

SCHLUMBERGER LIMITED/NV  
Form 10-Q  
October 25, 2017  
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: September 30, 2017

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 HOUSTON, TEXAS, U.S.A.	77056
62 BUCKINGHAM GATE LONDON, UNITED KINGDOM	SW1E 6AJ
PARKSTRAAT 83 THE HAGUE, THE NETHERLANDS	2514 JG

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(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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth 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
Emerging growth company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 September 30, 2017
COMMON STOCK, \$0.01 PAR VALUE PER SHARE	1,385,261,690

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SCHLUMBERGER LIMITED

Third Quarter 2017 Form 10-Q

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements.

## SCHLUMBERGER LIMITED AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF INCOME (LOSS)

(Unaudited)

(Stated in millions, except per share amounts)

	Third Quarter		Nine Months	
	2017	2016	2017	2016
Revenue				
Services	\$5,895	\$5,023	\$16,308	\$15,741
Product sales	2,010	1,996	5,953	4,962
Total Revenue	7,905	7,019	22,261	20,703
Interest & other income	64	54	172	153
Expenses				
Cost of services	4,939	4,355	13,816	13,482
Cost of sales	1,858	1,936	5,527	4,734
Research & engineering	189	253	595	750
General & administrative	115	92	323	305
Impairments & other	-	-	510	2,573
Merger & integration	49	88	213	272
Interest	142	149	422	431
Income (loss) before taxes	677	200	1,027	(1,691)
Taxes on income (loss)	121	10	269	(259)
Net income (loss)	556	190	758	(1,432)
Net income attributable to noncontrolling interests	11	14	9	50
Net income (loss) attributable to Schlumberger	\$545	\$176	\$749	\$(1,482)
Basic earnings (loss) per share of Schlumberger	\$0.39	\$0.13	\$0.54	\$(1.10)
Diluted earnings (loss) per share of Schlumberger	\$0.39	\$0.13	\$0.54	\$(1.10)
Average shares outstanding:				
Basic	1,385	1,392	1,388	1,345
Assuming dilution	1,392	1,401	1,395	1,345

See Notes to Consolidated Financial Statements



## SCHLUMBERGER LIMITED AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(Stated in millions)

	Third Quarter		Nine Months	
	2017	2016	2017	2016
Net income (loss)	\$556	\$190	\$758	\$(1,432)
Currency translation adjustments				
Unrealized net change arising during the period	75	27	49	(26 )
Marketable securities				
Unrealized loss arising during the period	(41 )	(5 )	(66 )	(2 )
Cash flow hedges				
Net gain (loss) on cash flow hedges	8	(18 )	19	(86 )
Reclassification to net income (loss) of net realized loss (gain)	(4 )	29	4	109
Pension and other postretirement benefit plans				
Actuarial loss				
Amortization to net income (loss) of net actuarial loss	40	40	119	119
Prior service cost				
Amortization to net income (loss) of net prior service cost	20	25	60	76
Income taxes on pension and other postretirement benefit plans	-	(6 )	(2 )	(20 )
Comprehensive income (loss)	654	282	941	(1,262)
Comprehensive income attributable to noncontrolling interests	11	14	9	50
Comprehensive income (loss) attributable to Schlumberger	\$643	\$268	\$932	\$(1,312)

See Notes to Consolidated Financial Statements

## SCHLUMBERGER LIMITED AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET

(Stated in millions)

	Sept. 30, 2017 (Unaudited)	Dec. 31, 2016
<b>ASSETS</b>		
Current Assets		
Cash	\$ 1,690	\$2,929
Short-term investments	3,262	6,328
Receivables less allowance for doubtful accounts (2017 - \$321; 2016 - \$397)	9,436	9,387
Inventories	4,308	4,225
Other current assets	1,218	1,058
	19,914	23,927
Fixed Income Investments, held to maturity	-	238
Investments in Affiliated Companies	1,481	1,243
Fixed Assets less accumulated depreciation	12,338	12,821
Multiclient Seismic Data	992	1,073
Goodwill	25,113	24,990
Intangible Assets	9,540	9,855
Other Assets	4,191	3,809
	\$ 73,569	\$77,956
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 9,715	\$10,016
Estimated liability for taxes on income	1,310	1,188
Short-term borrowings and current portion of long-term debt	1,289	3,153
Dividends payable	700	702
	13,014	15,059
Long-term Debt	15,871	16,463
Postretirement Benefits	1,340	1,495
Deferred Taxes	1,893	1,880
Other Liabilities	1,441	1,530
	33,559	36,427
Equity		
Common stock	12,863	12,801
Treasury stock	(3,966 )	(3,550 )
Retained earnings	35,136	36,470
Accumulated other comprehensive loss	(4,460 )	(4,643 )
Schlumberger stockholders' equity	39,573	41,078
Noncontrolling interests	437	451
	40,010	41,529
	\$ 73,569	\$77,956

See Notes to Consolidated Financial Statements



## SCHLUMBERGER LIMITED AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

(Stated in millions)

	Nine Months Ended September 30,	
	2017	2016
Cash flows from operating activities:		
Net income (loss)	\$758	\$(1,432)
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Impairments and other charges	723	3,144
Depreciation and amortization <sup>(1)</sup>	2,931	3,078
Pension and other postretirement benefits expense	79	139
Stock-based compensation expense	261	210
Pension and other postretirement benefits funding	(107 )	(127 )
Earnings of equity method investments, less dividends received	(52 )	(51 )
Change in assets and liabilities: <sup>(2)</sup>		
(Increase) decrease in receivables	(1,049)	851
Decrease in inventories	14	556
(Increase) decrease in other current assets	(86 )	241
Decrease (increase) in other assets	202	(335 )
Decrease in accounts payable and accrued liabilities	(533 )	(1,684)
Increase (decrease) in estimated liability for taxes on income	181	(187 )
(Decrease) increase in other liabilities	(74 )	40
Other	164	(195 )
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>3,412</b>	<b>4,248</b>
Cash flows from investing activities:		
Capital expenditures	(1,482)	(1,401)
SPM investments	(492 )	(869 )
Multiclient seismic data costs capitalized	(223 )	(497 )
Business acquisitions and investments, net of cash acquired	(382 )	(2,251)
Sale of investments, net	3,310	4,439
Other	(92 )	(13 )
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>639</b>	<b>(592 )</b>
Cash flows from financing activities:		
Dividends paid	(2,086)	(1,951)
Proceeds from employee stock purchase plan	212	231
Proceeds from exercise of stock options	49	113
Stock repurchase program	(868 )	(662 )
Proceeds from issuance of long-term debt	681	3,586
Repayment of long-term debt	(2,206)	(4,749)
Net (decrease) increase in short-term borrowings	(1,110)	401
Other	17	(8 )
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(5,311)</b>	<b>(3,039)</b>

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Net (decrease) increase in cash before translation effect	(1,260)	617
Translation effect on cash	21	31
Cash, beginning of period	2,929	2,793
Cash, end of period	\$1,690	\$3,441

(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, 2017 – September 30, 2017	Common Stock		Retained Earnings	Accumulated Other Comprehensive Loss		Noncontrolling Interests	Total
	Issued	In Treasury		Loss	Loss		
Balance, January 1, 2017	\$12,801	\$ (3,550 )	\$36,470	\$ (4,643 )	\$ 451		\$41,529
Net income			749		9		758
Currency translation adjustments				49			49
Changes in unrealized gain on marketable securities				(66 )			(66 )
Changes in fair value of cash flow hedges				23			23
Pension and other postretirement benefit plans				177			177
Shares sold to optionees, less shares exchanged	(39 )	88					49
Vesting of restricted stock	(98 )	98					-
Shares issued under employee stock purchase plan	(52 )	264					212
Stock repurchase program		(868 )					(868 )
Stock-based compensation expense	261						261
Dividends declared (\$1.50 per share)			(2,083 )				(2,083 )
Other	(10 )	2			(23 )		(31 )
Balance, September 30, 2017	\$12,863	\$ (3,966 )	\$35,136	\$ (4,460 )	\$ 437		\$40,010

(Stated in millions)

January 1, 2016 – September 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			(1,482 )		50		(1,432 )
Currency translation adjustments				(26 )			(26 )
Changes in unrealized gain on marketable securities				(2 )			(2 )
Changes in fair value of cash flow hedges				23			23
Pension and other postretirement benefit plans				175			175
	(52 )	165					113

Shares sold to optionees, less shares exchanged							
Vesting of restricted stock	(84	)	84				-
Shares issued under employee stock purchase plan							
	(55	)	286				231
Stock repurchase program			(662	)			(662
Stock-based compensation expense	210						210
Dividends declared (\$1.50 per share)				(2,018	)		(2,018
Acquisition of Cameron International Corporation							
	103		9,924			57	10,084
Other	8		4			(39	) (27
Balance, September 30, 2016	\$12,823		\$(3,571	)	\$37,370	\$ (4,388	) \$ 340
							\$42,574

SHARES OF COMMON STOCK

(Unaudited)

	(Stated in millions)		
	Shares		
	Issued	Treasury	Outstanding
Balance, January 1, 2017	1,434	(43)	1,391
Shares sold to optionees, less shares exchanged	-	1	1
Vesting of restricted stock	-	1	1
Shares issued under employee stock purchase plan	-	4	4
Stock repurchase program	-	(12)	(12)
Balance, September 30, 2017	1,434	(49)	1,385

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 nine-month period ended September 30, 2017 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2017. The December 31, 2016 balance sheet information has been derived from the Schlumberger 2016 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, 2016, filed with the Securities and Exchange Commission on January 25, 2017.

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 will adopt this ASU on January 1, 2018. Schlumberger has concluded that the adoption of this ASU will not 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. Based on its current lease portfolio, Schlumberger estimates that the adoption of this ASU will result in approximately \$1.3 billion of additional assets and liabilities being reflected on its Consolidated Balance Sheet.

2. Charges and Credits

Schlumberger recorded the following charges and credits during the first nine months of 2017:

Third quarter 2017:

In connection with Schlumberger's 2016 acquisition of Cameron International Corporation ("Cameron") (See Note 4 – Acquisition of Cameron), Schlumberger recorded \$49 million of charges relating to employee benefits, facility closures and other merger and integration-related costs. These charges are classified in Merger & integration in the Consolidated Statement of Income (Loss).

Second quarter 2017:

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During the second quarter of 2017, Schlumberger entered into a financing agreement with its primary customer in Venezuela. This agreement resulted in the exchange of \$700 million of outstanding accounts receivable for a promissory note with a three-year term that bears interest at the rate of 6.50% per annum. Schlumberger recorded this note at its estimated fair value on the date of the exchange, which resulted in a charge of \$460 million.

Schlumberger is accounting for the promissory note as an available-for-sale security reported at fair value in Other Assets, with unrealized gains and losses included as a component of Accumulated other comprehensive loss. The fair value of the promissory notes, which was \$184 million as of September 30, 2017, is based on management's estimate of pricing assumptions that market participants would use.

During the second quarter of 2017, Schlumberger also entered into discussions with another customer relating to certain of its outstanding accounts receivable. As a result of these ongoing discussions, Schlumberger recorded a charge of \$50 million to adjust these receivables to their estimated net realizable value.

These charges are classified in Impairments & other in the Consolidated Statement of Income (Loss).

In connection with Schlumberger's acquisition of Cameron, Schlumberger recorded \$81 million of charges relating to employee benefits, facility closures and other merger and integration-related costs. These charges are classified in Merger & integration in the Consolidated Statement of Income (Loss).

First quarter of 2017:

In connection with Schlumberger's acquisition of Cameron, Schlumberger recorded \$82 million of charges relating to employee benefits, facility closures and other merger and integration-related costs. These charges are classified in Merger & integration in the Consolidated Statement of Income (Loss).

The following is a summary of the charges and credits recorded during the first nine months of 2017:

(Stated in millions)

	Pretax	Tax	Noncontrolling Interests	Net
Promissory note fair value adjustment and other	\$510	\$-	\$ 12	\$498
Merger & integration	213	44	-	169
	\$723	\$44	\$ 12	\$667

Schlumberger recorded the following charges and credits during the first nine months of 2016:

Third quarter of 2016:

In connection with Schlumberger's acquisition of Cameron, Schlumberger recorded \$88 million of charges, classified in Merger & integration in the Consolidated Statement of Income (Loss), relating to employee benefits, facility closures; and other merger and integration-related costs. Additionally, Schlumberger recorded \$149 million of charges relating to the amortization of purchase accounting adjustments associated with the write-up of acquired inventory to its estimated fair value, which is classified in Cost of sales in the Consolidated Statement of Income (Loss). This amortization was historically presented as a component of Merger & integration in the prior year; however, Schlumberger reclassified this prior period item to Cost of Sales in the current year.

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 2016 first-half operating results and expected customer activity levels, Schlumberger determined that the carrying values of certain assets were no longer recoverable and took certain decisions that resulted in the following impairments and other charges, all of which are classified in Impairments & other in the Consolidated Statement of Income (Loss):

- \$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 multIClient seismic data, largely related to the US Gulf of Mexico.
- \$55 million of other costs, primarily relating to facility closure costs.

In connection with Schlumberger's acquisition of Cameron, Schlumberger recorded \$185 million of charges, classified in Merger & integration in the Consolidated Statement of Income (Loss), consisting of the following: \$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. Additionally, Schlumberger recorded \$150 million of charges related to the amortization of purchase accounting adjustments associated with the write-up of acquired inventory to its estimated fair value, which is classified in Cost of sales in the Consolidated Statement of Income (Loss).

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There were no charges or credits recorded during the first quarter of 2016.

The following is a summary of the charges and credits recorded during the first nine months of 2016:

(Stated in millions)

	Pretax	Tax	Net
<b>Impairments &amp; other</b>			
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
<b>Merger &amp; integration</b>			
Merger-related employee benefits	93	17	76
Professional fees	45	10	35
Facility closure costs	51	13	38
Other merger and integration-related	83	11	72
<b>Cost of sales</b>			
Amortization of inventory fair value adjustment	299	90	209
	\$3,144	\$492	\$2,652

### 3. Earnings Per Share

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

(Stated in millions, except per share amounts)

	2017		2016		Earnings per Share	
	Average	Shares Outstanding	Average	Shares Outstanding		
<b>Third Quarter</b>						
Basic	\$545	1,385	\$ 0.39	\$176	1,392	\$ 0.13
Assumed exercise of stock options	-	1		-	4	
Unvested restricted stock	-	6		-	5	
<b>Diluted</b>	<b>\$545</b>	<b>1,392</b>	<b>\$ 0.39</b>	<b>\$176</b>	<b>1,401</b>	<b>\$ 0.13</b>
	2017		2016			
	Average		Average			

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	Schlumberger Net Income	Shares Outstanding	Earnings per Share	Schlumberger Net Loss	Shares Outstanding	Loss per Share
<b>Nine Months</b>						
Basic	\$749	\$ 1,388	\$ 0.54	\$(1,482)	\$ 1,345	\$ (1.10 )
Assumed exercise of stock options	-	2		-	-	
Unvested restricted stock	-	5		-	-	
Diluted	\$749	\$ 1,395	\$ 0.54	\$(1,482)	\$ 1,345	\$ (1.10 )

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)

	2017	2016
Third Quarter	43	24
Nine Months	30	47

#### 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. Schlumberger issued approximately 138 million shares of its common stock, which were valued at \$9.9 billion at the time of closing, and paid cash of \$2.8 billion.

#### Supplemental Pro Forma Financial Information

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 intangible asset amortization expense, interest and income taxes resulting from purchase accounting. The pro forma amounts also reflect adjustments to the 2016 results to exclude the amortization of purchase accounting adjustments associated with the write-up of acquired inventory to its estimated fair value and other merger and integration costs of \$177 million and \$430 million, net of taxes, for the three and nine months ended September 30, 2016, respectively.

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)

	2016	
	Third Quarter	Nine Months
Revenue	\$7,019	\$22,331
Net income (loss) attributable to Schlumberger	\$353	\$(1,028 )
Diluted earnings (loss) per share	\$0.25	\$(0.74 )

#### 5. Inventories

A summary of inventories, which are stated at the lower of average cost or market, follows:

(Stated in millions)

	Sept. 30, 2017	Dec. 31, 2016
Raw materials & field materials	\$1,898	\$1,720
Work in progress	537	610
Finished goods	1,873	1,895
	\$4,308	\$4,225

## 6. Fixed Assets

A summary of fixed assets follows:

(Stated in millions)

	Sept. 30, 2017	Dec. 31, 2016
Property, plant & equipment	\$40,421	\$40,008
Less: Accumulated depreciation	28,083	27,187
	\$12,338	\$12,821

Depreciation expense relating to fixed assets was as follows:

(Stated in millions)

	2017	2016
Third Quarter	\$591	\$627
Nine Months	\$1,796	\$2,053

## 7. Multiclient Seismic Data

The change in the carrying amount of multiclient seismic data for the nine months ended September 30, 2017 was as follows:

(Stated in millions)

Balance at December 31, 2016	\$1,073
Capitalized in period	223
Charged to expense	(304 )
Balance at September 30, 2017	\$992

## 8. Intangible Assets

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

(Stated in millions)

Sept. 30, 2017	Dec. 31, 2016
----------------	---------------

	Gross Book Value	Accumulated Amortization	Net Book Value	Gross Book Value	Accumulated Amortization	Net Book Value
Customer relationships	\$4,969	\$ 1,053	\$3,916	\$4,938	\$ 865	\$ 4,073
Technology/technical know-how	3,661	1,019	2,642	3,655	835	2,820
Tradenames	2,847	537	2,310	2,847	458	2,389
Other	1,284	612	672	1,122	549	573
	\$12,761	\$ 3,221	\$9,540	\$12,562	\$ 2,707	\$ 9,855

Amortization expense charged to income was as follows:

(Stated in millions)

	2017	2016
Third Quarter	\$ 165	\$ 156
Nine Months	\$ 501	\$ 405

Based on the net book value of intangible assets at September 30, 2017, amortization charged to income for the subsequent five years is estimated to be: fourth quarter of 2017—\$170 million; 2018—\$687 million; 2019—\$675 million; 2020—\$628 million; 2021—\$603 million; and 2022—\$592 million.

## 9. Long-term Debt

A summary of Long-term Debt follows:

(Stated in millions)

	Sept. 30, 2017	Dec. 31, 2016
Commercial paper borrowings	\$2,393	\$2,421
4.00% Senior Notes due 2025	1,741	1,740
3.30% Senior Notes due 2021	1,595	1,594
3.00% Senior Notes due 2020	1,593	1,591
3.65% Senior Notes due 2023	1,492	1,491
2.35% Senior Notes due 2018	1,298	1,297
4.20% Senior Notes due 2021	1,100	1,100
2.40% Senior Notes due 2022	996	996
3.63% Senior Notes due 2022	846	845
0.63% Guaranteed Notes due 2019	704	622
1.50% Guaranteed Notes due 2019	599	536
7.00% Notes due 2038	213	214
4.50% Notes due 2021	136	137
5.95% Notes due 2041	115	116
3.60% Notes due 2022	110	110
5.13% Notes due 2043	99	99
4.00% Notes due 2023	82	83
3.70% Notes due 2024	56	56
6.38% Notes due 2018	-	297
Other	703	1,118
	\$15,871	\$16,463

The estimated fair value of Schlumberger's Long-term Debt, based on quoted market prices at September 30, 2017 and December 31, 2016, was \$16.2 billion and \$16.8 billion, respectively.

Borrowings under the commercial paper program at September 30, 2017 were \$2.4 billion, all of which was classified within Long-term Debt in the Consolidated Balance Sheet. At December 31, 2016, borrowings under the commercial paper program were \$2.6 billion, of which \$2.4 billion was classified within Long-term debt and \$0.2 billion was classified in Short-term borrowings and current portion of long-term debt in the Consolidated Balance Sheet.

## 10. 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 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 will receive interest at a fixed rate of 1.50% on the euro notional amount and pay 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 currently in income to largely offset the respective gains and losses recognized on changes in the fair value of the hedged debt.

At September 30, 2017, Schlumberger had fixed rate debt of \$13.0 billion and variable rate debt of \$4.2 billion after taking into account the effect of the swap.

Short-term investments were \$3.3 billion at September 30, 2017. 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 over 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 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 September 30, 2017, Schlumberger recognized a cumulative net gain of \$4 million 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 (Loss) as are changes in fair value of the hedged item.

At September 30, 2017, contracts were outstanding for the US dollar equivalent of \$3.6 billion in various foreign currencies, of which \$0.8 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	
Sept. 30,	Dec. 31,	

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	2017	2016	
<b>Derivative Assets</b>			
Derivatives designated as hedges:			
Foreign exchange contracts	\$ 6	\$ 1	Other current assets
Derivatives not designated as hedges:			
Foreign exchange contracts	\$ 18	\$ 42	Other current assets
	\$ 24	\$ 43	
<b>Derivative Liabilities</b>			
Derivatives designated as hedges:			
Foreign exchange contracts	\$ 1	\$ 18	Accounts payable and accrued liabilities
Cross currency swap	44	49	Other Liabilities
	\$ 45	\$ 67	
Derivatives not designated as hedges:			
Foreign exchange contracts	\$ 38	\$ 59	Accounts payable and accrued liabilities
	\$ 83	\$ 126	

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 (Loss) was as follows:

	(Stated in millions)				Consolidated Statement of Income (Loss) Classification
	Gain (Loss) Recognized in Income (Loss)				
	Third Quarter		Nine Months		
	2017	2016	2017	2016	
<b>Derivatives designated as fair value hedges:</b>					
Cross currency swap	\$19	\$5	\$66	\$9	Interest
<b>Derivatives not designated as hedges:</b>					
Foreign exchange contracts	\$(10)	\$(28)	\$(3)	\$(166)	Cost of services/sales

## 11. Contingencies

Schlumberger is 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 proceeding is remote. However, litigation is inherently uncertain and it is not possible to predict the ultimate disposition of any of these proceedings.

## 12. Segment Information

(Stated in millions)

	Third Quarter 2017		Third Quarter 2016	
	Revenue	Income Before Taxes	Revenue	Income Before Taxes
Reservoir Characterization	\$ 1,771	\$ 311	\$ 1,667	\$ 329
Drilling	2,120	301	2,021	218
Production	2,876	283	2,104	91
Cameron	1,297	194	1,341	215
Eliminations & other	(159 )	(30 )	(114 )	(38 )
Pretax operating income		1,059		815
Corporate & other <sup>(1)</sup>		(234 )		(267 )
Interest income <sup>(2)</sup>		30		24
Interest expense <sup>(3)</sup>		(129 )		(135 )
Charges and credits <sup>(4)</sup>		(49 )		(237 )
	\$ 7,905	\$ 677	\$ 7,019	\$ 200

<sup>(1)</sup> 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.

<sup>(2)</sup> Interest income excludes amounts which are included in the segments' income (\$4 million in 2017; \$7 million in 2016).

<sup>(3)</sup> Interest expense excludes amounts which are included in the segments' income (\$13 million in 2017; \$14 million in 2016).

<sup>(4)</sup> See Note 2 – Charges and Credits.

Certain prior period items have been reclassified to conform to the current period presentation.

(Stated in millions)

	Nine Months 2017		Nine Months 2016	
	Revenue	Income Before Taxes	Revenue	Income Before Taxes
Reservoir Characterization	\$ 5,148	\$ 891	\$ 4,972	\$ 930
Drilling	6,212	832	6,548	760
Production	7,559	614	6,601	379
Cameron	3,791	530	2,865	465

Eliminations & other	(449 )	(101 )	(283 )	(72 )
Pretax operating income	2,766			2,462
Corporate & other <sup>(1)</sup>	(715 )			(679 )
Interest income <sup>(2)</sup>	82			61
Interest expense <sup>(3)</sup>	(383 )			(391 )
Charges and credits <sup>(4)</sup>	(723 )			(3,144)
	\$22,261	\$1,027	\$20,703	\$(1,691)

<sup>(1)</sup> 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.

<sup>(2)</sup> Interest income excludes amounts which are included in the segments' income (\$15 million in 2017; \$20 million in 2016).

<sup>(3)</sup> Interest expense excludes amounts which are included in the segments' income (\$39 million in 2017; \$40 million in 2016).

<sup>(4)</sup> See Note 2 – Charges and Credits.

Certain prior period items have been reclassified to conform to the current period presentation.

13. Pension and Other Postretirement Benefit Plans

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

(Stated in millions)

Third Quarter		Nine Months	
2017	2016	2017	2016
USInt'l	US		