

SCHLUMBERGER LTD /NV/
Form 10-Q
July 27, 2016
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: June 30, 2016

Commission file No.: 1-4601

SCHLUMBERGER N.V.

(SCHLUMBERGER LIMITED)

(Exact name of registrant as specified in its charter)

| | |
|--|---|
| CURAÇAO (State or other jurisdiction of incorporation or organization) | 52-0684746 (I.R.S. Employer Identification No.) |
| 42 RUE SAINT-DOMINIQUE PARIS, FRANCE | 75007 |
| 5599 SAN FELIPE, 17th FLOOR HOUSTON, TEXAS, U.S.A. | 77056 |
| 62 BUCKINGHAM GATE LONDON, UNITED KINGDOM | SW1E 6AJ |
| PARKSTRAAT 83 THE HAGUE, THE NETHERLANDS | 2514 JG |

(Addresses of principal executive offices) (Zip Codes)

Registrant's telephone number in the United States, including area code, is:

(713) 513-2000

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

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

| Class | Outstanding at June 30, 2016 |
|--|------------------------------|
| COMMON STOCK, \$0.01 PAR VALUE PER SHARE | 1,390,693,530 |

SCHLUMBERGER LIMITED

Second Quarter 2016 Form 10-Q

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

SCHLUMBERGER LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

(Unaudited)

(Stated in millions, except per share amounts)

| | Second Quarter | | Six Months | |
|---|----------------|---------|------------|----------|
| | 2016 | 2015 | 2016 | 2015 |
| Revenue | | | | |
| Services | \$4,955 | \$8,080 | \$10,718 | \$17,322 |
| Product sales | 2,209 | 930 | 2,966 | 1,936 |
| Total Revenue | 7,164 | 9,010 | 13,684 | 19,258 |
| Interest & other income | 54 | 47 | 98 | 96 |
| Expenses | | | | |
| Cost of services | 4,332 | 6,368 | 9,126 | 13,641 |
| Cost of sales | 1,983 | 768 | 2,648 | 1,591 |
| Research & engineering | 257 | 279 | 497 | 546 |
| General & administrative | 103 | 120 | 213 | 239 |
| Impairments & other | 2,573 | - | 2,573 | 439 |
| Merger & integration | 335 | - | 335 | - |
| Interest | 149 | 86 | 282 | 168 |
| Income (loss) before taxes | (2,514) | 1,436 | (1,892) | 2,730 |
| Taxes on income (loss) | (368) | 302 | (269) | 608 |
| Net income (loss) | (2,146) | 1,134 | (1,623) | 2,122 |
| Net income attributable to noncontrolling interests | 14 | 10 | 36 | 23 |
| Net income (loss) attributable to Schlumberger | \$(2,160) | \$1,124 | \$(1,659) | \$2,099 |
| | | | | |
| Basic earnings (loss) per share of Schlumberger | \$(1.56) | \$0.89 | \$(1.26) | \$1.65 |
| | | | | |
| Diluted earnings (loss) per share of Schlumberger | \$(1.56) | \$0.88 | \$(1.26) | \$1.64 |
| | | | | |
| Average shares outstanding: | | | | |
| Basic | 1,389 | 1,269 | 1,321 | 1,273 |
| Assuming dilution | 1,389 | 1,280 | 1,321 | 1,282 |

See Notes to Consolidated Financial Statements

SCHLUMBERGER LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited)

(Stated in millions)

| | Second Quarter | | Six Months | |
|--|----------------|---------|------------|---------|
| | 2016 | 2015 | 2016 | 2015 |
| Net income (loss) | \$(2,146) | \$1,134 | \$(1,623) | \$2,122 |
| Currency translation adjustments | | | | |
| Unrealized net change arising during the period | (70) | 19 | (51) | (94) |
| Marketable securities | | | | |
| Unrealized gain (loss) arising during the period | - | 8 | 3 | (10) |
| Cash flow hedges | | | | |
| Net gain (loss) on cash flow hedges | 17 | 42 | (68) | (110) |
| Reclassification to net income (loss) of net realized loss | (14) | 22 | 80 | 140 |
| Pension and other postretirement benefit plans | | | | |
| Actuarial loss | | | | |
| Amortization to net income (loss) of net actuarial loss | 34 | 69 | 79 | 143 |
| Prior service cost | | | | |
| Amortization to net income (loss) of net prior service cost | 26 | 24 | 51 | 51 |
| Income taxes on pension and other postretirement benefit plans | (7) | (7) | (14) | (22) |
| Comprehensive income (loss) | (2,160) | 1,311 | (1,543) | 2,220 |
| Comprehensive income attributable to noncontrolling interests | 14 | 10 | 36 | 23 |
| Comprehensive income (loss) attributable to Schlumberger | \$(2,174) | \$1,301 | \$(1,579) | \$2,197 |

See Notes to Consolidated Financial Statements

SCHLUMBERGER LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(Stated in millions)

| | Jun. 30, 2016 (Unaudited) | Dec. 31, 2015 |
|---|---------------------------------|------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 2,947 | \$2,793 |
| Short-term investments | 8,245 | 10,241 |
| Receivables less allowance for doubtful accounts (2016 - \$381; 2015 - \$333) | 9,374 | 8,780 |
| Inventories | 5,001 | 3,756 |
| Deferred taxes | 391 | 208 |
| Other current assets | 1,237 | 1,134 |
| | 27,195 | 26,912 |
| Fixed Income Investments, held to maturity | 386 | 418 |
| Investments in Affiliated Companies | 1,276 | 3,311 |
| Fixed Assets less accumulated depreciation | 13,226 | 13,415 |
| Multiclient Seismic Data | 976 | 1,026 |
| Goodwill | 24,603 | 15,605 |
| Intangible Assets | 9,921 | 4,569 |
| Other Assets | 3,588 | 2,749 |
| | \$ 81,171 | \$68,005 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 9,494 | \$7,727 |
| Estimated liability for taxes on income | 1,043 | 1,203 |
| Long-term debt - current portion | 2,385 | 3,011 |
| Short-term borrowings | 986 | 1,546 |
| Dividends payable | 701 | 634 |
| | 14,609 | 14,121 |
| Long-term Debt | 18,252 | 14,442 |
| Postretirement Benefits | 1,341 | 1,434 |
| Deferred Taxes | 2,631 | 1,075 |
| Other Liabilities | 1,359 | 1,028 |
| | 38,192 | 32,100 |
| Equity | | |
| Common stock | 12,835 | 12,693 |
| Treasury stock | (3,636) | (13,372) |
| Retained earnings | 37,889 | 40,870 |
| Accumulated other comprehensive loss | (4,478) | (4,558) |
| Schlumberger stockholders' equity | 42,610 | 35,633 |
| Noncontrolling interests | 369 | 272 |
| | 42,979 | 35,905 |
| | \$ 81,171 | \$68,005 |

See Notes to Consolidated Financial Statements

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SCHLUMBERGER LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

(Stated in millions)

| | Six Months Ended Jun. 30, | |
|--|------------------------------|----------------|
| | 2016 | 2015 |
| Cash flows from operating activities: | | |
| Net income (loss) | \$(1,623) | \$2,122 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Impairments and other charges | 2,908 | 439 |
| Depreciation and amortization ⁽¹⁾ | 2,080 | 2,089 |
| Stock-based compensation expense | 145 | 167 |
| Pension and other postretirement benefits expense | 92 | 217 |
| Pension and other postretirement benefits funding | (83) | (214) |
| Earnings of equity method investments, less dividends received | (30) | (65) |
| Change in assets and liabilities: ⁽²⁾ | | |
| Decrease in receivables | 1,057 | 1,682 |
| Decrease in inventories | 334 | 39 |
| Decrease (increase) in other current assets | 92 | (13) |
| (Increase) decrease in other assets | (247) | 3 |
| Decrease in accounts payable and accrued liabilities | (1,491) | (2,126) |
| Decrease in estimated liability for taxes on income | (242) | (419) |
| Increase (decrease) in other liabilities | 11 | (86) |
| Other | (161) | 249 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 2,842 | 4,084 |
| Cash flows from investing activities: | | |
| Capital expenditures | (998) | (1,193) |
| SPM investments | (729) | (222) |
| Multiclient seismic data costs capitalized | (333) | (221) |
| Business acquisitions and investments, net of cash acquired | (2,220) | (171) |
| Sale of investments, net | 3,476 | 610 |
| Other | 26 | (119) |
| NET CASH USED IN INVESTING ACTIVITIES | (778) | (1,316) |
| Cash flows from financing activities: | | |
| Dividends paid | (1,255) | (1,151) |
| Proceeds from employee stock purchase plan | 116 | 144 |
| Proceeds from exercise of stock options | 79 | 112 |
| Stock repurchase program | (506) | (1,239) |
| Proceeds from issuance of long-term debt | 3,560 | 1,779 |
| Repayment of long-term debt | (3,401) | (2,340) |
| Net (decrease) increase in short-term borrowings | (564) | 586 |
| Other | 48 | (2) |
| NET CASH USED IN FINANCING ACTIVITIES | (1,923) | (2,111) |
| CASH FLOWS USED IN DISCONTINUED OPERATIONS - OPERATING ACTIVITIES | - | (233) |

| | | |
|--|---------|---------|
| Net increase in cash before translation effect | 141 | 424 |
| Translation effect on cash | 13 | (13) |
| Cash, beginning of period | 2,793 | 3,130 |
| Cash, end of period | \$2,947 | \$3,541 |

(1) Includes depreciation of property, plant and equipment and amortization of intangible assets, multiclient seismic data costs and SPM investments.

(2) Net of the effect of business acquisitions.

See Notes to Consolidated Financial Statements

SCHLUMBERGER LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF EQUITY

(Unaudited)

(Stated in millions)

| January 1, 2016 – June 30, 2016 | Common Stock | | Retained Earnings | Accumulated Other Comprehensive Loss | | Noncontrolling Interests | Total | |
|---|--------------|-------------|-------------------|--------------------------------------|-----------|--------------------------|----------|----------|
| | Issued | In Treasury | | Loss | Loss | | | |
| Balance, January 1, 2016 | \$12,693 | \$(13,372) | \$40,870 | \$ (4,558 |) | \$ 272 | \$35,905 | |
| Net loss | | | (1,659 |) | | 36 | (1,623 | |
| Currency translation adjustments | | | | (51 |) | | (51 | |
| Changes in unrealized gain on marketable securities | | | | 3 | | | 3 | |
| Changes in fair value of cash flow hedges | | | | 12 | | | 12 | |
| Pension and other postretirement benefit plans | | | | 116 | | | 116 | |
| Shares sold to optionees, less shares exchanged | (38 |) | 117 | | | | 79 | |
| Vesting of restricted stock | (63 |) | 63 | | | | - | |
| Shares issued under employee stock purchase plan | (19 |) | 135 | | | | 116 | |
| Stock repurchase program | | (506 |) | | | | (506 | |
| Stock-based compensation expense | 145 | | | | | | 145 | |
| Dividends declared (\$1.00 per share) | | | (1,322 |) | | | (1,322 | |
| Acquisition of Cameron International Corporation | 103 | 9,924 | | | | 57 | 10,084 | |
| Other | 14 | 3 | | | | 4 | 21 | |
| Balance, June 30, 2016 | \$12,835 | \$(3,636 |) | \$37,889 | \$ (4,478 |) | \$ 369 | \$42,979 |

(Stated in millions)

| January 1, 2015 – June 30, 2015 | Common Stock | | Retained Earnings | Accumulated Other Comprehensive Loss | | Noncontrolling Interests | Total |
|---|--------------|-------------|-------------------|--------------------------------------|------|--------------------------|----------|
| | Issued | In Treasury | | Loss | Loss | | |
| Balance, January 1, 2015 | \$12,495 | \$(11,772) | \$41,333 | \$ (4,206 |) | \$ 199 | \$38,049 |
| Net income | | | 2,099 | | | 23 | 2,122 |
| Currency translation adjustments | | | | (94 |) | | (94 |
| Changes in unrealized gain on marketable securities | | | | (10 |) | | (10 |
| Changes in fair value of cash flow hedges | | | | 30 | | | 30 |
| | | | | 172 | | | 172 |

Pension and other postretirement benefit plans

| | | | | | | |
|--|----------|------------|----------|-------------|--------|----------|
| Shares sold to optionees, less shares exchanged | (25) | 137 | | | | 112 |
| Vesting of restricted stock | (67) | 67 | | | | - |
| Shares issued under employee stock purchase plan | 9 | 135 | | | | 144 |
| Stock repurchase program | | (1,239) | | | | (1,239) |
| Stock-based compensation expense | 167 | | | | | 167 |
| Dividends declared (\$1.00 per share) | | | (1,274) | | | (1,274) |
| Other | 7 | 1 | | | (2) | 6 |
| Balance, June 30, 2015 | \$12,586 | \$(12,671) | \$42,158 | \$ (4,108) | \$ 220 | \$38,185 |

SHARES OF COMMON STOCK

(Unaudited)

(Stated in millions)

| | Shares | | |
|--|--------|----------|-------------|
| | Issued | Treasury | Outstanding |
| Balance, January 1, 2016 | 1,434 | (178) | 1,256 |
| Acquisition of Cameron International Corporation | - | 138 | 138 |
| Shares sold to optionees, less shares exchanged | - | 2 | 2 |
| Vesting of restricted stock | - | 1 | 1 |
| Shares issued under employee stock purchase plan | - | 1 | 1 |
| Stock repurchase program | - | (7) | (7) |
| Balance, June 30, 2016 | 1,434 | (43) | 1,391 |

See Notes to Consolidated Financial Statements

SCHLUMBERGER LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements of Schlumberger Limited and its subsidiaries (Schlumberger) have been prepared in accordance with generally accepted accounting principles in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of Schlumberger management, all adjustments considered necessary for a fair statement have been included in the accompanying unaudited financial statements. All intercompany transactions and balances have been eliminated in consolidation. Operating results for the six-month period ended June 30, 2016 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2016. The December 31, 2015 balance sheet information has been derived from the Schlumberger 2015 audited financial statements. For further information, refer to the Consolidated Financial Statements and notes thereto included in the Schlumberger Annual Report on Form 10-K for the year ended December 31, 2015, filed with the Securities and Exchange Commission on January 27, 2016.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers. This ASU amends the existing accounting standards for revenue recognition and is based on the principle that revenue should be recognized to depict the transfer of goods or services to a customer at an amount that reflects the consideration a company expects to receive in exchange for those goods or services. Schlumberger is required to adopt this ASU on January 1, 2018, with early adoption permitted on January 1, 2017. Excluding any impact associated with the recently completed acquisition of Cameron International Corporation (Cameron), Schlumberger does not expect the adoption of this ASU to have a material impact on its consolidated financial statements. Schlumberger is evaluating the impact of this ASU on the recently acquired Cameron business.

In November 2015, the FASB issued ASU 2015-17, Balance Sheet Classification of Deferred Taxes, which amends existing guidance on income taxes to require the classification of all deferred tax assets and liabilities as non-current on the balance sheet. Schlumberger is required to adopt this ASU no later than January 1, 2017, with early adoption permitted, and the guidance may be applied either prospectively or retrospectively. Schlumberger does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases. This ASU requires lessees to recognize a right of use asset and lease liability on the balance sheet for all leases, with the exception of short-term leases. Schlumberger will adopt this ASU on January 1, 2019 and is evaluating the impact that the adoption of this ASU will have on its consolidated financial statements.

2. Charges and Credits

Schlumberger recorded the following charges and credits during the second quarter of 2016:

· As a result of the persistent unfavorable oil and gas industry market conditions that continued to deteriorate in the first half of 2016, and the related impact on the first half operating results and expected customer activity levels, Schlumberger determined that the carrying values of certain assets were no longer recoverable and also took certain decisions that resulted in the following impairment and other charges:

- \$646 million of severance costs associated with further headcount reductions.
- \$209 million impairment of pressure pumping equipment in North America.
- \$165 million impairment of facilities in North America.
 - \$684 million of other fixed asset impairments primarily relating to other underutilized equipment.
- \$616 million write-down of the carrying value of certain inventory to its net realizable value.
- \$198 million impairment of certain multient seismic data, largely related to the US Gulf of Mexico.
- \$55 million of other costs, primarily relating to facility closure costs.

The fair value of the impaired fixed assets and multient seismic data was estimated based on the projected present value of future cash flows that these assets are expected to generate. Such estimates included unobservable inputs that required significant judgments. Additional charges may be required in future periods should industry conditions worsen. The above items are classified in Impairments & other in the Consolidated Statement of Income.

· In connection with Schlumberger's acquisition of Cameron (see Note 4 – Acquisition of Cameron), Schlumberger recorded \$335 million of charges consisting of the following: \$150 million relating to the amortization of purchase accounting adjustments associated with the write-up of acquired inventory to its estimated fair value; \$47 million relating to employee benefits for change-in-control arrangements and retention bonuses; \$45 million of transaction costs, including advisory and legal fees; \$40 million of facility closure costs, and \$53 million of other merger and integration-related costs. These amounts are classified in Merger & integration in the Consolidated Statement of Income.

The following is a summary of these charges:

(Stated in millions)

| | Pretax | Tax | Net |
|--|---------|-------|---------|
| Workforce reduction | \$646 | \$63 | \$583 |
| North America pressure pumping asset impairments | 209 | 67 | 142 |
| Facilities impairments | 165 | 58 | 107 |
| Other fixed asset impairments | 684 | 52 | 632 |
| Inventory write-downs | 616 | 49 | 567 |
| Multiclient seismic data impairment | 198 | 62 | 136 |
| Other restructuring charges | 55 | - | 55 |
| Amortization of inventory fair value adjustment | 150 | 45 | 105 |
| Merger-related employee benefits | 47 | 7 | 40 |
| Professional fees | 45 | 10 | 35 |
| Facility closure costs | 40 | 10 | 30 |
| Other merger and integration-related | 53 | 9 | 44 |
| | \$2,908 | \$432 | \$2,476 |

Schlumberger recorded the following charges and credits during the first six months of 2015:

· As a result of the severe fall in activity in North America, combined with the impact of lower international activity due to customer budget cuts driven by lower oil prices, Schlumberger decided to reduce its headcount during the first quarter of 2015. Schlumberger recorded a \$390 million charge associated with this headcount reduction as well as an incentivized leave of absence program.

· In February 2015, the Venezuelan government replaced the SICAD II exchange rate with a new foreign exchange market system known as SIMADI. The SIMADI exchange rate was approximately 192 Venezuelan Bolivares fuertes to the US dollar as of March 31, 2015. As a result, Schlumberger recorded a \$49 million devaluation charge during the first quarter of 2015, reflecting the adoption of the SIMADI exchange rate. This change resulted in a reduction in the US dollar reported amount of local currency denominated revenues, expenses and, consequently, income before taxes and net income in Venezuela.

The following is a summary of these charges, all of which were classified as Impairments & other in the Consolidated Statement of Income:

(Stated in millions)

| | Pretax | Tax | Net |
|--|--------|------|-------|
| Workforce reduction | \$390 | \$56 | \$334 |
| Currency devaluation loss in Venezuela | 49 | - | 49 |
| | \$439 | \$56 | \$383 |

3. Earnings Per Share

The following is a reconciliation from basic earnings (loss) per share of Schlumberger to diluted earnings (loss) per share of Schlumberger:

(Stated in millions, except per share amounts)

| | 2016 | | 2015 | | | |
|-----------------------------------|-----------------------------|-----------------------|----------------------|-------------------------------|-----------------------|--------------------------|
| | Average | | Average | | | |
| | Schlumberger Net Loss | Shares Outstanding | Loss per Share | Schlumberger Net Income | Shares Outstanding | Earnings per Share |
| Second Quarter | | | | | | |
| Basic | \$(2,160) | 1,389 | \$(1.56) | \$1,124 | 1,269 | \$ 0.89 |
| Assumed exercise of stock options | - | - | - | - | 7 | |
| Unvested restricted stock | - | - | - | - | 4 | |
| Diluted | \$(2,160) | 1,389 | \$(1.56) | \$1,124 | 1,280 | \$ 0.88 |

| | 2016 | | 2015 | | | |
|-----------------------------------|-----------------------------|-----------------------|----------------------|-------------------------------|-----------------------|--------------------------|
| | Average | | Average | | | |
| | Schlumberger Net Loss | Shares Outstanding | Loss per Share | Schlumberger Net Income | Shares Outstanding | Earnings per Share |
| Six Months | | | | | | |
| Basic | \$(1,659) | \$ 1,321 | \$(1.26) | \$2,099 | \$ 1,273 | \$ 1.65 |
| Assumed exercise of stock options | - | - | - | - | 5 | |
| Unvested restricted stock | - | - | - | - | 4 | |
| Diluted | \$(1,659) | \$ 1,321 | \$(1.26) | \$2,099 | \$ 1,282 | \$ 1.64 |

The number of outstanding options to purchase shares of Schlumberger common stock that were not included in the computation of diluted earnings per share, because to do so would have had an antidilutive effect, was as follows:

(Stated in millions)

| | 2016 | 2015 |
|----------------|------|------|
| Second Quarter | 49 | 11 |
| Six Months | 49 | 13 |

4. Acquisition of Cameron

On April 1, 2016, Schlumberger acquired all of the outstanding shares of Cameron, a leading provider of flow equipment products, systems and services to the oil and gas industry worldwide. The acquisition is expected to create technology-driven growth by integrating Schlumberger reservoir and well technologies with Cameron wellhead and surface equipment, flow control and processing technology. The combination of the two complementary technology portfolios provides the industry's most comprehensive range of products and services, from exploration to production and integrated pore-to-pipeline solutions that optimize hydrocarbon recovery to deliver reservoir performance.

Under the terms of the merger agreement, Cameron became a wholly-owned subsidiary of Schlumberger. Each share of Cameron common stock issued and outstanding immediately prior to the effective time of the merger was converted into the right to receive 0.716 shares of Schlumberger stock and \$14.44 in cash.

Calculation of Consideration Transferred

The following details the fair value of the consideration transferred to effect the acquisition of Cameron:

10

(stated in millions, except exchange ratio and per share amounts)

Equity consideration:

| | |
|---|---------|
| Number of shares of Cameron stock outstanding | 192 |
| Exchange ratio | 0.716 |
| Schlumberger shares of common stock issued | 138 |
| Schlumberger closing stock share price on April 1, 2016 | \$72.12 |
| Equity consideration | \$9,924 |

Cash consideration:

| | |
|---|---------|
| Number of shares of Cameron stock outstanding | 192 |
| Cash consideration per Cameron share | \$14.44 |
| Cash consideration | 2,776 |

Other:

| | |
|---|----------|
| Fair value of replacement equity awards | 103 |
| Total fair value of the consideration transferred | \$12,803 |

Certain amounts reflect rounding adjustments

Preliminary Allocation of Consideration Transferred to Net Assets Acquired

The following amounts represents the preliminary estimates of the fair value of assets acquired and liabilities assumed in the merger. The final determination of fair value for certain assets and liabilities will be completed as soon as the information necessary to complete the analysis is obtained. These amounts, which may differ materially from these preliminary estimates, will be finalized as soon as possible, but no later than one year from the acquisition date.

(Stated in millions)

| | |
|---|----------|
| Cash | \$785 |
| Short-term investments | 1,448 |
| Accounts receivable | 1,691 |
| Inventories ⁽¹⁾ | 2,431 |
| Fixed assets | 1,333 |
| Intangible assets: | |
| Customer relationships (weighted-average life of 25 years) | 2,371 |
| Technology/Technical Know-How (weighted-average life of 16 years) | 1,736 |
| Tradenames (weighted-average life of 25 years) | 1,225 |
| Other assets | 624 |
| Accounts payable and accrued liabilities | (2,592) |
| Long-term debt ⁽²⁾ | (3,018) |
| Deferred taxes ⁽³⁾ | (1,636) |
| Other liabilities | (310) |
| Sub-total | \$6,088 |
| Less: | |
| Investment in OneSubsea ⁽⁴⁾ | (2,065) |

| | |
|---------------------------------|----------|
| Noncontrolling interests | (57) |
| Total identifiable net assets | \$3,966 |
| Goodwill ⁽⁵⁾ | 8,837 |
| Total consideration transferred | \$12,803 |

(1) Schlumberger recorded an adjustment of \$299 million to write-up the acquired inventory to its estimated fair value. This adjustment will be amortized as the acquired inventory is sold.

(2) In connection with the merger, Schlumberger assumed all of the debt obligations of Cameron, including their \$2.75 billion of fixed rate notes. Schlumberger recorded a \$244 million adjustment to increase the carrying amount of these notes to their estimated fair value. This adjustment will be amortized as a reduction of interest expense over the remaining term of the respective obligations.

(3) In connection with the acquisition accounting, Schlumberger provided deferred taxes related to, among other items, the estimated fair value adjustments for acquired inventory, intangible assets and assumed debt obligations.

(4) Prior to the completion of the merger, Cameron and Schlumberger operated OneSubsea, a joint venture that manufactures and develops products, systems and services for the subsea oil and gas market which was 40% owned by Schlumberger and 60% owned by Cameron. OneSubsea is now owned 100% by Schlumberger. As a result of obtaining control of this joint venture, Schlumberger was required to

remeasure its previously held equity interest in the joint venture to its acquisition-date fair value. Schlumberger determined that the estimated fair value of its previously held equity interest approximated its carrying value. Accordingly, Schlumberger did not recognize any gain or loss on this transaction.

(5) The goodwill recognized is primarily attributable to expected synergies that will result from combining the operations of Schlumberger and Cameron as well as intangible assets, which do not qualify for separate recognition. The amount of goodwill that is deductible for income tax purposes is not significant.

Supplemental Pro Forma Financial Information

Cameron's results of operations have been included in Schlumberger's financial statements for periods subsequent to the closing of the acquisition on April 1, 2016. Businesses acquired from Cameron contributed revenues of approximately \$1.5 billion and pretax operating income of \$243 million for the period from April 1, 2016 through June 30, 2016.

The following supplemental pro forma results of operations assume that Cameron had been acquired as of January 1, 2015. The supplemental pro forma financial information was prepared based on the historical financial information of Schlumberger and Cameron and has been adjusted to give effect to pro forma adjustments that are both directly attributable to the transaction and factually supportable. The pro forma amounts reflect certain adjustments to amortization expense, interest expense and income taxes resulting from purchase accounting. The pro forma amounts also reflect adjustments to the 2016 results to exclude merger and integration costs of \$254 million, net of taxes, for the three and six months ended June 30, 2016 because such costs are nonrecurring and directly attributable to the acquisition. As required by generally accepted accounting principles, the pro forma results for the six months ended June 30, 2015 have been adjusted to include the \$254 million of after-tax merger and integration charges as well as an additional \$105 million of after-tax charges relating to the amortization of the inventory fair value adjustment. The pro forma results for the three months ended June 30, 2015 have been adjusted to include the \$105 million of after-tax amortization relating to the inventory fair value adjustment.

The supplemental pro forma financial information presented below does not include any anticipated cost savings or the expected realization of other synergies associated with this transaction. Accordingly, this supplemental pro forma financial information is presented for informational purposes only and is not necessarily indicative of what the actual results of operations of the combined company would have been had the acquisition occurred on January 1, 2015, nor is it indicative of future results of operations.

(Stated in millions, except
per share amounts)

| | Second Quarter | | Six Months | |
|--|----------------|----------|------------|----------|
| | 2016 | 2015 | 2016 | 2015 |
| Revenue | \$7,164 | \$11,246 | \$15,312 | \$23,779 |
| Net income (loss) attributable to Schlumberger | \$(1,905) | \$1,152 | \$(1,290) | \$1,883 |
| Diluted earnings (loss) per share | \$(1.37) | \$0.81 | \$(0.93) | \$1.33 |

5. Inventories

A summary of inventories follows:

(Stated in millions)

| | Jun. 30, 2016 | Dec. 31, 2015 |
|---------------------------------|---------------------|---------------------|
| Raw materials & field materials | \$1,874 | \$2,300 |
| Work in progress | 640 | 178 |
| Finished goods | 2,487 | 1,278 |
| | \$5,001 | \$3,756 |

6. Fixed Assets

A summary of fixed assets follows:

(Stated in millions)

| | Jun. 30, 2016 | Dec. 31, 2015 |
|--------------------------------|------------------|------------------|
| Property, plant & equipment | \$40,198 | \$37,120 |
| Less: Accumulated depreciation | 26,972 | 23,705 |
| | \$13,226 | \$13,415 |

Depreciation expense relating to fixed assets was as follows:

(Stated in millions)

| | 2016 | 2015 |
|----------------|-------|-------|
| Second Quarter | \$744 | \$819 |
| Six Months | 1,426 | 1,646 |

7. Multiclient Seismic Data

The change in the carrying amount of multiclient seismic data for the six months ended June 30, 2016 was as follows:

(Stated in millions)

| | |
|--------------------------------|---------|
| Balance at December 31, 2015 | \$1,026 |
| Capitalized in period | 333 |
| Charged to expense | (185) |
| Impairment charge (see Note 2) | (198) |
| Balance at June 30, 2016 | \$976 |

8. Goodwill

The changes in the carrying amount of goodwill by reporting unit for the six months ended June 30, 2016 were as follows:

(Stated in millions)

| | Reservoir | | | | |
|-------------------------------------|-----------|----------|------------|----------|----------|
| | Character | Drilling | Production | Cameron | Total |
| Balance at December 31, 2015 | \$3,798 | \$8,584 | \$ 3,223 | \$ - | \$15,605 |
| Acquisition of Cameron | 790 | 1,490 | 1,170 | 5,387 | 8,837 |
| Other acquisitions | - | 24 | 105 | - | 129 |
| Impact of changes in exchange rates | 13 | 7 | 12 | - | 32 |
| Balance at June 30, 2016 | \$4,601 | \$10,105 | \$ 4,510 | \$ 5,387 | \$24,603 |

9. Intangible Assets

The gross book value, accumulated amortization and net book value of intangible assets were as follows:

(Stated in millions)

| | Jun. 30, 2016 | | Net Book Value | Dec. 31, 2015 | | Net Book Value |
|-------------------------------|---------------------|-----------------------------|----------------------|---------------------|-----------------------------|-------------------|
| | Gross Book Value | Accumulated Amortization | | Gross Book Value | Accumulated Amortization | |
| Customer relationships | \$4,881 | \$ 747 | \$4,134 | \$2,489 | \$ 645 | \$ 1,844 |
| Technology/technical know-how | 3,599 | 716 | 2,883 | 1,864 | 653 | 1,211 |
| Tradenames | 2,848 | 406 | 2,442 | 1,625 | 367 | 1,258 |
| Other | 1,008 | 546 | 462 | 513 | 257 | 256 |
| | \$12,336 | \$ 2,415 | \$9,921 | \$6,491 | \$ 1,922 | \$ 4,569 |

Amortization expense charged to income was as follows:

(Stated in millions)

| | 2016 | 2015 |
|----------------|-------|-------|
| Second Quarter | \$160 | \$93 |
| Six Months | \$249 | \$179 |

Based on the net book value of intangible assets at June 30, 2016, amortization charged to income for the subsequent five years is estimated to be: remaining two quarters of 2016—\$335 million; 2017—\$672 million; 2018—\$651 million; 2019—\$611 million; 2020—\$587 million; and 2021—\$565 million.

10. Long-term Debt

A summary of Long-term Debt follows:

(Stated in millions)

| | Jun. 30, 2016 | Dec. 31, 2015 |
|-----------------------------|------------------|------------------|
| 4.00% Senior Notes due 2025 | \$1,739 | \$1,741 |
| 3.30% Senior Notes due 2021 | 1,593 | 1,597 |
| 3.00% Senior Notes due 2020 | 1,590 | 1,591 |
| 3.65% Senior Notes due 2023 | 1,490 | 1,496 |
| 2.35% Senior Notes due 2018 | 1,296 | 1,297 |
| 4.20% Senior Notes due 2021 | 1,099 | 1,100 |
| 1.25% Senior Notes due 2017 | 999 | 1,000 |

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| | | |
|-------------------------------------|----------|----------|
| 2.40% Senior Notes due 2022 | 995 | 999 |
| 3.63% Senior Notes due 2022 | 845 | 845 |
| 0.63% Guaranteed Notes due 2019 | 662 | - |
| 1.50% Guaranteed Notes due 2019 | 575 | 566 |
| 1.90% Senior Notes due 2017 | 498 | 499 |
| 6.38% Notes due 2018 ⁽¹⁾ | 304 | - |
| 7.00% Notes due 2038 ⁽¹⁾ | 216 | - |
| 4.50% Notes due 2021 ⁽¹⁾ | 139 | - |
| 5.95% Notes due 2041 ⁽¹⁾ | 116 | - |
| 3.60% Notes due 2022 ⁽¹⁾ | 111 | - |
| 5.13% Notes due 2043 ⁽¹⁾ | 99 | - |
| 4.00% Notes due 2023 ⁽¹⁾ | 83 | - |
| 3.70% Notes due 2024 ⁽¹⁾ | 56 | - |
| Commercial paper borrowings | 2,500 | 1,000 |
| Other | 1,247 | 711 |
| | \$18,252 | \$14,442 |

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⁽¹⁾ Represents long-term fixed rate debt obligations assumed in connection with the acquisition of Cameron, net of amounts repurchased subsequent to the closing of the transaction.

The estimated fair value of Schlumberger's Long-term Debt at June 30, 2016 and December 31, 2015, based on quoted market prices, was \$19.0 billion and \$14.4 billion, respectively.

Borrowings under the commercial paper program at June 30, 2016 were \$3.2 billion, of which \$2.5 billion was classified within Long-term debt and \$0.7 billion was classified within Long-term debt – current portion in the Consolidated Balance Sheet. At December 31, 2015, borrowings under the commercial paper program were \$2.4 billion, of which \$1.0 billion was classified within Long-term debt and \$1.4 billion was classified within Long-term debt – current portion in the Consolidated Balance Sheet.

11. Derivative Instruments and Hedging Activities

Schlumberger is exposed to market risks related to fluctuations in foreign currency exchange rates and interest rates. To mitigate these risks, Schlumberger utilizes derivative instruments. Schlumberger does not enter into derivative transactions for speculative purposes.

Interest Rate Risk

Schlumberger is subject to interest rate risk on its debt and its investment portfolio. Schlumberger maintains an interest rate risk management strategy that uses a mix of variable and fixed rate debt combined with its investment portfolio and occasionally interest rate swaps to mitigate the exposure to changes in interest rates.

During the fourth quarter of 2013, Schlumberger entered into a cross currency swap for a notional amount of €0.5 billion in order to hedge changes in the fair value of Schlumberger's €0.5 billion 1.50% Guaranteed Notes due 2019. Under the terms of this swap, Schlumberger receives interest at a fixed rate of 1.50% on the euro notional amount and pays interest at a floating rate of three-month LIBOR plus approximately 64 basis points on the US dollar notional amount.

This cross currency swap is designated as a fair value hedge of the underlying debt. This derivative instrument is marked to market with gains and losses recognized in income to largely offset the respective gains and losses recognized on changes in the fair value of the hedged debt.

At June 30, 2016, Schlumberger had fixed rate debt of \$15.5 billion and variable rate debt of \$6.1 billion after taking into account the effect of the swap.

Short-term investments and Fixed income investments, held to maturity totaled \$8.6 billion at June 30, 2016. The carrying value of these investments approximated fair value, which was estimated using quoted market prices for those or similar investments.

Foreign Currency Exchange Rate Risk

As a multinational company, Schlumberger conducts its business in more than 85 countries. Schlumberger's functional currency is primarily the US dollar. However, outside the United States, a significant portion of Schlumberger's

expenses is incurred in foreign currencies. Therefore, when the US dollar weakens (strengthens) in relation to the foreign currencies of the countries in which Schlumberger conducts business, the US dollar-reported expenses will increase (decrease).

Schlumberger is exposed to risks on future cash flows to the extent that the local currency is not the functional currency and expenses denominated in local currency are not equal to revenues denominated in local currency. Schlumberger is also exposed to risks on future cash flows relating to certain of its fixed rate debt that is denominated in currencies other than the functional currency. Schlumberger uses foreign currency forward contracts and foreign currency options to provide a hedge against a portion of these cash flow risks. These contracts are accounted for as cash flow hedges, with the effective portion of changes in the fair value of the hedge recorded on the Consolidated Balance Sheet and in Accumulated other comprehensive loss. Amounts recorded in Accumulated other comprehensive loss are reclassified into earnings in the same period or periods that the hedged item is recognized in earnings. The ineffective portion of changes in the fair value of hedging instruments, if any, is recorded directly to earnings.

At June 30, 2016, Schlumberger recognized a cumulative net \$27 million loss in Accumulated other comprehensive loss relating to revaluation of foreign currency forward contracts and foreign currency options designated as cash flow hedges, the majority of which is expected to be reclassified into earnings within the next 12 months.

Schlumberger is exposed to changes in the fair value of assets and liabilities that are denominated in currencies other than the functional currency. While Schlumberger uses foreign currency forward contracts and foreign currency options to economically hedge this exposure as it relates to certain currencies, these contracts are not designated as hedges for accounting purposes. Instead, the fair value of the contracts is recorded on the Consolidated Balance Sheet, and changes in the fair value are recognized in the Consolidated Statement of Income as are changes in fair value of the hedged item.

At June 30, 2016, contracts were outstanding for the US dollar equivalent of \$5.8 billion in various foreign currencies, of which \$0.7 billion related to hedges of debt denominated in currencies other than the functional currency.

The fair values of outstanding derivative instruments were as follows:

| | (Stated in millions) | | |
|---------------------------------------|------------------------------|------------------|---|
| | Fair Value of Derivatives | | Consolidated Balance Sheet Classification |
| | Jun. 30, 2016 | Dec. 31, 2015 | |
| Derivative Assets | | | |
| Derivatives designated as hedges: | | | |
| Foreign exchange contracts | \$ 15 | \$ 4 | Other current assets |
| Foreign exchange contracts | - | 6 | Other Assets |
| | \$ 15 | \$ 10 | |
| Derivatives not designated as hedges: | | | |
| Foreign exchange contracts | \$ 50 | \$ 15 | Other current assets |
| Foreign exchange contracts | 2 | - | Other Assets |
| | \$ 67 | \$ 25 | |
| Derivative Liabilities | | | |
| Derivatives designated as hedges: | | | |
| Foreign exchange contracts | \$ 44 | \$ 37 | Accounts payable and accrued liabilities |
| Foreign exchange contracts | 2 | 3 | Other Liabilities |
| Cross currency swap | 35 | 22 | Other Liabilities |
| | \$ 81 | \$ 62 | |
| Derivatives not designated as hedges: | | | |
| Foreign exchange contracts | \$ 95 | \$ 25 | Accounts payable and accrued liabilities |
| Foreign exchange contracts | 2 | - | Other Liabilities |
| | \$ 178 | \$ 87 | |

The fair value of all outstanding derivatives was determined using a model with inputs that are observable in the market or that can be derived from, or corroborated by, observable data.

The effect of derivative instruments designated as fair value hedges and those not designated as hedges on the Consolidated Statement of Income was as follows:

| | (Stated in millions) | | | | |
|---|---------------------------|-------|------------|--------|--------------------------|
| | Gain (Loss) Recognized in | | | | |
| | Income | | | | |
| | Second | | | | |
| | Quarter | | Six Months | | |
| | | | | | Consolidated Statement |
| | 2016 | 2015 | 2016 | 2015 | of Income Classification |
| Derivatives designated as fair value hedges: | | | | | |
| Cross currency swap | \$(6) | \$ 19 | \$4 | \$(51) | Interest |
| Derivatives not designated as hedges: | | | | | |
| Foreign exchange contracts | \$(57) | \$ 57 | \$(138) | \$(61) | Cost of service/sales |

12. Income Taxes

A reconciliation of the US statutory federal tax rate (35%) to the consolidated effective income tax rate follows:

| | Second Quarter | | Six Months | |
|--|-------------------|-------|------------|-------|
| | 2016 | 2015 | 2016 | 2015 |
| US federal statutory rate | 35 % | 35 % | 35 % | 35 % |
| State tax | - | - | 1 | - |
| Non-US income taxed at different rates | (18) | (13) | (20) | (12) |
| Charges and credits (See Note 2) | (2) | - | (2) | 1 |
| Other | - | (1) | - | (2) |
| | 15 % | 21 % | 14 % | 22 % |

The components of net deferred tax assets (liabilities) were as follows:

(Stated in millions)

| | Jun. 30, 2016 | Dec. 31, 2015 |
|------------------------------------|------------------|---------------------|
| Postretirement benefits | \$265 | \$266 |
| Intangible assets | (3,203) | (1,418) |
| Investments in non-US subsidiaries | (149) | (152) |
| Fixed assets, net | (163) | (176) |
| Inventories | 289 | 159 |
| Other, net | 721 | 454 |
| | \$(2,240) | \$(867) |

The above deferred tax balances at June 30, 2016 and December 31, 2015 were net of valuation allowances relating to net operating losses in certain countries of \$151 million and \$162 million, respectively.

13. Contingencies

Schlumberger and its subsidiaries are party to various legal proceedings from time to time. A liability is accrued when a loss is both probable and can be reasonably estimated. Management believes that the probability of a material loss with respect to any currently pending legal proceedings is remote. However, litigation is inherently uncertain and it is not possible to predict the ultimate disposition of any of these proceedings.

14. Segment Information

(Stated in millions)

| | Second Quarter 2016 | | Second Quarter 2015 | |
|------------------------------------|-----------------------------------|-----------|-----------------------------------|---------|
| | Income Before Revenue Taxes | | Income Before Revenue Taxes | |
| Reservoir Characterization | \$1,593 | \$266 | \$2,510 | \$655 |
| Drilling | 2,034 | 171 | 3,469 | 672 |
| Production | 2,099 | 90 | 3,059 | 397 |
| Cameron | 1,536 | 243 | - | - |
| Eliminations & other | (98) | (23) | (28) | (16) |
| Pretax operating income | | 747 | | 1,708 |
| Corporate & other ⁽¹⁾ | | (241) | | (199) |
| Interest income ⁽²⁾ | | 24 | | 6 |
| Interest expense ⁽³⁾ | | (136) | | (79) |
| Charges and credits ⁽⁴⁾ | | (2,908) | | - |
| | \$7,164 | \$(2,514) | \$9,010 | \$1,436 |

- (1) Comprised principally of certain corporate expenses not allocated to the segments, stock-based compensation costs, amortization expense associated with certain intangible assets (including intangible asset amortization expense resulting from the acquisition of Cameron), certain centrally managed initiatives and other nonoperating items.
- (2) Interest income excludes amounts which are included in the segments' income (\$6 million in 2016; \$6 million in 2015).
- (3) Interest expense excludes amounts which are included in the segments' income (\$13 million in 2016; \$7 million in 2015).
- (4) See Note 2 – Charges and Credits.

(Stated in millions)

| | Six Months 2016 | | Six Months 2015 | |
|------------------------------------|-----------------|---------------------|-----------------|---------------------|
| | Revenue | Income Before Taxes | Revenue | Income Before Taxes |
| Reservoir Characterization | \$3,339 | \$597 | \$5,165 | \$1,327 |
| Drilling | 4,527 | 542 | 7,391 | 1,450 |
| Production | 4,447 | 298 | 6,764 | 941 |
| Cameron | 1,536 | 243 | - | - |
| Eliminations & other | (165) | (32) | (62) | (17) |
| Pretax operating income | | 1,648 | | 3,701 |
| Corporate & other ⁽¹⁾ | | (413) | | (390) |
| Interest income ⁽²⁾ | | 37 | | 14 |
| Interest expense ⁽³⁾ | | (256) | | (156) |
| Charges and credits ⁽⁴⁾ | | (2,908) | | (439) |
| | \$13,684 | \$(1,892) | \$19,258 | \$2,730 |

(1) Comprised principally of certain corporate expenses not allocated to the segments, stock-based compensation costs, amortization expense associated with certain intangible assets (including intangible asset amortization expense resulting from the acquisition of Cameron), certain centrally managed initiatives and other nonoperating items.

(2) Interest income excludes amounts which are included in the segments' income (\$12 million in 2016; \$11 million in 2015).

(3) Interest expense excludes amounts which are included in the segments' income (\$26 million in 2016; \$12 million in 2015).

(4) See Note 2 – Charges and Credits.

15. Pension and Other Postretirement Benefit Plans

Net pension cost for the Schlumberger pension plans included the following components:

(Stated in millions)

| | Second Quarter | | | | Six Months | | | |
|------------------------------------|----------------|-------|------|-------|------------|-------|-------|-------|
| | 2016 | | 2015 | | 2016 | | 2015 | |
| | US | Int'l | US | Int'l | US | Int'l | US | Int'l |
| Service cost | \$13 | \$19 | \$21 | \$50 | \$31 | \$56 | \$43 | \$99 |
| Interest cost | 45 | 77 | 44 | 75 | 89 | 157 | 85 | 149 |
| Expected return on plan assets | (58) | (129) | (59) | (129) | (118) | (263) | (115) | (257) |
| Amortization of prior service cost | 3 | 31 | 1 | 31 | 6 | 61 | 6 | 61 |
| Amortization of net loss | 17 | 17 | 31 | 36 | 40 | 39 | 62 | 74 |
| | \$20 | \$15 | \$38 | \$63 | \$48 | \$50 | \$81 | \$126 |

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The net periodic benefit cost for the Schlumberger US postretirement medical plan included the following components:

(Stated in millions)

| | Second Quarter | | Six Months | |
|--------------------------------------|-------------------|------|-------------|------|
| | 2016 | 2015 | 2016 | 2015 |
| Service cost | \$7 | \$10 | \$15 | \$21 |
| Interest cost | 12 | 11 | 24 | 24 |
| Expected return on plan assets | (15) | (13) | (29) | (26) |
| Amortization of prior service credit | (8) | (8) | (16) | (16) |
| Amortization of net loss | - | 2 | - | 7 |
| | \$ (4) \$2 | | \$(6) \$10 | |

16. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss consists of the following:

(Stated in millions)

| | Unrealized Currency Gain on Translation Adjustments | Unrealized Gain on Marketable Securities | Cash Flow Hedges | Pension and Other Postretirement Benefit Plans | Total |
|--|--|---|------------------------|---|-----------|
| Balance, January 1, 2016 | \$(2,053) | \$ - | \$ (39) | \$ (2,466) | \$(4,558) |
| Other comprehensive gain (loss) before reclassifications | (51) | 3 | (68) | - | (116) |
| Amounts reclassified from accumulated other comprehensive loss | - | - | 80 | 130 | 210 |
| Income taxes | - | - | - | (14) | (14) |
| Net other comprehensive (loss) income | (51) | 3 | 12 | 116 | 80 |
| Balance, June 30, 2016 | \$(2,104) | \$ 3 | \$ (27) | \$ (2,350) | \$(4,478) |

(Stated in millions)

| | Unrealized Currency Gain/(Loss) on Translation Adjustments | Unrealized Gain/(Loss) on Marketable Securities | Cash Flow Hedges | Pension and Other Postretirement Benefit Plans | Total |
|--|---|--|------------------------|---|-------|
|--|---|--|------------------------|---|-------|

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| | | | | | |
|--|-----------|-------|----------|-------------|-----------|
| Balance, January 1, 2015 | \$(1,531) | \$ 10 | \$ (96) | \$ (2,589) | \$(4,206) |
| Other comprehensive loss before reclassifications | (94) | (10) | (110) | - | (214) |
| Amounts reclassified from accumulated other comprehensive loss | - | - | 140 | 194 | 334 |
| Income taxes | - | - | - | (22) | (22) |
| Net other comprehensive (loss) income | (94) | (10) | 30 | 172 | 98 |
| Balance, June 30, 2015 | \$(1,625) | \$ - | \$ (66) | \$ (2,417) | \$(4,108) |

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Second Quarter 2016 Compared to First Quarter 2016

(Stated in millions)

| | Second Quarter 2016 | | First Quarter 2016 | |
|------------------------------------|-----------------------------------|-----------|-----------------------------------|--------|
| | Income Before Revenue Taxes | | Income Before Revenue Taxes | |
| Reservoir Characterization | \$1,593 | \$266 | \$1,747 | \$331 |
| Drilling | 2,034 | 171 | 2,493 | 371 |
| Production | 2,099 | 90 | 2,348 | 208 |
| Cameron | 1,536 | 243 | - | - |
| Eliminations & other | (98) | (23) | (68) | (9) |
| Pretax operating income | | 747 | | 901 |
| Corporate & other ⁽¹⁾ | | (241) | | (172) |
| Interest income ⁽²⁾ | | 24 | | 13 |
| Interest expense ⁽³⁾ | | (136) | | (120) |
| Charges and credits ⁽⁴⁾ | | (2,908) | | - |
| | \$7,164 | \$(2,514) | \$6,520 | \$622 |

⁽¹⁾ Comprised principally of certain corporate expenses not allocated to the segments, stock-based compensation costs, amortization expense associated with certain intangible assets, certain centrally managed initiatives and other nonoperating items. The second quarter of 2016 includes \$63 million of amortization expense associated with intangible assets recorded as a result of the acquisition of Cameron, which was completed on April 1, 2016.

⁽²⁾ Interest income excludes amounts which are included in the segments' income (\$6 million in the second quarter of 2016; \$6 million in the first quarter of 2016).

⁽³⁾ Interest expense excludes amounts which are included in the segments' income (\$13 million in the second quarter of 2016; \$13 million in the first quarter of 2016).

⁽⁴⁾ Charges and credits recorded during the second quarter of 2016 are described in detail in Note 2 to the Consolidated Financial Statements.

On April 1, 2016, Schlumberger acquired all of the outstanding shares of Cameron International Corporation (Cameron), a leading provider of flow equipment products, systems and services to the oil and gas industry worldwide. The acquisition is expected to create technology-driven growth by integrating Schlumberger reservoir and well technologies with Cameron wellhead and surface equipment, flow control and processing technology. The combination of the two complementary technology portfolios provides the industry's most comprehensive range of products and services, from exploration to production and integrated pore-to-pipeline solutions that optimize hydrocarbon recovery to deliver reservoir performance.

Under the terms of the merger agreement, Cameron became a wholly-owned subsidiary of Schlumberger. Each share of Cameron common stock issued and outstanding immediately prior to the effective time of the merger was converted into the right to receive 0.716 shares of Schlumberger stock and \$14.44 in cash. As a result, Schlumberger issued approximately 138 million shares of its common stock and paid cash of approximately \$2.8 billion in connection with this transaction. Based on the closing price of Schlumberger's common stock on April 1, 2016, the total fair value of the consideration transferred to effect the acquisition of Cameron was approximately \$12.8 billion. Cameron's revenue for the year ended December 31, 2015 was \$8.8 billion.

Second-quarter 2016 revenue of \$7.2 billion increased 10% sequentially. This included a full quarter of activity from the acquired Cameron businesses, which contributed revenue of \$1.5 billion. Excluding the impact of the Cameron acquisition, revenue declined 14% sequentially.

In April 2016, Schlumberger announced that it would reduce its activity in Venezuela to align operations with cash collections as a result of insufficient payments received in recent quarters and a lack of progress in establishing new mechanisms that address past and future accounts receivable. The reduction in activity levels in Venezuela accounted for approximately 25% of the previously mentioned 14% sequential revenue decline (excluding the impact of Cameron). Venezuela represented less than 5% of Schlumberger's consolidated revenue for the year ended December 31, 2015.

North America second-quarter revenue of \$1.7 billion increased 19% sequentially due to the addition of the Cameron businesses, which contributed \$0.6 billion of second-quarter revenue. Excluding the impact of Cameron, North America revenue decreased 20% as a result of the Canadian spring break-up and the US land rig count decline of 25%. Excluding Cameron, North America land revenue fell 23% on lower Drilling Group activity and continuing pricing pressure in the Production Group. While fracturing stage counts and active pressure pumping fleets increased more than 15% sequentially, an unfavorable job and technology mix, combined with pricing pressure, more than offset the increase in volume. North America offshore revenue, excluding the impact of Cameron, decreased 15%, mainly due to lower Drilling Group activity, although this was partially offset by higher WesternGeco multiclient seismic license fees.

Revenue for the International Areas of \$5.4 billion increased 8% sequentially, including the effect of the acquired Cameron businesses, which contributed \$1.0 billion in second-quarter revenue. Excluding the impact of Cameron, international revenue declined 12% sequentially due to customer budget cuts, continued pricing pressure and the scaling back of operations in Venezuela.

From a segment perspective, second-quarter revenue from the Reservoir Characterization and Production Groups declined sequentially by 9% and 11%, respectively, on continued lower demand for exploration- and development-related products and services as E&P budgets were further reduced. Drilling Group revenue fell by 18%, impacted by the steep drop in rig count, particularly in North America and Latin America.

Second-quarter 2016 pretax operating margin decreased 155 bps to 10% primarily from the overall decline in activity and pricing concessions. The margin decrease was the highest in the Drilling Group, which contracted by 649 bps to 8%. The Production Group pretax operating margin fell 459 bps to 4% while the Reservoir Characterization Group decreased 228 bps to 17%, and the Cameron Group posted a pretax operating margin of 16%.

Reservoir Characterization Group

Second-quarter revenue of \$1.6 billion was 9% lower sequentially, primarily due to the scaling back of operations in Venezuela and project cancellations that impacted Wireline activity internationally. Testing Services revenue and Software Integrated Solutions (SIS) software sales also declined, particularly in Latin America. These declines were partially offset by higher multiclient seismic license sales, including transfer fees, which increased \$68 million.

Pretax operating margin of 17% declined 228 basis points (bps) sequentially primarily due to reduced high-margin Wireline and Testing Services activities, particularly in Latin America.

Drilling Group

Second-quarter revenue of \$2.0 billion declined 18% sequentially. This was mainly the result of a sharp drop in drilling activity from a combination of the spring break-up in Canada, lower rig counts on land in the US and Latin America, and the scaling back of operations in Venezuela. In addition, continued and persistent pricing pressure negatively impacted Drilling & Measurements and M-I SWACO results across all of the Areas.

Pretax operating margin of 8% contracted 649 bps sequentially, driven by pricing pressure, lower rig counts in North America and the scaling back of operations in Venezuela.

Production Group

Second-quarter revenue of \$2.1 billion decreased 11% sequentially with more than one-half of the revenue decrease attributable to a decline in North America from the Canadian spring break-up and increased pricing pressure.

Pretax operating margin of 4% decreased 459 bps sequentially, primarily from lower activity and increased pricing weakness in pressure pumping services in North America land.

Cameron Group

Cameron Group contributed second-quarter revenue of \$1.5 billion and pretax operating margin of 16%. Revenue was impacted by a declining project backlog as well as a further slowdown in activity on land in the US that mainly affected the short-cycle businesses of the Valves & Measurement and Surface product lines.

Pretax operating margin of 16% was robust despite the market downturn. This was driven by strong project execution from the OneSubsea, Drilling, and Process Systems product lines.

Second Quarter 2016 Compared to Second Quarter 2015

(Stated in millions)

| | Second Quarter 2016 | | Second Quarter 2015 | |
|------------------------------------|-----------------------------------|------------|-----------------------------------|----------|
| | Income Before Revenue Taxes | | Income Before Revenue Taxes | |
| Reservoir Characterization | \$ 1,593 | \$ 266 | \$ 2,510 | \$ 655 |
| Drilling | 2,034 | 171 | 3,469 | 672 |
| Production | 2,099 | 90 | 3,059 | 397 |
| Cameron | 1,536 | 243 | - | - |
| Eliminations & other | (98) | (23) | (28) | (16) |
| Pretax operating income | | 747 | | 1,708 |
| Corporate & other ⁽¹⁾ | | (241) | | (199) |
| Interest income ⁽²⁾ | | 24 | | 6 |
| Interest expense ⁽³⁾ | | (136) | | (79) |
| Charges and credits ⁽⁴⁾ | | (2,908) | | - |
| | \$ 7,164 | \$ (2,514) | \$ 9,010 | \$ 1,436 |

⁽¹⁾ Comprised principally of certain corporate expenses not allocated to the segments, stock-based compensation costs, amortization expense associated with certain intangible assets, certain centrally managed initiatives and other nonoperating items. The second quarter of 2016 includes \$63 million of amortization expense associated with intangible assets recorded as a result of the acquisition of Cameron, which was completed on April 1, 2016.

⁽²⁾ Interest income excludes amounts which are included in the segments' income (\$6 million in 2016; \$6 million in 2015).

⁽³⁾ Interest expense excludes amounts which are included in the segments' income (\$13 million in 2016; \$7 million in 2015).

⁽⁴⁾ Charges and credits recorded during the second quarter of 2016 are described in detail in Note 2 to the Consolidated Financial Statements.

Second-quarter 2016 revenue of \$7.2 billion decreased 21% year-on-year. This included a full quarter of activity from the acquired Cameron businesses, which contributed revenue of \$1.5 billion. Excluding the impact of the Cameron acquisition, revenue declined 38% year-on-year.

Second-quarter 2016 revenue from the Reservoir Characterization and Production Groups declined year-on-year by 37% and 31%, respectively, on lower demand for exploration- and development-related products and services as E&P budgets were further reduced. Drilling Group revenue fell by 41% due to the rig count decline in both North America and internationally.

Second-quarter 2016 pretax operating margin decreased 854 bps to 10%, as a result of the overall decline in activity and pervasive pricing concessions. The margin decrease was the highest in the Drilling Group, which contracted by

1,096 bps to 8%. Reservoir Characterization Group pretax operating margin fell 943 bps to 17%, while the Production Group decreased 871 bps to 4%, and the Cameron Group posted a pretax margin of 16%.

Reservoir Characterization Group

Second-quarter 2016 revenue of \$1.6 billion decreased 37% year-on-year primarily due to sustained cuts in exploration and discretionary spending that impacted Wireline, Testing Services and SIS software sales. Revenue also decreased due to lower WesternGeco marine vessel utilization and reduced multiclient sales.

Year-on-year, pretax operating margin decreased 943 bps to 17% due to reduced high-margin Wireline and Testing Services activities.

Drilling Group

Second-quarter 2016 revenue of \$2.0 billion decreased 41% year-on-year primarily due to the severe drop in rig count in both North America and internationally combined with pricing pressure that mainly affected the Drilling & Measurements and M-I SWACO Technologies.

Year-on-year, pretax operating margin decreased 1,096 bps to 8% primarily due to the significant decline in higher-margin activities of Drilling & Measurements combined with pricing weakness.

Production Group

Second-quarter 2016 revenue of \$2.1 billion decreased 31% year-on-year with most of the revenue decrease attributable to a decline in North America, particularly on Well Services pressure pumping technologies driven by activity declines and pricing pressure as the land rig count declined dramatically.

Year-on-year, pretax operating margin decreased 871 bps to 4% as a result of lower activity and increasing pricing pressure, which continued in North America land.

Cameron Group

Cameron Group contributed second-quarter revenue of \$1.5 billion and pretax operating margin of 16%. Revenue was impacted by a declining project backlog as well as a further slowdown in activity on land in the US that mainly affected the short-cycle businesses of the Valves & Measurement and Surface product lines.

Pretax operating margin of 16% was robust despite the market downturn. This was driven by strong project execution from the OneSubsea, Drilling, and Process Systems product lines.

Six Months 2016 Compared to Six Months 2015

(Stated in millions)

| | Six Months 2016 | | Six Months 2015 | |
|------------------------------------|-----------------|-----------|-----------------|---------|
| | Income | | Income | |
| | Before | | Before | |
| | Revenue | Taxes | Revenue | Taxes |
| Reservoir Characterization | \$3,339 | \$597 | \$5,165 | \$1,327 |
| Drilling | 4,527 | 542 | 7,391 | 1,450 |
| Production | 4,447 | 298 | 6,764 | 941 |
| Cameron | 1,536 | 243 | - | - |
| Eliminations & other | (165) | (32) | (62) | (17) |
| Pretax operating income | | 1,648 | | 3,701 |
| Corporate & other ⁽¹⁾ | | (413) | | (390) |
| Interest income ⁽²⁾ | | 37 | | 14 |
| Interest expense ⁽³⁾ | | (256) | | (156) |
| Charges and credits ⁽⁴⁾ | | (2,908) | | (439) |
| | \$13,684 | \$(1,892) | \$19,258 | \$2,730 |

⁽¹⁾ Comprised principally of certain corporate expenses not allocated to the segments, stock-based compensation costs, amortization expense associated with certain intangible assets, certain centrally managed initiatives and other nonoperating items. The six months ended June 30, 2016 includes \$63 million of amortization expense associated with intangible assets recorded as a result of the acquisition of Cameron, which was completed on April 1, 2016.

⁽²⁾ Interest income excludes amounts which are included in the segments' income (\$12 million in 2016; \$11 million in 2015).

⁽³⁾ Interest expense excludes amounts which are included in the segments' income (\$26 million in 2016; \$12 million in 2015).

(4) Charges and credits recorded during the first six months of 2016 and 2015 are described in detail in Note 2 to the Consolidated Financial Statements.

Six-month 2016 revenue of \$13.7 billion decreased 29% year-on-year. This included a full quarter of activity from the acquired Cameron businesses, which contributed revenue of \$1.5 billion. Excluding the impact of Cameron, revenue declined 37% year-on-year.

Six-month 2016 revenue from the Reservoir Characterization and Production Groups declined year-on-year by 35% and 34%, respectively, on lower demand for exploration- and development-related products and services as E&P budgets were further reduced. Drilling Group revenue fell by 39% due to the rig count decline in both North America and internationally.

Six-month 2016 pretax operating margin decreased 718 bps to 12%, as a result of the overall decline in activity and pervasive pricing concessions. The margin decrease was highest in the Reservoir Characterization Group, which contracted by 783 bps to 18%. Drilling Group pretax operating margin fell 765 bps to 12%, while the Production Group decreased 721 bps to 7%, and the Cameron Group posted a pretax operating margin of 16%.

Reservoir Characterization Group

Six-month 2016 revenue of \$3.3 billion decreased 35% year-on-year primarily due to sustained cuts in exploration and discretionary spending that impacted Wireline, Testing Services and SIS software sales. Revenue also decreased due to lower WesternGeco marine vessel utilization and reduced multiclient sales.

Year-on-year, pretax operating margin decreased 783 bps to 18% due to reduced high-margin Wireline and Testing Services activities.

Drilling Group

Six-month 2016 revenue of \$4.5 billion decreased 39% year-on-year primarily due to the severe drop in rig count in both North America and internationally combined with pricing pressure that mainly affected Drilling & Measurements and M-I SWACO Technologies.

Year-on-year, pretax operating margin decreased 765 bps to 12% primarily due to the significant decline in higher-margin activities of Drilling & Measurements combined with pricing weakness.

Production Group

Six-month 2016 revenue of \$4.4 billion decreased 34% year-on-year with most of the revenue decrease attributable to a decline in North America, particularly on Well Services pressure pumping technologies driven by activity declines and pricing pressure as the land rig count declined dramatically.

Year-on-year, pretax operating margin decreased 721 bps to 7% as a result of lower activity and increasing pricing pressure, which continued in North America land.

Interest and Other Income

Interest & other income consisted of the following:

(Stated in millions)

| | Second Quarter | | Six Months | |
|--|-------------------|------|---------------|------|
| | 2016 | 2015 | 2016 | 2015 |
| Equity in net earnings of affiliated companies | \$24 | \$35 | \$49 | \$71 |
| Interest income | 30 | 12 | 49 | 25 |
| | \$54 | \$47 | \$98 | \$96 |

Other

Research & engineering and General & administrative expenses, as a percentage of Revenue, for the second quarter and six months ended June 30, 2016 and 2015 were as follows:

| | Second Quarter | | Six Months | |
|--------------------------|-------------------|-------|------------|-------|
| | 2016 | 2015 | 2016 | 2015 |
| Research & engineering | 3.6% | 3.1 % | 3.6% | 2.8 % |
| General & administrative | 1.4% | 1.3 % | 1.6% | 1.2 % |

Although Research & engineering and General & administrative costs have increased as a percentage of Revenue, they have decreased in absolute dollar terms as a result of cost control measures that Schlumberger has implemented, offset in part by the impact of the Cameron acquisition.

Interest expense of \$149 million for the second quarter of 2016 increased by \$63 million compared to the same period of the prior year. Interest expense of \$282 million for the six months ended June 30, 2016 increased by \$114 million compared to the same period of the

prior year. These increases were primarily due to the issuance of \$6.0 billion of Senior Notes during the fourth quarter of 2015 and the impact of debt assumed in the acquisition of Cameron.

The effective tax rate for the second quarter of 2016 was 14.6% compared to 21.1% for the same period of the prior year. The charges described in Note 2 to the Consolidated Financial Statements reduced the second quarter 2016 effective tax rate by 1.6 percentage points. The remaining decrease in the effective tax rate was primarily attributable to the geographic mix of earnings, as Schlumberger generated a smaller portion of its pretax income/loss in North America during the second quarter of 2016 as compared to the same period last year.

The effective tax rate for the six months ended June 30, 2016 was 14.2% compared to 22.3% for the same period of the prior year. The charges described in Note 2 to the Consolidated Financial Statements reduced the effective tax rate for the six months ended June 30, 2016 by 1.8 percentage points and increased the effective tax for the six months ended June 30, 2015 by 1.3 percentage points. Excluding the impact of the charges, the effective tax rate for the first six months of 2016 was 16.0% and 21.0% for the same period in the prior year. This decrease was primarily attributable to the fact that Schlumberger generated a smaller portion of its pretax income/loss in North America during the six months ended June 30, 2016 as compared to the same period last year.

Charges and Credits

During the second quarter of 2016, Schlumberger recorded \$2.573 billion of asset impairment and workforce reduction charges and \$335 million of merger and integration-related charges associated with the acquisition of Cameron which are classified as Impairments & other and Merger & integration, respectively, in the Consolidated Statement of Income. These charges, which are summarized below, are more fully described in Note 2 to the Consolidated Financial Statements.

(Stated in millions)

| | Pretax | Tax | Net |
|--|---------|-------|---------|
| Workforce reduction | \$646 | \$63 | \$583 |
| North America pressure pumping asset impairments | 209 | 67 | 142 |
| Facilities impairments | 165 | 58 | 107 |
| Other fixed asset impairments | 684 | 52 | 632 |
| Inventory write-downs | 616 | 49 | 567 |
| Multiclient seismic data impairment | 198 | 62 | 136 |
| Other restructuring charges | 55 | - | 55 |
| Amortization of inventory fair value adjustment | 150 | 45 | 105 |
| Merger-related employee benefits | 47 | 7 | 40 |
| Professional fees | 45 | 10 | 35 |
| Facility closure costs | 40 | 10 | 30 |
| Other merger and integration-related | 53 | 9 | 44 |
| | \$2,908 | \$432 | \$2,476 |

Schlumberger recorded charges during the first quarter of 2015, all of which were classified as Impairments & other in the Consolidated Statement of Income. These charges, which are summarized below, are more fully described in Note 2 to the Consolidated Financial Statements.

(Stated in
millions)

| | Pretax | Tax | Net |
|--|--------|------|-------|
| Workforce reduction | \$390 | \$56 | \$334 |
| Currency devaluation loss in Venezuela | 49 | - | 49 |
| | \$439 | \$56 | \$383 |

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Net Debt

Net Debt represents gross debt less cash, short-term investments and fixed income investments, held to maturity. Management believes that Net Debt provides useful information regarding the level of Schlumberger indebtedness by reflecting cash and investments that could be used to repay debt. Net Debt is a non-GAAP financial measure that should be considered in addition to, not as a substitute for, or superior to, total debt.

Details of changes in Net Debt follow:

(Stated in millions)

| | Six Months ended | |
|---|------------------|-----------|
| | Jun. 30, | |
| | 2016 | 2015 |
| Net income (loss) | \$(1,623) | \$2,122 |
| Impairment and other charges | 2,908 | 439 |
| Depreciation and amortization ⁽¹⁾ | 2,080 | 2,089 |
| Stock-based compensation expense | 145 | 167 |
| Pension and other postretirement benefits expense | 92 | 217 |
| Pension and other postretirement benefits funding | (83) | (214) |
| Earnings of equity method investments, less dividends received | (30) | (65) |
| Increase in working capital | (250) | (837) |
| Other | (397) | 166 |
| Cash flow from operations | 2,842 | 4,084 |
| Capital expenditures | (998) | (1,193) |
| SPM investments | (729) | (222) |
| Multiclient seismic data costs capitalized | (333) | (221) |
| Free cash flow ⁽²⁾ | 782 | 2,448 |
| Dividends paid | (1,255) | (1,151) |
| Proceeds from employee stock plans | 195 | 256 |
| Stock repurchase program | (506) | (1,239) |
| | (784) | 314 |
| Business acquisitions and investments, net of cash acquired plus debt assumed | (3,790) | (206) |
| Discontinued operations - settlement with U.S. Department of Justice | - | (233) |
| Other | 76 | (86) |
| Increase in Net Debt | (4,498) | (211) |
| Net Debt, Beginning of period | (5,547) | (5,387) |
| Net Debt, End of period | \$(10,045) | \$(5,598) |

⁽¹⁾ Includes depreciation of property, plant and equipment and amortization of intangible assets, multiclient seismic data costs and SPM investments.

⁽²⁾ “Free cash flow” represents cash flow from operations less capital expenditures, SPM investments and multiclient seismic data costs capitalized. Management believes that free cash flow is an important liquidity measure for the company and that it is useful to investors and management as a measure of the ability of our business to generate cash. Once business needs and obligations are met, this cash can be used to reinvest in the company for future growth or to return to shareholders through dividend payments or share repurchases. Free cash flow does not represent the residual cash flow available for discretionary expenditures. Free cash flow is a non-GAAP financial measure that should be considered in addition to, not as substitute for, or superior to, cash flow from operations.

(Stated in millions)

| | Jun. 30, 2016 | Jun. 30, 2015 | Dec. 31, 2015 |
|--|------------------|------------------|------------------|
| Components of Net Debt | | | |
| Cash | \$2,947 | \$3,541 | \$2,793 |
| Short-term investments | 8,245 | 3,733 | 10,241 |
| Fixed income investments, held to maturity | 386 | 469 | 418 |
| Long-term debt – current portion | (2,385) | (2,092) | (3,011) |
| Short-term borrowings | (986) | (2,139) | (1,546) |
| Long-term debt | (18,252) | (9,110) | (14,442) |
| | \$(10,045) | \$(5,598) | \$(5,547) |

Key liquidity events during the first six months of 2016 and 2015 included:

- Schlumberger paid \$2.8 billion of cash in connection with the April 1, 2016 acquisition of Cameron. Additionally, as a result of the acquisition of Cameron, Schlumberger assumed net debt of \$785 million. This amount consisted of \$3.0 billion of debt (including a \$244 million adjustment to increase Cameron's long-term fixed rate debt to its estimated fair value) and \$2.2 billion of cash and short-term investments.
- During the second quarter of 2016, Schlumberger repurchased approximately \$1.4 billion of Cameron's long-term fixed-rate debt.
- On July 18, 2013, the Schlumberger Board of Directors approved a \$10 billion share repurchase program to be completed at the latest by June 30, 2018. Schlumberger had repurchased \$9.1 billion of shares under this new share repurchase program as of June 30, 2016.

The following table summarizes the activity under this share repurchase program:

(Stated in millions, except per share amounts)

| | Total cost of shares purchased | Total number of shares purchased | Average price paid per share |
|--------------------------------|--------------------------------------|---|---------------------------------------|
| Six months ended June 30, 2016 | \$ 506 | 7.5 | \$ 67.65 |
| Six months ended June 30, 2015 | \$ 1,239 | 14.4 | \$ 85.80 |

On January 21, 2016, the Board of Directors approved a new \$10 billion share repurchase program for Schlumberger common stock. The new program will take effect once the remaining \$0.9 billion authorized to be repurchased under the July 18, 2013 program is exhausted.

- Capital expenditures were \$1.0 billion during the first six months of 2016 compared to \$1.2 billion during the first six months of 2015. Capital expenditures for full-year 2016 are expected to be approximately \$2.2 billion as compared to expenditures of \$2.4 billion in 2015.

Schlumberger operates in more than 85 countries. At June 30, 2016, only five of those countries individually accounted for greater than 5% of Schlumberger's accounts receivable balances, of which only Venezuela, where

Schlumberger has experienced delays in payment from its customers, accounted for greater than 10%. Schlumberger's net receivable balance in Venezuela as of June 30, 2016 was approximately \$1.2 billion.

As of June 30, 2016, Schlumberger had \$11.2 billion of cash and short-term investments on hand. Schlumberger had separate committed debt facility agreements aggregating \$6.8 billion with commercial banks, of which \$3.6 billion was available and unused as of June 30, 2016. The \$6.8 billion of committed debt facility agreements included \$6.5 billion of committed facilities that support commercial paper programs. Schlumberger believes that these amounts are sufficient to meet future business requirements for at least the next 12 months.

Borrowings under the commercial paper programs at June 30, 2016 were \$3.2 billion.

FORWARD-LOOKING STATEMENTS

This Form 10-Q and other statements we make contain “forward-looking statements” within the meaning of the federal securities laws, which include any statements that are not historical facts, such as our forecasts or expectations regarding business outlook; growth for Schlumberger as a whole and for each of its Groups and segments (and for specified products or geographic areas within each segment); oil and natural gas demand and production growth; oil and natural gas prices; improvements in operating procedures and technology, including our transformation program; capital expenditures by Schlumberger and the oil and gas industry; the business strategies of Schlumberger’s customers; the anticipated benefits of the Cameron transaction; the success of Schlumberger’s joint ventures and alliances; future global economic conditions; and future results of operations. These statements are subject to risks and uncertainties, including, but not limited to, global economic conditions; changes in exploration and production spending by Schlumberger’s customers and changes in the level of oil and natural gas exploration and development; demand for our integrated services and new technologies; our future cash flows; the success of our transformation efforts; general economic, political and business conditions in key regions of the world; foreign currency risk; pricing pressure; weather and seasonal factors; operational modifications, delays or cancellations; production declines; changes in government regulations and regulatory requirements, including those related to offshore oil and gas exploration, radioactive sources, explosives, chemicals, hydraulic fracturing services and climate-related initiatives; the inability of technology to meet new challenges in exploration; the inability to integrate the Cameron business and to realize expected synergies; the inability to retain key employees; and other risks and uncertainties detailed in this second-quarter 2016 Form 10-Q and our most recent Forms 10-K, 10-Q and 8-K filed with or furnished to the Securities and Exchange Commission. If one or more of these or other risks or uncertainties materialize (or the consequences of any such development changes), or should our underlying assumptions prove incorrect, actual outcomes may vary materially from those reflected in our forward-looking statements. Schlumberger disclaims any intention or obligation to update publicly or revise such statements, whether as a result of new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

For quantitative and qualitative disclosures about market risk affecting Schlumberger, see Item 7A, “Quantitative and Qualitative Disclosures about Market Risk,” of the Schlumberger Annual Report on Form 10-K for the fiscal year ended December 31, 2015. Schlumberger’s exposure to market risk has not changed materially since December 31, 2015.

Item 4. Controls and Procedures.

Schlumberger has carried out an evaluation under the supervision and with the participation of Schlumberger’s management, including the Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”), of the effectiveness of Schlumberger’s “disclosure controls and procedures” (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”)) as of the end of the period covered by this report. Based on this evaluation, the CEO and the CFO have concluded that, as of the end of the period covered by this report, Schlumberger’s disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports that Schlumberger 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. Schlumberger’s disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is accumulated and communicated to its management, including the CEO and the CFO, as appropriate, to allow timely decisions regarding required disclosure. There was no change in Schlumberger’s internal control over financial reporting during

the quarter to which this report relates that has materially affected, or is reasonably likely to materially affect, Schlumberger's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

The information with respect to this Item 1 is set forth under Note 13—Contingencies, in the Consolidated Financial Statements.

Item 1A. Risk Factors.

On April 1, 2016, Schlumberger completed the acquisition of Cameron and therefore no longer faces risks associated with the ability to complete the Cameron Merger. Except as described in the foregoing sentence, as of the date of this filing, there have been no material changes from the risk factors previously disclosed in Part 1, Item 1A, of Schlumberger's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Unregistered Sales of Equity Securities

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None.

Issuer Repurchases of Equity Securities

On July 18, 2013, the Schlumberger Board of Directors (the “Board”) approved a \$10 billion share repurchase program for shares of Schlumberger common stock, to be completed at the latest by June 30, 2018.

Schlumberger’s common stock repurchase program activity for the three months ended June 30, 2016 was as follows:

(Stated in thousands, except per share amounts)

| | Total number of shares purchased | Average price paid per share | Total number of shares purchased as part of publicly announced program | Maximum value of shares that may yet be purchased under the program |
|--------------------------------|--|---------------------------------------|---|---|
| April 1 through April 30, 2016 | 265.2 | \$ 72.06 | 265.2 | \$ 928,918 |
| May 1 through May 31, 2016 | 57.0 | \$ 72.32 | 57.0 | \$ 924,795 |
| June 1 through June 30, 2016 | 106.0 | \$ 74.78 | 106.0 | \$ 916,872 |
| | 428.2 | \$ 72.77 | 428.2 | |

In connection with the exercise of stock options under Schlumberger’s incentive compensation plans, Schlumberger routinely receives shares of its common stock from optionholders in consideration of the exercise price of the stock options. Schlumberger does not view these transactions as requiring disclosure under this Item as the number of shares of Schlumberger common stock received from optionholders is not material.

On January 21, 2016, the Board approved a new \$10 billion share repurchase program for Schlumberger common stock. This new program will take effect once the remaining \$0.9 billion authorized to be repurchased under the July 18, 2013 program is exhausted.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

The barite and bentonite mining operations of M-I LLC, an indirect wholly-owned subsidiary, are subject to regulation by the federal Mine Safety and Health Administration under the Federal Mine Safety and Health Act of 1977. Information concerning mine safety violations or other regulatory matters required by section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit

95 to this report.

Item 5. Other Information.

Schlumberger completed the wind down of its service operations in Iran during the second quarter of 2013. Prior to this, certain non-US subsidiaries of Schlumberger provided oilfield services to the National Iranian Oil Company and certain of its affiliates (“NIOC”).

Schlumberger’s residual transactions or dealings with the government of Iran in the second quarter of 2016 consisted of payments of taxes and other typical governmental charges. Certain non-US subsidiaries of Schlumberger maintain depository accounts at the Dubai branch of Bank Saderat Iran (“Saderat”), and at Bank Tejarat (“Tejarat”) in Tehran and in Kish for the deposit by NIOC of amounts owed to non-US subsidiaries of Schlumberger for prior services rendered in Iran and for the maintenance of such amounts previously received. One non-US subsidiary also maintains an account at Tejarat for payment of local expenses such as taxes. Schlumberger anticipates that it will discontinue dealings with Saderat and Tejarat following the receipt of all amounts owed to Schlumberger for prior services rendered in Iran.

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Item 6. Exhibits.

Exhibit 3.1—Articles of Incorporation of Schlumberger Limited (Schlumberger N.V.) (incorporated by reference to Exhibit 3.1 to Schlumberger’s Current Report on Form 8-K filed on April 6, 2016)

Exhibit 3.2—Amended and Restated By-laws of Schlumberger Limited (Schlumberger N.V.) (incorporated by reference to Exhibit 3.1 to Schlumberger’s Current Report on Form 8-K filed on May 14, 2015)

* Exhibit 10.1—Employment Agreement dated May 31, 2016 and effective as of June 1, 2016, between Schlumberger Limited and Sherif Foda (+)

* Exhibit 10.2—Amended and Restated French Sub Plan for Restricted Units (incorporated by reference to Exhibit 10.1 to Schlumberger Current Report on Form 8-K filed on April 6, 2016)

* Exhibit 31.1—Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

* Exhibit 31.2—Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

** Exhibit 32.1—Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

** Exhibit 32.2—Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Exhibit 95—Mine Safety Disclosures

* Exhibit 101—The following materials from Schlumberger Limited’s Quarterly Report on Form 10-Q for the quarter ended June 30 2016, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Statement of Income; (ii) Consolidated Statement of Comprehensive Income; (iii) Consolidated Balance Sheet; (iv) Consolidated Statement of Cash Flows; (v) Consolidated Statement of Equity and (vi) Notes to Consolidated Financial Statements.

* Filed with this Form 10-Q.

** Furnished with this Form 10-Q.

(+) Compensatory plan or arrangement.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized and in his capacity as Chief Accounting Officer.

Schlumberger Limited

(Registrant)

Date: July 27, 2016 /s/ Howard Guild

Howard Guild

Chief Accounting Officer and Duly Authorized Signatory