\$ 21	\$ 9,345
Net Income (Loss)	—	—	(656)	—	—	20	(636)
Other Comprehensive Loss	—	—	—	83	—	—	83
Dividends Paid to Noncontrolling Interests	—	—	—	—	—	(16)	(16)
Shares Issued for Acquisitions	—	(27)	—	—	66	—	39
Equity Awards Granted, Vested and Exercised	—	(16)	—	—	51	—	35
Other	6	51	—	—	—	8	65
Balance at September 30, 2012	\$ 775	\$ 4,683	\$ 3,478	\$ 163	\$ (217)	\$ 33	\$ 8,915
Balance at December 31, 2012	\$ 775	\$ 4,674	\$ 3,356	\$ 163	\$ (182)	\$ 32	\$ 8,818
Net Income (Loss)	—	—	(74)	—	—	24	(50)
Other Comprehensive Loss	—	—	—	(226)	—	—	(226)
Dividends Paid to Noncontrolling Interests	—	—	—	—	—	(19)	(19)
Equity Awards Granted, Vested and Exercised	—	(51)	—	—	109	—	58
Other	—	(4)	—	—	—	4	—
Balance at September 30, 2013	\$ 775	\$ 4,619	\$ 3,282	\$ (63)	\$ (73)	\$ 41	\$ 8,581

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

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

	Currency Translation Adjustment (In millions)	Defined Benefit Pension (In millions)	Deferred Loss on Derivatives (In millions)	Total
Balance at December 31, 2011	\$127	\$ (36)	\$ (11)	\$80
Other comprehensive income before reclassifications	82	—	—	82
Reclassifications	—	1	—	1
Net activity	82	1	—	83
Balance at September 30, 2012	\$209	\$ (35)	\$ (11)	\$163
Balance at December 31, 2012	\$213	\$ (40)	\$ (10)	\$163
Other comprehensive loss before reclassifications	(190)	—	—	(190)
Reclassifications	(37)	1	—	(36)
Net activity	(227)	1	—	(226)
Balance at September 30, 2013	\$(14)	\$ (39)	\$ (10)	\$(63)

The reclassification from the currency translation adjustment component of other comprehensive income includes \$30 million from the sale of our industrial screen business. This amount was recognized in the gain on sale of business line in our Condensed Consolidated Statement of Operations in the nine months ended September 30, 2013.

11. Earnings per Share

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

The following table presents a reconciliation of basic and diluted weighted average of shares outstanding:

	Three Months Ended September 30, 2013		Nine Months Ended September 30, 2012	
	2013	2012	2013	2012
	(In millions)			
Basic weighted average shares outstanding	773	767	771	764
Dilutive effect of:				

Stock options, restricted shares and performance units	6	4	—	—
Diluted weighted average shares outstanding	779	771	771	764

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

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

	Three Months Ended September 30, 2013		Nine Months Ended September 30, 2012	
	(In millions)			
Anti-dilutive potential shares	2	3	2	3
Anti-dilutive potential shares due to net loss	—	—	5	4

12. Share-Based Compensation

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

	Three Months Ended September 30, 2013		Nine Months Ended September 30, 2012	
	(In millions)			
Share-based compensation	\$ 18	\$ 17	\$ 45	\$ 54
Related tax benefit	5	6	9	19

During the nine months ended September 30, 2013, we issued 1.9 million performance units, which will vest with continued employment and if the Company meets certain market-based performance goals. The performance units have a weighted average grant date fair value of \$10.81 per share based on the Monte Carlo simulation method. As of September 30, 2013, there was \$20 million of unrecognized compensation expense related to our performance units. This cost is expected to be recognized over a weighted average period of two years.

During the nine months ended September 30, 2013, we also granted 4.1 million restricted share awards at a weighted average grant date fair value of \$13.08 per share. As of September 30, 2013, there was \$74 million of unrecognized compensation related to our unvested restricted share grants. This cost is expected to be recognized over a weighted average period of two years.

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13. Segment Information

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

	Three Months Ended September 30, 2013		
	Net Operating Revenues	Income from Operations	Depreciation and Amortization
	(In millions)		
North America	\$1,597	\$ 215	\$ 108
MENA/Asia Pacific	819	(38)	101
Europe/SSA/Russia	691	103	69
Latin America	713	115	71
	3,820	395	349
Corporate and Research and Development	—	(110)	3
Other (a)	—	(46)	—
Total	\$3,820	\$ 239	\$ 352

	Three Months Ended September 30, 2012		
	Net Operating Revenues	Income from Operations	Depreciation and Amortization
	(In millions)		
North America	\$1,725	\$ 268	\$ 108
MENA/Asia Pacific	700	22	90
Europe/SSA/Russia	626	88	63
Latin America	768	97	61
	3,819	475	322
Corporate and Research and Development	—	(116)	7
Other (b)	—	(44)	—
Total	\$3,819	\$ 315	\$ 329

The three months ended September 30, 2013, includes \$16 million in professional fees and expenses related to the a) historical U.S. government investigations and the on-going remediation of our material weakness related to income taxes as well as \$30 million in severance, exit and other charges, including \$20 million in severance.

The three months ended September 30, 2012, includes \$27 million in professional fees and expenses related to the b) historical U.S. government investigations and the on-going remediation of our material weakness related to income taxes as well as \$11 million in fees and expenses associated with our third quarter 2012 debt consent solicitation and severance, exit and other charges of \$6 million.

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	Nine Months Ended September 30, 2013		
	Net Operating Revenues	Income From Operations	Depreciation and Amortization
	(In millions)		
North America	\$4,818	\$606	\$ 318
MENA/Asia Pacific	2,523	49	292
Europe/SSA/Russia	2,005	251	208
Latin America	2,179	303	207
	11,525	1,209	1,025
Corporate and Research and Development	—	(345)	14
U.S. Government Investigation Loss Contingency	—	(153)	—
Other (a)	—	(138)	—
Total	\$11,525	\$573	\$ 1,039

	Nine Months Ended September 30, 2012		
	Net Operating Revenues	Income From Operations	Depreciation and Amortization
	(In millions)		
North America	\$5,142	\$ 852	\$ 304
MENA/Asia Pacific	1,944	6	258
Europe/SSA/Russia	1,850	256	184
Latin America	2,221	270	175
	11,157	1,384	921
Corporate and Research and Development	—	(341)	18
Goodwill and Equity Investment Impairment	—	(793)	—
U.S. Government Investigation Loss Contingency	—	(100)	—
Other (b)	—	(97)	—
Total	\$11,157	\$ 53	\$ 939

The nine months ended September 30, 2013, includes \$60 million in professional fees and expenses related to the historical U.S. government investigations and the on-going remediation of our material weakness related to income taxes as well as severance, exit and other charges of \$78 million, including \$64 million of severance and an \$8 million gain related to the sale of our industrial screen business.

The nine months ended September 30, 2012, includes \$55 million in professional fees and expenses related to the historical U.S. government investigations and the on-going remediation of our material weakness related to income taxes, \$11 million in fees and expenses associated with our third quarter 2012 debt consent solicitation, as well as and severance, exit and other charges of \$59 million offset by a \$28 million gain related to the sale of our subsea controls business.

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During the three and nine months ended September 30, 2013, we recognized estimated project losses of \$85 million and \$84 million related to our long-term early production facility construction contracts in Iraq accounted for under the percentage-of-completion method. Total estimated losses on these projects were \$160 million at September 30, 2013. In the nine months ended September 30, 2012, we recognized losses of \$87 million related to a long-term early production facility construction contract in Iraq. As of September 30, 2013, our project estimates include \$36 million of claims revenue.

14. Disputes, Litigation and Contingencies

U.S. Government and Internal Investigations

We are currently involved in government and internal investigations.

The U.S. Department of Commerce, Bureau of Industry & Security, Office of Foreign Assets Control ("OFAC"), Department of Justice ("DOJ") and SEC have undertaken investigations of allegations of improper sales of products and services by the Company and its subsidiaries in certain sanctioned countries. We have cooperated fully with these investigations and we have retained legal counsel, reporting directly to our Audit Committee, to investigate these matters.

In light of these investigations, the U.S. and foreign policy environment and the inherent uncertainties surrounding these countries, we decided in September 2007 to direct our foreign subsidiaries to discontinue doing business in countries that are subject to comprehensive U.S. economic and trade sanctions, specifically Cuba, Iran and Sudan, as well as Syria. Effective September 2007, we ceased entering into any new contracts in these countries and began an orderly discontinuation and winding down of our existing business in these sanctioned countries.

Effective March 31, 2008, we substantially completed our winding down of business in these countries and conducted further withdrawal activities, pursuant to the licenses issued by OFAC, which have now ceased. Certain of our subsidiaries continue to conduct business in countries such as Myanmar, which was subject to more limited U.S. trading sanctions until 2012.

We have been in negotiations with the government agencies to resolve the investigation into alleged violations of the trade sanctions laws for more than two years, and these negotiations have advanced significantly. During the quarter ended June 30, 2012, the negotiations progressed to a point where we recognized a liability for a loss contingency that we believe is probable and for which a reasonable estimate can be made. The Company estimates that the amount of this loss is \$100 million and recognized a loss contingency equal to such amount in the quarter ended June 30, 2012.

We have reached agreements of terms and fine payments relating to the alleged violations of the trade sanctions laws with the DOJ and government agency representatives. Final settlement will require definitive documentation, acceptance by supervising officials and judicial approval. The proposed agreement contemplates total payments to government agencies of \$100 million, the amount for which the Company recognized a loss contingency in the quarter ended June 30, 2012. The settlement would also require an agreement under which criminal prosecution for the Company would be deferred for two years and plea agreements imposing potential criminal convictions on two of the Company's subsidiaries.

Until 2003, we participated in the United Nations oil-for-food program governing sales of goods and services into Iraq. The DOJ and SEC have undertaken investigations of our participation in the oil-for-food program and have subpoenaed certain documents in connection with these investigations. We have cooperated fully with these investigations. We have retained legal counsel, reporting to our Audit Committee, to investigate this matter. The DOJ and SEC have also investigated our compliance with the Foreign Corrupt Practices Act ("FCPA") and other laws worldwide. We have retained legal counsel, reporting to our Audit Committee, to investigate these matters and we are cooperating fully with the DOJ and SEC. As part of our internal investigations, we have uncovered potential violations of U.S. law in connection with activities in several jurisdictions.

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We have been in frequent negotiations with the government agencies to resolve these matters. During the quarter ended June 30, 2013, negotiations related to the oil-for-food and FCPA matters progressed to a point where we recognized a liability for a loss contingency that we believe is probable and for which a reasonable estimate can be made. The Company estimates that the amount of this loss is \$153 million and recognized a loss contingency equal to such amount in the quarter ended June 30, 2013. Since our last 10-Q filing, substantial progress in the negotiations was made, and these negotiations have recently concluded. These negotiations have resulted in agreements with representatives of the DOJ and the SEC enforcement staff relating to terms and total payments to be made to government agencies relating to the oil-for-food and FCPA matters subject in each case to final review and approval by the DOJ and SEC Commission as well as judicial approval. The agreements would require total payments to government agencies equal to the \$153 million loss contingency that the Company recognized in the quarter ended June 30, 2013. The agreements would also include (1) an agreement under which criminal prosecution for the Company would be deferred for three years and a plea agreement would impose a criminal conviction on one of the Company's subsidiaries; (2) a requirement to retain, for a period of at least 18 months, an independent monitor responsible to assess the Company's compliance with the terms of the agreement so as to address and reduce the risk of recurrence of alleged misconduct, after which the Company would continue to evaluate its own compliance program and make periodic reports to the DOJ and SEC; and (3) a requirement to maintain agreed compliance monitoring and reporting systems. If final settlement terms differ from the agreements we have reached with DOJ and SEC representatives or if necessary approvals are not ultimately obtained, we could become subject to injunctive relief, disgorgement, fines, penalties, sanctions or imposed modifications to business practices that could adversely affect our results of operations.

The SEC and DOJ are also investigating the circumstances surrounding the material weakness in the Company's internal control over financial reporting for income taxes that was disclosed in a notification of late filing on Form 12b-25 filed on March 1, 2011 and in current reports on Form 8-K filed on February 21, 2012 and on July 24, 2012 and the subsequent restatements of our historical financial statements. We are cooperating fully with these investigations. We are unable to predict the outcome of these matters due to the inherent uncertainties they present while investigations are pending, and we are unable to predict potential outcomes or estimate the range of potential loss contingencies, if any. The government, generally, has a broad range of civil and criminal penalties available, for these types of matters, under applicable law and regulation, including injunctive relief, fines, penalties and modifications to business practices, some of which, if imposed on the Company, could be material to our business, financial condition or results of operations. In September 2013, we also received the final decision of the SIX Swiss Exchange Sanction Commission regarding its investigation for similar internal controls and restatement matters. The decision resulted in a fine of \$270,000 plus costs; we do not plan to appeal.

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Shareholder Litigation

In 2010, three shareholder derivative actions were filed, purportedly on behalf of the Company, asserting breach of duty and other claims against certain current and former officers and directors of the Company related to the oil for food, FCPA and trade sanctions U.S. government investigations disclosed above and in our SEC filings since 2007. Those shareholder derivative cases are pending in the Harris County, Texas, civil court and are captioned Neff v. Brady, et al., No. 201040764, Hess v. Duroc-Danner, et al., No. 201040765, and Rosner v. Brady, et al., No. 201047343.

In March 2011, a purported shareholder class action captioned Dobina v. Weatherford International Ltd., et al., No. 1:11-cv-01646-LAK (SDNY), was filed in the U.S. District Court for the Southern District of New York, following the Company's announcement on March 1, 2011 of a material weakness in its internal controls over financial reporting for income taxes, and restatement of our historical financial statements. The Dobina complaint alleged violation of the federal securities laws by the Company and certain current and former officers and directors. Also in March 2011, a shareholder derivative action, Iron Workers Mid-South Pension Fund v. Duroc-Danner, et al., No. 201119822, was filed in Harris County, Texas, civil court purportedly on behalf of the Company against certain current and former officers and directors, alleging breaches of duty related to the material weakness and restatement announcements. In February 2012, a second shareholder derivative action, Wandel v. Duroc-Danner, et al., No. 1:12-cv-01305-LAK (SDNY), was filed in federal court in the Southern District of New York. In March 2012, a second purported securities class action captioned Freedman v. Weatherford International Ltd., et al., No. 1:12-cv-02121-LAK (SDNY) was filed in the Southern District of New York against the Company, and certain current and former officers. That case alleges violation of the federal securities laws related to the restatement of our historical financial statements announced on February 21, 2012, and later added claims related to the announcement of a subsequent restatement on July 24, 2012.

We cannot predict the outcome of these cases including the amount of any possible loss. If one or more negative outcomes were to occur relative to these cases, the aggregate impact to our financial condition could be material.

Other Disputes

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

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

15. New Accounting Pronouncements

In February 2013, the FASB issued new guidance intended to improve the reporting of reclassifications out of accumulated other comprehensive income. The guidance requires an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under U.S. GAAP to be reclassified in its entirety to net income. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety from accumulated other comprehensive income to net income in the same reporting period, an entity is required to cross-reference other disclosures required under U.S. GAAP that provide additional detail about those amounts. This guidance became

effective for us in our second quarter of 2013. Please see Note 10 — Shareholders' Equity, which presents the reclassifications out of Accumulated Other Comprehensive Income.

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In July 2013, the FASB issued new guidance intended to clarify the presentation of unrecognized tax benefits. An unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carry forward, a similar tax loss, or a tax credit carryforward, with certain exceptions. The unrecognized tax benefit should be presented as a liability and should not be combined with deferred tax assets to the extent that: 1) the deferred tax asset is not available under the tax law of the applicable jurisdiction to settle additional income taxes resulting from disallowance of the tax position, or 2) the entity is not required to use the deferred tax asset under the tax law of the applicable jurisdiction and the entity does not intend to use the deferred tax asset to offset additional taxes that would result from disallowance of the position. This guidance will be effective for us beginning with the first quarter of 2014 and may be adopted prospectively for all unrecognized tax benefits that exist at the effective date or retrospectively. The adoption of this guidance is not expected to have a material impact on our financial position, results of operations or cash flows.

16. Condensed Consolidating Financial Statements

Weatherford International Ltd., a Swiss joint-stock company, is the ultimate parent of the Weatherford group ("Weatherford Switzerland" or "Parent"). The Parent guarantees certain obligations of Weatherford International Ltd., a Bermuda company ("Weatherford Bermuda"), and Weatherford International, LLC, a Delaware limited liability company ("Weatherford Delaware"), noted below.

The following obligations of Weatherford Delaware were guaranteed by Weatherford Bermuda at September 30, 2013 and December 31, 2012: (1) the 6.35% senior notes and (2) the 6.80% senior notes.

The following obligations of Weatherford Bermuda were guaranteed by Weatherford Delaware at September 30, 2013: (1) the revolving credit facility, (2) the 4.95% senior notes, (3) the 5.50% senior notes, (4) the 6.50% senior notes, (5) the 6.00% senior notes, (6) the 7.00% senior notes, (7) the 9.625% senior notes, (8) the 9.875% senior notes, (9) the 5.125% senior notes, (10) the 6.75% senior notes, (11) the 4.50% senior notes and (12) the 5.95% senior notes. The following obligations of Weatherford Bermuda were guaranteed by Weatherford Delaware at December 31, 2012: (1) the revolving credit facility, (2) the 4.95% senior notes, (3) the 5.50% senior notes, (4) the 6.50% senior notes, (5) the 5.15% senior notes, (6) the 6.00% senior notes, (7) the 7.00% senior notes, (8) the 9.625% senior notes, (9) the 9.875% senior notes, (10) the 5.125% senior notes, (11) the 6.75% senior notes, (12) the 4.50% senior notes and (13) the 5.95% senior notes.

As a result of these guarantees 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

September 30, 2013

(Unaudited)

(In millions)

	Weatherford Switzerland	Weatherford Bermuda	Weatherford Delaware	Weatherford Other Subsidiaries	Eliminations	Consolidation
Current Assets:						
Cash and Cash Equivalents	\$ 1	\$ 3	\$ —	\$ 312	\$ —	\$ 316
Other Current Assets	4	45	282	8,716	(290)	8,757
Total Current Assets	5	48	282	9,028	(290)	9,073
Equity Investments in Affiliates	8,989	10,185	7,897	13,349	(40,420)	—
Shares Held in Parent	—	—	10	63	(73)	—
Intercompany Receivables, Net	—	1,503	—	—	(1,503)	—
Other Non-current Assets	7	42	15	13,800	—	13,864
Total Assets	\$ 9,001	\$ 11,778	\$ 8,204	\$ 36,240	\$ (42,286)	\$ 22,937
Current Liabilities:						
Short-term Borrowings and Current Portion of Long-term Debt	\$ —	\$ 2,049	\$ 23	\$ 158	\$ —	\$ 2,230
Accounts Payable and Other Current Liabilities	8	334	—	3,869	(290)	3,921
Total Current Liabilities	8	2,383	23	4,027	(290)	6,151
Long-term Debt	—	5,892	999	174	—	7,065
Intercompany Payables, Net	442	—	667	393	(1,502)	—
Other Non-current Liabilities	11	77	2	1,050	—	1,140
Total Liabilities	461	8,352	1,691	5,644	(1,792)	14,356
Weatherford Shareholders' Equity	8,540	3,426	6,513	30,555	(40,494)	8,540
Noncontrolling Interests	—	—	—	41	—	41
Total Liabilities and Shareholders' Equity	\$ 9,001	\$ 11,778	\$ 8,204	\$ 36,240	\$ (42,286)	\$ 22,937

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Condensed Consolidating Balance Sheet

December 31, 2012

(In millions)

	Weatherford Switzerland	Weatherford Bermuda	Weatherford Delaware	Weatherford Other Subsidiaries	Eliminations	Consolidation
Current Assets:						
Cash and Cash Equivalents	\$ —	\$ —	\$ —	\$ 300	\$ —	\$ 300
Other Current Assets	5	5	256	8,682	(219)	8,729
Total Current Assets	5	5	256	8,982	(219)	9,029
Equity Investments in Affiliates	9,184	14,790	7,675	8,458	(40,107)	—
Shares Held in Parent	—	—	10	172	(182)	—
Intercompany Receivables, Net	—	1,872	—	—	(1,872)	—
Other Non-current Assets	17	45	14	13,690	—	13,766
Total Assets	\$ 9,206	\$ 16,712	\$ 7,955	\$ 31,302	\$ (42,380)	\$ 22,795
Current Liabilities:						
Short-term Borrowings and Current Portion of Long-term Debt	\$ —	\$ 1,439	\$ 26	\$ 120	\$ —	\$ 1,585
Accounts Payable and Other Current Liabilities	8	246	—	4,089	(218)	4,125
Total Current Liabilities	8	1,685	26	4,209	(218)	5,710
Long-term Debt	—	5,895	1,019	135	—	7,049
Intercompany Payables, Net	400	—	477	995	(1,872)	—
Other Non-current Liabilities	12	76	3	1,127	—	1,218
Total Liabilities	420	7,656	1,525	6,466	(2,090)	13,977
Weatherford Shareholders' Equity	8,786	9,056	6,430	24,804	(40,290)	8,786
Noncontrolling Interests	—	—	—	32	—	32
Total Liabilities and Shareholders' Equity	\$ 9,206	\$ 16,712	\$ 7,955	\$ 31,302	\$ (42,380)	\$ 22,795

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Condensed Consolidating Statements of Comprehensive Income (Loss)

Three Months Ended September 30, 2013

(Unaudited)

(In millions)

	Weatherford Switzerland	Weatherford Bermuda	Weatherford Delaware	Other Subsidiaries	Eliminations	Consolidation
Revenues	\$ —	\$ —	\$ —	\$ 3,820	\$ —	\$ 3,820
Costs and Expenses	(6)	—	(1)	(3,574)	—	(3,581)
Operating Income (Loss)	(6)	—	(1)	246	—	239
Other Income (Expense):						
Interest Expense, Net	—	(108)	(15)	(6)	—	(129)
Intercompany Charges, Net	(2)	12	(85)	75	—	—
Equity in Subsidiary Income (Loss)	31	35	62	—	(128)	—
Other, Net	(1)	(26)	—	(3)	—	(30)
Income (Loss) Before Income Taxes	22	(87)	(39)	312	(128)	80
Benefit (Provision) for Income Taxes	—	—	35	(84)	—	(49)
Net Income (Loss)	22	(87)	(4)	228	(128)	31
Noncontrolling Interests	—	—	—	(9)	—	(9)
Net Income (Loss) Attributable to Weatherford	\$ 22	\$ (87)	\$ (4)	\$ 219	\$ (128)	\$ 22
Comprehensive Income (Loss) Attributable to Weatherford	\$ 118	\$ (10)	\$ 73	\$ 314	\$ (377)	\$ 118

Condensed Consolidating Statements of Comprehensive Income

Three Months Ended September 30, 2012

(Unaudited)

(In millions)

	Weatherford Switzerland	Weatherford Bermuda	Weatherford Delaware	Other Subsidiaries	Eliminations	Consolidation
Revenues	\$ —	\$ —	\$ —	\$ 3,819	\$ —	\$ 3,819
Costs and Expenses	(8)	(11)	(2)	(3,483)	—	(3,504)
Operating Income (Loss)	(8)	(11)	(2)	336	—	315
Other Income (Expense):						
Interest Expense, Net	—	(106)	(17)	(4)	—	(127)
Intercompany Charges, Net	13	7	(56)	36	—	—
Equity in Subsidiary Income (Loss)	65	70	128	—	(263)	—
Other, Net	—	(33)	—	8	—	(25)
Income (Loss) Before Income Taxes	70	(73)	53	376	(263)	163
Benefit (Provision) for Income Taxes	—	—	27	(113)	—	(86)

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Net Income (Loss)	70	(73)	80	263	(263)	77
Noncontrolling Interests	—	—		—	(7)	—	(7
Net Income (Loss) Attributable to								
Weatherford	\$ 70	\$ (73)	\$ 80	\$ 256	\$ (263)	\$ 70
Comprehensive Income (Loss) Attributable								
to Weatherford	\$ 70	\$ (73)	\$ 80	\$ 471	\$ (263)	\$ 285

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WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Condensed Consolidating Statements of Income

Nine Months Ended September 30, 2013

(Unaudited)

(In millions)

	Weatherford Switzerland	Weatherford Bermuda	Weatherford Delaware	Other Subsidiaries	Eliminations	Consolidation
Revenues	\$ —	\$ —	\$ —	\$ 11,525	\$ —	\$ 11,525
Costs and Expenses	(24)	(122)	(2)	(10,804)	—	(10,952)
Operating Income (Loss)	(24)	(122)	(2)	721	—	573
Other Income (Expense):						
Interest Expense, Net	—	(326)	(46)	(16)	—	(388)
Intercompany Charges, Net	(27)	25	(164)	166	—	—
Equity in Subsidiary Income (Loss)	(23)	213	293	—	(483)	—
Other, Net	—	(16)	(1)	(144)	—	(161)
Income (Loss) Before Income Taxes	(74)	(226)	80	727	(483)	24
Benefit (Provision) for Income Taxes	—	—	74	(148)	—	(74)
Net Income (Loss)	(74)	(226)	154	579	(483)	(50)
Noncontrolling Interests	—	—	—	(24)	—	(24)
Net Income (Loss) Attributable to Weatherford	\$ (74)	\$ (226)	\$ 154	\$ 555	\$ (483)	\$ (74)
Comprehensive Income (Loss) Attributable to Weatherford	\$ (300)	\$ (406)	\$ 38	\$ 328	\$ 40	\$ (300)

Condensed Consolidating Statements of Income

Nine Months Ended September 30, 2012

(Unaudited)

(In millions)

	Weatherford Switzerland	Weatherford Bermuda	Weatherford Delaware	Other Subsidiaries	Eliminations	Consolidation
Revenues	\$ —	\$ —	\$ —	\$ 11,157	\$ —	\$ 11,157
Costs and Expenses	(134)	(12)	(3)	(10,955)	—	(11,104)
Operating Income (Loss)	(134)	(12)	(3)	202	—	53
Other Income (Expense):						
Interest Expense, Net	—	(296)	(53)	(11)	—	(360)
Intercompany Charges, Net	(14)	22	(83)	75	—	—
Equity in Subsidiary Income (Loss)	(507)	(454)	(65)	—	1,026	—
Other, Net	(1)	(13)	(1)	(55)	—	(70)
Income (Loss) Before Income Taxes	(656)	(753)	(205)	211	1,026	(377)
Benefit (Provision) for Income Taxes	—	—	50	(309)	—	(259)

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Net Income (Loss)	(656)	(753)	(155)	(98)	1,026	(636)
Noncontrolling Interests	—	—	—	(20)	—	(20)
Net Income (Loss) Attributable to Weatherford	\$ (656)	\$ (753)	\$ (155)	\$ (118)	\$ 1,026	\$ (656)
Comprehensive Income (Loss) Attributable to Weatherford	\$ (656)	\$ (753)	\$ (155)	\$ (35)	\$ 1,026	\$ (573)

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

Condensed Consolidating Statement of Cash Flows
Nine Months Ended September 30, 2013
(Unaudited)
(In millions)

	Weatherford Switzerland	Weatherford Bermuda	Weatherford Delaware	Other Subsidiaries	Elimination	Consolidation
Cash Flows from Operating Activities:						
Net Income (Loss)	\$ (74)	\$ (226)	\$ 154	\$ 579	\$ (483)	\$ (50)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Charges from Parent or Subsidiary	27	(25)	164	(166)	—	—
Equity in (Earnings) Loss of Affiliates	23	(213)	(293)	—	483	—
Deferred Income Tax Provision (Benefit)	—	—	—	(168)	—	(168)
Other Adjustments	208	625	34	(82)	—	785
Net Cash Provided (Used) by Operating Activities	184	161	59	163	—	567
Cash Flows from Investing Activities:						
Capital Expenditures for Property, Plant and Equipment	—	—	—	(1,211)	—	(1,211)
Acquisitions of Businesses, Net of Cash Acquired	—	—	—	(7)	—	(7)
Acquisition of Intellectual Property	—	—	—	(7)	—	(7)
Proceeds from Sale of Assets and Businesses, Net	—	—	—	74	—	74
Capital Contribution to Subsidiary	(129)	—	—	—	129	—
Net Cash Provided (Used) by Investing Activities	(129)	—	—	(1,151)	129	(1,151)
Cash Flows from Financing Activities:						
Borrowings (Repayments) Short-term Debt, Net	—	905	(4)	31	—	932
Borrowings (Repayments) Long-term Debt, Net	—	(294)	(18)	(17)	—	(329)
Borrowings (Repayments) Between Subsidiaries, Net	(54)	(769)	(37)	860	—	—
Proceeds from Capital Contribution	—	—	—	129	(129)	—
Other, Net	—	—	—	1	—	1
Net Cash Provided (Used) by Financing Activities	(54)	(158)	(59)	1,004	(129)	604
Effect of Exchange Rate Changes on Cash and Cash Equivalents	—	—	—	(4)	—	(4)

Net Increase (Decrease) in Cash and Cash						
Equivalents	1	3	—	12	—	16
Cash and Cash Equivalents at Beginning of						
Period	—	—	—	300	—	300
Cash and Cash Equivalents at End of Period	\$ 1	\$ 3	\$ —	\$ 312	\$ —	\$ 316

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WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Condensed Consolidating Statement of Cash Flows

Nine Months Ended September 30, 2012

(Unaudited)

(In millions)

	Weatherford Switzerland	Weatherford Bermuda	Weatherford Delaware	Other Subsidiaries	Eliminations	Consolidation
Cash Flows from Operating Activities:						
Net Income (Loss)	\$ (656)	\$ (753)	\$ (155)	\$ (98)	\$ 1,026	\$ (636)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Charges from Parent or Subsidiary	14	(22)	83	(75)	—	—
Equity in (Earnings) Loss of Affiliates	507	454	65	—	(1,026)	—
Deferred Income Tax Provision (Benefit)	—	—	(59)	95	—	36
Other Adjustments	138	(139)	325	792	—	1,116
Net Cash Provided (Used) by Operating Activities	3	(460)	259	714	—	516
Cash Flows from Investing Activities:						
Capital Expenditures for Property, Plant and Equipment	—	—	—	(1,670)	—	(1,670)
Acquisitions of Businesses, Net of Cash Acquired	(29)	—	—	(127)	—	(156)
Acquisition of Intellectual Property	—	—	—	(16)	—	(16)
Acquisition of Equity Investments in Unconsolidated Affiliates	—	—	—	(8)	—	(8)
Proceeds from Sale of Assets and Businesses, Net	—	—	—	33	—	33
Capital Contribution to Subsidiary	(30)	(18)	(118)	118	48	—
Net Cash Provided (Used) by Investing Activities	(59)	(18)	(118)	(1,670)	48	(1,817)
Cash Flows from Financing Activities:						
Borrowings (Repayments) Short-term Debt, Net	—	239	—	18	—	257
Borrowings (Repayments) Long-term Debt, Net	—	1,295	(16)	(277)	—	1,002
Borrowings (Repayments) Between Subsidiaries, Net	56	(1,055)	(120)	1,119	—	—
Proceeds from Capital Contribution	—	—	—	48	(48)	—
Other, Net	—	—	—	35	—	35
Net Cash Provided (Used) by Financing Activities	56	479	(136)	943	(48)	1,294

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Effect of Exchange Rate Changes on Cash and Cash Equivalents	—	—	—	1	—	1
Net Increase (Decrease) in Cash and Cash Equivalents	—	1	5	(12)	—	(6)
Cash and Cash Equivalents at Beginning of Period	—	—	—	371	—	371
Cash and Cash Equivalents at End of Period	\$ —	\$ 1	\$ 5	\$ 359	\$ —	\$ 365

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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 the remainder of 2013. Next, we analyze the results of our operations for the three and nine months ended September 30, 2013 and 2012, including the trends in our business and review our liquidity and capital resources. We conclude with a discussion of our critical accounting policies and estimates and a summary of recently issued accounting pronouncements. The "Company," "we," "us" and "our" refer to Weatherford International Ltd., a Swiss joint-stock corporation and its subsidiaries on a consolidated basis.

The following discussion should be read in conjunction with the financial statements included with this report and our financial statements and related MD&A for the year ended December 31, 2012 included in our Annual Report on Form 10-K. Our discussion includes various forward-looking statements about our markets, the demand for our products and services and our future results. These statements are based on certain assumptions we consider reasonable. For information about these assumptions, you should refer to the section entitled "Forward-Looking Statements."

Overview**General**

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

Formation Evaluation and Well Construction includes Drilling Services, Well Construction, Integrated Drilling, Wireline and Evaluation Services, Drilling Tools and Re-entry and Fishing.

Completion and Production includes Artificial Lift Systems, Stimulation and Chemicals, Completion Systems and Pipeline and Specialty Services.

We may sell our products and services separately or may bundle them together to provide integrated solutions, up to and including integrated well construction where we are responsible for the entire process of drilling, constructing and completing a well. Our customers include both exploration and production companies and other oilfield service companies. Depending on the service line, customer and location, our contracts vary in their terms, provisions and indemnities. We earn revenues under our contracts when products and services are delivered. Typically, we provide products and services at a well site where our personnel and equipment may be located together with personnel and equipment of our customer and third parties, such as other service providers. Our services are usually short-term in nature; day-rate based and cancelable should our customer wish to alter the scope of work. Consequently, our backlog of firm orders is not material to the company.

We conduct operations in over 100 countries and have service and sales locations in nearly all of the oil and natural gas producing regions in the world. Our operational performance is reviewed on a geographic basis and we report the following regions as separate, distinct reporting segments: North America, Latin America, Europe/Sub-Saharan Africa ("SSA")/Russia and Middle East/North Africa ("MENA")/Asia Pacific.

Industry Trends

Changes in the current price and expected future prices of oil and natural gas influence the level of energy industry spending. Changes in expenditures result in an increased or decreased demand for our products and services. Rig count is an indicator of the level of spending for the exploration for and production of oil and natural gas reserves. The following chart sets forth certain statistics that reflect historical market conditions:

	Henry Hub	North American	International
WTI Oil	Gas	Rig Count	Rig Count
(a)	(b)	(c)	(c)

September 30, 2013	\$101.90	\$3.56	2,132	1,285
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December 31, 2012	91.82	3.35	2,178	1,260
September 30, 2012	92.19	3.32	2,231	1,260

(a) Price per barrel of West Texas Intermediate ("WTI") crude oil of the date indicated at Cushing Oklahoma – Source: Thomson Reuters

(b) Price per MM/BTU as of the date indicated at Henry Hub Louisiana – Source: Thomson Reuters

(c) Average rig count for the period indicated – Source: Baker Hughes Rig Count

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Oil prices increased during the first nine months of 2013, ranging from a low of \$86.68 per barrel in mid April to a high of \$110.53 per barrel in early September. Natural gas prices increased during the first nine months of 2013 and ranged from a high of \$4.41 MM/BTU in the middle part of April to a low of \$3.11 MM/BTU in early January.

Factors influencing oil and natural gas prices during the period include hydrocarbon inventory levels, realized and expected economic growth, realized and expected levels of hydrocarbon demand, levels of spare production capacity within the Organization of Petroleum Exporting Countries ("OPEC"), weather and geopolitical uncertainty.

Outlook

We believe the long-term outlook for our businesses is favorable. As well production decline rates accelerate and reservoir productivity complexities increase, our clients will continue to face growing challenges securing desired rates of production growth. These challenges increase our customers' requirements for technologies that improve productivity and efficiency and increase demand for our products and services. These phenomena provide us with a positive outlook over the longer term. The level of improvement in our businesses for the remainder of 2013 will continue to depend heavily on pricing and volume increases, our control of costs and our ability to further penetrate existing markets with our younger technologies, as well as to successfully introduce these technologies to new markets.

We believe that the remainder of 2013 will continue to be positive for both North American and international operations. In the near term, and into 2014, we expect continued improvement in North America with gains in both top-line and margin driven by formation evaluation, production and well construction. Internationally, forecasts for the near term as well as the upcoming year anticipate stronger revenue growth at similar margins in Latin America, due to a recovery of activity in several countries, and in Europe, SSA and Russia driven by well construction and other contributing factors. MENA will begin to recover its status as a positive contributor with improved margins provided by our core service lines: well construction, formation evaluation, completion and production.

Results of Operations

The following charts contain selected financial data comparing our consolidated and segment results from operations for the three and nine months ended September 30, 2013 and 2012:

	Three Months Ended September 30, 2013		Nine Months Ended September 30, 2013	
	2012		2012	
	(In millions, except per share amounts)			
Revenues:				
North America	\$1,597	\$1,725	\$4,818	\$5,142
MENA/Asia Pacific	819	700	2,523	1,944
Europe/SSA/Russia	691	626	2,005	1,850
Latin America	713	768	2,179	2,221
	3,820	3,819	11,525	11,157
Operating Income:				
North America	215	268	606	852
MENA/Asia Pacific	(38)	22	49	6
Europe/SSA/Russia	103	88	251	256
Latin America	115	97	303	270
Research and Development	(65)	(68)	(203)	(194)
Corporate Expenses	(45)	(48)	(142)	(147)
Goodwill and Equity Investment Impairment	—	—	—	(793)
U.S. Government Investigation Loss Contingency	—	—	(153)	(100)
Other Items	(46)	(44)	(138)	(97)
	239	315	573	53

Interest Expense, Net	(129)	(127)	(388)	(360)
Devaluation of Venezuelan Bolivar	—	—	(100)	—
Other, Net	(30)	(25)	(61)	(70)
Net Income (Loss) per Diluted Share	0.03	0.09	(0.10)	(0.86)
Depreciation and Amortization	352	329	1,039	939

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Revenues

The following chart contains consolidated revenue percentages by product line for the three and nine months ended September 30, 2013 and 2012:

	Three Months Ended September 30, 2013		2012		Nine Months Ended September 30, 2013		2012	
Formation Evaluation and Well Construction	61 %	56 %	60 %	56 %	60 %	56 %	60 %	56 %
Completion and Production	39 %	44 %	40 %	44 %	40 %	44 %	40 %	44 %
	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %

Consolidated revenues increased \$1 million in the third quarter of 2013 as compared to the third quarter of 2012. This increase outpaced the 2% decrease in average total rig count over the comparable period primarily attributable to a 4% decrease in the North American rig count offset by the increase in rig count internationally. International revenues increased \$129 million, or 6%, in the third quarter of 2013, as compared to the third quarter of 2012. Increased activity in the eastern hemisphere primarily due to higher demand for our drilling services and well construction product lines contributed to the increase over the year-ago period. Revenue in our North American segment decreased \$128 million, or 7%, in the third quarter of 2013 compared to the same quarter of the prior year largely due to a decline in our Completion and Production product line where lower natural gas drilling activity coupled with increased pricing pressure led to a decline in our U.S. pressure pumping business. Completion and Production revenue was also negatively impacted in the third quarter of 2013 by the sale of our industrial screen business in the first and second quarters of 2013.

Consolidated revenues increased \$368 million, or 3%, in the first nine months of 2013 as compared to the first nine months of 2012, mostly driven by an increase in international revenues of \$692 million, or 12%, in the nine months of 2013, as compared to the nine months of 2012. Increased activity in the eastern hemisphere primarily due to higher demand for our drilling services, well construction, integrated drilling and fishing and re-entry product lines were the largest contributors to the increase over the year-ago period. Revenue in our North American segment decreased \$324 million, or 6%, in the nine months of 2013 compared to the prior year nine months, largely due to a decline in our Completion and Production product line. The decline resulted from reduced demand and the associated increase in pricing pressure on our pressure pumping business as well as the sale of our industrial screen business in the first and second quarter of 2013.

Operating Income

Consolidated operating income decreased \$76 million or 24%, in the third quarter of 2013 as compared to the third quarter of 2012. Our operating segments contributed \$80 million to the decrease compared to the third quarter of 2012 primarily due to pricing pressure and decreased demand across most product lines in our North American segment. This was partially offset by a decline in corporate, research and development expenses.

Other items of \$46 million in the third quarter of 2013 included \$16 million in professional fees and expenses related to the on-going U.S. government investigations and the on-going remediation of our material weakness related to income taxes as well as \$30 million in severance, exit and other charges, including \$20 million in severance. Other items of \$44 million in the third quarter of 2012 included \$27 million in professional fees and expenses related to the on-going U.S. government investigations and the on-going remediation of our material weakness related to income taxes as well as \$11 million in fees and expenses associated with our third quarter 2012 debt consent solicitation and severance, exit and other charges of \$6 million.

During the nine months ended September 30, 2013, we recorded a \$153 million accrual for a loss contingency related to U.S. government investigations related to Foreign Corrupt Practices Act and oil-for-food matters. During the nine months ended September 30, 2012, we recorded impairment charges of \$793 million related to goodwill and equity

investments, and recorded a \$100 million accrual for a loss contingency related to U.S. government investigations related to sanctioned country matters.

Other items of \$138 million for the nine months ended September 30, 2013 includes \$60 million in professional fees and expenses related to the on-going US government investigations and the on-going remediation of our material weakness related to income taxes as well as severance, exit and other charges of \$78 million, including \$64 million of severance and an \$8 million gain related to the sale of our industrial screen business.

Other items for the nine months ended September 30, 2012 includes \$55 million in professional fees and expenses related to the on-going US government investigations and the on-going remediation of our material weakness related to income taxes, \$11 million in fees and expenses associated with our third quarter 2012 debt consent solicitation, as well as and severance, exit and other charges of \$59 million offset by a \$28 million gain related to the sale of our subsea controls business.

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Devaluation of Venezuelan Bolivar

In February 2013, the Venezuelan government announced its intention to devalue its currency and move to a two tier exchange structure. The official exchange moved from 4.30 per dollar to 6.30 per dollar for all goods and services. In connection with this devaluation, we incurred a charge of \$100 million in the first quarter of 2013 for the remeasurement of our net monetary assets denominated in Venezuelan bolivars at the date of the devaluation.

Interest Expense, Net

Interest expense, net increased \$2 million, or 2% in the third quarter of 2013 and \$28 million, or 8% for the nine months ended September 30, 2013, as compared to the same periods of the prior year, due to increases in overall indebtedness.

Income Taxes

For the three and nine months ended September 30, 2013, we had a tax provision of \$49 million and \$74 million on income before tax of \$80 million and \$24 million. Our effective tax rate for the three and nine months ended September 30, 2013 is 61% and 308%, respectively. Our income before taxes for the nine months ended September 30, 2013 includes a \$153 million charge for the potential settlement of the oil-for-food and Foreign Corrupt Practices Act matters with no tax benefit. Our tax provision for the three months ended September 30, 2013 includes discrete tax benefits primarily due to audit closures and tax planning activities, which decreased our effective tax rate for the period. Our provision for the nine months ended September 30, 2013, in addition to items above, also includes discrete tax benefits due to the devaluation of the Venezuelan bolivar, return-to-accrual adjustments, decreases in reserves for uncertain tax positions due to statute of limitation expiration and the enactment of the American Taxpayer Relief Act, which decreased our effective tax rate for the period.

For the three and nine months ended September 30, 2012, we had a tax provision of \$86 million and \$259 million on income before tax of \$163 million and loss before tax of \$377 million. Our effective tax rate for the three and nine months ended September 30, 2012 was 53% and (69)%, respectively. Our loss before taxes for the nine months ended September 30, 2012, includes a \$589 million charge for the impairment of goodwill, substantially all of which was non-deductible, a \$204 million equity method impairment charge and a \$100 million accrual for a loss contingency, both of which were fully non-deductible.

We anticipate a possible reduction in the balance of uncertain tax positions between \$60 million to \$100 million in the next twelve months due to expiration of statutes of limitations, settlements and/or conclusions of tax examinations.

Segment Results

North America

North American revenues decreased \$128 million, or 7%, in the third quarter of 2013, as compared to the third quarter of 2012 and \$324 million, or 6%, during the nine month period ended September 30, 2013. Average North American rig count decreased 4% and 9% over the three and nine month periods, respectively. The decline was primarily due to reduced demand and pricing pressure in our stimulation and chemical and completions product lines, as well as a decline in our industrial screens product due to the sale of our industrial screen business units in 2013. These declines were partially offset by an increase in revenues from our well construction and pipeline and specialty services product lines in the US.

Operating income decreased \$53 million, or 20%, in the third quarter of 2013, as compared to the third quarter of the prior year. Operating margins were 13.5% in the third quarter of 2013 and 15.5% in the third quarter of 2012.

Declines in operating margin are primarily attributable to stimulation and chemicals margin declines due to price reductions and higher fixed costs, as well as lower gross profit in drilling services driven by a decline in activity. Operating margins were 12.6% in the nine months ended September 30, 2013, compared to 16.6% for the first nine months of 2012. These margin declines were partially offset by increases in artificial lift operating margins due to increased demand and utilization of our services.

In 2012, the carrying value of our guar inventory, a component of certain drilling fluids, was adjusted to the lower of cost or market. In the first nine months of 2013, we sold \$24 million of our guar inventory, which was our entire guar inventory adjusted to market value in 2012, at a zero margin.

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MENA/Asia Pacific

MENA/Asia Pacific revenues increased \$119 million, or 17%, in the third quarter of 2013, as compared to the third quarter of 2012 and \$579 million or 30% during the first nine months of 2013, as compared to the same period of the prior year. The increased revenue was due to higher demand for our drilling services, well construction, and artificial lift product lines.

Operating income decreased \$60 million during the third quarter of 2013, compared to the same quarter of the prior year and increased \$43 million during the nine months ended September 30, 2013, compared to the same period of the prior year. The 2013 decrease in operating income is primarily due to increased costs in drilling services and integrated drilling, as well as additional losses on a long-term early production facility construction contract in Iraq accounted for under the percentage of completion method.

During the three and nine months ended September 30, 2013, we recognized estimated project losses of \$85 million and \$84 million related to our long-term early production facility construction contracts in Iraq accounted for under the percentage-of-completion method. Total estimated losses on these projects were \$160 million at September 30, 2013. In the nine months ended September 30, 2012, we recognized losses of \$87 million related to a long-term early production facility construction contract in Iraq. As of September 30, 2013, our project estimates include \$36 million of claims revenue.

Europe/SSA/Russia

Revenues in our Europe/SSA/Russia segment increased \$65 million, or 10%, in the third quarter of 2013, compared to the same quarter of the prior year and \$155 million, or 8%, in the nine months ended September 30, 2013, compared to the same period in the prior year. The region realized strong performances due to increased activity in Russia and SSA due to higher demand for our drilling services and integrated drilling product lines in the current quarter as compared to the same period of the prior year.

Operating income increased \$15 million, or 17%, in the third quarter of 2013, as compared to the same quarter of 2012 and decreased \$5 million or 2% during the nine months ended September 30, 2013, compared to the same period in the prior year. Operating margins were 14.9% in the third quarter of 2013 and 14.1% in the third quarter of 2012. Operating margins were 12.5% in the nine months ended September 30, 2013, compared to 13.8% for the first nine months of 2012. The decrease in operating income and margins was due to increased costs in Russia, relative to the prior year quarter related to drilling services, integrated drilling and completion activity.

Latin America

Revenues in our Latin America segment decreased \$55 million, or 7%, in the third quarter of 2013, as compared to the same quarter of the prior year largely due to lower demand and declining activity for our artificial lift and integrated drilling product lines in Mexico and Colombia. Revenues decreased \$42 million, or 2%, in the nine months ended September 30, 2013, compared to the same period in the prior year, due to lower demand for our artificial lift and integrated drilling product lines, partially offset by increased demand for our well construction product line services.

Operating income increased \$18 million in the third quarter of 2013, over the comparable period of the prior year and increased \$33 million, or 12%, in the nine months ended September 30, 2013, compared to the same period in the prior year. Operating margins increased from 12.6% for the third quarter of 2012 to 16.1% for the third quarter of 2013 due to continued improving contributions from our well construction and completions and product lines.

Operating margins were 13.9% in the nine months ended September 30, 2013, compared to 12.2% for the first nine months of 2012.

Liquidity and Capital Resources

Sources of Liquidity

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

Table of Contents**Committed Borrowing Facilities**

We maintain a \$2.25 billion unsecured, revolving credit agreement (the "Credit Agreement") with JPMorgan Chase Bank, N.A., as administrative agent, scheduled to mature July 13, 2016. The Credit Agreement can be used for a combination of borrowings, support for our \$2.25 billion commercial paper program and issuances of letters of credit. This agreement requires that we maintain a debt-to-total capitalization ratio of less than 60%. We were in compliance with this covenant at September 30, 2013.

The following is a recap of our availability under our committed borrowing facility at September 30, 2013 (in millions):

Facilities	\$2,250
Less:	
Amount drawn	450
Commercial paper	968
Letters of credit	41
Availability	\$791

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

Cash Requirements

During 2013, we anticipate our cash requirements will include interest payments on our outstanding debt, the repayment of \$250 million of senior notes due in the fourth quarter of 2013, working capital needs and capital expenditures. Our cash requirements may also include opportunistic business acquisitions and an amount to settle the governmental investigations described in our forward-looking statements below. Consistent with 2012, we anticipate funding these requirements from cash generated from operations, availability under our existing credit facilities, the issuance of commercial paper and potential proceeds from disposals of businesses or capital assets that are no longer closely aligned with our core long-term growth strategy. Capital expenditures for 2013 are projected to be approximately 10% of our revenues. The amounts we ultimately spend will depend on a number of factors including the type of contracts we enter into, asset availability and our expectations with respect to industry activity levels in 2013. Expenditures are expected to be used primarily to support anticipated near-term growth and our sources or liquidity are anticipated to be sufficient to meet our needs. Capital expenditures during the nine months ended September 30, 2013 were \$1.2 billion.

Cash and equivalents of \$313 million at September 30, 2013 are held by subsidiaries domiciled outside of Switzerland. Based on the nature of our structure, we are generally able to redeploy cash with no significant incremental tax expense.

Accounts Receivable Factoring

During the nine months ended September 30, 2013, we sold approximately \$139 million of accounts receivable under our factoring program. We received cash totaling \$132 million and recognized a loss of approximately \$2 million on the sales. These sales occurred in the first and third quarters of 2013. During the three and nine months ended September 30, 2012, we sold approximately \$96 million and \$147 million, respectively, of accounts receivable under the program. We initially received cash totaling \$136 million and ultimately collected amounts that resulted in a loss of less than \$1 million on these sales.

Our factoring transactions qualified for sale accounting under the accounting standards and proceeds are included in operating cash flows in our Condensed Consolidated Statements of Cash Flows.

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Derivative Instruments

Fair Value Hedges

We may use interest rate swaps to help mitigate exposures related to changes in the fair values of our debt. Amounts paid or received upon termination of interest rate swaps accounted for as fair value hedges represent the fair value of the agreements at the time of termination and are recorded as an adjustment to the carrying value of the related debt. These amounts are amortized as a reduction, in the case of gains, or as an increase, in the case of losses, of interest expense over the remaining term of the debt. As of September 30, 2013, we had net unamortized gains of \$44 million associated with interest rate swap terminations. These gains are being amortized over the remaining term of the originally hedged debt as a reduction in interest expense.

Cash Flow Hedges

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

Other Derivative Instruments

As of September 30, 2013, we had foreign currency forward contracts with notional amounts aggregating to \$753 million. These contracts were entered into to hedge exposure to currency fluctuations in various foreign currencies. The total estimated fair value of these contracts, and amounts receivable or owed associated with closed contracts resulted, in a net liability of approximately \$11 million. These derivative instruments were not designated as hedges and the changes in fair value of the contracts are recorded each period in other, net in the accompanying Condensed Consolidated Statements of Operations.

We have cross-currency swaps between the US dollar and Canadian dollar to hedge certain exposures to the Canadian dollar. At September 30, 2013, we had notional amounts outstanding of \$168 million. The total estimated fair value of these contracts at September 30, 2013, resulted in a liability of \$27 million. These derivative instruments were not designated as hedges and the changes in fair value of the contracts are recorded each period in other, net in the accompanying Condensed Consolidated Statements of Operations.

Off Balance Sheet Arrangements

Weatherford International Ltd., a Swiss joint-stock company, is the ultimate parent ("Weatherford Switzerland") of the Weatherford group and guarantees certain obligations of Weatherford International Ltd., a Bermuda company ("Weatherford Bermuda"), and Weatherford International, LLC., a Delaware limited liability company ("Weatherford Delaware"), noted below.

The following obligations of Weatherford Delaware were guaranteed by Weatherford Bermuda at September 30, 2013 and December 31, 2012: (1) the 6.35% senior notes and (2) the 6.80% senior notes.

The following obligations of Weatherford Bermuda were guaranteed by Weatherford Delaware at September 30, 2013: (1) the revolving credit facility, (2) the 4.95% senior notes, (3) the 5.50% senior notes, (4) the 6.50% senior notes, (5) the 6.00% senior notes, (6) the 7.00% senior notes, (7) the 9.625% senior notes, (8) the 9.875% senior notes, (9) the 5.125% senior notes, (10) the 6.75% senior notes, (11) the 4.50% senior notes and (12) the 5.95% senior notes. The following obligations of Weatherford Bermuda were guaranteed by Weatherford Delaware at December 31, 2012: (1) the revolving credit facility, (2) the 4.95% senior notes, (3) the 5.50% senior notes, (4) the 6.50% senior notes, (5) the 5.15% senior notes, (6) the 6.00% senior notes, (7) the 7.00% senior notes, (8) the 9.625% senior notes, (9) the 9.875% senior notes, (10) the 5.125% senior notes, (11) the 6.75% senior notes, (12) the 4.50% senior notes and (13) the 5.95% senior notes.

Letters of Credit

We execute letters of credit and bid and performance bonds in the normal course of business. As of September 30, 2013, we had \$863 million of letters of credit and bid and performance bonds outstanding, consisting of \$557 million of letters of credit outstanding under various uncommitted credit facilities, \$41 million letters of credit outstanding under our committed facilities and \$265 million of performance bonds issued by financial sureties against an indemnification from us. These obligations could be called by the beneficiaries should we breach certain contractual

or performance obligations. If the beneficiaries were to call the letters of credit under our committed facilities, our available liquidity would be reduced by the amount called.

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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, 2012.

New Accounting Pronouncements

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

Risk Factors

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

Forward-Looking Statements

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

From time to time, we update the various factors we consider in making our forward-looking statements and the assumptions we use in those statements. However, we undertake no obligation to correct, update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise, except to the extent required under federal securities laws. The following sets forth various assumptions we use in our forward-looking statements, as well as risks and uncertainties relating to those statements. Certain of the risks and uncertainties may cause actual results to be materially different from projected results contained in forward-looking statements in this report and in our other disclosures. These risks and uncertainties include, but are not limited to, those described below under Item 1A – Risk Factors and the following:

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

We may be unable to realize our expected revenues from current and future contracts. Our customers, many of whom are national oil companies, often have significant bargaining leverage over us and may elect to cancel or revoke contracts, not renew contracts, modify the scope of contracts or delay contracts, in some cases preventing us from realizing expected revenues and/or profits. 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. Additionally, national oil companies are subject to particular governmental budgeting cycles, constraints, local politics and changes to social, fiscal, and economic development policies, any or all of which may result in an inability of such national oil companies to fund or complete ongoing development and production programs and pay service providers like us in a timely and predictable manner.

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

Our ability to manage our workforce could affect our projected results. We employ tens of thousands of people on six continents in a multitude of legal jurisdictions with differing labor laws. Our need for human resources varies from time to time and place to place corresponding largely to global drilling and production activity. In a climate of decreasing demand, we are faced with managing our workforce levels to control costs without impairing our ability to provide services to our customers and in compliance with various local laws. Conversely, in a climate of increasing demand, we are faced with the challenge of recruiting and retaining a skilled workforce at a reasonable cost. Our forward-looking statements assume we will be able to manage, cost effectively, our workforce in all jurisdictions in which we operate in both up cycles and down cycles.

Increases in the prices and availability of our raw materials could affect our results of operations. We use large amounts of raw materials (including steel and other metals, chemicals, plastics, polymers and energy inputs) for manufacturing our products and some of our fixed assets. The price of these raw materials has a significant impact on our cost of producing products for sale or constructing fixed assets used in our business. We have assumed 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 inventory, invoicing and collection processes and procedures. These undertakings include costs which we expect will result in long-term benefits for our business processes. Our forward-looking statements assume we will realize the benefits of these efforts.

Rapid increases in demand for our products may challenge our supply chain. Many of our products have months-long manufacturing lead times, and we must maintain appropriate levels of manufacturing facilities and trained personnel to ensure the quality and safety of our supply chain. During periods of rapidly increasing or unexpected demand, we may not be able to manufacture sufficient quantities of certain products to meet our customers' demands, which could result in lost opportunities and reputational damage. Conversely, during periods of rapidly decreasing or unexpected declines in demand, we may have committed resources to manufacturing resulting in excess inventories, or we may have underutilized manufacturing capacity, which could adversely affect our financial condition. Our forward-looking statements assume we will be able to forecast and manage our supply chain needs and inventory levels efficiently.

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

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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 U.S. During the first quarter of 2009, we completed a transaction in which our former Bermuda incorporated parent company became a wholly-owned subsidiary of Weatherford Switzerland, a Swiss joint-stock company and holders of shares of the Bermuda company received one registered share of Weatherford Switzerland in exchange for each common share they held. Consequently, we are or may become subject to changes in tax laws, treaties or regulations or the interpretation or enforcement thereof in the U.S., Bermuda, Switzerland or any other jurisdictions in which we or any of our subsidiaries operate or are resident. Our income tax expense is based upon our interpretation of the tax laws in effect in various countries at the time that the expense was incurred. If the U.S. Internal Revenue Service or other taxing authorities do not agree with our assessment of the effects of such laws, treaties and regulations, this could have a material adverse effect on us, including the imposition of a higher effective tax rate on our worldwide earnings. In addition, our realization of expected tax benefits is based upon the assumption that we take successful planning steps and that we maintain and execute adequate processes to support our planning activities. If we fail to do so, we may not achieve the expected benefits.

Nonrealization of expected reductions in our effective tax rate could affect our projected results. We operate in over 100 countries and our income in these jurisdictions is taxed on differing bases including net income actually earned, net income deemed earned and revenue based tax withholding. We expect to achieve significant reductions in our effective tax rate through the implementation of certain tax strategies, changes to our operational structures and realization of certain tax benefits. Our ability to achieve reductions in our effective tax rate can be impacted by changes in or interpretation of tax laws, changes in estimates and assumptions regarding the scope of future operations and results achieved and the timing and nature of and expenditures incurred. Our forward looking statements assume we will achieve reductions in our effective tax rate.

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 or to achieve corporate strategic goals 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 us and that we will successfully dispose of the business or asset. Our inability to complete dispositions timely and at attractive prices may impair our ability to improve our capital structure as rapidly as our forward-looking statements may indicate.

A downturn in our industry could affect the carrying value of our goodwill. As of September 30, 2013, we had approximately \$3.8 billion of goodwill. During the second quarter of 2012, we recorded a goodwill impairment charge of \$589 million, precipitated by a sustained decline in the market price of the company's registered shares. We could recognize additional impairments of our goodwill in the future as a result of various factors, including the impact to our projections from the dispositions of businesses and 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 affect our operations. From time to time, hurricanes, typhoons and severe weather impact our operations in the Gulf of Mexico and Southeast Asia. These storms and associated threats reduce the number of days on which we and our customers operate which results in lower revenues than we otherwise would have achieved. Our Canadian operations, particularly in the second quarter of each year, may vary greatly depending on the timing of "break-up", or the spring thaw, which annually results in a period in which conditions are not conducive to operations. Similarly, unfavorable weather in Russia, Caspian, China, Mexico, and Australia and in the North Sea, as well as exceedingly cold winters in other areas of the world, could reduce our operations and revenues from these areas during the relevant period. Our forward-looking statements assume weather patterns in our primary areas of operations will be conducive to our operations.

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U.S. Government and internal investigations could affect our results of operations. We are currently involved in government and internal investigations involving our operations and we are in negotiations with the government agencies to resolve these matters. 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, the governmental agencies and authorities involved in these investigations have entered into agreements with, and obtained a range of penalties against, several corporations and individuals in similar investigations, under which civil and criminal penalties were imposed, including in some cases fines and other penalties and sanctions in the tens and hundreds of millions of dollars. Considering the progress in the respective negotiations we recognized a \$100 million loss contingency in the quarter ended June 30, 2012 for the potential settlement of the sanctioned countries matter and we recognized a \$153 million loss contingency in the quarter ended June 30, 2013 for the potential settlement of the FCPA and oil-for-food matters. However, uncertainties remain, and therefore an exposure to loss may exist in excess of the amount accrued pending the ultimate resolution of the investigations, and/or we may not ultimately reach final settlement of these matters with the government agencies, and/or we may not obtain court approval of any potential settlement agreement reached with the government, which would be required for final resolution. Any final settlement may contain other features, including: (1) an agreement under which criminal prosecution for the Company would be deferred for three years, but which would be accompanied by a plea agreement imposing a potential criminal conviction on one of the Company's subsidiaries; (2) a requirement to retain, for a period expected to be 18 months, an independent monitor responsible to assess the Company's compliance with the terms of any agreement that may be reached, to be followed by a period of the Company evaluating its own compliance program and making periodic reports to the DOJ and SEC thereon; and (3) a requirement to maintain compliance monitoring and reporting systems meeting certain criteria to be established in the agreement. The above sentence is not meant to be an exhaustive listing of the non-monetary terms that may be imposed by any potential settlement, and such additional terms may be more or less onerous than those listed above. Any injunctive relief, disgorgement, fines, penalties, sanctions, scope and term of a monitor and the on-going costs resulting from these investigations could adversely affect our results of operations. We may have additional charges which may include labor claims, contractual claims, penalties assessed by customers, and costs, fines, taxes and penalties assessed by local governments, but we cannot quantify those charges or be certain of their timing. In addition, the SEC and DOJ are investigating the circumstances surrounding the material weakness in the Company's internal controls over financial reporting for income taxes that was disclosed on Forms 8-K on March 1, 2011, February 21, 2012 and July 24, 2012 and the related restatements of our historical financial statements. We are cooperating fully with the government investigations.

Failure in the future to ensure on-going compliance with certain laws could affect our results of operations. Beginning in 2009 and since then, 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, import/export laws and other applicable 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.

Political disturbances, war, or terrorist attacks and changes in global trade policies could adversely impact our operations. We operate in over 100 countries, and as such are at risk of various types of political activities, including acts of insurrection, war, terrorism, nationalization of assets and changes in trade policies. We have assumed there will be no material political disturbances or terrorist attacks and there will be no material changes in global trade policies that affect our business. In early 2011, our operations in Libya, Algeria, Tunisia, Egypt, and to a lesser extent Yemen and Bahrain were disrupted by political revolutions and uprisings in these countries. Conflict in Libya and lesser political disturbances elsewhere in the Middle East and North Africa regions are on-going, and our operations in Libya have not completely resumed. We risk loss of assets in any location where hostilities arise and persist. In these

areas we also may not be able to perform the work we are contracted to perform, which could lead to forfeiture of performance bonds. We have assumed that cessation of business activities in other parts of the Middle East and North Africa regions due to political turmoil will be short-lived, that the negative impact on our business will not be material, and that the region will not experience further disruptive political revolution in the near term. However, if political violence were to curtail our activities in other countries in the region from which we derive greater business, such as Saudi Arabia, Iraq and Algeria, and particularly if political activities were to result in prolonged violence or conflict, we may fail to achieve the results reflected in our forward-looking statements.

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The material weakness in accounting for income taxes could have an adverse effect on our share price or our debt ratings and our ability to report our financial information timely and accurately. If we are unable to effectively remediate this material weakness, we could lose investor confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on our share price and could subject us to additional potentially costly shareholder litigation or government inquiries. Further, if we are unable to effectively remediate this material weakness, our failure to do so could limit our ability to obtain financing, harm our reputation or result in debt rating agencies adjusting the ratings on our debt downward. Our forward-looking statements assume we will be able to remediate the material weakness and will maintain an effective internal control environment in the future.

Turmoil in the credit markets may reduce our access to capital or reduce the availability of financial risk-mitigation tools. The worldwide credit markets experienced turmoil and uncertainty from mid-2008 through most of 2009, and certain markets remained challenging in parts of 2010. In 2011, several important financial and banking institutions were perceived to be overexposed to credit risks with respect to certain sovereign debt. We do not have access to complete information about the exposures of any particular institution, and we cannot predict what systemic risks may exist in the event of failure of any sovereign debtor, major financial institution or bank. Our forward-looking statements assume that the financial institutions that have committed to extend us credit will honor their commitments under our credit facilities and that capital markets will remain orderly. If one or more of those institutions becomes unwilling or unable to honor its commitments, our access to liquidity could be impaired and our cost of capital to fund growth could increase. We use interest rate and foreign exchange swap transactions with financial institutions to mitigate certain interest rate and foreign exchange risks associated with our capital structure and our business. Our forward-looking statements assume that those tools will continue to be available to us at prices we deem reasonable. However, the failure of any counterparty to honor a swap agreement could reduce the availability of these financial risk mitigation tools or could result in the loss of expected financial benefits.

Finally, our future results will depend upon various other risks and uncertainties, including, but not limited to, those detailed in our other filings with the SEC under the Securities Exchange Act of 1934, as amended, and the Securities Act of 1933, as amended. For additional information regarding risks and uncertainties, see our other filings with the SEC. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act of 1934 are made available free of charge on our website www.weatherford.com as soon as reasonably practicable after we have electronically filed the material with, or furnished it to, the SEC.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are currently exposed to market risk from changes in foreign currency and changes in interest rates. From time to time, we may enter into derivative financial instrument transactions to manage or reduce our market risk. A discussion of our market risk exposure in these financial instruments follows.

Foreign Currency Exchange Rates

We operate in virtually every oil and natural gas exploration and production region in the world. In some parts of the world, such as the Middle East and Southeast Asia, the currency of our primary economic environment is the U.S. dollar, and we use the U.S. dollar 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 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 US 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 US dollar-denominated monetary liability position in the country. Effective January 1, 2011, the Venezuelan government again modified the fixed rate of exchange, eliminating the two-tier structure and establishing 4.30 as the official exchange rate for all goods and services. This modification did not have a material impact to our financial position or results of operations. On February 8, 2013, the Venezuelan government announced its intention to further devalue its currency effective February 13, 2013 at which time the official exchange moved from 4.30 per dollar to 6.30 per dollar for all goods and services. In connection with this devaluation, we recognized a charge of \$100 million in the first quarter of 2013 for the remeasurement of our net monetary assets denominated in the Venezuelan bolivar at the date of the devaluation, which was not tax deductible in Venezuela. We also recorded a \$39 million tax benefit for local Venezuelan income tax purposes related to our net US dollar-denominated monetary liability position in the country. As of September 30, 2013, we had a net monetary asset position denominated in Venezuelan bolivars of approximately \$266 million, comprised primarily of accounts receivable and inventory. We are continuing to explore opportunities to reduce our exposure, but should devaluation occur in the future, we may be required to take further charges related to the remeasurement of our net monetary asset position.

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 \$190 million adjustment to decrease our equity account for 2013 to reflect the change in the U.S. dollar against various foreign currencies.

As of September 30, 2013, we had foreign currency forward contracts with notional amounts aggregating to \$753 million. These contracts were entered into to hedge exposure to currency fluctuations in various foreign currencies.

The total estimated fair value of these contracts and amounts receivable or owed associated with closed contracts resulted in a net liability of approximately \$11 million. These derivative instruments were not designated as hedges and the changes in fair value of the contracts are recorded each period in other, net in the accompanying Condensed Consolidated Statements of Operations.

We have cross-currency swaps between the U.S. dollar and Canadian dollar to hedge certain exposures to the Canadian dollar. At September 30, 2013, we had notional amounts outstanding of \$168 million. The total estimated fair value of these contracts at September 30, 2013, resulted in a liability of \$27 million. These derivative instruments were not designated as hedges and the changes in fair value of the contracts are recorded each period in other, net in the accompanying Condensed Consolidated Statements of Operations.

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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 September 30, 2013 and December 31, 2012, subject to interest rate risk consist of the following:

	September 30, 2013		December 31, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In millions)			
5.15% senior notes due 2013	\$—	\$—	\$294	\$296
4.95% senior notes due 2013	250	251	250	258
5.50% senior notes due 2016	353	380	354	380
6.35% senior notes due 2017	611	677	613	690
6.00% senior notes due 2018	498	562	497	570
9.625% senior notes due 2019	1,022	1,276	1,025	1,307
5.125% senior notes due 2020	797	829	797	875
4.50% senior notes due 2022	747	741	747	794
6.50% senior notes due 2036	595	602	595	645
6.80% senior notes due 2037	298	315	298	339
7.00% senior notes due 2038	497	531	497	564
9.875% senior notes due 2039	247	353	247	370
6.75% senior notes due 2040	596	627	596	680
5.95% senior notes due 2042	545	527	545	600

We have various other long-term debt instruments of \$327 million at September 30, 2013, but believe the impact of changes in interest rates in the near term will not be material to these instruments. The carrying value of our short-term borrowings of \$1.9 billion at September 30, 2013 approximates their fair value.

As it relates to our variable rate debt, if market interest rates average 1% more for the remainder of 2013 than the rates as of September 30, 2013, interest expense for the remainder of 2013 would increase approximately \$5 million. This amount was determined by calculating the effect of the hypothetical interest rate on our variable rate debt. For purposes of this sensitivity analysis, we assumed no changes in our capital structure.

Interest Rate Swaps and Derivatives

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

Amounts paid or received upon termination of the interest rate swaps represent the fair value of the agreements at the time of termination and are recorded as an adjustment to the carrying value of the related debt. These amounts are amortized as a reduction, in the case of gains, or an increase, in the case of losses, to interest expense over the

remaining term of the debt.

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ITEM 4. CONTROLS AND PROCEDURES

Management's Evaluation of Disclosure Controls and Procedures; Changes in Internal Controls over Financial Reporting

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. This information is collected and communicated to management, including our principal executive officer (currently our Chief Executive Officer) and our principal financial officer (currently our Chief Administrative Officer), as appropriate, to allow timely decisions regarding required disclosures. Our management, under the supervision of and with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures at September 30, 2013. Based on that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective at September 30, 2013 because of the material weakness discussed below.

Our management, including our principal executive officer and principal financial officer, identified no change in our internal control over financial reporting during our fiscal quarter ended September 30, 2013, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting, other than the positive changes resulting from the remediation activities described below.

Income Tax Material Weakness Update

As disclosed in our Annual Report on Form 10-K for the year ended December 31, 2012 and Form 10-K/A for the years ended December 31, 2011 and 2010, we previously identified a material weakness in our internal controls over the accounting for income taxes relating to current taxes payable, deferred tax assets and liabilities, liabilities for uncertain tax positions and current and deferred tax expense. This material weakness resulted in the restatement of our consolidated financial statements included in our Annual Reports on Form 10-K for both 2011 and 2010. As previously disclosed, we took steps during 2011 to remediate the material weakness, but ultimately concluded the weakness had not been remediated as of December 31, 2011.

In connection with the preparation of our 2012 first and second quarter financial statements and our on-going income tax remediation activities, we identified additional income tax errors related to prior years. Due to the accumulation of these errors, the Audit Committee of our Board of Directors concluded, on July 24, 2012, that investors should no longer rely upon our previously issued financial statements. Management determined that we would delay filing restated financial statements until reviews of processes and procedures surrounding accounting for income taxes were performed.

During the third and fourth quarters of 2012, we performed additional procedures to ensure our previously issued consolidated financial statements were prepared in accordance with generally accepted accounting principles. These procedures included the validation of key income tax accounts in all jurisdictions, expanded review of uncertain tax positions, additional focus on transfer pricing activities and a further review of our accounting for withholding taxes. With respect to our expanded review of accounting for uncertain tax positions, we performed (1) a validation of all previously identified uncertain tax positions and related measurement amounts and (2) a completeness assessment that included surveys completed by in-country and regional tax and accounting personnel. As a result of these procedures, we identified additional areas of exposure across multiple jurisdictions that resulted in further restatement in amended reports filed with the SEC on December 17, 2012, of our previously reported financial statements for the years ended December 31, 2011, 2010 and 2009 our condensed consolidated financial statements for the first quarter of 2012 and each quarter within 2011 and 2010.

Throughout 2012, we continued to strengthen our tax department personnel and internal control structure, including the hiring of a new Vice President, Tax in July 2012, and the addition of more than 25 highly qualified tax professionals in both our corporate and regional tax organizations. On-going efforts to remediate the material weakness also included reviews and enhancements to key tax processes, additional worldwide training of both tax and accounting personnel, enhanced procedures related to timeliness of tax return filings, and implementation of technology solutions to eliminate manual processes. While significant improvements to our system of internal controls were achieved during 2012 processes were not yet sufficiently mature to ensure sustainability.

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We continue to review and enhance our system of internal controls. As such, the following activities have been undertaken during 2013:

- On-going evaluation of the tax organizational structure. To date we have hired more than 65 qualified tax professionals and have significantly reduced our reliance on consultants.
- On-going evaluation of our tax accounting processes and controls to ensure that they are appropriate for our organization, implementing enhancements when appropriate to improve effectiveness.
- Prepared tax basis balance sheets and reconciled the deferred tax accounts to validate the balances reported as of December 31, 2012.
- On-going analysis and assessment of uncertain tax positions in all jurisdictions as part of our normal process, leveraging the extensive work performed by the Company in connection with the December 17, 2012 restatement.
- On-going review and assessment of our information technology infrastructure that supports our income tax processes.
- Conducted world-wide on-sight training that included a broad range of income tax accounting topics. Both tax and financial accounting personnel attended.
- On-going assessment of areas where additional training may be required.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

We have updated a risk factor affecting our business since those presented in our Annual Report on Form 10-K, Part I, Item 1A, for the year ended December 31, 2012, filed with the SEC on March 4, 2013. Except for the risk factor updated, there have been no material changes in our assessment of our risk factors from those set forth in our Annual Report on Form 10-K. Our updated risk factors are included below.

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 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 the April 2010 accident in the Gulf of Mexico, including possible increases in liabilities or funding requirements imposed by governmental agencies. We also cannot ensure that our future business in the deepwater Gulf, if any, will be profitable in light of new regulations that have been and may continue to 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.

Members of the U.S. Congress, the U.S. Environmental Protection Agency and various agencies of several states within the U.S. are reviewing more stringent regulation of hydraulic fracturing, a service we provide to clients, and regulators are investigating whether any chemicals used in the fracturing process might adversely affect groundwater. In 2011, 2012 and 2013, several states within the U.S. passed new laws and regulations concerning hydraulic fracturing. A significant portion of North American service activity today is directed at prospects that require hydraulic fracturing in order to produce hydrocarbons. Therefore, additional regulation could increase the costs of conducting our business by subjecting fracturing to more stringent regulation. Such regulation, among other things, may change construction standards for wells intended for hydraulic fracturing, require additional certifications concerning the conduct of hydraulic fracturing operations, change requirements pertaining to the management of water used in hydraulic fracturing operations, or require other measures intended to prevent operational hazards. Any such federal, state or foreign legislation could increase our costs of providing services or could materially reduce our business opportunities and revenues if our customers decrease their levels of activity in response to such regulation or if we are not able to pass along any cost increases on to our customers. We are unable to predict whether changes in laws or regulations or any other governmental proposals or responses will ultimately occur, and accordingly, we are unable to assess the potential financial or operational impact they may have on our business.

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

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

During the quarter ended September 30, 2013, we withheld shares to satisfy these tax withholding obligations as follows:

Period	No. of Shares	Average Price
July 1 – July 31, 2013	35,762	\$ 13.88
August 1 – August 31, 2013	14,082	14.46
September 1 – September 30, 2013	21,862	15.45

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

Exhibit Number	Description
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*31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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*31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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**32.1	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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**32.2	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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**101	<p>The following materials from Weatherford International Ltd.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, formatted in XBRL (Extensible Business Reporting Language): (1) the unaudited Condensed Consolidated Balance Sheets, (2) the unaudited Condensed Consolidated Statements of Operations, (3) the unaudited Condensed Consolidated Statements of Cash Flows, (4) the unaudited Condensed Consolidated Statements of Comprehensive Income and (5) related notes to the unaudited Condensed Consolidated Financial Statements.</p>
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* Filed with this Form 10-Q

** Furnished with this Form 10-Q

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SIGNATURES

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

Weatherford International Ltd.

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

/s/ Doug M. Mills
Doug M. Mills
Vice President and
Chief Accounting Officer
(Principal Accounting Officer)

Date: November 5, 2013