WEATHERFORD INTERNATIONAL LTD
Form 10-Q
August 03, 2007

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**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**WASHINGTON, D.C. 20549**
**FORM 10-Q**

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

**For the quarterly period ended June 30, 2007**

**OR**

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

**For the transition period from __________ to __________**

**Commission file number 1-31339**

**WEATHERFORD INTERNATIONAL LTD.**

(Exact name of Registrant as specified in its Charter)

| | |
|---|---|
| Bermuda | 98-0371344 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| 515 Post Oak Boulevard<br>Suite 600<br>Houston, Texas | 77027-3415 |
| (Address of principal executive offices) | (Zip Code) |

(713) 693-4000

(Registrant s telephone number, include area code)

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

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

Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No þ

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

| Title of Class | Outstanding at July 31, 2007 |
|---|---|
| Common Shares, par value $1.00 | 336,993,477 |

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## PART I. FINANCIAL INFORMATION
## ITEM 1. FINANCIAL STATEMENTS

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

| | June 30, 2007 (unaudited) | December 31, 2006 |
|---|---|---|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | $ 115,504 | $ 126,287 |
| Accounts Receivable, Net of Allowance for Uncollectible Accounts of $14,603 and $13,452, Respectively | 1,740,277 | 1,560,849 |
| Inventories | 1,515,812 | 1,239,034 |
| Other Current Assets | 504,696 | 465,605 |
| | 3,876,289 | 3,391,775 |
| Property, Plant and Equipment, Net of Accumulated Depreciation of $2,151,174 and $1,925,177, Respectively | 3,491,395 | 2,979,271 |
| Goodwill | 3,239,487 | 3,000,589 |
| Other Intangible Assets, Net | 606,365 | 599,828 |
| Equity Investments in Unconsolidated Affiliates | 358,172 | 31,175 |
| Other Assets | 157,691 | 136,610 |
| | $ 11,729,399 | $ 10,139,248 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | |
| Current Liabilities: | | |
| Short-term Borrowings and Current Portion of Long-term Debt | $ 268,440 | $ 648,736 |
| Accounts Payable | 527,976 | 509,942 |
| Other Current Liabilities | 716,875 | 884,467 |
| | 1,513,291 | 2,043,145 |
| Long-term Debt | 3,072,430 | 1,564,600 |
| Deferred Tax Liabilities | 227,837 | 136,208 |
| Other Liabilities | 300,416 | 220,496 |
| Commitments and Contingencies | | |
| Shareholders Equity: | | |
| Common Shares, $1 Par Value, Authorized 1,000,000 Shares, Issued 362,715 and 361,921 Shares, Respectively | 362,715 | 361,921 |

| | | |
|---|---|---|
| Capital in Excess of Par Value | 4,324,540 | 4,275,534 |
| Treasury Shares, Net | (855,046) | (681,116) |
| Retained Earnings | 2,546,458 | 2,099,307 |
| Accumulated Other Comprehensive Income | 236,758 | 119,153 |
| | 6,615,425 | 6,174,799 |
| | $ 11,729,399 | $ 10,139,248 |

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

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

| | Three Months Ended June 30, 2007 | Three Months Ended June 30, 2006 | Six Months Ended June 30, 2007 | Six Months Ended June 30, 2006 |
|---|---|---|---|---|
| Revenues: | | | | |
| Products | $ 676,851 | $ 601,931 | $ 1,359,103 | $ 1,170,614 |
| Services | 1,139,094 | 936,645 | 2,309,127 | 1,903,973 |
| | 1,815,945 | 1,538,576 | 3,668,230 | 3,074,587 |
| Costs and Expenses | | | | |
| Cost of Products | 614,154 | 412,510 | 1,103,023 | 803,057 |
| Cost of Services | 578,314 | 585,762 | 1,253,801 | 1,179,577 |
| Research and Development | 40,700 | 37,361 | 81,214 | 73,804 |
| Selling, General and Administrative Attributable to Segments | 220,764 | 181,469 | 423,195 | 365,054 |
| Corporate General and Administrative | 35,561 | 24,277 | 65,621 | 46,533 |
| Equity in Earnings of Unconsolidated Affiliates | (989) | (3,293) | (1,779) | (5,927) |
| Operating Income | 327,441 | 300,490 | 743,155 | 612,489 |
| Other Expense: | | | | |
| Interest Expense, Net | (35,293) | (23,637) | (69,064) | (42,579) |
| Other, Net | (5,934) | (9,926) | (8,306) | (10,749) |
| Income from Continuing Operations Before Income Taxes and Minority Interest | 286,214 | 266,927 | 665,785 | 559,161 |
| Provision for Income Taxes | (105,271) | (77,533) | (196,649) | (162,406) |
| Income from Continuing Operations Before Minority Interest | 180,943 | 189,394 | 469,136 | 396,755 |
| Minority Interest, Net of Taxes | (4,463) | (899) | (8,837) | (1,736) |
| Income from Continuing Operations | 176,480 | 188,495 | 460,299 | 395,019 |
| Loss from Discontinued Operation, Net of Taxes | (11,170) | (1,648) | (13,417) | (4,855) |
| Net Income | $ 165,310 | $ 186,847 | $ 446,882 | $ 390,164 |
| Basic Earnings Per Share: | | | | |
| Income from Continuing Operations | $ 0.52 | $ 0.54 | $ 1.36 | $ 1.13 |
| Loss from Discontinued Operation | (0.03) | (0.00) | (0.04) | (0.01) |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Net Income | $ | 0.49 | $ | 0.54 | $ | 1.32 | $ | 1.12 |
| | | | | | | | | |
| Diluted Earnings Per Share: | | | | | | | | |
| Income from Continuing Operations | $ | 0.51 | $ | 0.53 | $ | 1.33 | $ | 1.10 |
| Loss from Discontinued Operation | | (0.03) | | (0.01) | | (0.04) | | (0.01) |
| Net Income | $ | 0.48 | $ | 0.52 | $ | 1.29 | $ | 1.09 |
| | | | | | | | | |
| Weighted Average Shares Outstanding: | | | | | | | | |
| Basic | | 338,331 | | 348,853 | | 338,670 | | 349,006 |
| Diluted | | 347,817 | | 358,433 | | 347,062 | | 358,164 |

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

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

| | Six Months Ended June 30, 2007 | Six Months Ended June 30, 2006 |
|---|---|---|
| Cash Flows from Operating Activities: | | |
| Net Income | $ 446,882 | $ 390,164 |
| Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities: | | |
| Depreciation and Amortization | 280,057 | 230,483 |
| Gain on Sales of Assets, Net | (19,680) | (10,544) |
| Loss from Discontinued Operation | 13,417 | 4,855 |
| Equity in Earnings of Unconsolidated Affiliates | (1,779) | (5,927) |
| Employee Share-Based Compensation Expense | 37,213 | 28,467 |
| Excess Tax Benefits from Share-Based Compensation | (8,154) | (690) |
| Minority Interest | 8,837 | 1,736 |
| Deferred Income Tax Provision (Benefit) | 95,071 | (1,536) |
| Other, Net | 11,431 | 3,517 |
| Change in Operating Assets and Liabilities, Net of Effect of Businesses Acquired | (583,071) | (126,227) |
| Net Cash Provided by Operating Activities Continuing Operations | 280,224 | 514,298 |
| Net Cash Used by Operating Activities Discontinued Operation | (14,038) | (4,574) |
| Net Cash Provided by Operating Activities | 266,186 | 509,724 |
| Cash Flows from Investing Activities: | | |
| Acquisitions of Businesses, Net of Cash Acquired | (211,044) | (106,077) |
| Capital Expenditures for Property, Plant and Equipment | (672,528) | (446,306) |
| Acquisition of Intellectual Property | (14,057) | (4,945) |
| Purchase of Equity Investment in Unconsolidated Affiliates | (331,771) | ¾ |
| Proceeds from Sale of Assets and Business, Net | 30,390 | 1,352 |
| Net Cash Used by Investing Activities Continuing Operations | (1,199,010) | (555,976) |
| Net Cash Used by Investing Activities Discontinued Operation | (12,265) | (4,833) |
| Net Cash Used by Investing Activities | (1,211,275) | (560,809) |
| Cash Flows from Financing Activities: | | |
| Borrowings of (Repayments on) Short-term Debt, Net | (389,517) | 86,524 |
| Borrowings of Long-term Debt, Net | 1,483,443 | 143,215 |
| Purchase of Treasury Shares | (179,262) | (238,652) |
| Proceeds from Exercise of Stock Options | 13,010 | 52,062 |
| Excess Tax Benefits from Share-Based Compensation | 8,154 | 690 |
| Other Financing Activities, Net | (1,522) | 376 |

| | | |
|---|---|---|
| Net Cash Provided by Financing Activities Continuing Operations | 934,306 | 44,215 |
| Net Cash Provided by Financing Activities Discontinued Operation | ¾ | ¾ |
| Net Cash Provided by Financing Activities | 934,306 | 44,215 |
| Net Decrease in Cash and Cash Equivalents | (10,783) | (6,870) |
| Cash and Cash Equivalents at Beginning of Period | 126,287 | 134,245 |
| Cash and Cash Equivalents at End of Period | $ 115,504 | $ 127,375 |
| Supplemental Cash Flow Information: | | |
| Interest Paid | $ 73,460 | $ 45,226 |
| Income Taxes Paid, Net of Refunds | 207,855 | 76,452 |

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

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007** | **2006** |
| Net Income | $ 165,310 | $ 186,847 | $ 446,882 | $ 390,164 |
| Other Comprehensive Income: | | | | |
| Reclassification Adjustment for Deferred Gain, net on Derivative Instruments | 39 | 21 | 75 | 6,289 |
| Pension Adjustments | 3,530 | ¾ | 4,582 | ¾ |
| Pension Remeasurement Loss | (15,427) | ¾ | (15,427) | ¾ |
| Foreign Currency Translation Adjustment | 124,453 | 52,175 | 128,375 | 61,867 |
| Comprehensive Income | $ 277,905 | $ 239,043 | $ 564,487 | $ 458,320 |

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 condensed consolidated financial statements of Weatherford International Ltd. and all majority-owned subsidiaries (the Company ) included herein are unaudited; however, they include all adjustments of a normal recurring nature which, in the opinion of management, are necessary to present fairly the Company s Condensed Consolidated Balance Sheet at June 30, 2007, Condensed Consolidated Statements of Income and Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2007 and 2006, and Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2007 and 2006. Although the Company believes the disclosures in these financial statements are adequate to make the interim information presented not misleading, certain information relating to the Company s 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 Securities and Exchange Commission rules and regulations. These financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2006 and the notes thereto included in the Company s Annual Report on Form 10-K. The results of operations for the three and six months ended June 30, 2007 are not necessarily indicative of the results expected for the full year.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period and disclosure of contingent liabilities. On an ongoing basis, the Company evaluates its estimates, including those related to bad debts, inventories, investments, intangible assets and goodwill, property, plant and equipment, income taxes, insurance, employment benefits and contingent liabilities. The Company bases its 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.

Certain reclassifications have been made to conform prior year financial information to the current period presentation.

The Company reviewed the presentation of its reporting segments during the first quarter of 2007. Based on this review, the Company determined that its operational performance would be segmented and reviewed on a geographic basis. As a result, the Company realigned its financial reporting segments and will now report the following regions as separate, distinct reporting segments: (1) North America, (2) Latin America, (3) Europe/West Africa/the Commonwealth of Independent States ( CIS ) and (4) Middle East/North Africa/Asia. The Company s historical segment data previously reported under the Evaluation, Drilling & Intervention Services and Completion & Production Systems divisions have been restated for all periods to conform to the new presentation (See Notes 6 and 16).

**2. Critical Accounting Policies**

There have been no material changes or developments in the Company s evaluation of accounting estimates and underlying assumptions or methodologies that the Company believes to be Critical Accounting Policies and Estimates as disclosed in our Form 10-K, for the year ended December 31, 2006.

**3. Business Combinations**

The Company has acquired businesses critical to its long-term growth strategy. Results of operations for acquisitions are included in the accompanying Condensed Consolidated Statements of Income from the date of acquisition. The balances included in the Condensed Consolidated Balance Sheets related to acquisitions are based on preliminary information and are subject to change when final asset valuations are obtained and the potential for liabilities has been evaluated. Acquisitions are accounted for using the purchase method of accounting and the

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

purchase price is allocated to the net assets acquired based upon their estimated fair values at the date of acquisition. Final valuations of assets and liabilities are obtained and recorded within one year from the date of the acquisition.

During the first half of 2007, the Company effected various acquisitions that were integrated into the Company s operations for total consideration of approximately $191.6 million.

In August of 2005, the Company acquired Precision Energy Services and Precision Drilling International. In association with the acquisition, the Company identified pre-acquisition contingencies related to duties and taxes associated with the importation of certain equipment assets to foreign jurisdictions. The Company calculated a range of reasonable estimates of the costs associated with these duties. As no amount within the range appeared to be a better estimate than any other, the Company used the amount that is the low end of the range in accordance with Statement of Financial Accounting Standards ( SFAS ) No. 5, *Accounting for Contingencies*, and its interpretations. At June 30, 2007, the Company has recorded a liability in the amount of approximately $20 million for this matter. If the Company used the high end of the range, the aggregate potential liability would be approximately $27 million higher. It is reasonably possible that the actual amount paid to settle these items could be materially different from the Company s estimate and could have a material adverse effect on its consolidated financial statements.

**4. Inventories**

Inventories by category are as follows:

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| | *(In thousands)* | |
| Raw materials, components and supplies | $ 344,336 | $ 330,006 |
| Work in process | 121,509 | 98,920 |
| Finished goods | 1,049,967 | 810,108 |
| | $ 1,515,812 | $ 1,239,034 |

Inventories are stated at the lower of cost or market. Work in process and finished goods inventories include the cost of materials, labor and plant overhead.

**5. Discontinued Operation**

In June 2007, the Company s management approved a plan to sell its oil and gas development and production business. We expect the sale of this business to be finalized within the next twelve months. The business was historically included in the Company s North America and Europe/West Africa/CIS segments. In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ( SFAS No. 144 ), the results of operations, financial position and cash flows of the business have been reflected in the condensed consolidated financial statements and notes as a discontinued operation for all periods presented. The Current Assets Held for Sale and Current Liabilities Held for Sale are included in Other Current Assets and Other Current Liabilities, respectively, in the Condensed Consolidated Balance Sheets.

The $13.4 million loss from discontinued operation for the six months ended June 30, 2007, includes non-cash asset impairment charges of $9.2 million.

Interest charges have been allocated to the discontinued operation in accordance with Emerging Issues Task Force ( EITF ) Issue No. 87-24, *Allocation of Interest to Discontinued Operations*. The interest was allocated based on a pro rata calculation of the net assets of the discontinued business to the Company s consolidated net assets.

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

Operating results of the discontinued operation are as follows:

| | Three Months Ended June 30, 2007 | Three Months Ended June 30, 2006 | Six Months Ended June 30, 2007 | Six Months Ended June 30, 2006 |
|---|---|---|---|---|
| | *(In thousands)* | | | |
| Revenues | $ 1,206 | $ ¾ | $ 1,206 | $ ¾ |
| Loss Before Income Taxes | $ 13,373 | $ 2,122 | $ 16,699 | $ 6,816 |
| Benefit for Income Taxes | 2,203 | 474 | 3,282 | 1,961 |
| Loss from Discontinued Operation, Net of Taxes | $ 11,170 | $ 1,648 | $ 13,417 | $ 4,855 |

Balance sheet information for the discontinued operation is as follows:

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| | *(In thousands)* | |
| Other Current Assets | $ 3,458 | $ 1,715 |
| Property, Plant and Equipment, Net | 34,038 | 24,377 |
| Other Assets | 2,992 | 7,401 |
| Current Assets Held for Sale | $ 40,488 | $ 33,493 |
| Accounts Payable | $ 388 | $ 2,553 |
| Other Current Liabilities | 709 | 4,826 |
| Other Liabilities | 391 | ¾ |
| Current Liabilities Held for Sale | $ 1,488 | $ 7,379 |

**6. Goodwill**

Goodwill is evaluated for impairment in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets* ( SFAS No. 142 ), which requires that such assets be tested for impairment on at least an annual basis. The Company performs its annual goodwill impairment test as of October 1. The Company performed a goodwill impairment test as of January 1, 2007 due to the change in its reporting segments (See Notes 1 and 16). The Company s January 1, 2007 and October 1, 2006 impairment tests indicated goodwill was not impaired.

The Company s goodwill impairment test involves a comparison of the fair value of each of the Company s reporting units, as defined under SFAS No. 142, with its carrying amount. The fair value is determined using discounted cash flows. The Company will continue to test its goodwill annually as of October 1 unless events occur or circumstances change between annual tests that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

In connection with the June 2007 approval of the plan to sell its discontinued operation (See Note 5), $6.9 million of goodwill from the Company s North America reporting unit was allocated to the discontinued business based on a relative fair value approach.

As of January 1, 2007, the Company recorded an adjustment of $1.4 million to its goodwill balance as a result of the adoption of Financial Accounting Standards Board ( FASB ) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109* ( FIN No. 48 ) (See Note 10).

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

The changes in the carrying amount of goodwill for the six months ended June 30, 2007 are as follows:

| | North America | Latin America | Europe/ West Africa/ CIS | Middle East/ North Africa/ Asia | Total |
|---|---|---|---|---|---|
| | | | *(In thousands)* | | |
| As of December 31, 2006 | $ 1,759,086 | $ 146,507 | $ 499,686 | $ 595,310 | $ 3,000,589 |
| Goodwill acquired during period | 24,642 | (620) | 123,147 | 3,087 | 150,256 |
| Purchase price and other adjustments | (363) | 3,937 | 361 | 475 | 4,410 |
| Impact of foreign currency translation | 68,289 | 3,011 | 10,006 | 2,926 | 84,232 |
| As of June 30, 2007 | $ 1,851,654 | $ 152,835 | $ 633,200 | $ 601,798 | $ 3,239,487 |

**7. Other Intangible Assets, Net**

The components of intangible assets are as follows:

| | June 30, 2007 | | | December 31, 2006 | | |
|---|---|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net | Gross Carrying Amount | Accumulated Amortization | Net |
| | | | *(In thousands)* | | | |
| Acquired technology | $ 329,115 | $ (39,203) | $ 289,912 | $ 311,939 | $ (26,620) | $ 285,319 |
| Licenses | 236,223 | (67,880) | 168,343 | 226,444 | (60,316) | 166,128 |
| Patents | 132,982 | (46,197) | 86,785 | 127,799 | (42,184) | 85,615 |
| Customer relationships | 28,396 | (4,724) | 23,672 | 27,043 | (3,133) | 23,910 |
| Customer contracts | 21,890 | (5,370) | 16,520 | 21,890 | (4,027) | 17,863 |
| Covenants not to compete | 27,404 | (24,576) | 2,828 | 24,831 | (23,257) | 1,574 |
| Other | 15,636 | (8,732) | 6,904 | 15,761 | (7,743) | 8,018 |
| Total finite-lived intangible assets | 791,646 | (196,682) | 594,964 | 755,707 | (167,280) | 588,427 |
| Intangible assets with an indefinite useful life | 11,401 | ¾ | 11,401 | 11,401 | ¾ | 11,401 |
| | $ 803,047 | $ (196,682) | $ 606,365 | $ 767,108 | $ (167,280) | $ 599,828 |

The estimated fair value of intangible assets obtained through acquisitions consummated in the preceding twelve months are based on preliminary information which is subject to change when final valuations are obtained.

The Company has trademarks which are considered to have indefinite lives as the Company has the ability and intent to renew indefinitely. These trademarks had a carrying value of $11.4 million as of June 30, 2007 and

December 31, 2006.

Amortization expense was $13.2 million and $26.2 million for the three and six months ended June 30, 2007, respectively, and $12.8 million and $24.5 million for the three and six months ended June 30, 2006, respectively. Future estimated amortization expense for the carrying amount of intangible assets as of June 30, 2007 is expected to be as follows (in thousands):

| | |
|---|---|
| Remainder of 2007 | $ 26,589 |
| 2008 | 51,755 |
| 2009 | 50,487 |
| 2010 | 49,596 |
| 2011 | 48,811 |

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

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

The components of our short-term borrowings are as follows:

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| | *(In thousands)* | |
| Revolving credit facility | $ 76,739 | $ 75,321 |
| Canadian credit facility | 9,297 | 6,854 |
| Commercial paper program | 68,061 | 490,808 |
| Other short-term bank borrowings | 99,746 | 60,010 |
| Total Short-term Borrowings | 253,843 | 632,993 |
| Current Portion of Long-term Debt | 14,597 | 15,743 |
| Short-term Borrowings and Current Portion of Long-term Debt | $ 268,440 | $ 648,736 |

On June 18, 2007, the Company completed a $1.5 billion long-term debt offering comprised of (i) $600 million senior notes at a coupon rate of 5.95% with a maturity in June 2012, (ii) $600 million senior notes at a coupon rate of 6.35% with a maturity in June 2017 and (iii) $300 million senior notes at a coupon rate of 6.80% with a maturity in June 2037. Net proceeds of approximately $1.486 billion were used to repay outstanding borrowings on our commercial paper program and for general corporate purposes.

The Company maintains a revolving credit agreement with a syndicate of banks of which JPMorgan Chase Bank is the Administrative Agent ( Revolving Credit Facility ). The aggregate lending commitment of this facility is $1.5 billion and allows for a combination of borrowings, support of the Company s commercial paper program and issuances of letters of credit. There were borrowings of $76.7 million and $62.2 million in outstanding letters of credit under the Revolving Credit Facility at June 30, 2007. The weighted average interest rate on the outstanding borrowings of this facility was 4.3% at June 30, 2007. The Revolving Credit Facility requires the Company to maintain a debt-to-capitalization ratio of less than 60% and contains other covenants and representations customary for an investment-grade commercial credit. The Company was in compliance with these covenants at June 30, 2007.

At June 30, 2007, the Company also maintained a Canadian dollar committed facility ( Canadian Credit Facility ) to support operations in that country. The Canadian Credit Facility provides for borrowings or letters of credit up to an aggregate of 25.0 million Canadian dollars, or $23.4 million, as of June 30, 2007. There were borrowings of $9.3 million and $0.4 million in outstanding letters of credit under the Canadian Credit Facility at June 30, 2007. The weighted average interest rate on the outstanding borrowings of this facility was 6.0% at June 30, 2007. Effective July 20, 2007, the Canadian Credit Facility was amended to convert it to an uncommitted facility.

The Company has a $1.5 billion commercial paper program under which it may from time to time issue short-term unsecured notes. The commercial paper program is supported by the Company s Revolving Credit Facility. As of June 30, 2007, the Company had $68.1 million of outstanding commercial paper issuances with a weighted average maturity of 61 days. The weighted average interest rate related to outstanding commercial paper issuances at June 30, 2007 was 5.4%.

The Company has short-term borrowings with various domestic and international institutions pursuant to uncommitted facilities. At June 30, 2007, the Company had $99.7 million in short-term borrowings under these arrangements with a weighted average interest rate of 6.5%. In addition, the Company had $109.5 million of letters of credit and bid and performance bonds outstanding under these uncommitted facilities.

**9. Derivative Instruments**

*Interest Rate Swaps*

The Company may use interest rate swap agreements to take advantage of available short-term interest rates. Amounts received or paid upon termination of the swap agreements represent the fair value of the agreements at the

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

time of termination and are recorded as an adjustment to the carrying value of the related debt. These amounts are amortized as a reduction to interest expense over the remaining term of the debt.

As of June 30, 2007 and December 31, 2006, the Company had net unamortized gains of $13.2 million and $14.3 million, respectively, associated with interest rate swap terminations. The Company s interest expense was reduced by $0.5 million and $1.1 million for the three and six months ended June 30, 2007, respectively, and $1.2 million and $3.0 million for the three and six months ended June 30, 2006, respectively, as a result of the Company s interest rate swap activity. There were no interest rate swap agreements outstanding as of June 30, 2007.

*Cash Flow Hedges*

The Company may utilize interest rate derivatives to hedge projected exposures to interest rates in anticipation of future debt issuances. Amounts received or paid upon termination of these hedges represent the fair value of the agreements at the time of termination and are recorded as an adjustment to Other Comprehensive Income. These amounts are being amortized as an adjustment to interest expense over the remaining term of the related debt. There were no interest rate derivative agreements outstanding as of June 30, 2007.

*Other Derivative Instruments*

As of June 30, 2007, the Company had several foreign currency forward contracts and one option contract with notional amounts aggregating $522.3 million, which were entered into to hedge exposure to currency fluctuations in various foreign currencies, including the Argentine peso, the Australian dollar, the Brazilian real, the British pound sterling, the Canadian dollar, the Columbian peso, the euro, the Indian rupee, the New Zealand dollar, and the Thai baht. The total estimated change in fair value of these contracts compared to the original notional amount at June 30, 2007 resulted in a liability of $1.5 million. These derivative instruments were not designated as hedges and the changes in fair value of the contracts are recorded each period in current earnings.

In addition, after the closing of the acquisition of Precision Energy Services and Precision Drilling International on August 31, 2005, the Company entered into a series of cross-currency swaps between the U.S. dollar and Canadian dollar to hedge certain exposures to the Canadian dollar created as a result of the acquisition. At June 30, 2007, the Company had notional amounts outstanding of $364.3 million. The total estimated change in fair value of these contracts at June 30, 2007 compared to the original notional amount resulted in a liability of $46.9 million. These derivative instruments were not designated as hedges and the changes in fair value of the contracts are recorded each period in current earnings.

**10. Income Taxes**

The Company s effective tax rates were 36.8% and 29.5% for the three and six months ended June 30, 2007, respectively, and 29.0% for both the three and six months ended June 30, 2006. This percentage increase was due primarily to withholding taxes of $50.0 million required to be paid on a distribution made to one of our foreign subsidiaries net of the benefits realized from the refinement of the Company s international tax structure and changes in the Company s geographic earnings mix.

The Company adopted the provisions of FIN No. 48 on January 1, 2007. The total amount of unrecognized tax benefits as of the date of adoption was $33.9 million. As a result of the implementation of FIN No. 48, the Company recognized a $1.1 million increase in the liability for unrecognized benefits accounted for as a $0.3 million increase to retained earnings (cumulative effect) and a $1.4 million increase to goodwill.

Included in the balance of unrecognized tax benefits as January 1, 2007, are $27.6 million of tax benefits that, if recognized in future periods, would impact the Company s effective tax rate. Also included in the balance of unrecognized tax benefits at January 1, 2007 are $6.3 million of tax benefits that, if recognized, would result in a decrease to goodwill in purchase business combinations.

To the extent penalties and interest would be assessed on any underpayment of income tax, such amounts have been accrued and classified as a component of income tax expense in the financial statements. This is an accounting policy election made by the Company that is a continuation of the Company s historical policy and will

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**WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES**
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continue to be consistently applied in the future. As of January 1, 2007, the Company has accrued $6.8 million of interest and penalties related to unrecognized tax benefits.

At June 30, 2007, the Company had a $39.6 million liability recorded for unrecognized tax benefits. The Company has accrued $8.8 million of interest and penalties related to unrecognized tax benefits. The amount of unrecognized tax benefits that, if recognized in future periods, would affect the Company s effective tax rate is $30.8 million. The balance of unrecognized tax benefits also includes $8.8 million of tax benefits that, if recognized in future periods, would result in a decrease to goodwill in purchase business combinations.

The Company is subject to income tax in many of the approximately 100 countries where it operates including major operations in the United States, the United Kingdom, and Canada. Many of the Company s subsidiaries are open to examination in the United Kingdom and Canada dating from 1998 and 1999, respectively through December 31, 2006. The Company is open to examination in the United States for tax years ended December 31, 2003 through December 31, 2006.

**11. Earnings Per Share**

Basic earnings per share for all periods presented equals net income divided by the weighted average number of the Company s common shares, $1.00 par value ( Common Shares ) outstanding during the period. Diluted earnings per share is computed by dividing net income by the weighted average number of Common Shares outstanding during the period as adjusted for the dilutive effect of the Company s stock option and restricted share plans and warrant.

The diluted earnings per share calculation for the six months ended June 30, 2007 excludes 0.1 million stock options that were anti-dilutive. There were no anti-dilutive stock options during the three months ended June 30, 2007. The diluted earnings per share calculation for the three and six months ended June 30, 2006 excludes 16 thousand and eight thousand stock options that were anti-dilutive, respectively.

The following reconciles basic and diluted weighted average shares outstanding (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Basic weighted average shares outstanding | 338,331 | 348,853 | 338,670 | 349,006 |
| Dilutive effect of: | | | | |
| Warrant | 2,805 | 2,809 | 2,274 | 2,377 |
| Stock option and restricted share plans | 6,681 | 6,771 | 6,118 | 6,781 |
| Diluted weighted average shares outstanding | 347,817 | 358,433 | 347,062 | 358,164 |

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

**12. Supplemental Cash Flow Information**

The following summarizes investing activities relating to acquisitions integrated into the Company s operations for the periods shown:

| | Six Months Ended June 30, | |
|---|---|---|
| | 2007 | 2006 |
| | *(In thousands)* | |
| Fair value of assets, net of cash acquired | $ 108,591 | $ 42,944 |
| Goodwill | 150,256 | 68,355 |
| Consideration paid related to prior year acquisitions | 19,421 | 6,216 |
| Total liabilities | (67,224) | (11,438) |
| Cash consideration, net of cash acquired | $ 211,044 | $ 106,077 |

***Non-cash Activities***

During the six months ended June 30, 2007 there were non-cash investing activities of $20.0 million related to a note received in exchange for the sale of a minority interest in a subsidiary of the Company.

**13. Share-Based Compensation**

The Company recognized employee share-based compensation expense of $20.7 million and $37.2 million during the three and six months ended June 30, 2007, respectively, and $14.1 million and $28.5 million during the three and six months ended June 30, 2006, respectively. The related income tax benefit recognized was $7.2 million and $13.0 million for the three and six months ended June 30, 2007, respectively, and $4.9 million and $10.0 million for the three and six month ended June 30, 2006, respectively. The Company capitalized share-based compensation during the three and six months ended June 30, 2007 in the amount of $0.2 million and $0.3 million, respectively, and $2.1 million and $2.3 million for the three and six months ended June 30, 2006, respectively.

The unrecognized compensation cost related to the Company s unvested stock options and restricted share grants as of June 30, 2007 was $8.8 million and $148.3 million, respectively, and both are expected to be recognized over a weighted-average period of 2.2 years.

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**WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES**
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### 14. Retirement and Employee Benefit Plans

The Company has defined benefit pension and other post-retirement benefit plans covering certain U.S. and international employees. Plan benefits are generally based on factors such as age, compensation levels and years of service. During the current quarter, one of the U.S. plans was remeasured to incorporate significant events that occurred during the first quarter of 2007. The largest impact of the remeasurement was a $23.7 million loss generated as a result of compensation changes. The loss was recorded on the balance sheet as an increase to Other Liabilities with a corresponding decrease to Other Comprehensive Income, net of tax. The components of net periodic benefit cost for the three and six months ended June 30, 2007 and 2006 are as follows:

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2007 | | 2006 | |
| | United States | International | United States | International |
| | (In thousands) | | | |
| Service cost | $ 671 | $ 2,736 | $ 609 | $ 2,344 |
| Interest cost | 1,430 | 2,022 | 1,016 | 1,631 |
| Expected return on plan assets | (165) | (1,960) | (165) | (1,546) |
| Amortization of transition obligation | ¾ | (1) | ¾ | (1) |
| Amortization of prior service cost | 494 | (26) | 573 | (26) |
| Amortization of loss | 1,433 | 37 | 471 | 122 |
| Curtailment loss | 1,484 | ¾ | ¾ | ¾ |
| Settlement loss | ¾ | ¾ | 2,770 | ¾ |
| Net periodic benefit cost | $ 5,347 | $ 2,808 | $ 5,274 | $ 2,524 |

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2007 | | 2006 | |
| | United States | International | United States | International |
| | (In thousands) | | | |
| Service cost | $ 1,321 | $ 5,418 | $ 1,218 | $ 4,584 |
| Interest cost | 2,653 | 3,993 | 2,032 | 3,209 |
| Expected return on plan assets | (330) | (3,886) | (330) | (3,027) |
| Amortization of transition obligation | ¾ | (2) | ¾ | (2) |
| Amortization of prior service cost | 1,054 | (52) | 1,145 | (51) |
| Amortization of loss | 2,084 | 74 | 943 | 240 |
| Curtailment loss | 1,881 | ¾ | ¾ | ¾ |
| Settlement loss | ¾ | ¾ | 2,770 | ¾ |
| Net periodic benefit cost | $ 8,663 | $ 5,545 | $ 7,778 | $ 4,953 |

The Company previously disclosed in its financial statements for the year ended December 31, 2006, that it expected to contribute $1.1 million in the U.S. and $9.7 million internationally to its pension and other postretirement benefit plans during 2007. As of June 30, 2007, approximately $0.3 million of contributions have been made in the U.S. and $5.0 million of contributions have been made internationally. Currently, the Company anticipates total contributions in the U.S. and internationally to approximate the original estimates previously disclosed.

**15. Variable Interest Entities**

The Company acquired a 33% ownership interest in Premier Business Solutions ( PBS ) in June 2007. PBS conducts business in Russia and is the world s largest electric submersible pump manufacturer by volume. PBS is considered to be a variable interest entity. For purposes of applying FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities*, the Company is not the primary beneficiary of PBS. As such, the Company accounts for this investment under the equity method of accounting and does not consolidate PBS. The Company s

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maximum exposure to loss as a result of its involvement with PBS is approximately $330 million. The Company s investment in PBS is included in Equity Investments in Unconsolidated Affiliates in the accompanying Condensed Consolidated Balance Sheet at June 30, 2007.

## 16. Segment Information

### *Reporting Segments*

The Company is a diversified international energy service and manufacturing company that provides a variety of services and equipment to the exploration, production and transmission sectors of the oil and natural gas industry. The Company operates in virtually every oil and natural gas exploration and production region in the world.

The Company reviewed the presentation of its reporting segments during the first quarter of 2007. Based on this review, the Company determined that its operational performance would be segmented and reviewed on a geographic basis. As a result, the Company realigned its financial reporting segments and will now report the following regions as separate, distinct reporting segments as defined by the chief operating decision maker: (1) North America, (2) Latin America, (3) Europe/West Africa/CIS and (4) Middle East/North Africa/Asia. The Company s historical segment data previously reported under the Evaluation, Drilling & Intervention Services and Completion & Production Systems divisions has been restated for all periods to conform to the new presentation.

Financial information by segment is summarized below. Total assets at June 30, 2007 and December 31, 2006 do not include the assets of the Company s discontinued operation. The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

| | Three Months Ended June 30, 2007 | | | |
|---|---|---|---|---|
| | Net Operating Revenues (b) | Income from Operations | Depreciation and Amortization | Total Assets at June 30, 2007 |
| | (In thousands) | | | |
| North America | $ 883,364 | $ 191,956 | $ 66,959 | $ 5,756,259 |
| Latin America | 206,604 | 44,981 | 17,118 | 1,037,120 |
| Europe/West Africa/CIS | 290,639 | 68,778 | 20,936 | 1,696,114 |
| Middle East/North Africa/Asia | 435,338 | 96,998 | 36,951 | 2,600,239 |
| | 1,815,945 | 402,713 | 141,964 | 11,089,732 |
| Corporate and Other (a) | ¾ | (75,272) | 2,578 | 599,179 |
| Total | $ 1,815,945 | $ 327,441 | $ 144,542 | $ 11,688,911 |

| | Six Months Ended June 30, 2007 | | |
|---|---|---|---|
| | Net Operating Revenues (b) | Income from Operations | Depreciation and Amortization |
| | (In thousands) | | |
| North America | $ 1,889,997 | $ 491,480 | $ 128,723 |
| Latin America | 412,546 | 92,930 | 33,857 |

| | | | |
|---|---|---|---|
| Europe/West Africa/CIS | 535,597 | 123,535 | 39,171 |
| Middle East/North Africa/Asia | 830,090 | 180,266 | 73,118 |
| | 3,668,230 | 888,211 | 274,869 |
| Corporate and Other (a) | ¾ | (145,056) | 5,188 |
| Total | $ 3,668,230 | $ 743,155 | $ 280,057 |

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(UNAUDITED)**

| | Three Months Ended June 30, 2006 | | | |
|---|---|---|---|---|
| | Net Operating Revenues (b) | Income from Operations | Depreciation and Amortization | Total Assets at December 31, 2006 |
| | *(In thousands)* | | | |
| North America | $ 839,753 | $ 222,276 | $ 53,829 | $ 5,290,389 |
| Latin America | 178,637 | 33,575 | 15,251 | 959,141 |
| Europe/West Africa/CIS | 205,092 | 45,178 | 16,084 | 1,272,906 |
| Middle East/North Africa/Asia | 315,094 | 57,806 | 27,263 | 2,330,911 |
| | 1,538,576 | 358,835 | 112,427 | 9,853,347 |
| Corporate and Other (a) | ¾ | (58,345) | 2,567 | 252,408 |
| Total | $ 1,538,576 | $ 300,490 | $ 114,994 | $ 10,105,755 |

| | Six Months Ended June 30, 2006 | | |
|---|---|---|---|
| | Net Operating Revenues (b) | Income from Operations | Depreciation and Amortization |
| | *(In thousands)* | | |
| North America | $ 1,762,187 | $ 484,689 | $ 107,318 |
| Latin America | 340,732 | 58,737 | 30,701 |
| Europe/West Africa/CIS | 382,316 | 79,353 | 31,821 |
| Middle East/North Africa/Asia | 589,352 | 104,120 | 55,397 |
| | 3,074,587 | 726,899 | 225,237 |
| Corporate and Other (a) | ¾ | (114,410) | 5,246 |
| Total | $ 3,074,587 | $ 612,489 | $ 230,483 |

(a) Includes equity in earnings of unconsolidated affiliates that are integral to the Company s operations and research and development expenses which are not allocated geographically.

(b) Net operating revenues are comprised of sales to the Company s external customers. For the three months ended June 30, 2007, the Company had intersegment revenues of approximately $144 million, $27 million, $99 million and $104 million for North America, Latin America, Europe/West Africa/CIS and Middle East/North Africa/Asia, respectively. For the six months ended June 30, 2007, the Company had intersegment revenues of approximately $267 million, $54 million, $176 million and $189 million for North America, Latin America, Europe/West Africa/CIS and Middle East/North Africa/Asia, respectively. For the three months ended June 30, 2006, the Company had intersegment revenues of approximately $94 million, $24 million, $59 million and $45 million for North America, Latin America, Europe/West Africa/CIS and Middle East/North Africa/Asia, respectively. For the six months ended June 30, 2006, the Company had intersegment revenues of approximately $177 million, $46 million, $109 million and $90 million for North America, Latin America, Europe/West Africa/CIS and Middle East/North Africa/Asia, respectively.

**17. Condensed Consolidating Financial Statements**

The following obligations of Weatherford International, Inc. ( Issuer ) were guaranteed by Weatherford International Ltd. ( Parent ) as of June 30, 2007: (i) the 6 5/8% Senior Notes, (ii) the 5.95% Senior Notes, (iii) the 6.35% Senior Notes, and (iv) the 6.80% Senior Notes. As of December 31, 2006, the 6 5/8% Senior Notes of the Issuer were guaranteed by the Parent.

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

The following obligations of the Parent were guaranteed by the Issuer as of June 30, 2007 and December 31, 2006: (i) the Revolving Credit Facility, (ii) the 4.95% Senior Notes, (iii) the 5.50% Senior Notes, (iv) the 6.50% Senior Notes and (v) issuances of notes under the commercial paper program.

As a result of these guarantee arrangements, the Company is 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 the Company s 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. Certain prior year amounts have been reclassified to conform to the current year presentation.

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**WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(UNAUDITED)**
**Condensed Consolidating Balance Sheet**
**June 30, 2007**
**(unaudited)**
**(In thousands)**

| | Parent | Issuer | Other Subsidiaries | Eliminations | Consolidation |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash and Cash Equivalents | $ 24 | $ 747 | $ 114,733 | $ ¾ | $ 115,504 |
| Other Current Assets | 4,941 | 1,167 | 3,754,677 | ¾ | 3,760,785 |
| | 4,965 | 1,914 | 3,869,410 | ¾ | 3,876,289 |
| Equity Investments in Affiliates | 11,119,716 | 3,992,990 | 13,758,026 | (28,870,732) | ¾ |
| Shares Held in Parent | ¾ | 127,208 | 727,838 | (855,046) | ¾ |
| Intercompany Receivables, Net | (606,685) | 1,356,551 | ¾ | (749,866) | ¾ |
| Other Assets | 42,063 | 18,269 | 7,792,778 | ¾ | 7,853,110 |
| | $ 10,560,059 | $ 5,496,932 | $ 26,148,052 | $ (30,475,644) | $ 11,729,399 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | | | | |
| Current Liabilities: | | | | | |
| Short-term Borrowings and Current Portion of Long-term Debt | $ 68,812 | $ 65,658 | $ 133,970 | $ ¾ | $ 268,440 |
| Accounts Payable and Other Current Liabilities | 31,439 | 7,217 | 1,206,195 | ¾ | 1,244,851 |
| | 100,251 | 72,875 | 1,340,165 | ¾ | 1,513,291 |
| Long-term Debt | 1,198,698 | 1,851,151 | 22,581 | ¾ | 3,072,430 |
| Intercompany Payables, Net | ¾ | ¾ | 749,866 | (749,866) | ¾ |
| Other Long-term Liabilities | 98,124 | 34,097 | 396,032 | ¾ | 528,253 |
| Shareholders Equity | 9,162,986 | 3,538,809 | 23,639,408 | (29,725,778) | 6,615,425 |
| | $ 10,560,059 | $ 5,496,932 | $ 26,148,052 | $ (30,475,644) | $ 11,729,399 |

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**WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(UNAUDITED)**
**Condensed Consolidating Balance Sheet**
**December 31, 2006**
**(In thousands)**

| | Parent | Issuer | Other Subsidiaries | Eliminations | Consolidation |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash and Cash Equivalents | $ 35 | $ 2,271 | $ 123,981 | $ ¾ | $ 126,287 |
| Other Current Assets | 131 | 3,739 | 3,261,618 | ¾ | 3,265,488 |
| | 166 | 6,010 | 3,385,599 | ¾ | 3,391,775 |
| Equity Investments in Affiliates | 10,009,855 | 3,502,589 | 12,935,625 | (26,448,069) | ¾ |
| Shares Held in Parent | ¾ | 132,541 | 548,575 | (681,116) | ¾ |
| Intercompany Receivables, Net | 329,237 | 1,333,181 | ¾ | (1,662,418) | ¾ |
| Other Assets | 40,897 | 8,517 | 6,698,059 | ¾ | 6,747,473 |
| | $ 10,380,155 | $ 4,982,838 | $ 23,567,858 | $ (28,791,603) | $ 10,139,248 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | | | | |
| Current Liabilities: | | | | | |
| Short-term Borrowings and Current Portion of Long-term Debt | $ 491,542 | $ 9,272 | $ 147,922 | $ ¾ | $ 648,736 |
| Accounts Payable and Other Current Liabilities | 33,788 | 3,887 | 1,356,734 | ¾ | 1,394,409 |
| | 525,330 | 13,159 | 1,504,656 | ¾ | 2,043,145 |
| Long-term Debt | 1,198,973 | 355,318 | 10,309 | ¾ | 1,564,600 |
| Intercompany Payables, Net | ¾ | ¾ | 1,662,418 | (1,662,418) | ¾ |
| Other Long-term Liabilities | 72,789 | 57,119 | 226,796 | ¾ | 356,704 |
| Shareholders Equity | 8,583,063 | 4,557,242 | 20,163,679 | (27,129,185) | 6,174,799 |
| | $ 10,380,155 | $ 4,982,838 | $ 23,567,858 | $ (28,791,603) | $ 10,139,248 |

**WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(UNAUDITED)**
**Condensed Consolidating Statements of Income**
**Three Months Ended June 30, 2007**
**(unaudited)**
**(In thousands)**

| | Parent | Issuer | Other Subsidiaries | Eliminations | Consolidation |
|---|---|---|---|---|---|
| Revenues | $ ¾ | $ ¾ | $ 1,815,945 | $ ¾ | $ 1,815,945 |
| Costs and Expenses | (4,185) | (2,243) | (1,483,065) | ¾ | (1,489,493) |
| Equity in Earnings of Unconsolidated Affiliates | ¾ | ¾ | 989 | ¾ | 989 |
| Operating Income (Loss) | (4,185) | (2,243) | 333,869 | ¾ | 327,441 |
| Other Income (Expense): | | | | | |
| Interest Income (Expense), Net | (27,638) | (8,663) | 1,008 | ¾ | (35,293) |
| Intercompany Charges, Net | (8,726) | 103,766 | (95,040) | ¾ | ¾ |
| Equity in Subsidiary Income | 207,926 | 146,768 | ¾ | (354,694) | ¾ |
| Other, Net | (2,067) | 1,461 | (5,328) | ¾ | (5,934) |
| Income (Loss) from Continuing Operations Before Income Taxes and Minority Interest | 165,310 | 241,089 | 234,509 | (354,694) | 286,214 |
| Provision for Income Taxes | ¾ | (33,163) | (72,108) | ¾ | (105,271) |
| Income (Loss) from Continuing Operations Before Minority Interest | 165,310 | 207,926 | 162,401 | (354,694) | 180,943 |
| Minority Interest, Net of Taxes | ¾ | ¾ | (4,463) | ¾ | (4,463) |
| Income (Loss) from Continuing Operations | 165,310 | 207,926 | 157,938 | (354,694) | 176,480 |
| Loss from Discontinued Operation, Net of Taxes | ¾ | ¾ | (11,170) | ¾ | (11,170) |
| Net Income (Loss) | $ 165,310 | $ 207,926 | $ 146,768 | $ (354,694) | $ 165,310 |

**Condensed Consolidating Statements of Income**
**Three Months Ended June 30, 2006**
**(unaudited)**
**(In thousands)**

| | Parent | Issuer | Other Subsidiaries | Eliminations | Consolidation |
|---|---|---|---|---|---|
| Revenues | $ ¾ | $ ¾ | $ 1,538,576 | $ ¾ | $ 1,538,576 |

| | | | | | |
|---|---|---|---|---|---|
| Costs and Expenses | (5,957) | (300) | (1,235,122) | ¾ | (1,241,379) |
| Equity in Earnings of Unconsolidated Affiliates | ¾ | ¾ | 3,293 | ¾ | 3,293 |
| Operating Income (Loss) | (5,957) | (300) | 306,747 | ¾ | 300,490 |
| Other Income (Expense): | | | | | |
| Interest Expense, Net | (16,484) | (6,697) | (456) | ¾ | (23,637) |
| Intercompany Charges, Net | (7,132) | (20,537) | 27,669 | ¾ | ¾ |
| Equity in Subsidiary Income | 214,122 | 231,916 | ¾ | (446,038) | ¾ |
| Other, Net | 2,298 | (59) | (12,165) | ¾ | (9,926) |
| Income (Loss) from Continuing Operations Before Income Taxes and Minority Interest | 186,847 | 204,323 | 321,795 | (446,038) | 266,927 |
| (Provision) Benefit for Income Taxes | ¾ | 9,799 | (87,332) | ¾ | (77,533) |
| Income (Loss) from Continuing Operations Before Minority Interest | 186,847 | 214,122 | 234,463 | (446,038) | 189,394 |
| Minority Interest, Net of Taxes | ¾ | ¾ | (899) | ¾ | (899) |
| Income (Loss) from Continuing Operations | 186,847 | 214,122 | 233,564 | (446,038) | 188,495 |
| Loss from Discontinued Operation, Net of Taxes | ¾ | ¾ | (1,648) | ¾ | (1,648) |
| Net Income (Loss) | $ 186,847 | $ 214,122 | $ 231,916 | $ (446,038) | $ 186,847 |

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**WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(UNAUDITED)**
**Condensed Consolidating Statements of Income**
**Six Months Ended June 30, 2007**
**(unaudited)**
**(In thousands)**

| | Parent | Issuer | Other Subsidiaries | Eliminations | Consolidation |
|---|---|---|---|---|---|
| Revenues | $ ¾ | $ ¾ | $ 3,668,230 | $ ¾ | $ 3,668,230 |
| Costs and Expenses | (7,286) | (2,511) | (2,917,057) | ¾ | (2,926,854) |
| Equity in Earnings of Unconsolidated Affiliates | ¾ | ¾ | 1,779 | ¾ | 1,779 |
| Operating Income (Loss) | (7,286) | (2,511) | 752,952 | ¾ | 743,155 |
| Other Income (Expense): | | | | | |
| Interest Income (Expense), Net | (54,819) | (14,256) | 11 | ¾ | (69,064) |
| Intercompany Charges, Net | (8,610) | 93,602 | (84,992) | ¾ | ¾ |
| Equity in Subsidiary Income | 517,711 | 467,301 | ¾ | (985,012) | ¾ |
| Other, Net | (114) | 1,232 | (9,424) | ¾ | (8,306) |
| Income (Loss) from Continuing Operations Before Income Taxes and Minority Interest | 446,882 | 545,368 | 658,547 | (985,012) | 665,785 |
| Provision for Income Taxes | ¾ | (27,657) | (168,992) | ¾ | (196,649) |
| Income (Loss) from Continuing Operations Before Minority Interest | 446,882 | 517,711 | 489,555 | (985,012) | 469,136 |
| Minority Interest, Net of Taxes | ¾ | ¾ | (8,837) | ¾ | (8,837) |
| Income (Loss) from Continuing Operations | 446,882 | 517,711 | 480,718 | (985,012) | 460,299 |
| Loss from Discontinued Operation, Net of Taxes | ¾ | ¾ | (13,417) | ¾ | (13,417) |
| Net Income (Loss) | $ 446,882 | $ 517,711 | $ 467,301 | $ (985,012) | $ 446,882 |

**Condensed Consolidating Statements of Income**
**Six Months Ended June 30, 2006**
**(unaudited)**
**(In thousands)**

| | Parent | Issuer | Other Subsidiaries | Eliminations | Consolidation |
|---|---|---|---|---|---|
| Revenues | $ ¾ | $ ¾ | $ 3,074,587 | $ ¾ | $ 3,074,587 |

| | | | | | |
|---|---|---|---|---|---|
| Costs and Expenses | (8,777) | (576) | (2,458,672) | ¾ | (2,468,025) |
| Equity in Earnings of Unconsolidated Affiliates | ¾ | ¾ | 5,927 | ¾ | 5,927 |
| Operating Income (Loss) | (8,777) | (576) | 621,842 | ¾ | 612,489 |
| Other Income (Expense): | | | | | |
| Interest Income (Expense), Net | (28,715) | (14,632) | 768 | ¾ | (42,579) |
| Intercompany Charges, Net | (6,905) | (34,147) | 41,052 | ¾ | ¾ |
| Equity in Subsidiary Income | 430,374 | 462,615 | ¾ | (892,989) | ¾ |
| Other, Net | 4,187 | (254) | (14,682) | ¾ | (10,749) |
| Income (Loss) from Continuing Operations Before Income Taxes and Minority Interest | 390,164 | 413,006 | 648,980 | (892,989) | 559,161 |
| (Provision) Benefit for Income Taxes | ¾ | 17,368 | (179,774) | ¾ | (162,406) |
| Income (Loss) from Continuing Operations Before Minority Interest | 390,164 | 430,374 | 469,206 | (892,989) | 396,755 |
| Minority Interest, Net of Taxes | ¾ | ¾ | (1,736) | ¾ | (1,736) |
| Income (Loss) from Continuing Operations | 390,164 | 430,374 | 467,470 | (892,989) | 395,019 |
| Loss from Discontinued Operation, Net of Taxes | ¾ | ¾ | (4,855) | ¾ | (4,855) |
| Net Income (Loss) | $ 390,164 | $ 430,374 | $ 462,615 | $ (892,989) | $ 390,164 |

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**WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(UNAUDITED)**
**Condensed Consolidating Statements of Cash Flows**
**Six Months Ended June 30, 2007**
**(unaudited)**
**(In thousands)**

| | Parent | Issuer | Other Subsidiaries | Eliminations | Consolidation |
|---|---|---|---|---|---|
| Cash Flows from Operating Activities: | | | | | |
| Net Income (Loss) | $ 446,882 | $ 517,711 | $ 467,301 | $ (985,012) | $ 446,882 |
| Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | | | |
| Equity in Earnings of Unconsolidated Affiliates | ¾ | ¾ | (1,779) | ¾ | (1,779) |
| Equity in (Earnings) Loss of Affiliates | (517,711) | (467,301) | ¾ | 985,012 | ¾ |
| Loss from Discontinued Operation | ¾ | ¾ | 13,417 | ¾ | 13,417 |
| Charges from Parent or Subsidiary | 8,610 | (93,602) | 84,992 | ¾ | ¾ |
| Deferred Income Tax Provision (Benefit) | ¾ | (5,217) | 100,288 | ¾ | 95,071 |
| Other Adjustments | (13,429) | (42,062) | (217,876) | ¾ | (273,367) |
| Net Cash Provided (Used) by Operating Activities Continuing Operations | (75,648) | (90,471) | 446,343 | ¾ | 280,224 |
| Net Cash Used by Operating Activities Discontinued Operation | ¾ | ¾ | (14,038) | ¾ | (14,038) |
| Net Cash Provided (Used) by Operating Activities | (75,648) | (90,471) | 432,305 | ¾ | 266,186 |
| Cash Flows from Investing Activities: | | | | | |
| Purchase of Equity Investment in Unconsolidated Affiliates | ¾ | ¾ | (331,771) | ¾ | (331,771) |
| Acquisition of Businesses, Net of Cash Acquired | ¾ | ¾ | (211,044) | ¾ | (211,044) |
| Capital Expenditures for Property, Plant and Equipment | ¾ | ¾ | (672,528) | ¾ | (672,528) |
| | ¾ | ¾ | (14,057) | ¾ | (14,057) |

| | | | | | |
|---|---|---|---|---|---|
| Acquisition of Intellectual Property | | | | | |
| Proceeds from Sale of Assets | ¾ | ¾ | 30,390 | ¾ | 30,390 |
| Capital Contribution to Subsidiary | (592,134) | (23,100) | ¾ | 615,234 | ¾ |
| Distribution of Earnings from Subsidiary | ¾ | (1,486,365) | 1,486,365 | ¾ | ¾ |
| Net Cash Provided (Used) by Investing Activities Continuing Operations | (592,134) | (1,509,465) | 287,355 | 615,234 | (1,199,010) |
| Net Cash Used by Investing Activities Discontinued Operation | ¾ | ¾ | (12,265) | ¾ | (12,265) |
| Net Cash Provided (Used) by Investing Activities | (592,134) | (1,509,465) | 275,090 | 615,234 | (1,211,275) |
| Cash Flows from Financing Activities: | | | | | |
| Borrowings of (Repayments on) Short-term Debt, Net | (422,747) | 57,216 | (23,986) | ¾ | (389,517) |
| Borrowings of (Repayments on) Long-term Debt, Net | ¾ | 1,485,497 | (2,054) | ¾ | 1,483,443 |
| Borrowings (Repayments) Between Subsidiaries, Net | 1,090,518 | 36,057 | (1,126,575) | ¾ | ¾ |
| Purchase of Treasury Shares | ¾ | ¾ | (179,262) | ¾ | (179,262) |
| Proceeds from Exercise of Stock Options | ¾ | 13,010 | ¾ | ¾ | 13,010 |
| Proceeds from Capital Contribution | ¾ | ¾ | 615,234 | (615,234) | ¾ |
| Other, Net | ¾ | 6,632 | ¾ | ¾ | 6,632 |
| Net Cash Provided (Used) by Financing Activities Continuing Operations | 667,771 | 1,598,412 | (716,643) | (615,234) | 934,306 |
| Net Cash Provided by Financing Activities Discontinued Operation | ¾ | ¾ | ¾ | ¾ | ¾ |
| Net Cash Provided (Used) by Financing Activities | 667,771 | 1,598,412 | (716,643) | (615,234) | 934,306 |
| Net Decrease in Cash and Cash Equivalents | (11) | (1,524) | (9,248) | ¾ | (10,783) |
| Cash and Cash Equivalents at Beginning of Period | 35 | 2,271 | 123,981 | ¾ | 126,287 |
| | $ 24 | $ 747 | $ 114,733 | $ ¾ | $ 115,504 |

Cash and Cash Equivalents at
End of Period

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**WEATHERFORD INTERNATIONAL LTD. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(UNAUDITED)**
**Condensed Consolidating Statements of Cash Flows**
**Six Months Ended June 30, 2006**
**(unaudited)**
**(In thousands)**

| | Parent | Issuer | Other Subsidiaries | Eliminations | Consolidation |
|---|---|---|---|---|---|
| Cash Flows from Operating Activities: | | | | | |
| Net Income (Loss) | $ 390,164 | $ 430,374 | $ 462,615 | $ (892,989) | $ 390,164 |
| Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | | | |
| Equity in Earnings of Unconsolidated Affiliates | ¾ | ¾ | (5,927) | ¾ | (5,927) |
| Equity in (Earnings) Loss of Affiliates | (430,374) | (462,615) | ¾ | 892,989 | ¾ |
| Loss from Discontinued Operation | ¾ | ¾ | 4,855 | ¾ | 4,855 |
| Charges from Parent or Subsidiary | 6,905 | 34,147 | (41,052) | ¾ | ¾ |
| Deferred Income Tax Provision (Benefit) | ¾ | (17,370) | 15,834 | ¾ | (1,536) |
| Other, Net | 245,791 | (199,759) | 80,710 | ¾ | 126,742 |
| Net Cash Provided (Used) by Operating Activities Continuing Operations | 212,486 | (215,223) | 517,035 | ¾ | 514,298 |
| Net Cash Used by Operating Activities Discontinued Operation | ¾ | ¾ | (4,574) | ¾ | (4,574) |
| Net Cash Provided (Used) by Operating Activities | 212,486 | (215,223) | 512,461 | ¾ | 509,724 |
| Cash Flows from Investing Activities: | | | | | |
| Acquisition of Businesses, Net of Cash Acquired | ¾ | ¾ | (106,077) | ¾ | (106,077) |
| Capital Expenditures for Property, Plant and Equipment | ¾ | ¾ | (446,306) | ¾ | (446,306) |
| Acquisition of Intellectual Property | ¾ | ¾ | (4,945) | ¾ | (4,945) |
| Capital Contribution to Subsidiary | (651,748) | ¾ | ¾ | 651,748 | ¾ |

| | | | | | |
|---|---|---|---|---|---|
| Proceeds from Sale of Assets and Business, Net | ¾ | ¾ | 1,352 | ¾ | 1,352 |
| Net Cash Provided (Used) by Investing Activities Continuing Operations | (651,748) | ¾ | (555,976) | 651,748 | (555,976) |
| Net Cash Used by Investing Activities Discontinued Operation | ¾ | ¾ | (4,833) | ¾ | (4,833) |
| Net Cash Provided (Used) by Investing Activities | (651,748) | ¾ | (560,809) | 651,748 | (560,809) |
| Cash Flows from Financing Activities: | | | | | |
| Borrowings of Short-term Debt, Net | 36,135 | 31,245 | 19,144 | ¾ | 86,524 |
| Borrowings of (Repayments on) Long-term Debt, Net | 348,513 | (200,870) | (4,428) | ¾ | 143,215 |
| Borrowings (Repayments) Between Subsidiaries, Net | 54,566 | 328,951 | (383,517) | ¾ | ¾ |
| Proceeds from Exercise of Stock Options | ¾ | 52,062 | ¾ | ¾ | 52,062 |
| Purchase of Treasury Shares | ¾ | ¾ | (238,652) | ¾ | (238,652) |
| Proceeds from Capital Contribution | ¾ | ¾ | 651,748 | (651,748) | ¾ |
| Other, Net | (51) | 1,117 | ¾ | ¾ | 1,066 |
| Net Cash Provided (Used) by Financing Activities Continuing Operations | 439,163 | 212,505 | 44,295 | (651,748) | 44,215 |
| Net Cash Provided by Financing Activities Discontinued Operation | ¾ | ¾ | ¾ | ¾ | ¾ |
| Net Cash Provided (Used) by Financing Activities | 439,163 | 212,505 | 44,295 | (651,748) | 44,215 |
| Net Decrease in Cash and Cash Equivalents | (99) | (2,718) | (4,053) | ¾ | (6,870) |
| Cash and Cash Equivalents at Beginning of Period | 124 | 3,172 | 130,949 | ¾ | 134,245 |
| Cash and Cash Equivalents at End of Period | $ 25 | $ 454 | $ 126,896 | $ ¾ | $ 127,375 |

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

**18. New Accounting Pronouncements**

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

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

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## ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We begin Management s Discussion and Analysis of Financial Condition and Results of Operations ( MD&A ) with an executive level overview. This overview provides a general description of our company today, a discussion of industry market trends, insight into management s perspective of the opportunities and challenges we face and our outlook for the remainder of 2007 and into 2008. Next, we analyze the results of our operations for the three and six months ended June 30, 2007 and 2006, including the trends in our overall business and our operating segments. Then we review our cash flows and liquidity, capital resources and contractual obligations. We close with a discussion of new accounting pronouncements and an update, when applicable, to our critical accounting judgments and estimates.

### Overview

#### *General*

The following discussion should be read in conjunction with our financial statements included with this report and our financial statements and related Management s Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2006 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 below entitled Forward-Looking Statements.

We provide equipment and services used for drilling, completion and production of oil and natural gas wells throughout the world. We conduct operations in approximately 100 countries and have service and sales locations in nearly all of the oil and natural gas producing regions in the world. Our offerings include drilling and evaluation services, including directional drilling, measurement while drilling and logging while drilling, well installation services, fishing and intervention services, drilling equipment including land rigs, completion systems, production optimization and all forms of artificial lift. We operate under four segments: (1) North America (2) Latin America (3) Europe/West Africa/the Commonwealth of Independent States ( CIS ) and (4) Middle East/North Africa/Asia.

The Company s operating segments consist of the following components:

North America (i) United States of America and (ii) Canada

Latin America (i) North Latin America and (ii) South Latin America

Europe/West Africa/CIS (i) West Europe, (ii) Eastern Europe, (iii) Sub-Sahara Africa, and (iv) Russia/Caspian/FSU

Middle East/North Africa/Asia (i) Eastern Middle East (ii) Western Middle East/North Africa and (iii) 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:

| | WTI Oil (1) | Henry Hub Gas (2) | North American Rig Count (3) | International Rig Count (3) |
|---|---|---|---|---|
| June 30, 2007 | $ 70.68 | $ 6.77 | 1,981 | 1,097 |
| December 31, 2006 | 61.05 | 6.30 | 2,178 | 1,029 |
| June 30, 2006 | 73.91 | 6.10 | 2,073 | 914 |

(1)

Price per barrel as of June 30 and December 31 *Source:* Applied Reasoning, Inc.

(2) Price per MM/BTU as of June 30 and December 31 *Source:* Oil World

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

Oil prices have increased during the first half of 2007 ranging from a low of $50.48 per barrel in mid-January to a high of $70.68 per barrel at the end of June. Natural gas prices also increased during the first half of 2007, ranging from a low of $6.16 MM/BTU in early January to a high of $8.19 MM/BTU in early June. Factors influencing oil and natural gas prices during the period include persistent hydrocarbon inventory levels, realized and expected economic growth, levels of spare production capacity within the Organization of Petroleum Exporting Countries ( OPEC ), weather and geopolitical uncertainty.

North America rig count has declined approximately 9% since the end of 2006, as a reduction in Canadian activity more than offset an increase in U.S. activity. International rig count has increased approximately 7% since the end of 2006.

During 2006, drilling and completion spending continued to increase in both North America and the international markets. According to Spears & Associates, 2006 drilling and completion spending increased 42% in North America and 24% in international markets as compared to 2005 levels. Drilling and completion spending growth during 2007 is anticipated to be driven by the international markets. According to Spears & Associates, drilling and completion spending during 2007 is anticipated to increase approximately 16% in international markets while remaining essentially flat in North America markets as compared to 2006 levels.

**Opportunities and Challenges**

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

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

***2007 and 2008 Outlook***

We believe the outlook for our businesses is favorable. As decline rates accelerate and reservoir productivity complexities increase, our clients will face growing challenges securing desired rates of production growth. Assuming the demand for hydrocarbons does not weaken, these phenomena provide us with a robust outlook. The acceleration of decline rates and the increasing complexity of the reservoirs increase our customers requirements for technologies that improve productivity.

In particular, the international markets are experiencing a multi-year expansion, with the Eastern Hemisphere standing out as the strongest market. The dynamics in North America are different. Near term, the climate will dictate activity in North America. Weather-related activity decreases were experienced in North America during the fourth quarter of 2006 and the first half of 2007, particularly in Canada. High natural gas storage levels could also impact near-term activity; however we believe any activity declines would be short lived, if they were to occur.

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

*Geographic Markets.* Climate, natural gas storage levels and commodity prices will dictate the rate of oilfield service activity growth in North America for the remainder of 2007 and 2008. While these factors are difficult to predict with any certainty over short periods of time, we believe that the North American market has positive secular growth attributes over the longer term. Over the next 6 to 12 months, North America activity is likely to remain at or around current levels, on average. We expect the significant declines experienced in the Canadian market during the first half of 2007 to turn by the end of 2007 or early in 2008. We expect most of our growth for the remainder of 2007 and 2008 will come out of the international markets. Eastern Hemisphere growth will be driven by year-over-year increases in the Middle East, North Africa, West Africa, China, Russia and Central Europe. In addition, we expect volume increases in Latin America with improvements stemming from Brazil, Mexico and Argentina. The North Sea is expected to show modest growth for the remainder of 2007.

*Pricing.* The overall pricing outlook is positive. Pricing is trending upwards, concurrently with raw material and labor cost inflation. We expect pricing to remain strong throughout 2007. Price improvements are being realized on a contract-by-contract basis and are occurring in different classes of products and service lines depending upon the region.

Overall, the level of market improvements for our businesses for the remainder of 2007 will continue to depend heavily on our ability to gain market share, primarily in the Eastern Hemisphere, recruit and retain personnel and secure further acceptance of our new technologies. The continued strength of the industry will be highly dependent on many external factors, such as world economic and political conditions, member country quota compliance within OPEC and weather conditions. The extreme volatility of our markets makes predictions regarding future results difficult.

**Results of Operations**

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

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The following charts contain selected financial data comparing our consolidated and segment results from operations for the three and six months ended June 30, 2007 and 2006. Prior period amounts have been restated to reflect the impact of our discontinued operation.

***Comparative Financial Data***

| | Three Months Ended June 30, 2007 | Three Months Ended June 30, 2006 | Six Months Ended June 30, 2007 | Six Months Ended June 30, 2006 |
|---|---|---|---|---|
| | *(In thousands, except percentages and per share data)* | | | |
| Revenues: | | | | |
| North America | $ 883,364 | $ 839,753 | $ 1,889,997 | $ 1,762,187 |
| Latin America | 206,604 | 178,637 | 412,546 | 340,732 |
| Europe/West Africa/CIS | 290,639 | 205,092 | 535,597 | 382,316 |
| Middle East/North Africa/Asia | 435,338 | 315,094 | 830,090 | 589,352 |
| | 1,815,945 | 1,538,576 | 3,668,230 | 3,074,587 |
| Gross Profit % | 34.3% | 35.1% | 35.8% | 35.5% |
| Research and Development | 40,700 | 37,361 | 81,214 | 73,804 |
| Selling, General and Administrative Attributable to Segments | 220,764 | 181,469 | 423,195 | 365,054 |
| Corporate General and Administrative | 35,561 | 24,277 | 65,621 | 46,533 |
| Equity in Earnings of Unconsolidated Affiliates | 989 | 3,293 | 1,779 | 5,927 |
| Operating Income: | | | | |
| North America | 191,956 | 222,276 | 491,480 | 484,689 |
| Latin America | 44,981 | 33,575 | 92,930 | 58,737 |
| Europe/West Africa/CIS | 68,778 | 45,178 | 123,535 | 79,353 |
| Middle East/North Africa/Asia | 96,998 | 57,806 | 180,266 | 104,120 |
| Corporate and Other (a) | (75,272) | (58,345) | (145,056) | (114,410) |
| | 327,441 | 300,490 | 743,155 | 612,489 |
| Interest Expense, Net | (35,293) | (23,637) | (69,064) | (42,579) |
| Other, Net | (5,934) | (9,926) | (8,306) | (10,749) |
| Effective Tax Rate | 36.8% | 29.0% | 29.5% | 29.0% |
| Net Income per Diluted Share from Continuing Operations | $ 0.51 | $ 0.53 | $ 1.33 | $ 1.10 |
| Loss from Discontinued Operation, Net of Taxes | 11,170 | 1,648 | 13,417 | 4,855 |

| | | | | |
|---|---|---|---|---|
| Net Income per Diluted Share | $ 0.48 | $ 0.52 | $ 1.29 | $ 1.09 |
| Depreciation and Amortization | 144,542 | 114,994 | 280,057 | 230,483 |

(a) Includes equity in earnings of unconsolidated affiliates which are integral to our operations and research and development expenses, which are not allocated geographically.

***Consolidated Revenues by Product Line***

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007** | **2006** |
| Artificial Lift Systems | 17% | 19% | 17% | 19% |
| Well Construction | 16 | 16 | 16 | 15 |
| Drilling Services | 15 | 14 | 15 | 15 |
| Drilling Tools | 12 | 11 | 12 | 11 |
| Completion Systems | 11 | 11 | 10 | 10 |
| Wireline | 7 | 8 | 9 | 10 |
| Re-entry & Fishing | 8 | 8 | 8 | 7 |
| Stimulation & Chemicals Services | 7 | 6 | 6 | 6 |
| Integrated Drilling | 5 | 6 | 5 | 6 |
| Pipeline & Specialty Services | 2 | 1 | 2 | 1 |
| Total | 100% | 100% | 100% | 100% |

**Company Results**

***Revenues***

Consolidated revenues increased $277.4 million, or 18.0%, in the second quarter of 2007 as compared to the second quarter of 2006. The increase resulted primarily from organic growth as our businesses continued to benefit from increasing market activity and share gains. This increase in revenues outpaced the 2.3% increase in average worldwide rig count. Approximately 84% of our revenue growth was derived from our international markets. International revenues increased $233.8 million, or 33.5%, in the second quarter of 2007 as compared to the second quarter of 2006. This increase outpaced the 9.4% increase in average international rig count. Revenues from our drilling services, well construction and drilling tools product lines were strong contributors during the quarter.

Consolidated revenues for the first six months of 2007 increased $593.6 million, or 19.3%, over the first six months of 2006. This increase in revenues outpaced the 3.9% increase in average worldwide rig count. Approximately 78% of our revenue growth was derived from our international markets. International revenues increased $465.8 million, or 35.5%, in the first six months of 2007 as compared to the first six months of 2006. This increase outpaced the 9.5% increase in average international rig count. Revenues from our drilling services, well construction and drilling tools product lines were strong contributors during the quarter.

***Gross Profit***

Our gross profit as a percentage of revenues decreased from 35.1% in the second quarter of 2006 to 34.3% in the second quarter of 2007. The slight decrease in gross profit percentage in the current quarter was primarily the result of the sharp decline experienced in the Canadian market. The Canadian market was affected by a combination of seasonal downturn and unforgiving weather. Our gross profit as a percentage of revenues increased to 35.8% during the six months ended June 30, 2007 as compared to 35.5% during the six months ended June 30, 2006.

***Selling, General and Administrative Attributable to Segments***

Selling, general and administrative expenses attributable to segments increased $39.3 million, or 21.7%, and $58.1 million, or 15.9%, during the three and six months ended June 30, 2007, respectively, as compared to the same periods of the prior year. This increase is due primarily to increased salaries and benefits associated with increased headcount, which were partially offset by the gain from the divestiture of the remaining portion of our minority interest in a subsidiary recognized in the first quarter of 2007. This transaction represents approximately 4% of selling, general and administrative expenses attributable to segments for the six months ended June 30, 2007. Selling, general and administrative expenses attributable to segments as a percentage of revenues were approximately 12% for both the three and six months ended June 30, 2007 and 2006.

***Corporate General and Administrative***

Corporate general and administrative expenses increased $11.3 million, or 46.5%, and $19.1 million, or 41.0%, during the three and six months ended June 30, 2007, respectively, as compared to the same periods of the prior year.

Severance charges of approximately $12 million and $15 million were incurred during the three and six months ended June 30, 2007, respectively. The remainder of the increase is primarily related to higher employee compensation expense.

***Interest Expense, Net***

Interest expense, net, increased $11.7 million, or 49.3%, and $26.5 million, or 62.2%, during the three and six months ended June 30, 2007, respectively, as compared to the same periods of the prior year. The increase in interest expense was attributable to our additional long-term debt issuances during the second half of 2006 and rising short-term interest rates.

***Income Taxes***

Our effective tax rates for the second quarter of 2007 and 2006 were 36.8% and 29.0%, respectively, and 29.5% and 29.0% for the first six months of 2007 and 2006, respectively. This percentage increase was due primarily to withholding taxes of $50.0 million required to be paid on a distribution made to one of our foreign subsidiaries. This increase was partially offset by the benefits realized from the refinement of our international tax structure and changes in our geographic earnings mix. We expect that our effective tax rate will be lower in future periods given that the $50.0 million withholding tax payment was a one-time, discrete charge incurred during the current period.

***Discontinued Operation***

Our discontinued operation consists of our oil and gas development and production company. We had a loss from the discontinued operation, net of taxes, for the three and six months ended June 30, 2007, of $11.2 million and $13.4 million, respectively. Included in the loss for the three and six months ended June 30, 2007, were non-cash asset impairment charges of $9.2 million, net of taxes.

**Segment Results**

***North America***

North America revenues increased $43.6 million, or 5.2%, in the second quarter of 2007 as compared to the second quarter of 2006. This increase occurred despite the 1.3% decline in average North America rig count over the comparable period. The increase in North America revenues was attributable to the U.S., which increased $98.6 million, or 15.9%, over the same period of the prior year. This increase exceeded the 7.5% increase in U.S. rig count over the same period. Significant growth in the U.S. was generated by our chemicals and stimulation, drilling services, and artificial lift product lines. Their increases were partially offset by a decline in revenues in Canada as compared to the same period of the prior year. The decrease in Canadian revenues reflected the continued deterioration in drilling activity in the region. Canadian rig count decreased 50.7% year-over-year.

North America revenues increased $127.8 million, or 7.3%, in the first six months of 2007 as compared to the first six months of 2006. The increase in North America revenues was attributable to the U.S., which increased $246.3 million, or 21.2%, over the same period of the prior year. This increase was partially offset by a decline in revenues in Canada of $118.5 million, or 19.8%, as compared to the same period of the prior year.

Operating income decreased $30.3 million, or 13.6%, during the three months ended June 30, 2007 as compared to the same period of the prior year. Operating margins were 21.7% in the second quarter of 2007 compared to 26.5% in the same period of the prior year. The decrease in operating income and margins was due primarily to the adverse conditions experienced in the Canadian market during the current quarter.

Operating income increased $6.8 million, or 1.4%, during the six months ended June 30, 2007 as compared to the same period of the prior year. Operating margins were 26.0% for the six months ended June 30, 2007 compared to 27.5% in the same period of the prior year. The decreases in operating margins were primarily the result of the deterioration experienced in our Canadian market.

***Middle East/North Africa/Asia***

Revenues in our Middle East/North Africa/Asia segment increased $120.2 million, or 38.2%, in the second quarter of 2007 as compared to the same quarter of the prior year. This increase exceeded the average rig count

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increase of 12.5% for this region. Overall, year-over-year revenue increases were highest in the Saudi Arabia and Australia markets. Demand increased significantly in our drilling services and well construction product lines.

Revenues increased $240.7 million, or 40.8%, during the first six months of 2007 as compared to the same period of the prior year. The region experienced an average rig count increase of 11.4% during the period. The increase in revenues resulted primarily from organic growth as our businesses continued to benefit from increasing market activity and share gains in the region. Our well construction, re-entry & fishing and drilling services product lines were all strong contributors to the increase.

Operating income increased $39.2 million, or 67.8%, during the three months ended June 30, 2007 as compared to the same period of the prior year. Operating margins were 22.3% in the second quarter of 2007 compared to 18.3% in the same period of the prior year. Operating income increased $76.1 million, or 73.1%, during the six months ended June 30, 2007 as compared to the same period of the prior year. Operating margins were 21.7% for the six months ended June 30, 2007 compared to 17.7% in the same period of the prior year. The increase in operating income and margins during the three and six months ended June 30, 2007 as compared to the same periods of the prior year was due primarily to the additional incremental revenues generated during the current period to cover our fixed costs and the addition of certain contracts that provided significant contributions to margins during the first half of 2007.

***Europe/West Africa/CIS***

Revenues in our Europe/West Africa/CIS region increased $85.5 million, or 41.7%, in the second quarter of 2007 as compared to the same quarter of the prior year. This increase occurred despite the 3.0% reduction in average rig count over the same period. This increase was driven primarily by higher demand for our well construction and drilling services product lines. Year-over-year revenue growth was posted in most markets with Angola , Russia and the United Kingdom leading the region.

Revenues increased $153.3 million, or 40.1%, in the first six months of 2007 as compared to the first six months of 2006 against a backdrop of a 4% decrease in rig count over the comparable period. The increase in revenues resulted primarily from organic growth as our businesses continued to benefit from increasing market activity and share gains in the region. Our well construction, drilling services and completion product lines were all strong contributors to the increase.

Operating income increased $23.6 million, or 52.2%, during the three months ended June 30, 2007 as compared to the same period of the prior year. Operating margins were 23.7% in the second quarter of 2007 compared to 22.0% in the same period of the prior year. Operating income increased $44.2 million, or 55.7%, during the six months ended June 30, 2007 as compared to the same period of the prior year. Operating margins were 23.1% for the six months ended June 30, 2007 compared to 20.8% in the same period of the prior year. The improvements in operating income and margins during the three and six months ended June 30, 2007 as compared to the same periods of the prior year are primarily the result of the increase in revenues to further absorb the region s fixed cost base.

***Latin America***

Revenues in our Latin America region increased $28.0 million, or 15.7%, in the second quarter of 2007 as compared to the same quarter of the prior year. This increase exceeded the 7.9% increase in average rig count over the same period. The increase was primarily driven by higher demand for our drilling tools, drilling services and artificial lift product lines. The most significant improvements were in the Brazil and Colombia markets.

Revenues increased $71.8 million, or 21.1%, in the first six months of 2007 as compared to the first six months of 2006. This increase exceeded the 10.3% increase in rig count over the same period. Our drilling tools, drilling services and artificial lift product lines were all strong contributors to the increase.

Operating income increased $11.4 million, or 34.0%, during the three months ended June 30, 2007 as compared to the same period of the prior year. Operating margins were 21.8% in the second quarter of 2007 compared to 18.8% in the same period of the prior year. Operating income increased $34.2 million, or 58.2%, during the six months ended June 30, 2007 as compared to the same period of the prior year. Operating margins were 22.5% for the six months ended June 30, 2007 compared to 17.2% in the same period of the prior year. The increase in operating income and margins was due primarily to the higher revenue base combined with a shift to more service-based contracts, which typically contribute higher margins.

**Recent Equity Investment Acquisition**

We acquired a 33% ownership interest in Premier Business Solutions ( PBS ) on June 28, 2007. PBS conducts business in Russia and is the world s largest electric submersible pump manufacturer by volume. PBS is considered to be a variable interest entity. For purposes of applying FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities*, we are not the primary beneficiary of PBS. As such, we account for this investment under the equity method of accounting and do not consolidate PBS. Our maximum exposure to loss as a result of our investment in PBS is approximately $330 million. Third quarter 2007 results will include our portion of PBS s earnings or losses within our Equity in Earnings of Unconsolidated Affiliates line item in our Condensed Consolidated Statements of Income.

**Liquidity and Capital Resources**

***Historical Cash Flows***

As of June 30, 2007, our cash and cash equivalents were $115.5 million, a net decrease of $10.8 million from December 31, 2006, which was primarily attributable to the following:

- cash inflows from operating activities of $266.2 million;
- capital expenditures from continuing operations for property, plant and equipment of $672.5 million;
- acquisition of businesses of approximately $211.0 million, net of cash acquired;
- acquisition of equity investments of $331.8 million;
- acquisition of intellectual property of $14.1 million;
- borrowings, net of repayments, on long-term debt and short-term facilities of $1,093.9 million;
- proceeds from the sale of assets and business, net of $30.4 million;
- proceeds from stock option activity of $13.0 million; and
- treasury share purchases of $179.3 million.

***Sources of Liquidity and Borrowings***

Our sources of liquidity include current cash and cash equivalent balances, cash generated from operations, and committed availabilities under bank lines of credit. We maintain a shelf registration statement covering the future issuance of various types of securities, including debt, common shares, preferred shares and warrants.

*Committed Borrowing Facilities*

The following summarizes our short-term committed financing facilities and our usage and availability of committed facilities as of June 30, 2007 (in millions):

| | | | Uses of Availability | | | |
|---|---|---|---|---|---|---|
| **Short-term Committed Financing Facilities** | **Facility Amount** | **Expiration Date** | **Commercial Paper Support** | **Drawn** | **Letters of Credit** | **Committed Availability** |
| Revolving Credit Facility | $1,500.0 | May 2011 | $68.1 | $76.7 | $62.2 | $1,293.0 |
| Canadian Credit Facility | 23.4 | July 2007 | ¾ | 9.3 | 0.4 | 13.7 |

We maintain a revolving credit agreement with a syndicate of banks of which JPMorgan Chase Bank is the Administrative Agent ( Revolving Credit Facility ). This facility allows for a combination of borrowings, support for our commercial paper program and issuances of letters of credit. The weighted average interest rate on the outstanding borrowings of this facility was 4.3% at June 30, 2007. The Revolving Credit Facility requires us to maintain a debt-to-capitalization ratio of less than 60% and contains other covenants and representations customary for an investment-grade commercial credit. We were in compliance with these covenants at June 30, 2007.

At June 30, 2007, we maintained a Canadian dollar committed facility ( Canadian Credit Facility ) to support operations in that country. The Canadian Credit Facility provides for borrowings and issuances of letters of credit. Effective July 20, 2007, the Canadian Credit Facility was amended to convert it to an uncommitted facility. The weighted average interest rate on the outstanding borrowings of this facility was 6.0% at June 30, 2007.

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*Uncommitted Borrowing Arrangements*

We have short-term borrowings with various domestic and international institutions pursuant to uncommitted facilities. At June 30, 2007, we had $99.7 million in short-term borrowings outstanding under these arrangements with a weighted average interest rate of 6.5%. In addition, we had $109.5 million of letters of credit and bid and performance bonds outstanding under these uncommitted facilities.

*Commercial Paper*

We have a $1.5 billion commercial paper program under which we may from time to time issue short-term unsecured notes. The commercial paper program is supported by our Revolving Credit Facility. As of June 30, 2007, we had $68.1 million of outstanding commercial paper issuances with a weighted average maturity of 61 days. The weighted average interest rate related to outstanding commercial paper issuances at June 30, 2007 was 5.4%.

*Debt Offering*

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

***Cash Requirements***

Our cash requirements and contractual obligations at June 30, 2007, and the effect these obligations are expected to have on our liquidity and cash flow in future periods are as follows:

We project that our capital expenditures for 2007 will be approximately $1.2 billion. We expect to use these expenditures primarily to support the growth of our business and operations. Capital expenditures during the six months ended June 30, 2007 were $643.9 million, net of proceeds from tools lost down hole of $28.6 million.

Our board authorized us to repurchase up to $1.0 billion of our outstanding common shares. We may from time to time repurchase our common shares depending upon the price of our common shares, our liquidity and other considerations. During the six months ended June 30, 2007, we repurchased 4.1 million of our common shares at an aggregate price of $179.3 million. At June 30, 2007, we have approximately $272.2 million remaining availability under our share repurchase program.

***Derivative Instruments***

From time to time, we enter into derivative transactions to hedge existing or projected exposures to changes in interest rates and foreign currency exchange rates. We do not enter into derivative transactions for speculative or trading purposes.

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 creditworthy multinational commercial banks. We believe that the risk of counterparty nonperformance is immaterial.

*Interest Rate Swaps*

We may use interest rate swap agreements to take advantage of available short-term interest rates. Amounts received or paid upon termination of the swap agreements 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 to interest expense over the remaining term of the debt.

As of June 30, 2007 and December 31, 2006, we had net unamortized gains of $13.2 million and $14.3 million, respectively, associated with interest rate swap terminations. Our interest expense was reduced by $0.5 million and $1.1 million for the three and six months ended June 30, 2007, respectively, and $1.2 million and $3.0 million for the three and six months ended June 30, 2006, respectively, as a result of our interest rate swap activity. There were no interest rate swap agreements outstanding as of June 30, 2007.

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*Cash Flow Hedges*

We may utilize interest rate derivatives to hedge projected exposures to interest rates in anticipation of future debt issuances. Amounts received or paid upon termination of these hedges represent the fair value of the agreements at the time of termination and are recorded as an adjustment to Other Comprehensive Income. These amounts are amortized as an adjustment to interest expense over the remaining term of the related debt. There were no interest rate derivatives executed in connection with our June 2007 debt offering. In addition, there were no interest rate derivative agreements outstanding as of June 30, 2007.

*Other Derivative Instruments*

As of June 30, 2007, we had several foreign currency forward contracts and one option contract with notional amounts aggregating $522.3 million, which were entered into to hedge exposure to currency fluctuations in various foreign currencies, including the Argentine peso, the Australian dollar, the Brazilian real, the British pound sterling, the Canadian dollar, the Columbian peso, the euro, the Indian rupee, the New Zealand dollar, and the Thai baht. The total estimated change in fair value of these contracts compared to the original notional amount at June 30, 2007 resulted in a liability of $1.5 million. These derivative instruments were not designated as hedges and the changes in fair value of the contracts are recorded each period in current earnings.

In addition, after the closing of the acquisition of Precision Energy Services and Precision Drilling International on August 31, 2005, we entered into a series of cross-currency swaps between the U.S. dollar and Canadian dollar to hedge certain exposures to the Canadian dollar created as a result of the acquisition. At June 30, 2007, we had notional amounts outstanding of $364.3 million. The total estimated change in fair value of these contracts at June 30, 2007 compared to the original notional amount resulted in a liability of $46.9 million. These derivative instruments were not designated as hedges and the changes in fair value of the contracts are recorded each period in current earnings.

***Off Balance Sheet Arrangements***

*Guarantees*

The following obligations of Weatherford International, Inc. ( Issuer ) were guaranteed by Weatherford International Ltd. ( Parent ) as of June 30, 2007: (i) the 6 5/8% Senior Notes, (ii) the 5.95% Senior Notes, (iii) the 6.35% Senior Notes, and (iv) the 6.80% Senior Notes.

The following obligations of the Parent were guaranteed by the Issuer as of June 30, 2007: (i) the Revolving Credit Facility, (ii) the 4.95% Senior Notes, (iii) the 5.50% Senior Notes, (iv) the 6.50% Senior Notes and (v) issuances of notes under the commercial paper program.

*Letters of Credit*

We execute letters of credit in the normal course of business. While these obligations are not normally called, these obligations could be called by the beneficiaries at any time before the expiration date should we breach certain contractual or payment obligations. As of June 30, 2007, we had $172.1 million of letters of credit and bid and performance bonds outstanding, consisting of $109.5 million outstanding under various uncommitted credit facilities and $62.6 million letters of credit outstanding under our committed facilities. If the beneficiaries called these letters of credit, the called amount would become an on-balance sheet liability, and our available liquidity would be reduced by the amount called under our various uncommitted facilities.

*Operating Leases*

We are committed under various operating lease agreements primarily related to office space and equipment. Generally, these leases include renewal provisions as well as provisions which permit the adjustment of rental payments for taxes, insurance and maintenance related to the property.

**New Accounting Pronouncements**

See Note 18 to our condensed consolidated financial statements included elsewhere in this report.

**Critical Accounting Policies and Estimates**

Our discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements. We prepare these financial statements in conformity with U.S. generally accepted accounting principles. As such, we are required to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. We base our estimates on historical experience, available information and various other assumptions we believe to be reasonable under the circumstances. On an on-going basis, we evaluate our estimates; however, actual results may differ from these estimates under different assumptions or conditions. There have been no material changes or developments in our evaluation of the accounting estimates and the underlying assumptions or methodologies that we believe to be Critical Accounting Policies and Estimates as disclosed in our Form 10-K, for the year ended December 31, 2006.

**Goodwill Impairment Test**

As previously discussed, we changed our reporting segments during the first quarter of 2007. In connection with this change, we performed an impairment test on our goodwill balances as of January 1, 2007. Based on the results of this test, we determined that no impairment existed as of this date.

**Exposures**

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

**Trading Sanctions Exposure**

The U.S. government has established trading sanctions applicable to U.S. persons conducting business in certain jurisdictions. Certain of our separately incorporated foreign subsidiaries conduct business in those jurisdictions as non-U.S. persons.

We have been notified that the Bureau of Industry & Security and the U.S. Department of Justice are investigating allegations of improper sales of products and services by us in sanctioned countries. We are cooperating fully with this investigation. In cooperation with the government, we have retained legal counsel, reporting to our audit committee, to investigate this matter and represent us. This investigation is in its preliminary stages, and we cannot anticipate the timing, outcome or possible impact of the investigation, financial or otherwise.

Under trading sanctions laws, the DOJ may seek to impose a broad range of civil and criminal penalties against corporations and individuals who violate those laws, including injunctive relief, fines (including multi-million dollar fines), penalties and modifications to business practices and compliance programs. Further, our activities in these countries could reduce demand for our common shares among certain investors. Based on available information, we cannot predict what, if any, actions the DOJ or other authorities may take in our situation or the effect any such actions may have on our consolidated financial position or results of operations.

**Currency Exposure**

As of June 30, 2007, approximately 36.4% of our net assets were located outside the U.S. and are carried on our books in local currencies. Changes in those currencies in relation to the U.S. dollar result in translation adjustments, which are reflected as accumulated other comprehensive income in the shareholders equity section of our Condensed Consolidated Balance Sheets. We recognize remeasurement and transactional gains and losses on currencies in our Condensed Consolidated Statements of Income, which may adversely impact our results of operations. We enter into foreign currency forward contracts and other derivative instruments in an effort to reduce our exposure to currency fluctuations; however, there can be no assurance that these hedging activities will be effective in reducing or eliminating foreign currency risks.

In certain foreign countries, a component of our cost structure is U.S. dollar denominated, whereas our revenues are partially local currency based. In those cases, a devaluation of the local currency would adversely impact our operating margins.

### Acquisition Exposure

In August of 2005, we acquired Precision Energy Services and Precision Drilling International. In association with the acquisition, we identified pre-acquisition contingencies related to duties and taxes associated with the importation of certain equipment assets to foreign jurisdictions. We calculated a range of reasonable estimates of the costs associated with these duties. As no amount within the range appeared to be a better estimate than any other, we used the amount that is the low end of the range in accordance with Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies*, and its interpretations. At June 30, 2007, we have recorded a liability in the amount of approximately \$20 million for this matter. If we used the high end of the range, the aggregate potential liability would be approximately \$27 million higher. It is reasonably possible that the actual amount paid to settle these items could be materially different from our estimate and could have a material adverse effect on our consolidated financial statements.

## Forward-Looking Statements

This report, as well as other filings made by us with the Securities and Exchange Commission ( SEC ), and our releases issued to the public contain various statements relating to future results, including certain projections and business trends. We believe these statements constitute Forward-Looking Statements as defined in the Private Securities Litigation Reform Act of 1995.

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

*A downturn in market conditions could affect projected results.* Any material changes in oil and natural gas supply and demand, oil and natural gas prices, rig count or other market trends would affect our results and would likely affect the forward-looking information we provide. The oil and natural gas industry is extremely volatile and subject to change based on political and economic factors outside our control. During 2004, 2005 and 2006, worldwide drilling activity increased; however, if an extended regional and/or worldwide recession were to occur, it would result in lower demand and lower prices for oil and natural gas, which would adversely affect drilling and production activity and therefore would affect our revenues and income. We have assumed increases in worldwide demand will continue throughout 2007.

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

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

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

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

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

*The cyclical nature of or a prolonged downturn in our industry could affect the carrying value of our goodwill.* As of June 30, 2007, we had approximately $3.2 billion of goodwill. Our estimates of the value of our goodwill could be reduced in the future as a result of various factors, some of which are beyond our control. Any reduction in the value of our goodwill may result in an impairment charge and therefore adversely affect our results.

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

*Adverse weather conditions in certain regions could aversely affect our operations.* In the summer of 2005, the Gulf of Mexico suffered several significant hurricanes. These hurricanes and associated hurricane threats reduced the number of days on which we and our customers could operate, which resulted in lower revenues than we otherwise would have achieved. In parts of 2006, and particularly in the second quarter of 2007, climatic conditions in Canada were not as favorable to drilling as we anticipated, which limited our results in that region. Similarly, unusually rough weather in the North Sea could reduce our operations and revenues from that area during the relevant period. Our forward-looking statements assume weather patterns in our primary areas of operations will not deviate significantly from historical patterns.

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

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

**Available Information**

We make available, free of charge, on our website (www.weatherford.com) our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file or furnish them 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, but we do not enter into derivative transactions for speculative purposes. A discussion of our market risk exposure in financial instruments follows.

### Foreign Currency Exposures

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

Assets and liabilities of which the functional currency is the local currency are translated into U.S. dollars using the exchange rates in effect at the balance sheet date, resulting in translation adjustments that are reflected as Accumulated Other Comprehensive Income in the shareholders equity section on our Condensed Consolidated Balance Sheets. At June 30, 2007, approximately 36.4% of our net assets were impacted by changes in foreign currencies in relation to the U.S. dollar. We recorded a $128.4 million adjustment to increase our equity account for the six months ended June 30, 2007 to reflect the net impact of the strengthening of various foreign currencies against the U.S. dollar.

As of June 30, 2007, we had entered into several foreign currency forward contracts and one option contract with notional amounts aggregating $522.3 million to hedge exposure to currency fluctuations in various foreign currencies, including the Argentine peso, the Australian dollar, the Brazilian real, the British pound sterling, the Canadian dollar, the Columbian peso, the euro, the Indian rupee, the New Zealand dollar, and the Thai baht. The total estimated change in fair value of these contacts compared to the original notional amount at June 30, 2007 resulted in a liability of $1.5 million. These derivative instruments were not designated as hedges and the changes in fair value of the contracts are recorded each period in current earnings.

In addition, after the closing of the acquisition of Precision Energy Services and Precision Drilling International, we entered into a series of cross-currency swaps between the U.S. dollar and Canadian dollar to hedge certain exposures to the Canadian dollar created as a result of the acquisition. At June 30, 2007, we had notional amounts outstanding of $364.3 million. The estimated change in fair value of these contracts at June 30, 2007 compared to the original notional amount resulted in a liability of $46.9 million. These derivative instruments were not designated as hedges and the changes in fair value of the contracts are recorded each period in current earnings.

### Interest Rates

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

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Our long-term borrowings that were outstanding at June 30, 2007 subject to interest rate risk consist of the following:

| | June 30, 2007 | | December 31, 2006 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | *(In millions)* | | | |
| 6 5/8% Senior Notes due 2011 | $356.3 | $359.1 | $356.9 | $368.8 |
| 5.95% Senior Notes due 2012 | 598.8 | 605.2 | ¾ | ¾ |
| 4.95% Senior Notes due 2013 | 255.0 | 234.9 | 255.4 | 245.2 |
| 5.50% Senior Notes due 2016 | 348.7 | 336.1 | 348.6 | 339.9 |
| 6.35% Senior Notes due 2017 | 599.5 | 608.6 | ¾ | ¾ |
| 6.50% Senior Notes due 2036 | 595.7 | 583.2 | 595.7 | 619.5 |
| 6.80% Senior Notes due 2037 | 298.1 | 306.2 | ¾ | ¾ |

We have various other long-term debt instruments of $26.9 million, but believe the impact of changes in interest rates in the near term will not be material to these instruments. Short-term borrowings of $253.8 million at June 30, 2007 approximate fair value.

As it relates to our variable rate debt, if market interest rates average 1% more for the remainder of 2007 than the rates as of June 30, 2007, interest expense for the remainder of 2007 would increase by approximately $1.4 million. This amount was determined by calculating the effect of the hypothetical interest rate on our variable rate debt. This sensitivity analysis assumes there are no changes in our financial structure.

**Interest Rate Swaps and Derivatives**

We manage our debt portfolio to achieve an overall desired position of fixed and floating rates and may employ interest rate swaps as a tool to achieve that goal. The major risks from interest rate derivatives include changes in the interest rates affecting the fair value of such instruments, potential increases in interest expense due to market increases in floating interest rates and the creditworthiness of the counterparties in such transactions. The counterparties to our interest rate swaps are creditworthy multinational commercial banks. We believe that the risk of counterparty nonperformance is immaterial.

We may use interest rate swap agreements to take advantage of available short-term interest rates. Amounts received or paid upon termination of the swap agreements 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 to interest expense over the remaining term of the debt. There were no interest rate swap agreements outstanding at June 30, 2007.

We may utilize interest rate derivatives to hedge projected exposures to interest rates in anticipation of future debt issuances. Amounts received or paid upon termination of these hedges represent the fair value of the agreements at the time of termination. These amounts are amortized as an adjustment to interest expense over the remaining life of the debt. There were no interest rate derivative agreements outstanding at June 30, 2007.

**ITEM 4. CONTROLS AND PROCEDURES**

At the end of the period covered by this Quarterly Report on Form 10-Q, the Company carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer ( CEO ) and the Chief Financial Officer ( CFO ), of the effectiveness of the Company s disclosure controls and procedures (as defined in Rules 13a-15 (e) and 15d-15 (e) under the Exchange Act). Based upon that evaluation, the Company s CEO and CFO have concluded the Company s disclosure controls and procedures are effective as of the end of the period covered by this report to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms and that information relating to the Company (including its consolidated subsidiaries) required to be disclosed is accumulated and communicated to management, including the CEO and CFO, to allow timely decisions regarding required disclosure. The Company s management, including the CEO and CFO, identified no change in the Company s internal control over

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financial reporting that occurred during the Company s fiscal quarter ended June 30, 2007, that has materially affected, or is reasonably likely to materially affect, the Company s internal controls over financial reporting.

**PART II. OTHER INFORMATION**

**ITEM 1A. RISK FACTORS**

Except as described below, there have been no material changes during the quarter ended June 30, 2007 to the risk factors set forth in Part I, Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2006 filed with the SEC on February 23, 2007 ( Annual Report ).

We have updated the percentage of our net assets located outside the U.S. and carried on our books in local currencies on page 34 of this report from 38.9% as of December 31, 2006 to 36.4% as of June 30, 2007.

We have added the following risk factor titled Trading Sanctions Exposure :

The U.S. government has established trading sanctions applicable to U.S. persons conducting business in certain jurisdictions. Certain of our separately incorporated foreign subsidiaries conduct business in those jurisdictions as non-U.S. persons.

We have been notified that the Bureau of Industry & Security and the U.S. Department of Justice are investigating allegations of improper sales of products and services by us in sanctioned countries. We are cooperating fully with this investigation. In cooperation with the government, we have retained legal counsel, reporting to our audit committee, to investigate this matter and represent us. This investigation is in its preliminary stages, and we cannot anticipate the timing, outcome or possible impact of the investigation, financial or otherwise.

Under trading sanctions laws, the DOJ may seek to impose a broad range of civil and criminal penalties against corporations and individuals who violate those laws, including injunctive relief, fines (including multi-million dollar fines), penalties and modifications to business practices and compliance programs. Further, our activities in these countries could reduce demand for our common shares among certain investors. Based on available information, we cannot predict what, if any, actions the DOJ or other authorities may take in our situation or the effect any such actions may have on our consolidated financial position or results of operations.

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

In December 2005, our Board of Directors approved a share repurchase program under which up to $1 billion of our outstanding common shares could be purchased. Future purchases of our shares can be made in the open market or privately negotiated transactions, at the discretion of management and as market conditions warrant. During the quarter ended June 30, 2007, we purchased our common shares in the following amounts at the following average prices:

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| April 1 April 30, 2007 | ¾ | $ ¾ | ¾ | $ 327,615,968 |
| May 1 May 31, 2007 | ¾ | ¾ | ¾ | ¾ |
| June 1 June 30, 2007 | 1,000,000 | 55.45 | 1,000,000 | 272,161,942 |
| | 1,000,000 | 55.45 | 1,000,000 | 272,161,942 |

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In addition, under our restricted share plan, employees may elect to have us withhold common shares to satisfy minimum statutory federal, state and local tax withholding obligations arising on the vesting of restricted stock awards and exercise of options. When we withhold these shares, we are required to remit to the appropriate taxing authorities the market price of the shares withheld, which could be deemed a purchase of the common shares by us on the date of withholding. During the quarter ended June 30, 2007, we withheld common shares to satisfy these tax withholding obligations as follows:

| Period | No. of Shares | Average Price |
|---|---|---|
| April 1 April 30, 2007 | 1,175 | $ 47.75 |
| May 1 May 31, 2007 | 10,797 | 42.15 |
| June 1 June 30, 2007 | 183 | 55.24 |

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

We held our Annual General Meeting of Shareholders on May 30, 2007. Our shareholders approved the election of eight directors to serve until the next annual general meeting of shareholders. The following sets forth the results of the voting with respect to such matter.

| Election of Directors | For | Against | Withheld | Broker Non-Votes |
|---|---|---|---|---|
| Nicholas F. Brady | 260,276,181 | 23,099,586 | 6,934,181 | 1,242,008 |
| David J. Butters | 259,221,057 | 25,346,387 | 6,984,510 | ¾ |
| Bernard J. Duroc-Danner | 260,317,642 | 24,282,581 | 6,951,725 | ¾ |
| Sheldon B. Lubar | 257,983,599 | 26,587,065 | 6,981,282 | ¾ |
| William E. Macaulay | 260,032,250 | 24,580,684 | 6,939,016 | ¾ |
| Robert B. Millard | 261,625,494 | 23,006,441 | 6,920,013 | ¾ |
| Robert K. Moses, Jr. | 260,288,423 | 24,277,602 | 6,985,927 | ¾ |
| Robert A. Rayne | 236,158,876 | 48,329,411 | 7,063,660 | ¾ |

In addition, the shareholders of the Company voted on the following proposal:

(a) The appointment of Ernst & Young LLP as our Independent Registered Public Accounting Firm for the year ending December 31, 2007, and the authorization of the Audit Committee of the Board of Directors to set Ernst & Young LLP s remuneration. The results of the voting with respect to such matter were 284,436,208 shares voted for, 259,783 shares voted against and 6,855,964 shares abstained. There were no broker non-votes.

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## ITEM 6. EXHIBITS

(a) Exhibits:

| Exhibit Number | Description |
|---|---|
| 4.1 | Indenture, dated June 18, 2007, among the Weatherford Delaware, as issuer, Weatherford Bermuda, as guarantor, and Deutsche Bank Trust Company Americas, as trustee (incorporated by reference to Exhibit 4.1 to the Registrant s Current Report on Form 8-K (File No. 1-31339) filed June 18, 2007). |
| 4.2 | First Supplement Indenture, dated June 18, 2007, among the Weatherford Delaware, as issuer, Weatherford Bermuda, as guarantor, and Deutsche Bank Trust Company Americas, as trustee (including forms of notes) (incorporated by reference to Exhibit 4.2 to the Registrant s Current Report on Form 8-K (File No. 1-31339) filed June 18, 2007). |
| 4.3 | Registration Rights Agreement, dated June 18, 2007, among Weatherford International Ltd., Weatherford International, Inc., and Morgan Stanley & Co. Incorporated, Deutsche Bank Securities Inc. and UBS Securities LLC (incorporated by reference to Exhibit 4.3 to the Registrant s Current Report on Form 8-K (File No. 1-31339) filed June 18, 2007). |
| 10.1 | Employment Agreement, dated as of June 11, 2007, between Weatherford International Ltd. and Keith R. Morley (incorporated by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K (File No. 1-31339) filed June 11, 2007). |
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

Filed herewith

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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/ Andrew P. Becnel

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

/s/ Jessica Abarca

Jessica Abarca
Vice President Accounting and Chief Accounting Officer
(Principal Accounting Officer)

Date: August 3, 2007

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**Index to Exhibit**

| Exhibit Number | Description |
|---|---|
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