Weatherford International plc

IRISH DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 2017

For the year ended
December 31

WEATHERFORD INTERNATIONAL PLC
FOR THE YEAR ENDED DECEMBER 31, 2017

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DIRECTORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017

The directors present their annual report and audited Consolidated Financial Statements and related Notes of Weatherford International plc for the year ended December 31, 2017.

The directors have elected to prepare the Consolidated Financial Statements in accordance with section 279 of the Companies Act 2014, which provides that a true and fair view of the assets and liabilities, financial position and profit or loss of a company and its subsidiary undertakings may be given by preparing its group financial statements in accordance with US accounting standards ("US GAAP"), as defined in section 279 (1) of the Companies Act 2014, to the extent that the use of those standards in the preparation of the financial statements does not contravene any provision of Part 6 of the Companies Act 2014.

This report contains various statements relating to future financial performance and results, including certain projections, business trends and other statements that are not historical facts. These statements constitute forward-looking statements. These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "budget," "strategy," "plan," "guidance," "outlook," "may," "should," "could," "will," "would," "will be," "will continue," "will likely result," and similar expressions, although not all forward-looking statements contain these identifying words.

Forward-looking statements reflect our beliefs and expectations based on current estimates and projections. While we believe these expectations, and the estimates and projections on which they are based, are reasonable and were made in good faith, these statements are subject to numerous risks and uncertainties. Accordingly, our actual outcomes and results may differ materially from what we have expressed or forecasted in the forward-looking statements. Furthermore, from time to time, we update the various factors we consider in making our forward-looking statements and the assumptions we use in those statements. However, we undertake no obligation to correct, update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise, except to the extent required under federal securities laws. The following sets forth various assumptions we use in our forward-looking statements, as well as risks and uncertainties relating to those statements. Certain of these risks and uncertainties may cause actual results to be materially different from projected results contained in forward-looking statements in this report and in our other disclosures. These risks and uncertainties include, but are not limited to, those described below under "Principal Risks and Uncertainties" and the following:

- the price and price volatility of oil, natural gas and natural gas liquids;
- global political, economic and market conditions, political disturbances, war, terrorist attacks, changes in global trade policies, weak local economic conditions and international currency fluctuations;
- nonrealization of expected benefits from our acquisitions or business dispositions and our ability to execute or close such acquisitions and dispositions;
- our ability to realize expected revenues and profitability levels from current and future contracts;
- our ability to manage our workforce, supply chain and business processes, information technology systems and technological innovation and commercialization, including the impact of our organization restructure and the cost and support reduction plans;
- our high level of indebtedness;
- increases in the prices and availability of our raw materials;
- potential non-cash asset impairment charges for long-lived assets, goodwill, intangible assets or other assets;
- changes to our effective tax rate;
- nonrealization of potential earnouts associated with business dispositions;
- downturns in our industry which could affect the carrying value of our goodwill;
- member-country quota compliance within the Organization of Petroleum Exporting Countries ("OPEC");
- adverse weather conditions in certain regions of our operations;
- our ability to realize the expected benefits from our redomestication from Switzerland to Ireland and to maintain our Swiss tax residency;
- failure to ensure on-going compliance with current and future laws and government regulations, including but not limited to environmental and tax and accounting laws, rules and regulations; and
- limited access to capital, significantly higher cost of capital, or difficulty raising additional funds in the equity or debt capital markets.

Finally, our future results will depend upon various other risks and uncertainties, including, but not limited to, those detailed in our other filings with the Securities Exchange Commission ("SEC") under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the Securities Act of 1933, as amended (the "Securities Act"). For additional information regarding risks and uncertainties, see our other filings with the SEC.

BASIS OF PRESENTATION

The accompanying Consolidated Financial Statements include the accounts of Weatherford International plc, an Irish public limited company, and its controlled subsidiary companies (collectively, the "Company"). In this Directors' Report, we use the terms "Weatherford," the "Company," "we," "us" and "our" to refer to Weatherford International plc and its subsidiaries.

The Consolidated Financial Statements include the Consolidated Balance Sheets of Weatherford International plc and its subsidiaries as of December 31, 2017 and 2016, and the related Consolidated Statements of Operations, Comprehensive Loss, Shareholders' Equity and Cash Flows for the twelve months ended December 31, 2017, 2016 and 2015. The Consolidated Financial Statements and the majority of the information in the Notes thereto have been reconciled to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 submitted to the U.S. Securities and Exchange Commission on February 14, 2018.

PRINCIPAL ACTIVITIES

Weatherford International plc, an Irish public limited company and Swiss tax resident, was formed on June 17, 2014, after a change in our place of incorporation from Switzerland to Ireland, together with its subsidiaries ("Weatherford," the "Company," "we," "us" and "our"), and is a multinational oilfield service company. Weatherford is one of the world's leading providers of equipment and services used in the drilling, evaluation, completion, production and intervention of oil and natural gas wells. Many of our businesses, including those of our predecessor companies, have been operating for more than 50 years.

We conduct operations in approximately 90 countries and have service and sales locations in nearly all of the oil and natural gas producing regions in the world. Our operational performance is reviewed on a geographic basis and we report our Western Hemisphere and Eastern Hemisphere as separate and distinct reporting segments.

STRATEGY

Our primary objective is to build stakeholder value through profitable growth in our core product lines with disciplined use of capital and a strong customer focus.

Principal components of our strategy include the following:

- Continuously improving the efficiency, productivity and quality of our products and services and their respective delivery to our customers, in order to grow revenues and operating margins from our principal business operations (Production, Completions, Drilling and Evaluation and Well Construction) in all of our geographic markets at a rate exceeding the underlying market;
- A commitment to the innovation, invention and integration, development and commercialization of new products and service that meet the evolving needs of our customers across the reservoir lifecycle; and
- Further extending the process, productivity, service quality, safety and competency across our global infrastructure to meet client demands for our core products and services in an operationally efficient manner.

MARKETS

We are a leading provider of equipment and services to the oil and natural gas exploration and production industry. Demand for our industry's services and products depends upon commodity prices for oil and gas, the number of oil and natural gas wells drilled, the depth and drilling conditions of wells, the number of well completions, the depletion and age of existing wells and the level of workover activity worldwide.

Technology is critical to the oil and natural gas marketplace as a result of the maturity of the world's oil and natural gas reservoirs, the acceleration of production decline rates and the focus on complex well designs, including deepwater prospects. Clients continue to seek, test and use production-enabling technologies at an increasing rate. We have invested a substantial amount of our time and resources into building our technology offerings, which helps us to provide our clients with more efficient tools to find and produce oil and natural gas. We believe our products and services enable our clients to reduce their costs of drilling and production, increase production rates, or both. Furthermore, these offerings afford us additional opportunities to sell our core products and services to our clients.

DISPOSITION OF U.S. PRESSURE PUMPING AND OTHER ASSETS

On December 29, 2017, we completed the sale of our U.S. pressure pumping and pump-down perforating assets for $430 million in cash. We sold our related facilities, field assets, and supplier and customer contracts related to these businesses. Proceeds from the sale were used to reduce outstanding indebtedness.

REPORTING SEGMENTS

At the end of the third quarter of 2017, changes to Weatherford’s organization structure were internally announced to flatten the organization structure, reduce our costs and accelerate decision-making processes. During the fourth quarter of 2017, the Company's chief operating decision maker (its chief executive officer) changed the information he regularly reviews to allocate resources and assess performance and we realigned our reporting segments into two reportable segments, which are the Western Hemisphere segment and Eastern Hemisphere segment. Our Western Hemisphere segment represents the prior North America and Latin America segments as well as land drilling rigs operations in Colombia and Mexico. Our Eastern Hemisphere segment represents the prior Middle East/North Africa (“MENA”)/Asia Pacific segment and Europe/Sub Sahara Africa (“SSA”)/Russia segment as well as land drilling rigs operations in the Eastern Hemisphere. Research and Development expenses are now included in the results of our Western and Eastern Hemisphere segments. We have revised our segment reporting to reflect our current management approach and recast prior periods to conform to the current segment presentation. Our corporate and other expenses that do not individually meet the criteria for segment reporting continue to be reported separately as Corporate expenses.

OPERATING GROUPS

Our principal business is to provide equipment and services to the oil and natural gas exploration and production industry, both onshore and offshore. Product and services include: (1) Production, (2) Completions, (3) Drilling and Evaluation and (4) Well Construction.

Production offers production optimization services and a complete production ecosystem, featuring our artificial-lift portfolio, testing and flow-measurement solutions, and optimization software, to boost productivity and profitability.

> ***Artificial Lift Systems*** provides a mechanical method to produce oil or gas from a well lacking sufficient reservoir pressure for natural flow. We provide most forms of lift, including reciprocating rod lift systems, progressing cavity pumping, gas-lift systems, hydraulic-lift systems, plunger-lift systems, and hybrid lift systems for special applications. We also offer related automation and control systems.
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> ***Stimulation*** offers customers advanced chemical technology and services for safe and effective production enhancements. We provide pressure pumping and reservoir stimulation services, including acidizing, fracturing and fluid systems, cementing and coiled-tubing intervention, however, our U.S. pressure pumping assets were sold in December of 2017.
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> ***Testing and Production Services*** provides well test data and slickline and intervention services. The service line includes drillstem test tools, surface well testing services, and multiphase flow measurement.

Completions is a suite of modern completion products, reservoir stimulation designs, and engineering capabilities that isolate zones and unlock reserves in deepwater, unconventional, and aging reservoirs.

> ***Completion Systems*** offers customers a comprehensive line of completion tools-such as safety systems, production packers, downhole reservoir monitoring, flow control, isolation packers, multistage fracturing systems, and sand-control technologies-that set the stage for maximum production with minimal cost per barrel.
>
> ***Liner Systems*** includes liner hangers to suspend a casing string within a previous casing string rather than from the top of the wellbore. The service line offers a comprehensive liner-hanger portfolio-along with engineering and executional experience-for a wide range of applications that include high-temperature and high-pressure wells.
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> ***Cementing Products*** enables operators to centralize the casing throughout the wellbore and control the displacement of cement and other fluids for proper zonal isolation. Specialized equipment includes plugs, float and stage equipment, and torque-and-drag reduction technology. Our cementing engineers analyze complex wells and provide all job requirements from pre-job planning to installation.

Drilling and Evaluation comprises a suite of services ranging from early well planning to reservoir management. The drilling services offer innovative tools and expert engineering to increase efficiency and maximize reservoir exposure. The evaluation services merge wellsite capabilities including wireline, logging while drilling, and surface logging with laboratory-fluid and core analyses to reduce reservoir uncertainty.

> ***Drilling Services*** includes directional drilling, logging while drilling, measurement while drilling, and rotary-steerable systems. This service line also includes our full range of downhole equipment, including high-temperature and high-pressure sensors, drilling reamers, and circulation subs.
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> ***Managed Pressure Drilling*** helps to manage wellbore pressures to optimize drilling performance. The services incorporate various technologies, including rotating control devices and advanced automated control systems as well as several drilling techniques, such as closed-loop drilling, air drilling, managed-pressure drilling, and underbalanced drilling.
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> ***Surface Logging Systems*** provides real-time formation evaluation data by analyzing cuttings, gases, and fluids while drilling. Our offerings include conventional mud-logging services, drilling instrumentation, advanced gas analysis, and wellsite consultants.
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> ***Wireline Services*** includes openhole and cased-hole logging services that measure the physical properties of underground formations to determine production potential, locate resources, and detect cement and casing integrity issues. The service line also executes well intervention and remediation operations by conveying equipment via cable into oil and natural gas wells.

Reservoir Solutions provides rock and fluid analysis to evaluate hydrocarbon resources, advisory solutions with engineering strategy and technologies to support assets at various development stages, and software products to optimize production and automate drilling.

Well Construction builds or rebuilds well integrity for the full life cycle of the well. Using conventional to advanced equipment, we offer safe and efficient tubular running services in any environment. Our skilled fishing and re-entry teams execute under any contingency from drilling to abandonment, and our drilling tools provide reliable pressure control even in extreme wellbores. We also include our land drilling rig business as part of Well Construction.

Tubular Running Services provides equipment, tubular handling, tubular management, and tubular connection services for the drilling, completion, and workover of oil or natural gas wells. The services include conventional rig services, automated rig systems, real-time torque-monitoring, and remote viewing of the makeup and breakout verification process. In addition, they include drilling-with-casing services.

Intervention Services provides re-entry, fishing, wellbore cleaning, and well abandonment services as well as advanced multilateral well systems.

Drilling Tools and Rental Equipment delivers our patented tools and equipment-including drillpipe and collars, bottomhole assembly tools, tubular-handling equipment, pressure-control equipment, and machine-shop services-for drilling oil and natural gas wells.

Land Drilling Rigs provides onshore contract drilling services and related operations on a fleet of land drilling and workover rigs primarily operated in the Eastern Hemisphere. With our technologically diverse fleet, we have the ability to perform a broad range of advanced drilling projects that include multi-well pad drilling, high-pressure high-temperature drilling, deep gas drilling, special well design, and other unconventional drilling methods in various climates. A majority of our land drilling rigs assets were classified as held for sale as of December 31, 2017.

OTHER BUSINESS DATA

Competition

We provide our products and services worldwide and compete in a variety of distinct segments with a number of competitors. Our principal competitors include Schlumberger, Halliburton, Baker Hughes (a GE company), National Oilwell Varco, Nabors Industries and Frank’s International. We also compete with various other regional suppliers that provide a limited range of equipment and services tailored for local markets. Competition is based on a number of factors, including performance, safety, quality, reliability, service, price, response time and, in some cases, breadth of products. See “Principal Risks and Uncertainties – The oilfield services business is highly competitive, which may adversely affect our ability to succeed. Additionally, the impact of consolidation and acquisitions of our competitors is difficult to predict and may harm our business.”

Raw Materials

We purchase a wide variety of raw materials as well as parts and components made by other manufacturers and suppliers for use in our manufacturing. Many of the products or components of products sold by us are manufactured by other parties. We are not dependent in any material respect on any single supplier for our raw materials or purchased components.

Customers

Substantially all of our customers are engaged in the energy industry. Most of our international sales are to large international or national oil companies. As of December 31, 2017, the Eastern Hemisphere accounted for 57% of our net outstanding accounts receivables and the Western Hemisphere accounted for 43% of our net outstanding accounts receivables. As of December 31, 2017, our net outstanding accounts receivable in the U.S. accounted for 19% of our balance and Kuwait accounted for 10% of our balance. No other country accounted for more than 10% of our net outstanding accounts receivables balance. During 2017, 2016 and 2015, no individual customer accounted for 10% or more of our consolidated revenues.

Backlog

Our services are usually short-term in nature, day-rate based and cancellable should our customer wish to alter the scope of work. Consequently, our backlog of firm orders is not material to the Company.

Research, Development and Patents

We maintain world-class technology and training centers throughout the world. Additionally, we have research, development and engineering facilities that are focused on improving existing products and services and developing new technologies to meet customer demands for improved drilling performance and enhanced reservoir productivity. Weatherford has also developed significant expertise, trade secrets, and know-how with respect to manufacturing equipment and providing services. Our expenditures for research and development totaled $158 million in 2017, $159 million in 2016 and $231 million in 2015.

As many areas of our business rely on patents and proprietary technology, we seek patent protection both inside and outside the U.S. for products and methods that appear to have commercial significance. We amortize patents over the years that we expect to benefit from their existence, which typically extends from the grant of the patent through and until 20 years after the filing date of the patent application.

Although in the aggregate our patents are important to the manufacturing and marketing of many of our products and services, we do not believe that the expiration of any one of our patents would have a material adverse effect on our business.

Seasonality

Weather and natural phenomena can temporarily affect the level of demand for our products and services. Spring months in Canada and winter months in the North Sea and Russia can affect our operations negatively. Additionally, heavy rains or an exceedingly cold winter in a given region or climate changes may impact our results. The unpredictable impact of climate changes or unusually harsh weather conditions could lengthen the periods of reduced activity and have a detrimental impact to our results of operations. The widespread geographical locations of our operations serve to mitigate the overall impact of the seasonal nature of our business.

Federal Regulation and Environmental Matters

Our operations are subject to federal, state and local laws and regulations relating to the energy industry in general and the environment in particular. Our 2017 expenditures to comply with environmental laws and regulations were not material, and we currently do not expect the cost of compliance with environmental laws and regulations for 2018 to be material.

Employees

As of December 31, 2017, we employed approximately 29,200 employees, which is 3% and 26% lower than our workforce as of December 31, 2016 and 2015, respectively. In response to the price of crude oil and a lower level of exploration and production spending for the last three years, we have reduced our overall costs and workforce to better align with activity levels. See “Notes to Consolidated Financial Statements – Note 3 – Restructuring Charges” for details on our workforce reductions. Certain of our operations are subject to union contracts and these contracts cover approximately 16% of our employees. We believe we have a highly motivated and capable workforce despite the significant headcount reductions over the past three years, which were necessary to adapt our Company to the market conditions.

PRINCIPAL RISKS AND UNCERTAINTIES

An investment in our securities involves various risks. You should consider carefully all of the risk factors described below, the matters discussed herein under “Forward-Looking Statements” and other information included in this Directors’ Report and Financial Statements, as well as in other reports and materials that we file with the SEC. If any of the risks described below or elsewhere were to materialize, our business, financial condition, results of operations, cash flows or prospects could be materially adversely affected. In such case, the trading price of our common stock could decline and you could lose part or all of your investment. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also materially adversely affect our financial condition, results of operations and cash flows.

Demand for our services and products is affected by fluctuations in oil and natural gas prices, especially a substantial or extended decline, which, in turn, affect the level of exploration, development and production activity of our customers and could have a material adverse effect on our business, financial condition and results of operations and impede our growth.

Demand for our services and products is tied to the level of exploration, development and production activity and the corresponding capital expenditures by oil and natural gas companies, including national oil companies. The level of exploration, development and production activity is directly affected by fluctuations in oil and natural gas prices, which historically have been volatile and are likely to continue to be volatile in the future, especially given current geopolitical and economic conditions. Therefore, declines in oil and natural gas prices or sustained low oil and natural gas prices or customer perceptions that oil and natural gas prices will remain depressed or further decrease in the future could result in a continued reduction in the demand and pricing for our equipment and will likely continue at lower rates for our services.

Prices for oil and natural gas are highly volatile and are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and natural gas. Factors that can or could cause these price fluctuations include: excess supply of crude oil relative to demand; domestic and international drilling activity; global market uncertainty; the risk of slowing economic growth or recession in the United States, China, Europe or emerging markets; the ability of OPEC to set and maintain production levels for oil; the decision of OPEC to abandon production quotas and/or member-country quota compliance within OPEC; oil and gas production levels by non-OPEC countries; the nature and extent of governmental regulation, including environmental regulation; technological advances affecting energy consumption; adverse weather conditions and a variety of other economic factors that are beyond our control. Any perceived or actual further reduction in oil and natural gas prices will depress the immediate levels of exploration, development and production activity and decrease spending by our customers, which could have a material adverse effect on our business, financial condition and results of operations.

Sustained lower oil and natural gas prices have led to a significant decrease in spending by our customers over the past three years, and thus significant decreases in our revenues. Further decreases in oil and natural gas prices could lead to further cuts in spending and lower revenues. Our customers also take into account the volatility of energy prices and other risk factors when determining whether to pursue capital projects and higher perceived risks generally mandate higher required returns. Any of these factors could affect the demand for oil and natural gas and could have a material adverse effect on our business, financial condition, results of operations and cash flow.

Our business is dependent on capital spending by our customers, and reductions in capital spending by our customers has had and could continue to have an adverse effect on our business, financial condition and results of operations.

Sustained low oil and natural gas prices have led to lower capital expenditures by our customers over the past three years. Most of our contracts can be cancelled by our customer at any time. Low commodity prices, the short-term tenor of most of our contracts and the extreme financial stress experienced by our customers (some of whom may have to seek bankruptcy protection) have combined to generate demands by many of our customers for reductions in the prices of our products and services. Further reductions in capital spending or requests for further cost reductions by our customers could directly impact our business by reducing demand for our services and products and have a material adverse effect on our business, financial condition, results of operations and prospects. Spending by exploration and production companies can also be impacted by conditions in the capital markets, which have been volatile in recent years. Limitations on the availability of capital or higher costs of capital may cause exploration and production companies to make additional reductions to capital budgets even if oil and natural gas prices increase from current levels. Any such cuts in spending will curtail drilling programs as well as discretionary spending on well services, which may result in a reduction in the demand for our services, the rates we can charge and the utilization of our assets. Moreover, reduced discovery rates of new oil and natural gas reserves or a decrease in the development rate of reserves in our market areas, whether due to increased governmental regulation, limitations on exploration and drilling activity or other factors, could also have a material adverse impact on our business, even in a stronger oil and natural gas price environment. With respect to national oil company customers, we are also subject to risk of policy, regime, currency and budgetary changes all of which may affect their capital expenditures.

The credit risks of our concentrated customer base in the energy industry could result in losses.

The concentration of our customer base in the energy industry may impact our overall exposure to credit risk as our customers may be similarly affected by prolonged changes in economic and industry conditions. Some of our customers are experiencing financial distress as a result of continued low commodity prices and may be forced to seek protection under applicable bankruptcy laws. Furthermore, countries that rely heavily upon income from hydrocarbon exports have been negatively and significantly affected by low oil prices, which could affect our ability to collect from our customers in these countries, particularly national oil companies. Laws in some jurisdictions in which we operate could make collection difficult or time consuming. We perform on-going credit evaluations of our customers and do not generally require collateral in support of our trade receivables. While we maintain reserves for potential credit losses, we cannot assure such reserves will be sufficient to meet write-offs of uncollectible receivables or that our losses from such receivables will be consistent with our expectations. Additionally, in the event of a bankruptcy of any of our customers, we may be treated as an unsecured creditor and may collect substantially less, or none, of the amounts owed to us by such customer.

Seasonal and weather conditions could adversely affect demand for our services and operations.

Variation from normal weather patterns, such as cooler or warmer summers and winters, can have a significant impact on demand. Adverse weather conditions, such as hurricanes in the Gulf of Mexico or extreme winter conditions in Canada, Russia and the North Sea, may interrupt or curtail our operations, or our customers' operations, cause supply disruptions or loss of productivity or result in a loss of revenue or damage to our equipment and facilities, which may or may not be insured. Any of these outcomes could have a material adverse effect on our business, financial condition and results of operations.

The oilfield services business is highly competitive, which may adversely affect our ability to succeed. Additionally, the impact of consolidation and acquisitions of our competitors is difficult to predict and may harm our business.

Our business is highly competitive, particularly with respect to marketing our products and services to our customers and securing equipment and trained personnel. Currently the oilfield service industry has excess capacity relative to customer demand, and, in most cases, multiple sources of comparable oilfield services are available from a number of different competitors. This competitive environment could impact our ability to maintain market share, defend, maintain or increase pricing for our products and services and negotiate acceptable contract terms with our customers and suppliers. In order to remain competitive, we must continue to add value for our customers by providing, relative to our peers, new technologies, reliable products and services and competent personnel. The anticipated timing and cost of the development of competitive technology and new product introductions can impact our financial results, particularly if one of our competitors were to develop competing technology that accelerates the obsolescence of any of our products or services. Additionally, we may be disadvantaged competitively and financially by a significant movement of exploration and production operations to areas of the world in which we are not currently active, particularly if one or more of our competitors is already operating in that area of the world.

Recent, ongoing, and future mergers, combinations and consolidations in our industry could result in existing competitors increasing their market share and may result in stronger competitors, which in turn, could have a material adverse effect on our business, financial condition and results of operations. In 2017, Baker Hughes and GE Oil and Gas completed their previously announced merger and in 2016, Schlumberger and Cameron International completed their merger. We may not be able to compete successfully in an increasingly consolidated industry and cannot predict with certainty how industry consolidation will affect our other competitors or us.

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

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

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

As is customary in our industry, our contracts typically require that our customers indemnify us for claims arising from the injury or death of their employees (and those of their other contractors), the loss or damage of their equipment (and that of their other contractors), damage to the well or reservoir and pollution originating from the customer's equipment or from the reservoir (including uncontained oil flow from a reservoir) and claims arising from catastrophic events, such as a well blowout, fire, explosion and from pollution below the surface. Conversely, we typically indemnify our customers for claims arising from the injury or death of our employees, the loss or damage of our equipment (other than equipment lost in the hole) or pollution originating from our equipment above the surface of the earth or water.

Our indemnification arrangements may not protect us in every case. For example, from time to time we may enter into contracts with less favorable indemnities or perform work without a contract that protects us. Our indemnity arrangements may also be held to be overly broad in some courts and/or contrary to public policy in some jurisdictions, and to that extent unenforceable. Additionally, some jurisdictions which permit indemnification nonetheless limit its scope by statute. We may be subject to claims brought by third parties or government agencies with respect to which we are not indemnified. Furthermore, the parties from which we seek indemnity may not be solvent, may become bankrupt, may lack resources or insurance to honor their indemnities or may not otherwise be able to satisfy their indemnity obligations to us. The lack of enforceable indemnification could expose us to significant potential losses.

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

Our business may be exposed to uninsured claims and, as a result, litigation might result in significant potential losses. The cost of our insured risk management program may increase.

In the ordinary course of business, we become the subject of various claims and litigation. We maintain liability insurance, which includes insurance against damage to people, property and the environment, up to maximum limits of $600 million, subject to self-insured retentions and deductibles.

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

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

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

We are subject to various laws and regulations relating to the energy industry in general and the environment in particular. These laws are often complex and may not always be applied consistently in emerging markets. These laws and regulations often change and can cover broad subject matters, including tax, trade, customs (import/export) and the environment. In the case of environmental regulations, an environmental claim could arise with respect to one or more of our current businesses, products or services, or a business or property that one of our predecessors owned or used, and such claims could involve material expenditures. Generally, environmental laws have in recent years become more stringent and have sought to impose greater liability on a larger number of potentially responsible parties. The scope of regulation of our industry and our products and services may increase further, including possible increases in liabilities or funding requirements imposed by governmental agencies. We also cannot ensure that our future business in the deepwater Gulf of Mexico, if any, will be profitable in light of regulations that have been, and may continue to be, promulgated and in light of the current risk environment and insurance markets. Additional regulations on deepwater drilling elsewhere in the world could be imposed, and those regulations could limit our business where they are imposed.

In addition, members of the U.S. Congress, the U.S. Environmental Protection Agency and various agencies of several states within the U.S. frequently review, consider and propose more stringent regulation of hydraulic fracturing, a service we previously provided (and may, in the future, resume providing) to clients and regulators are investigating whether any chemicals used in the fracturing process might adversely affect groundwater or whether the fracturing processes could lead to other unintended effects or damages. For example, in December 2016, the EPA released its final report regarding the potential impacts of hydraulic fracturing on drinking water resources, concluding that water cycle activities associated with hydraulic fracturing may impact drinking water resources under certain circumstances. In recent years, several cities and states within the U.S. passed new laws and regulations concerning or banning hydraulic fracturing. A significant portion of North American service activity today is directed at prospects that require hydraulic fracturing in order to produce hydrocarbons. Therefore, additional regulation could increase the costs of conducting our business by subjecting fracturing to more stringent regulation. Such regulation, among other things, may change construction standards for wells intended for hydraulic fracturing, require additional certifications concerning the conduct of hydraulic fracturing operations, change requirements pertaining to the management of water used in hydraulic fracturing operations, require other measures intended to prevent operational hazards or ban hydraulic fracturing completely. Any such federal, state, local or foreign legislation could increase our costs of providing services or could materially reduce our business opportunities and revenues if our customers decrease their levels of activity in response to such regulation or if we are not able to pass along any cost increases to our customers. We are unable to predict whether changes in laws or regulations or any other governmental proposals or responses will ultimately occur, and accordingly, we are unable to assess the potential financial or operational impact they may have on our business.

Finally, in December 2015, the U.S. joined the international community at the 21st Conference of the Parties of the United Nations Framework Convention on Climate Change in Paris, France (the "Paris Agreement") that requires member countries to review and "represent a progression" in their intended nationally determined contributions, which set greenhouse gas ("GHG") emission reduction goals every five years beginning in 2020. The agreement entered into was in full force in November 2016. On June 1, 2017, the President of the U.S. announced that the U.S. planned to withdraw from the Paris Agreement and to seek negotiations either to reenter the Paris Agreement on different terms or establish a new framework agreement. The Paris Agreement provides for a four-year exit process beginning when it took effect in November 2016, which would result in an effective exit date of November 2020. The United States' adherence to the exit process is uncertain and/or the terms on which the United States may reenter the Paris Agreement or a separately negotiated agreement are unclear at this time. The implementation of this treaty and other efforts to reduce GHG emissions in the U.S. and other countries could materially affect our customers by reducing demand for oil and natural gas, thereby potentially materially affecting demand for our services.

If our long-lived assets, goodwill, other intangible assets and other assets are further impaired, we may be required to record significant non-cash charges to our earnings.

We recognize impairments of goodwill when the fair value of any of our reporting units becomes less than its carrying value. Our estimates of fair value are based on assumptions about future cash flows of each reporting unit, discount rates applied to these cash flows and current market estimates of value. Based on the uncertainty of future revenue growth rates, gross profit performance, and other assumptions used to estimate our reporting units' fair value, future reductions in our expected cash flows could cause a material non-cash impairment charge of goodwill, which could have a material adverse effect on our results of operations and financial condition.

We also have certain long-lived assets, other intangible assets and other assets which could be at risk of impairment or may require reserves based upon anticipated future benefits to be derived from such assets. Any change in the valuation of such assets could have a material effect on our profitability. For example, we recognized long-lived asset impairment charges of $928 million in 2017, $436 million in 2016 and $638 million in 2015.

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

Like most multinational oilfield service companies, we have operations in certain international areas, including parts of the Middle East, Africa, Latin America, the Asia Pacific, Europe and Russia regions that are subject to significant risks of war, political instability and disruption, civil disturbance, regime changes, treaty changes, economic and legal sanctions (such as restrictions against countries that the U.S. government may deem to sponsor terrorism), pandemics, changes in global trade policies or weak local economic conditions. Our operations, which are subject to these various risks unique to each country in which we operate, may be restricted or prohibited if any of the foregoing risks occur, which in turn, could materially and adversely impact our results of operations:

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

For example, the economic sanctions against Russia resulting from its annexation of the Crimean region of Ukraine in March 2014 and subsequent sanctions have, and may continue to, adversely impact our business, results of operations and financial condition of our Russia operations. Recent political and military concerns may prompt additional sanctions against Russia by the U.S. or EU. In the event of further sanctions or changes to existing sanctions our ability to do business in Russia may be further reduced or impacted.

We risk loss of assets in any location where hostilities arise and persist. In these areas we also may not be able to perform the work we are contracted to perform, which could lead to forfeiture of performance bonds, or we may not be able to collect payment for work performed. Political instability in our regions of operation may also result in the need for additional security, resources and ability to quickly navigate a changing landscape. In addition, the trade and investment policies of the current U.S. administration regarding some jurisdictions where we operate is currently unclear.

We may not be able to complete our strategic divestitures and we may not achieve the intended benefits of any acquisition, divestiture or joint venture.

From time to time, we may pursue strategic divestitures, acquisitions, investments and joint ventures ("transactions"). For example, we intend to divest the remaining portion of our land drilling rigs and certain other non-strategic assets. Any such divestiture may be complex in nature and may be affected by unanticipated developments, such as the continued significant and sustained decrease in the price of crude oil, delays in obtaining regulatory or governmental approvals and challenges in establishing processes and infrastructure for both the underlying business and for potential investors or buyers of the business, which may result in such divestiture being delayed, or not being completed at all, which could expose us to increased competitive pressures and additional risks.

Even if successful, any of these contemplated or other future transactions may reduce our earnings for a number of reasons, and pose many other risks that could adversely affect or operations or financial results, including:

- these transactions require significant investment of time and resources, may disrupt our business, distract management from other responsibilities and may result in losses on disposal or continued financial involvement in any divested business, including through indemnification, guarantee or other financial arrangements, for a period of time following the transaction, which may adversely affect our financial results;
- acquired entities or joint ventures may not operate profitably, which could adversely affect our operating income or operating margins, and we may be unable to recover our investments;
- we may not be able to effectively influence the operations of our joint ventures, or we may be exposed to certain liabilities if our joint venture partners do not fulfill their obligations; and
- we may not be able to fully realize the intended or expected benefits of consummating such transactions.

We have been the subject of governmental and internal investigations related to alleged corrupt conduct and violations of U.S. sanctioned country laws, which were costly to conduct, resulted in a loss of revenue and substantial financial penalties and created other disruptions for the business. If we are the subject of such investigations in the future, it could have a material adverse effect on our business, financial condition and results of operations.

In 2013 and 2014, we settled investigations of prior alleged violations by us and certain of our subsidiaries related to certain trade sanctions laws, participation in the United Nations oil-for-food program governing sales of goods into Iraq and non-compliance with the U.S. Foreign Corrupt Practices Act ("FCPA"). These settlement agreements required us to pay $253 million, to retain an independent auditor to assess our compliance with trade sanctions and export law, to retain, for a period of 18 months, an independent monitor responsible for assessing our compliance with the terms of the FCPA related settlement agreements so as to address and reduce the risk of recurrence of alleged misconduct, and to self-report to the U.S. Government regarding the same for a subsequent eighteen-month term. Notwithstanding our successful completion of these requirements, we cannot assure that our policies, procedures, programs and other internal controls always will prevent or protect us from reckless or criminal acts committed by our employees or agents relating to the FCPA or trade sanctions.

To the extent we violate trade sanctions laws, the FCPA, the U.K. Bribery Act, or other laws or regulations in the future, additional fines and other penalties may be imposed and there would be uncertainty as to the ultimate amount of any penalties we could pay and there can be no assurance that actual fines or penalties, if any, will not have a material adverse effect on our business, financial condition and results of operations.

For additional information about these actions and claims, you should refer to the section entitled "Notes to Consolidated Financial Statements – Note 21 – Disputes, Litigation and Contingencies."

If another party claims that we have infringed its intellectual property rights, we may be subject to litigation or we may need to take remedial steps to eliminate or mitigate liability.

A third party may claim that we sell equipment or perform services that infringes the third party's patent rights or unlawfully uses the third party's trade secrets. Addressing such claims of patent infringement or trade secret misappropriation could result in significant legal and other costs, and may adversely impact our business. To resolve such claims, we may be required to enter into license agreements that require us to make royalty payments to continue selling equipment or providing of services. Alternatively, the development of non-infringing technologies could be costly. If an allegation of patent infringement or trade secret misappropriation cannot be resolved through a license agreement, we might not be able to continue selling particular equipment or providing particular services, which could adversely affect our financial condition, results of operations, and cash flow.

Our significant international operations subject us to economic and repatriation risks, and we may be adversely affected by changes in foreign currency including devaluation and changes in local banking and currency regulations and exchange controls.

We operate in virtually every oil and natural gas exploration and production region in the world. In some parts of the world, such as Latin America, the Middle East and Southeast Asia, the currency of our primary economic environment is generally the U.S. dollar, and we use the U.S. dollar as our functional currency. In other parts of the world, we conduct our business in currencies other than the U.S. dollar, and the functional currency is generally the applicable local currency. As such, we are exposed to significant currency exchange risk and devaluation risk. For example, in 2016 and 2015, we recognized pre-tax currency-related charges of $41 million and $85 million, respectively. In 2016, currency devaluation charges reflect the impact of the devaluation of the Angolan kwanza and the Egyptian pound. In 2015, currency devaluation charges reflect the impacts of the devaluation of the Angolan kwanza and Argentine peso and the recognized remeasurement charges related to the Venezuelan bolivar and the Kazakhstani tenge. For information about the currency devaluations, refer to the section entitled “Notes to Consolidated Financial Statements – Note 1 – Summary of Significant Accounting Policies.” Any future change in the exchange rates in these or other countries could cause us to take additional charges on the foreign denominated assets held by our subsidiaries.

We are also subject to risks resulting from changes in the implementation of exchange controls, as well as limitations on our ability to reinvest earnings from operations in one country to fund the capital needs of our operations in other countries. If we are unable to reinvest earnings or repatriate foreign income, our liquidity may be negatively affected. Additionally, changing tax rules could result in an increased income tax expense on repatriation of funds.

Our business in Venezuela subjects us to actions by the Venezuelan government, actions by the U.S. and foreign governments, actions, including delayed payment, by our primary customer, and currency risk, each of which could have a material adverse effect on our liquidity, results of operations and financial condition.

The future financial results of our Venezuelan operations may be adversely affected by many factors, including our ability to take action to mitigate the effect of exchange controls, actions of the Venezuelan government, continued inflation, actions and sanctions by the U.S. and foreign governments, and customer payments and spending. In August 2017, economic sanctions around certain financing transactions in Venezuela were imposed by the U.S. government. These sanctions could affect our ability to collect payment on our receivables. Beginning October 1, 2017, we changed the accounting for revenue with substantially all of our customers in Venezuela to cash basis due to the downgrade of the country’s bonds by certain credit agencies, continued significant political and economic turmoil and continued economic sanctions around certain financing transactions imposed by the U.S. government from third quarter of 2017. For further information, refer to the section entitled Notes to Consolidated Financial Statements – Note 1 – Summary of Significant Accounting Policies.”

There are risks associated with our operations in Venezuela, which continues to experience significant political and economic turmoil. The political and economic conditions worsened in 2018, leading to uncertainty in the future business climate, the state of security, and governance of the country. This environment increases the risk of civil unrest, armed conflicts, and adverse actions, or imposition of further sanctions or other actions by the U.S. and foreign governments that may restrict our ability to continue operations or realize the value of our assets. This development could delay or prevent our ability to generate additional revenue, collect our receivables or continue our operations in Venezuela.

Credit rating agencies have lowered and could further lower our credit ratings.

Our credit ratings have been downgraded by multiple credit rating agencies and these agencies could further downgrade our credit ratings. On October 24, 2017, Standard & Poor’s Global Ratings downgraded our senior unsecured notes to B- from B, with a negative outlook. Our Moody’s Investors Services credit rating on our senior unsecured notes is currently Caa1 and our short-term rating is SGL-3, both with a negative outlook. Our non-investment grade credit ratings have resulted in our loss of access to the commercial paper market for our short-term liquidity needs. Furthermore, our non-investment grade status may further limit our ability to refinance our existing debt, could cause us to refinance or issue debt with less favorable and more restrictive terms and conditions, and could increase certain fees and interest rates of our borrowings. Suppliers and financial institutions may lower or eliminate the level of credit provided through payment terms or intraday funding when dealing with us thereby increasing the need for higher levels of cash on hand, which would decrease our ability to repay debt balances.

Our indebtedness and liabilities could limit cash flow available for our operations, expose us to risks that could adversely affect our business, financial condition and results of operations and impair our ability to satisfy our financial obligations.

Our indebtedness could have significant negative consequences for our business, results of operations and financial condition, including:

- increasing our vulnerability to adverse economic and industry conditions;
- limiting our ability to obtain additional financing;
- requiring the dedication of a substantial portion of our cash flow from operations to service our indebtedness, thereby reducing the amount of our cash flow available for other purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business; and
- placing us at a possible competitive disadvantage with less leveraged competitors or competitors that may have better access to capital resources.

Any harm to our business and operations resulting from our current or future level of indebtedness could adversely affect our ability to pay amounts due to our lenders and noteholders.

If we are unable to comply with the restrictions and covenants in the agreements governing the Revolving Credit Agreement, the Term Loan Agreement and our other indebtedness, including our indentures, as supplemented (our “indentures”), there could be a default under the terms of these agreements, which could result in an acceleration of payment of funds that we have borrowed and would affect our ability to make principal and interest payments on the notes.

Any default under the agreements governing our indebtedness that is not cured or waived by the required lenders, and the remedies sought by the holders of any such indebtedness, could make us unable to pay principal and interest on the notes and substantially decrease the market value of the notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the agreements governing our indebtedness (including covenants in the Revolving Credit Agreement, the Term Loan Agreement and our indentures), we could be in default under the terms of such agreements. In the event of such default:

- the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest;
- the lenders under such agreements could elect to terminate their commitment thereunder and cease making further loans; and
- we could be forced into bankruptcy or liquidation.

If our operating performance declines, we may in the future need to obtain waivers under the Revolving Credit Agreement, the Term Loan Agreement or our indentures. If we breach our covenants under the Revolving Credit Agreement, the Term Loan Agreement or our indentures, and seek a waiver, we may not be able to obtain a waiver from the required lenders or noteholders. If this occurs, we would be in default under such agreements, the lenders or trustee could exercise their rights or remedies, as described above, and we could be forced into bankruptcy or liquidation.

The terms of the Revolving Credit Agreement and Term Loan Agreement restrict, and our indentures will restrict, our current and future operations, particularly our ability to respond to changes or to pursue our business strategies.

The Revolving Credit Agreement and Term Loan Agreement contain, and our indentures will contain, a number of restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long-term best interest, including restrictions on our ability to:

- incur additional indebtedness;
- pay dividends and make other distributions;
- prepay, redeem or repurchase certain debt;
- make loans and investments;
- sell assets and incur liens;
- enter into transactions with affiliates;
- enter into agreements restricting our subsidiaries’ ability to pay dividends; and
- consolidate, merge or sell all or substantially all of our assets.

As a result of these restrictions, we may be:

- limited in how we conduct our business;
- unable to raise additional debt of equity financing to operate during general economic or business downturns; or
- unable to compete effectively, execute our growth strategy or take advantage of new business opportunities.

In addition, the restrictive covenants in the Revolving Credit Agreement and Term Loan Agreement require us to maintain specified financial ratios. Our ability to meet those financial ratios can be affected by events beyond our control.

A breach of the covenants under the Revolving Credit Agreement, the Term Loan Agreement or our indentures could result in an event of default thereunder. Such a default may allow the lenders or the trustee to accelerate the related indebtedness and may result in the acceleration of any other indebtedness to which a cross-acceleration or cross-default provision applies. In addition, an event of default under the Revolving Credit Agreement or Term Loan Agreement would permit the lenders thereunder to terminate all commitments. Furthermore, if we were unable to repay the amounts due and payable under the Term Loan Agreement, the lenders thereunder could proceed against the collateral granted to them to secure that indebtedness. In the event our lenders accelerate the repayment of our borrowings, we and our subsidiaries may not have sufficient assets to repay that indebtedness.

Capital financing may not be available to us at economic rates.

Credit and equity markets have been highly volatile in recent years, the cost to obtain capital financing has increased, and some markets may not be available at certain times. Credit and equity market conditions and the potential impact on liquidity of major financial institutions may have an adverse effect on our ability to fund operational needs or other activities through borrowings under either existing or newly created instruments in the public or private markets on terms we believe to be reasonable. If we are unable to borrow further via debt offerings or our credit facility, or to obtain additional equity financing, we could experience a reduction of liquidity and may result in difficulty funding our operations, repayment of short-term borrowings, payments of interest and other obligations. This could be detrimental to our business and have a material adverse effect on our liquidity, consolidated results of operations and financial condition.

A terrorist attack or other geopolitical crisis could have a material and adverse effect on our business.

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

Our business could be negatively affected by cybersecurity threats and other disruptions.

We rely heavily on information systems to conduct and protect our business. These information systems are increasingly subject to sophisticated cybersecurity threats such as unauthorized access to data and systems, loss or destruction of data (including confidential customer information), computer viruses, or other malicious code, phishing and cyber attacks, and other similar events. These threats arise from numerous sources, not all of which are within our control, including fraud or malice on the part of third parties, accidental technological failure, electrical or telecommunication outages, failures of computer servers or other damage to our property or assets, or outbreaks of hostilities or terrorist acts.

Given the rapidly evolving nature of cyber threats, there can be no assurance that the systems we have designed and implemented to prevent or limit the effects of cyber incidents or attacks will be sufficient in preventing all such incidents or attacks, or avoiding a material impact to our systems when such incidents or attacks do occur. A cyber incident or attack, could result in the disclosure of confidential or proprietary customer information, theft or loss of intellectual property, damage to our reputation with our customers and the market, failure to meet customer requirements or customer dissatisfaction, theft or exposure to litigation, damage to equipment (which could cause environmental or safety issues) and other financial costs and losses. In addition, as cybersecurity threats continue to evolve, we may be required to devote additional resources to continue to enhance our protective measures or to investigate or remediate any cybersecurity vulnerabilities. We do not presently maintain insurance coverage to protect against cybersecurity risks. If we procure such coverage in the future, we cannot ensure that it will be sufficient to cover any particular losses we may experience as a result of such cyberattacks.

Our failure to maintain effective internal controls over financial reporting has resulted in governmental investigations, shareholder lawsuits, significant fines, penalties and settlements, and could further result in material misstatements in our financial statements which, in turn, could require us to restate financial statements, may cause investors to lose confidence in our reported financial information and could have an adverse effect on our share price or our debt ratings.

We have previously identified, and subsequently remediated, a material weakness in our internal controls over financial reporting that had resulted in a material weakness in accounting for income taxes. We cannot assure that additional material weaknesses in our internal controls over financial reporting will not be identified in the future. Any failure to maintain or implement required new or improved controls, or any difficulties we encounter in their implementation, could result in additional material weaknesses, cause us to fail to meet our periodic reporting obligations or result in material misstatements in our financial statements. Any such failure could also adversely affect the results of periodic management evaluations regarding the effectiveness of our internal controls over financial reporting. The existence of a material weakness could result in errors in our financial statements that could result in a restatement of financial statements, cause us to fail to meet our reporting obligations and/or cause investors to lose confidence in our reported financial information, potentially leading to a decline in our share price.

In September of 2016, we settled a SEC and DOJ investigation associated with the material weakness in our internal control over financial reporting for income taxes and the restatements of our historical financial statements in 2011 and 2012 for $140 million. We also agreed to prepare and deliver certain reports and certifications to the SEC for the next two years regarding our tax internal controls. For additional information about these actions and claims, you should refer to the section entitled "Notes to Consolidated Financial Statements - Note 21 – Disputes, Litigation and Contingencies."

In addition to the SEC and DOJ investigations, in the past several years, we, and certain of our directors and officers, have been defendants in several shareholder derivative and class actions. These matters have been costly to settle and have required a significant amount of time and resources. For additional information about these actions and claims, you should refer to the section entitled "Notes to Consolidated Financial Statements – Note 21 – Disputes, Litigation and Contingencies."

Adverse changes in tax laws both in the United States and abroad, changes in tax rates or exposure to additional income tax liabilities could have a material adverse effect on our results of operations.

In 2002, we reorganized from the United States to a foreign jurisdiction. There are frequent legislative proposals in the United States that attempt to treat companies that have undertaken similar transactions as U.S. corporations subject to U.S. taxes or to limit the tax deductions or tax credits available to United States subsidiaries of these corporations. Our tax expense could be impacted by changes in tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof or differing interpretation or enforcement of applicable law by the U.S. Internal Revenue Service and other taxing jurisdictions, acting in unison or separately. The inability to reduce our tax expense could have a material impact on our financial statements.

The Organization of Economic Cooperation and Development ("OECD"), which represents a coalition of member countries, has issued various white papers addressing Tax Base Erosion and Jurisdictional Profit Shifting. The recommendations in these white papers are generally aimed at combating what they believe is tax avoidance. Numerous jurisdictions in which we operate have been influenced by these white papers as well as other factors and are increasingly active in evaluating changes to their tax laws. Changes in tax laws could significantly increase our tax expense and require us to take actions, at potential significant expense, to seek to preserve our current level of tax expense.

On December 22, 2017, the U.S. enacted into law a comprehensive tax reform bill (the "Tax Cuts and Jobs Act," or the "TCJA"), that significantly reforms the Internal Revenue Code of 1986, as amended. The TCJA, among other things, contains significant changes to corporate taxation, including a permanent reduction of the corporate income tax rate, a partial limitation on the deductibility of business interest expense, limitation of the deduction for certain net operating losses to 80% of current year taxable income, an indefinite net operating loss carryforward, immediate deductions for certain new investments instead of deductions for depreciation expense over time, modification or repeal of many business deductions and credits (including certain foreign tax credits), a shift of the U.S. taxation of multinational corporations from a tax on worldwide income to a partial territorial system (along with certain rules designed to prevent erosion of the U.S. income tax base, such as the base erosion and anti-abuse tax), modifications to the rules used to determine whether an entity is a "controlled foreign corporation" and a one-time tax on accumulated offshore earnings held in cash and illiquid assets (with the latter taxed at a lower rate). We continue to examine the impact of this tax reform legislation, and as its overall impact is uncertain, we note that the TCJA could adversely affect our business and financial condition. The various impacts of the TCJA may materially differ from the estimated impacts recognized in the fourth quarter due to future treasury regulations, tax law technical corrections, and other potential guidance, notices, rulings, refined computations, actions the Company may take as a result of the tax legislation, and other items. The SEC has issued guidance that allow for a measurement period of up to one year after the enactment date of the legislation to finalize the recording of the related tax impacts. The impact of this tax reform legislation on our shareholders is also uncertain and could be adverse. Investors should consult their own advisors regarding the potential application of these rules to their investments in us.

Our effective tax rate has fluctuated in the past and may fluctuate in the future. Future effective tax rates could be affected by changes in the composition of earnings in countries in which we operate with differing tax rates, changes in tax laws, or changes in deferred tax assets and liabilities. We assess our deferred tax assets on a quarterly basis to determine whether a valuation allowance may be required. We have recorded a valuation allowance on substantially all of our current and future deferred tax assets. A prolonged downturn could result in us not being able to benefit future losses, which would negatively impact our financial results.

We may be prohibited from fully using our U.S. net operating loss carryforwards, which could affect our financial performance.

As a result of the recent losses we have incurred in the U.S., we have not recorded a federal income tax provision and have recorded a valuation allowance against all future tax benefits of our U.S. net operating loss carryforwards. As of December 31, 2017, we had gross net operating loss ("NOL") and research tax credit carryforwards of approximately $1.9 billion and $30 million, respectively, for federal income tax purposes, expiring in varying amounts through the year 2037. Under Section 382 of the Internal Revenue Code of 1986, as amended, if a corporation undergoes an "ownership change," generally defined as a greater than 50% change (by value) in its equity ownership over a three year period, the corporation's ability to use its pre-change NOL carryforwards and other pre-change tax attributes (such as research tax credits) to offset its post-change income may be limited. As of December 31, 2017, we have not experienced an ownership change. Therefore our utilization of NOL carryforwards was not subject to an annual limitation. However, we may experience ownership changes in the future as a result of subsequent shifts in our stock ownership. As a result, if we earn net taxable income, our ability to use our pre-change NOL carryforwards to offset U.S. federal taxable income may be subject to limitations, which could potentially result in increased future tax liability to us. In addition, at the state level, there may be periods during which the use of NOL carryforwards is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed. Furthermore, these losses could expire before we generate sufficient income to utilize them.

If a United States person is treated as owning at least 10% of our shares, such holder may be subject to adverse U.S. federal income tax consequences.

As a result of the TCJA, many of our non-U.S. subsidiaries are now classified as "controlled foreign corporations" for U.S. federal income tax purposes due to the expanded application of certain ownership attribution rules within a multinational corporate group. If a United States person is treated as owning (directly, indirectly or constructively) at least 10% of the value or voting power of our shares, such person may be treated as a "United States shareholder" with respect to one or more of our controlled foreign corporation subsidiaries. In addition, if our shares are treated as owned more than 50% by United States shareholders, we would be treated as a controlled foreign corporation. A United States shareholder of a controlled foreign corporation may be required to annually report and include in its U.S. taxable income, as ordinary income, its pro rata share of "Subpart F income," "global intangible low-taxed income" and investments in U.S. property by controlled foreign corporations, whether or not we make any distributions to such United States shareholder. An individual United States shareholder generally would not be allowed certain tax deductions or foreign tax credits that would be allowed to a corporate United States shareholder with respect to a controlled foreign corporation. A failure by a United States shareholder to comply with its reporting obligations may subject the United States shareholder to significant monetary penalties and may extend the statute of limitations with respect to the United States shareholder's U.S. federal income tax return for the year for which such reporting was due. We cannot provide any assurances that we will assist investors in determining whether we or any of our non-U.S. subsidiaries are controlled foreign corporations or whether any investor is a United States shareholder with respect to any such controlled foreign corporations. We also cannot guarantee that we will furnish to United States shareholders information that may be necessary for them to comply with the aforementioned obligations. United States investors should consult their own advisors regarding the potential application of these rules to their investments in us. The risk of being subject to increased taxation may deter our current shareholders from increasing their investment in us and others from investing in us, which could impact the demand for, and value of, our shares.

The anticipated benefits of our redomestication to Ireland may not be realized. Additionally, we and our shareholders could be subject to increased taxation if we are considered to be a tax resident in both Switzerland and Ireland.

In 2014, we redomesticated from Switzerland to Ireland. We may not realize the benefits we anticipate from this redomestication. Our failure to realize those benefits could have an adverse effect on our business, results of operations and financial condition. Additionally, while we moved our place of incorporation from Switzerland to Ireland in 2014, we continue to be effectively managed from Switzerland. Under current Swiss law a company is regarded as a Swiss tax resident if it has its place of effective management in Switzerland or is incorporated in Switzerland. Where a company is treated as a tax resident of Switzerland as a result of having its place of effective management in Switzerland, Irish law provides Ireland will generally treat the company as not resident in Ireland for Irish tax purposes. We intend to maintain our place of effective management in Switzerland and therefore qualify as a Swiss, but not Irish, tax resident. However, it is possible that in the future, whether as a result of a change in law or tax treaty or how we manage our business that we could become a tax resident in Ireland in addition to Switzerland. If we were to be considered to be a tax resident of Ireland, we could become liable for Irish and Swiss corporation tax and any dividends paid to its shareholders could be subject to Irish and Swiss dividend withholding tax.

The rights of our shareholders are governed by Irish law; Irish law differs from the laws in effect in the United States and may afford less protection to holders of our securities.

As an Irish company, we are governed by the Irish Companies Act, which differs in some material respects from laws generally applicable to U.S. corporations and shareholders, including, among others, provisions relating to interested directors, mergers and acquisitions, takeovers, shareholder lawsuits and indemnification of directors. Likewise, the duties of directors and officers of an Irish company generally are owed to the company only. Shareholders of Irish companies generally do not have a personal right of action against directors or officers of the company and may exercise such rights of action on behalf of the company only in limited circumstances. Accordingly, holders of our securities may have more difficulty protecting their interests than would holders of securities of a corporation incorporated in a jurisdiction of the United States. Additionally, while we are an Irish company, we hold shareholders meetings in Switzerland, which may make attendance in person more difficult for some investors.

We are incorporated in Ireland and a significant portion of our assets are located outside the United States. As a result, it might not be possible for shareholders to enforce civil liability provisions of the federal or state securities laws of the United States.

We are organized under the laws of Ireland, and a significant portion of our assets are located outside the United States. The United States currently does not have a treaty with Ireland providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. As such, a shareholder who obtains a court judgment based on the civil liability provisions of U.S. federal or state securities laws may be unable to enforce the judgment against us in Ireland. In addition, there is some doubt as to whether the courts of Ireland and other countries would recognize or enforce judgments of U.S. courts obtained against us or our directors or officers based on the civil liabilities provisions of the federal or state securities laws of the United States or would hear actions against us or those persons based on those laws. The laws of Ireland do, however, as a general rule, provide that the judgments of the courts of the United States have the same validity in Ireland as if rendered by Irish Courts. Certain important requirements must be satisfied before the Irish Courts will recognize the U.S. judgment. The originating court must have been a court of competent jurisdiction, the judgment must be final and conclusive and the judgment may not be recognized if it was obtained by fraud or its recognition would be contrary to Irish public policy. Any judgment obtained in contravention of the rules of natural justice or that is irreconcilable with an earlier foreign judgment would not be enforced in Ireland.

Similarly, judgments might not be enforceable in countries other than the United States where we have assets.

Review of the Development and Performance of the Business

As used herein, the “Company,” “we,” “us” and “our” refer to Weatherford International plc (“Weatherford Ireland”), a public limited company organized under the laws of Ireland, and its subsidiaries on a consolidated basis, or for periods prior to June 17, 2014, to our predecessor, Weatherford International Ltd. (“Weatherford Switzerland”), a Swiss joint-stock corporation and its subsidiaries on a consolidated basis.

The following discussion should be read in conjunction with our Consolidated Financial Statements and Notes to Consolidated Financial Statements. Our discussion includes various forward-looking statements about our markets, the demand for our products and services and our future results. These statements include certain risks and uncertainties. For information about these risks and uncertainties, refer to “Principal Risks and Uncertainties.”

OVERVIEW

General

We conduct operations in approximately 90 countries and have service and sales locations in nearly all of the oil and natural gas producing regions in the world. Our operational performance is reviewed on a geographic basis, and we report the following as separate, distinct reporting segments: Western Hemisphere and Eastern Hemisphere.

Our principal business is to provide equipment and services to the oil and natural gas exploration and production industry, both onshore and offshore. Product and service include: (1) Production, (2) Completions, (3) Drilling and Evaluation and (4) Well Construction.

- ***Production*** offers production optimization services and a complete production ecosystem, featuring our artificial-lift portfolio, testing and flow-measurement solutions, and optimization software, to boost productivity and profitability.
- ***Completions*** is a suite of modern completion products, reservoir stimulation designs, and engineering capabilities that isolate zones and unlock reserves in deepwater, unconventional, and aging reservoirs.
- ***Drilling and Evaluation*** comprises a suite of services ranging from early well planning to reservoir management. The drilling services offer innovative tools and expert engineering to increase efficiency and maximize reservoir exposure. The evaluation services merge wellsite capabilities including wireline, logging while drilling, and surface logging with laboratory-fluid and core analyses to reduce reservoir uncertainty.
- ***Well Construction*** builds or rebuilds well integrity for the full life cycle of the well. Using conventional to advanced equipment, we offer safe and efficient tubular running services in any environment. Our skilled fishing and re-entry teams execute under any contingency from drilling to abandonment, and our drilling tools provide reliable pressure control even in extreme wellbores. We also include our land drilling rig business as part of Well Construction.

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

Industry Trends

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

	WTI Oil (a)	Henry Hub Gas (b)	North American Rig Count (c)	International Rig Count (c)
2017	$60.42	$2.95	1,127	949
2016	53.72	3.68	770	925
2015	37.04	2.36	910	1,105

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

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

(c) Quarterly average rig count – Source: Baker Hughes Rig Count

During 2017 WTI crude oil prices ranged from a high of $60.42 per barrel in late December to a low of $42.53 per barrel in mid-June on the New York Mercantile Exchange. Natural gas ranged from a high of $3.42 MM/BTU in mid-January to a low of $2.56 MM/BTU in mid-February. Factors influencing oil and natural gas prices during the period include hydrocarbon inventory levels, realized and expected global economic growth, realized and expected levels of hydrocarbon demand, level of production capacity and weather and geopolitical uncertainty.

OVERVIEW OF SIGNIFICANT ACTIVITIES

Disposition of U.S. Pressure Pumping and Other Assets

On December 29, 2017, we completed the sale of our U.S. pressure pumping and pump-down perforating assets for $430 million in cash and recognized a $96 million gain on this sale. We sold our related facilities, field assets, and supplier and customer contracts related to these businesses. Proceeds from the sale were used to reduce outstanding indebtedness.

Reporting Segments

At the end of the third quarter of 2017, changes to Weatherford's organization structure were internally announced to flatten the organization structure, reduce our costs and accelerate decision-making processes. During the fourth quarter of 2017, the Company's chief operating decision maker (its chief executive officer) changed the information he regularly reviews to allocate resources and assess performance and we realigned our reporting segments into two reportable segments, which are the Western Hemisphere segment and Eastern Hemisphere segment. Our Western Hemisphere segment represents the prior North America and Latin America segments as well as land drilling rigs operations in Colombia and Mexico. Our Eastern Hemisphere segment represents the prior MENA/Asia Pacific segment and Europe/SSA/Russia segment as well as land drilling rigs operations in the Eastern Hemisphere. Research and Development expenses are now included in the results of our Western and Eastern Hemisphere segments. We have revised our segment reporting to reflect our current management approach and recast prior periods to conform to the current segment presentation. Our corporate and other expenses that do not individually meet the criteria for segment reporting continue to be reported separately as Corporate expenses.

Summary of Operating Charges

For the year ended December 31, 2017 we had $928 million of long-lived asset impairments (of which $740 million was due to a write-down to the lower of carrying amount or fair value less cost to sell of our land drilling rigs assets classified as held for sale), $540 million inventory write-off and other related charges including excess and obsolete, $230 million in the write-down of Venezuelan receivables, $183 million of severance and restructuring charges and an $86 million warrant fair value adjustment gain.

For the year ended December 31, 2016 we had $710 million related to long-lived asset impairments, asset write-downs, receivables write-offs and other charges and credits, $280 million of severance and restructuring charges, $220 million of litigation charges, $219 million of inventory write-downs and $114 million of pressure pumping related charges related to the shutdown of our U.S. pressure pumping business.

For the year ended December 31, 2015 we had $638 million of long-lived asset impairments, $232 million of severance and restructuring charges, $223 million of inventory write-downs, $130 million of supply agreement charges, $116 million of litigation charges, $48 million of bad debt expense charges and $83 million of charges related to professional fees, divestiture related charges, facility closures, equity investment impairment and other charges.

Long-lived Asset Impairments and Other Asset Charges

In the fourth quarter of 2017, we recognized long-lived asset impairments of $928 million, of which $923 million was related to property, plant and equipment ("PP&E") impairments and $5 million was related to the impairment of intangible assets. The PP&E impairments in our Eastern Hemisphere segment include a $740 million write-down to the lower of carrying amount or fair value less cost to sell of our land drilling rigs classified as held for sale, $135 million related to Western Hemisphere segment product line assets and $37 million related to other Eastern Hemisphere segment product line assets. In addition, we recognized $11 million of long-lived impairments charges related to Corporate assets. The impairments were due to the sustained downturn in the oil and gas industry, whose recovery was not as strong as expected and whose recovery in subsequent quarters was slower than had previously been anticipated. These long-lived asset impairments and other related charges are reported as "Long-Lived Asset Impairments, Write-Downs and Other Charges" on our Consolidated Statements of Operations.

In 2016, the prolonged downturn in the oil and gas industry contributed to continued lower exploration and production spending and continued low utilization of our land drilling rigs and certain asset groups. During 2016, based on our impairment tests, we recognized long-lived asset impairments of $436 million of which $388 million was related to product line PP&E impairments and $48 million was related to the impairment of intangible assets. The PP&E impairment charges were related to our Pressure Pumping and North America Well Construction, Drilling Services and Secure Drilling Service product lines. In 2016, we also recognized $114 million related to pressure pumping related charges in our North America segment. These long-lived asset impairments and other related charges are reported as "Long-Lived Asset Impairments, Write-Downs and Other Charges" on our Consolidated Statements of Operations.

In 2015, the weakness in crude oil prices contributed to lower exploration and production spending and a decline in the utilization of our land drilling rigs and certain U.S. asset groups. During 2015, based on our impairment tests, we recognized total long-lived impairment charges of $638 million with $383 million related to Pressure Pumping, Drilling Tools and Wireline assets in the in the Western Hemisphere and $255 million related to land drilling rigs assets in the Eastern Hemisphere. In 2015, we also recognized $130 million related to supply agreement charges in our Western Hemisphere segment. These long-lived asset impairments and other related charges are reported as "Long-Lived Asset Impairments, Write-Downs and Other Charges" on our Consolidated Statements of Operations. In connection with our long-lived asset impairments in 2015, we prepared an analysis to determine the fair value of our equity method investments. We assessed these declines in value as other than temporary and recognized an impairment loss of $25 million.

In addition, within the stand-alone financial statements of 2017 and 2016, Weatherford International plc recognized a $86 million and $3.8 billion impairment, respectively, of our Investment in Subsidiaries. This impairment did not have an impact on our consolidated financial results presented in accordance with U.S. GAAP within our Form 10-K. See “Note 8 – Long-Lived Asset Impairments,” “Note 9 – Goodwill” and “Note 14 – Fair Value of Financial Instruments, Assets and Equity Investments” for additional information regarding the long-lived, other asset and goodwill impairments.

Recent Litigation Settlements

In August 2016, after a bench trial in Harris County, Texas, the court entered a judgment of $36 million against the Company in the case of Spitzer Industries, Inc. (“Spitzer”) vs. Weatherford U.S., L.P. in connection with Spitzer’s fabrication work on two mobile capture vessels used in the cleanup of marine oil spills. We agreed on a settlement and paid the settlement amount of $25 million during the fourth quarter of 2017.

In 2016, the SEC and DOJ continued to investigate certain accounting issues associated with the material weakness in our internal control over financial reporting for income taxes and the restatements of our historical financial statements in 2011 and 2012. During the first quarter 2016, we recorded a loss contingency in the amount of $65 million. In the second quarter 2016, we increased our loss contingency to $140 million reflecting our best estimate for the potential settlement of this matter which ultimately became the final settlement. As disclosed in a Form 8-K filed on September 27, 2016, the Company agreed to pay the SEC a total civil monetary penalty of $140 million to resolve the investigation. Our final payment for the civil monetary penalty was made in September 2017. For additional information about this resolution, see “Note 21 – Disputes, Litigation and Contingencies.”

On June 30, 2015, we settled a purported securities class action for $120 million in exchange for the dismissal with prejudice of the litigation and the unconditional release of all claims captioned *Freedman v. Weatherford International Ltd., et al.*, that were filed in the Southern District of New York against us and certain current and former officers in March 2012. The settlement agreement was subject to notice to the class, approval by the U.S. District Court for the Southern District of New York and other conditions. The settlement amount was paid into escrow in August 2015. We are pursuing reimbursement from our insurance carriers and have recovered $26 million of the settlement amount to date. See “Note 21 – Disputes, Litigation and Contingencies” for additional information.

Debt Transactions and Equity Issuances

On June 26, 2017, we issued an additional $250 million aggregate principal amount of our 9.875% senior notes due 2024 (“Notes”). These Notes were issued as additional securities under an indenture pursuant to which we previously issued $540 million aggregate principal amount of our 9.875% senior notes due 2024.

During 2016, through a series of debt offerings we received net proceeds of $3.7 billion from the issuance of various unsecured debt instruments and a secured term loan. We used certain proceeds from our debt offerings to fund tender offers to buy back our senior notes with a principal balance of $1.9 billion and used the remaining proceeds to repay our revolving credit facility and for general corporate purposes. We recognized a cumulative loss of $78 million on the tender offers buyback transaction. See “Note 12 - Short-term Borrowings and Other Debt Obligations” and “Note 13 - Long-term Debt” for additional details of our financing activities.

During 2016, we received total cash proceeds of $1.1 billion from the issuance of 200 million ordinary shares of the Company. In addition, in November 2016 we issued one warrant that permits the holder to purchase 84.5 million ordinary shares on or prior to May 21, 2019 at an exercise price of $6.43 per ordinary share.

RESULTS OF OPERATIONS

The following table contains selected financial data comparing our consolidated and segment results from operations for 2017, 2016 and 2015. See “Notes to Consolidated Financial Statements – Note 23 – Segment Information” for additional information regarding variances in operating income.

	Year Ended December 31,			Percentage Change Favorable (Unfavorable)	
(Dollars in millions, except per share data)	**2017**	**2016**	**2015**	**2017 vs 2016**	**2016 vs 2015**
Revenues:					
Western Hemisphere	$2,937	$2,942	$5,276	— %	(44)%
Eastern Hemisphere	2,762	2,807	4,157	(2)%	(32)%
Total Revenues	**$5,699**	**$5,749**	**$9,433**	**(1)%**	**(39)%**
Operating Income (Loss):					
Western Hemisphere	$(115)	$(409)	$(180)	72 %	(127)%
Eastern Hemisphere	(143)	(160)	27	11 %	(693)%
Total Segment Operating Loss	**$(258)**	**$(569)**	**$(153)**	**55 %**	**(272)%**
Corporate General and Administrative	$(130)	$(139)	$(194)	6 %	28 %
Long-Lived Asset Impairments, Write-Downs and Other Charges	(1,664)	(1,043)	(768)	(60)%	(36)%
Restructuring Charges	(183)	(280)	(232)	35 %	(21)%
Litigation Charges, Net	10	(220)	(116)	105 %	(90)%
Goodwill and Equity Investment Impairment	—	—	(25)	— %	100 %
Gain (Loss) from Disposition of U.S. Pressure Pumping Assets and Businesses	96	—	(6)	— %	100 %
Other Items	—	—	(52)	— %	100 %
Total Operating Loss	**$(2,129)**	**$(2,251)**	**$(1,546)**	**5 %**	**(46)%**
Interest Expense, Net	$(579)	$(499)	$(468)	(16)%	(7)%
Warrant Fair Value Adjustment	86	16	—	438 %	— %
Bond Tender Premium, Net	—	(78)	—	100 %	— %
Currency Devaluation Charges	—	(41)	(85)	100 %	52 %
Other Income (Expense), Net	(34)	(24)	3	(42)%	(900)%
Income Tax (Provision) Benefit	(137)	(496)	145	72 %	(442)%
Net Loss per Diluted Share	(2.84)	(3.82)	(2.55)	26 %	(50)%
Weighted Average Diluted Shares Outstanding	990	887	779	(12)%	(14)%
Depreciation and Amortization	801	956	1,200	16 %	20 %

Revenues Percentage by Business Group

The following table contains the percentage distribution of our consolidated revenues by business groups for 2017, 2016 and 2015:

	Year Ended December 31,		
	2017	2016	2015
Production	26%	29%	29%
Completions	22	20	20
Drilling and Evaluation	24	22	22
Well Construction	28	29	29
Total	100%	100%	100%

Consolidated and Segment Revenues

2017 *vs* 2016 Revenues

Consolidated revenues decreased $50 million, or 1%, in 2017 compared to 2016. Excluding revenues from U.S. pressure pumping operations and our Zubair project in Iraq, consolidated revenues increased 5% in 2017 compared to 2016.

- Western Hemisphere revenues declined slightly by $5 million in 2017 compared to 2016, primarily due to lower activity concentrated in Argentina, Venezuela and Brazil in Drilling and Evaluation and Completions, the impact of the shutdown of our U.S. pressure pumping operations in the fourth quarter of 2016, as well as the negative impact from the change in accounting for revenue on a cash basis in Venezuela. Western Hemisphere revenues, excluding U.S. pressure pumping operations, improved $245 million, or 9%, in 2017 compared to 2016. These improvements were driven by higher activity and sales in the U.S. and Canada related to the 46% increase in North American rig count since December 31, 2016 as well as improvements across all our product lines in Colombia benefiting from an increase in the number of operating rigs.
- Eastern Hemisphere revenues declined $45 million, or 2%, primarily due to lower activity related to the Zubair project, a non-renewal of a contract in the United Arab Emirates and overall lower demand for services and continued pricing pressures for Well Construction. Throughout the Asia markets we had a broad decline in demand across our product lines. Eastern Hemisphere revenues, excluding early production facility operations, improved $30 million, or 1%, in 2017 compared to 2016. This improvement was driven by improved customer activity in Russia for Drilling Services, Pressure Pumping and Well Construction operations, a full year for our Drilling Rigs contract in Algeria as well as overall improvements in Kuwait.

2016 *vs* 2015 Revenues

Consolidated revenues decreased $3.7 billion, or 39%, in 2016 compared to 2015. Revenues decreased in 2016 compared to 2015 across all our segments as follows:

- Western Hemisphere segment revenues declined $2.3 billion, or 44%, in 2016 compared to 2015, due to the 20% decrease in Western Hemisphere rig count since December 31, 2015, continued customer pricing pressures and reduced exploration activity due to lower customer spending across our product lines. The significantly lower activity particularly impacted artificial lift, well construction, and pressure pumping in the U.S and Canada. Revenues declined in Brazil, Argentina, and Colombia due to customer pricing adjustments and budget spending reductions by our customers. All these geographic locations were negatively impacted by the reduced demand and pricing pressure, with managed-pressure drilling, well construction, and drilling services as the most negatively impacted product lines.
- Eastern Hemisphere segment revenues declined $1.4 billion, or 32%, in 2016 compared to 2015, due to the 10% decrease in Eastern Hemisphere rig count since December 31, 2015, continued customer pricing pressures and reduced activity from lower customer spending. The lower business activity negatively impacted revenue in most countries, particularly in Saudi Arabia, Kuwait, Iraq, Russia, the North Sea, Angola, Australia and Malaysia. Although many product lines were negatively impacted, the largest declines were in Well Construction, Tubular Running Services, and Completions. These declines were partly offset by an improvement from the recognition of revenue as part of the settlement agreement signed in the second quarter of 2016 for the Zubair project in Iraq.

Consolidated and Segment Operating Loss

2017 *vs* 2016 Operating and Segment Results

Consolidated operating loss improved $122 million, or 5%, in 2017 compared to 2016 and segment operating loss improved $311 million, or 55%, in 2017 compared to 2016. Our consolidated operating loss improvement was primarily due to the following:

- Higher activity and productivity related to the increase in Western Hemisphere rig count;
- Higher utilization in our product lines, improved sales mix and the continued realization of savings from cost reduction measures related to headcount reductions and facility closures, and lower depreciation and amortization due to decreased capital spending.
- Long-lived asset impairments, write-downs and charges increased in 2017, offset by reduced litigation and restructuring charges;
- Reduced expenses from the shutdown of our U.S. pressure pumping operations; and
- A gain on sale of $96 million the U.S. pressure pumping and pump-down services assets.

The Western Hemisphere segment operating loss improved $294 million, or 72%, in 2017 compared to 2016. This improvement in operating income is due to increased activity levels in North America for Artificial Lift, Well Construction, Completions and Drilling Services, cost savings from facility closures and cost reductions as a result of the shutdown of our U.S. pressure pumping operations at the end of 2016. This improvement was partially offset by a deterioration of results in Venezuela as a result of the change in revenue accounting and a difficult geopolitical situation as well as lower revenue in Argentina and Brazil, suffering from pricing pressure and reduced demand for our products and services in most product lines.

The Eastern Hemisphere segment operating loss improved $17 million, or 11%, in 2017 compared to 2016. The improvements in 2017 were primarily due to higher activity and increased utilization rates in Russia, North Africa, parts of the Middle East, Continental Europe and the North Sea combined with lower costs related to the Zubair project in Iraq. These improvements were partially offset by a non-renewal of a contract in the United Arab Emirates, continued pricing pressure across most of our businesses as well as a decline in activity in offshore markets in Asia and Africa.

2016 *vs* 2015 Operating and Segment Results

Consolidated operating loss declined $705 million, or 46%, in 2016 compared to 2015. The operating loss degradation was due to low customer activity levels and pricing pressures from the low price of crude oil and increased impairment, litigation and restructuring charges. All segment operating results and product lines were impacted negatively, which was partly offset by cost savings from cost reduction efforts, minimizing operating losses despite large revenue declines.

Western Hemisphere segment operating loss declined $229 million, or 127%, in 2016 compared to 2015 due to lower activity related to decreased customer spending, customer pricing adjustments and pricing pressure impacting the U.S., Canada, Venezuela, Brazil and Colombia. The significantly lower activity particularly impacted operating results in Artificial Lift, Well Construction, and Pressure Pumping in the U.S and Canada. Operating income declined in Brazil, Argentina, and Colombia due to customer pricing adjustments and budget spending reductions by our customers.

Eastern Hemisphere segment operating loss declined $187 million, or 693%, in 2016 compared to 2015 due to a decline in customer activity and overall lower demand broadly impacted all product lines, particularly in Well Construction, Tubular Running Services, and Completions and were concentrated in Saudi Arabia, Kuwait, Iraq, Russia, the North Sea, Angola, Australia and Malaysia. The decline was partly offset by income recognized from the settlement of our Zubair project.

Currency Devaluation Charges

Currency devaluation charges are included in current earnings in “Currency Devaluation Charges” on the accompanying Consolidated Statements of Operations. In 2016, currency devaluation charges of $41 million include charges related to the Angolan kwanza of $31 million and the Egyptian pound of $10 million. In 2015, currency devaluations charges of $85 million include charges related to the Angolan kwanza of $39 million, the Venezuelan bolivar of $26 million, the Argentina peso of $11 million and the Kazakhstani tenge of $9 million.

The devaluation of the Argentine peso in 2015 was due to the modification of currency control restrictions on purchasing of foreign currencies by the Argentine Central Bank. The depreciation of the Kazakhstani tenge during 2015 occurred after the National Bank of Kazakhstan abandoned its peg of the tenge to the U.S. dollar. The Venezuelan bolivar charge in 2015 reflects remeasurement charges due to currency devaluation in Venezuela.

Interest Expense, Net

Net interest expense was $579 million in 2017 compared to $499 million in 2016. This increase of $80 million, or 16%, in 2017 compared to 2016 is primarily from higher average borrowings and interest rates in 2017 compared to 2016.

Net interest expense was $499 million in 2016 compared to $468 million in 2015. This increase of $31 million, or 7%, in 2016 compared to 2015 was primarily due to higher interest rates on the senior notes and exchangeable notes issued in 2016.

Warrant Fair Value Adjustment

We had warrant fair value income of $86 million and $16 million in 2017 and 2016, respectively, related to the fair value adjustment to our warrant liability. The change in fair value of the warrant during 2017 was principally due to a decrease in Weatherford's stock price. The warrant valuation would be negatively affected due to an increase in the likelihood of a future stock issuance.

Other Income/Expense, Net

We had other expense of $34 million and $24 million in 2017 and 2016, respectively, and other income of $3 million in 2015. In 2017, other expense was primarily driven by foreign currency exchange losses, letter of credit and other financing fees. In 2016, other expense was primarily driven by losses on the repurchase of certain senior notes and by foreign currency exchange losses. Foreign exchange losses are typically due to the strengthening U.S. dollar compared to our foreign denominated operations. In 2015, other income of $3 million was primarily driven by gains on the repurchase of certain senior notes partially offset by foreign currency exchange losses.

Income Taxes

We provide for income taxes based on the laws and rates in effect in the countries in which operations are conducted, or in which we or our subsidiaries are considered resident for income tax purposes. We are exempt from Swiss cantonal and communal tax on income derived outside Switzerland, and are also granted participation relief from Swiss federal tax for qualifying dividend income and capital gains related to the sale of qualifying investments in subsidiaries. We expect that the participation relief will result in a full exemption of participation income from Swiss federal income tax.

The relationship between our pre-tax income or loss from continuing operations and our income tax benefit or provision varies from period to period as a result of various factors which include changes in total pre-tax income or loss, the jurisdictions in which our income is earned, the tax laws in those jurisdictions, the impacts of tax planning activities and the resolution of tax audits. Our income derived in Switzerland is taxed at a rate of 7.83%; however, our effective rate is substantially above the Swiss statutory tax rate as the majority of our operations are taxed in jurisdictions with much higher tax rates.

For the year ended December 31, 2017, we had a tax expense of $137 million on a loss before income taxes of $2.7 billion. The primary driver of the tax expense was due to profits in certain jurisdictions, deemed profit countries and withholding taxes on intercompany and third party transactions. In addition, the Company concluded that it needed to record a valuation allowance of $73 million in the fourth quarter of 2017 against certain previously benefited deferred tax assets since it cannot support that it is more likely than not that the deferred tax assets will be realized. The additional valuation allowance was partially offset by a one-time $52 million benefit as a result of the recent U.S tax reform. Our results for 2017 also include charges with no significant tax benefit principally related to asset write-downs and other charges including $928 million in long-lived asset impairments (of which $740 million related to a write-down to the lower of carrying amount or fair value less cost to sell of our land drilling rigs assets classified as held for sale), $540 million inventory charges including excess and obsolete, $230 million in the write-down of Venezuelan receivables and $66 million of other write-downs charges and credits, $183 million in restructuring charges and the warranty fair value adjustment of $86 million.

On December 22, 2017, the U.S. enacted into law a comprehensive tax reform bill (the "Tax Cuts and Jobs Act," or "TCJA"). The TCJA significantly revises the U.S. corporate income tax by, among other things, lowering the statutory corporate tax rate from 35% to 21%, eliminating certain deductions, imposing a mandatory one-time tax on accumulated earnings of foreign subsidiaries as of 2017 held in cash and illiquid assets (with the latter taxed at a lower rate), and a shift of the U.S. taxation of multinational corporations from a tax on worldwide income to a partial territorial system (along with certain rules designed to prevent erosion of the U.S. income tax base, such as the base erosion and anti-abuse tax). The SEC has issued guidance that allow for a measurement period of up to one year after the enactment date of the legislation to finalize the recording of the related tax impacts. The Company believes that the permanent reduction in the U.S. statutory corporate tax rate to 21% from 35% can reasonably be estimated to decrease the amount of the U.S. deferred tax assets and liabilities by $249 million with a decrease to the valuation allowance of $301 million for a net tax benefit of $52 million. The TCJA is not estimated to have other impacts on the Company's effective tax rate because of the valuation allowance against the U.S. deferred tax assets. Any potential impact is offset by un-benefitted U.S. net operating loss carryforwards. As we do not have all the necessary information to analyze all effects of this tax reform, this is a provisional amount which we believe represents a reasonable estimate of the accounting implications of this tax reform. In addition, the various impacts of the TCJA may materially differ from the estimated impacts recognized in the fourth quarter due to regulatory guidance that may be issued in the future, tax law technical corrections, refined computations, and possible changes in the Company's interpretations, assumptions, and actions as a result of the tax legislation. We will continue to evaluate tax reform, and adjust the provisional amounts as additional information is obtained. Any adjustment to these provisional amounts will be reported in the reporting period in which any such adjustments are determined, which will be no later than the fourth quarter of 2018.

Weatherford records deferred tax assets for net operating losses and temporary differences between the book and tax basis of assets and liabilities that are expected to produce tax deductions in future periods. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which those deferred tax assets would be deductible. The Company assesses the realizability of its deferred tax assets each period by considering whether it is more likely than not that all or a portion of the deferred tax assets will not be realized. The Company considers all available evidence (both positive and negative) when determining whether a valuation allowance is required. The Company evaluated possible sources of taxable income that may be available to realize the benefit of deferred tax assets, including projected future taxable income, the reversal of existing temporary differences, taxable income in carryback years and available tax planning strategies in making this assessment. The realizability of the deferred tax assets is dependent upon judgments and assumptions inherent in the determination of future taxable income, including factors such as future operation conditions (particularly as related to prevailing oil prices and market demand for our products and services).

Operations in various jurisdictions continue to experience losses due to the delayed recovery in the demand for oil field services. Our expectations regarding the recovery are more measured due to continue volatility in oil prices and market contraction for our products and services. Also, the Company recorded significant long-lived asset impairments and established allowances for inventory and other assets in the fourth quarter of 2017. As a result of the continued losses, and limited objective positive evidence to overcome negative evidence, the Company concluded that it needed to record additional valuation allowance of $73 million in the fourth quarter of 2017 against certain previously benefited deferred tax assets since it cannot support that it is more likely than not that the deferred tax assets will be realized.

The Company will continue to evaluate whether valuation allowances are needed in future reporting periods. Valuation allowances will remain until the Company can determine that net deferred tax assets are more likely than not to be realized. In the event that the Company were to determine that it would be able to realize the deferred income tax assets in the future as a result of significant improvement in earnings as a result of market conditions, the Company would adjust the valuation allowance, reducing the provision for income taxes in the period of such adjustment.

In 2017, the income tax provision was $137 million compared to a tax provision of $496 million in 2016 and to an income tax benefit of $145 million in 2015, respectively, which resulted in an effective tax rate of (5)%, (17)% and 7%, respectively. Our 2017 effective tax rate was driven by tax expense due to profits in certain jurisdictions, deemed profit countries and withholding taxes on intercompany and third party transactions, additional valuation allowance recorded on previously benefited deferred tax assets partially offset by the tax benefit from the U.S. tax reform. Results for the year ended December 31, 2017 also include charges with no significant tax benefit.

In 2016, the income tax provision was $496 million compared to an income tax benefit of $145 million in 2015, which resulted in an effective tax rate of (17)% and 7%, respectively. Our 2016 effective tax rate was driven by the tax valuation allowance, tax provision on loss before income taxes and charges without a significant tax benefit. Results for the year ended December 31, 2016 also include charges with no significant tax benefit principally related to$436 million of long-lived asset impairments, $219 million of inventory write-downs, $140 million of settlement agreement charges, $114 million of pressure pumping related charges, $78 million of bond tender premium, and $76 million of PDVSA note receivable net adjustment, $62 million in accounts receivable reserves and write-offs, and $41 million of currency devaluation related to the Angolan kwanza and Egyptian pound. In addition, we recorded $137 million for a non-cash tax expense related to an internal restructuring of subsidiaries.

Our effective tax rate for these periods was also negatively impacted by the taxing regimes in certain countries and our operating structure. Several of the countries in which we operate, primarily in our Eastern Hemisphere, tax us based on "deemed", rather than actual, profits. We are not currently profitable in certain of those countries, which results in us accruing and paying taxes based on a "deemed profit" instead of recognizing no tax expense or potentially recognizing a tax benefit. Our operating structure results in us paying withholding taxes on intercompany and third party transactions for items such as rentals, management fees, royalties, and interest as well as on applicable third party transactions. Such net withholding taxes were $43 million in 2017, $88 million in 2016 and $101 million in 2015 prior to possibly receiving a tax benefit in the jurisdiction of the payee. We also incur pre-tax losses in certain jurisdictions that do not have a corporate income tax and thus we are not able to recognize an income tax benefit on those losses.

We are continuously under tax examination in various jurisdictions. We cannot predict the timing or outcome regarding resolution of these tax examinations or if they will have a material impact on our financial statements. We anticipate that it is reasonably possible that the amount of uncertain tax positions may decrease by up to $12 million in the next twelve months due to expiration of statutes of limitations, settlements and/or conclusions of tax examinations.

Restructuring Charges

Due to the ongoing levels of exploration and production spending, we continue to reduce our overall cost structure and workforce to better align with current activity levels of exploration and production. The cost reduction plan which began in 2016 and continued throughout 2017 (the “2016-17 Plan”), included a workforce reduction and other cost reduction measures initiated across our geographic regions. Prior plans, including the 2016 cost reduction plan (the “2016 Plan”) and 2015 cost reduction plan (the “2015 Plan”) also included a workforce reduction and other cost reduction measures initiated across our geographic regions. Other restructuring charges in each plan include contract termination costs, relocation and other associated costs.

In connection with the 2016-17 Plan, we recognized restructuring charges of $183 million in 2017, which include severance benefits of $109 million, other restructuring charges of $62 million and restructuring related asset charges of $12 million.

In connection with the 2016 Plan, we recognized restructuring charges of $280 million in 2016, which include severance benefits of $196 million, other restructuring charges of $44 million and restructuring related asset charges of $40 million.

The 2015 Plan commenced in the fourth quarter of 2014 and included a worldwide workforce reduction and other cost reduction measures. In connection with the 2015 Plan, we recognized restructuring charges of $232 million in 2015, which include severance benefits of $149 million, other restructuring charges of $19 million and restructuring related asset charges of $64 million.

Please see “Note 3 – Restructuring Charges” to our Consolidated Financial Statements for additional details of our charges by segment.

Dividends

We have not declared or paid cash dividends on our shares since 1984. We intend to retain any future earnings and do not expect to pay any cash dividends in the near future.

Liquidity and Capital Resources

Cash Flows

At December 31, 2017, we had cash and cash equivalents of $613 million compared to $1.0 billion at December 31, 2016 and $467 million at December 31, 2015. The following table summarizes cash provided by (used in) each type of business activity, for the years ended December 31, 2017, 2016 and 2015:

	Year Ended December 31,		
(Dollars in millions)	**2017**	**2016**	**2015**
Net Cash Provided by (Used in) Operating Activities	$(388)	$(304)	$715
Net Cash Used in Investing Activities	(62)	(137)	(659)
Net Cash Provided by Financing Activities	20	1,061	3

Operating Activities

Cash used in operating activities was $388 million in 2017 compared to $304 million in 2016. The increased cash outflow in operating activities in 2017 compared to 2016 was primarily attributable to working capital outflows related to higher operating activities as well as increases in our cash payments for interest and litigation settlements.

Cash used in operating activities was $304 million in 2016 compared to cash provided by operating activities of $715 million in 2015. The declines in operating cash flow in 2016 compared to 2015 was attributable to a decline in operating income due to the significant decline in oil prices and drilling activity, partially offset by cash flow from working capital.

Cash provided by operating activities of $715 million in 2015 was primarily due to improved working capital inflows from the collection of receivables and cash from the sale of inventories.

Investing Activities

Our investing activities used cash of $62 million, $137 million and $659 million during 2017, 2016 and 2015, respectively. On December 29, 2017, we completed the sale of our U.S. pressure pumping and pump-down perforating assets for $430 million in cash. As part of this transaction, we sold our U.S. pressure pumping and pump-down perforating related facilities and supplier and customer contracts. In addition, during 2017, we received cash proceeds of $51 million from the disposition of other assets.

The primary drivers of cash used in investing activities are capital expenditures for PP&E and the purchase of assets held for sale. Capital expenditures were $225 million, $204 million and $682 million for 2017, 2016 and 2015, respectively. Additionally, in 2017 we purchased assets held for sale of $244 million related to certain leased equipment utilized in our North America pressure pumping operations. The amount we spend for capital expenditures varies each year based on the type of contracts into which we enter, our asset availability and our expectations with respect to industry activity levels in the following year. The increased capital expenditures in 2017 compared to 2016 is due to higher anticipated activity in the oil and gas industry related to greater volumes of work and increased rig count. The significant decline in capital expenditures in 2016 compared to 2015 is due to the continued price fluctuation of crude oil, continued weakness in demand and lower than expected exploration and production spending.

Investing activities in 2017 also included the purchase of held-to-maturity Angolan government bonds of $50 million, payments of $15 million to acquire intellectual property and other intangibles, and $7 million of business acquisition payments primarily related to our last installment payment for a 2015 business acquisition.

Investing activities in 2016 also included insurance proceeds of $39 million from the casualty loss of a rig in Kuwait, proceeds of $49 million from the disposition of assets and $30 million on the promissory note from the prior sale of our equity investment in Borets International Limited. These proceeds were partially offset by payments of $36 million for working capital adjustment payments related to the sale of our businesses and $15 million in payments related to acquisition of businesses and intangibles. See “Note 2 – Business Combinations and Divestitures” for additional information.

Investing activities in 2015 also included proceeds of $37 million from the disposition of assets, payments of $22 million to acquire businesses, intellectual property and other investing activity proceeds of $8 million.

Financing Activities

During 2017, we received net proceeds of approximately $250 million from the June 2017 issuance of our 9.875% senior notes due in 2024. Long-term debt repayments in 2017 were $69 million. Net short-term debt borrowings were $128 million in 2017 were primarily for working capital, partially offset by the repayment of our 6.35% senior notes with a principal balance of $88 million.

During 2016, we received total cash proceeds of $1.1 billion from the issuance of 200 million ordinary shares of the Company. Our financing activities also consisted of the borrowing and repayment of short-term and long-term debt. During 2016, through a series of offerings and transactions, we received proceeds, net of underwriting fees, of $3.7 billion from the issuance of our

$1.265 billion 5.875% exchangeable senior notes, $750 million 7.75% senior notes, $750 million 8.25% senior notes, $540 million 9.875% senior notes and $500 million secured term loan.

We used the proceeds of certain debt offerings to fund tender offers to buy back our 6.35% senior notes, 6.00% senior notes, 9.625% senior notes and 5.125% senior notes with a principal balance of $1.9 billion and used the remaining proceeds to repay our revolving credit facility, term loan and for general corporate purposes. We recognized a cumulative loss of $78 million on the tender offers buyback transaction. Financing activities during 2016 also included the payment of $87 million related to the purchase of previously leased rig equipment. See "Note 12 – Short-term Borrowings and Other Debt Obligations" and "Note 13 – Long-term Debt" for additional details of our financing activities.

Our 2015 financing activities primarily consisted of the borrowing and repayment of short-term and long-term debt. Our short-term borrowings, net of repayments, were $505 million and total net long-term repayments were $470 million. In 2015, through a series of open market transactions, we repurchased certain of our senior notes with a total book value of $527 million. We recognized a cumulative gain of $84 million on these transactions in "Other Income (Expense), Net" on the accompanying Consolidated Statements of Operations. Our other financing activities in 2015 included dividends paid to noncontrolling partners in consolidated joint ventures of $49 million and proceeds from the exercise of stock options issued to our employees and directors of $26 million.

Sources of Liquidity

Our sources of available liquidity include cash and cash equivalent balances, cash generated by our operations, accounts receivable factoring, dispositions, and availability under committed lines of credit. We also historically have accessed banks for short-term loans from uncommitted borrowing arrangements and have accessed the capital markets with debt and equity offerings. From time to time we may and have entered into transactions to dispose of businesses or capital assets that no longer fit our long-term strategy.

Revolving Credit Facility and Secured Term Loan Agreement

We have a revolving credit facility (the "Revolving Credit Agreement") maturing in July of 2019 and a secured term loan agreement (the "Term Loan Agreement" and collectively with the Revolving Credit Agreement, the "Credit Agreements") maturing in July of 2020. Our Credit Agreements contain customary events of default, including our failure to comply with the financial covenants. As of December 31, 2017, we were in compliance with our financial covenants as defined in the Credit Agreements as well as under our indentures. Based on our current financial projections, we believe we will continue to remain in compliance with our covenants.

At December 31, 2017, we had total commitments under the Revolving Credit Agreement of $1.0 billion and borrowings of $375 million under the Term Loan Agreement. At December 31, 2017, we had $890 million available under the Credit Agreements and the following table summarizes our borrowing availability under these agreements:

(Dollars in millions)	December 31, 2017
Facilities	$1,375
Less Uses of Facilities:	
Letters of Credit	110
Secured Term Loan Principal Borrowing	375
Borrowing Availability	**$890**

In January 2018, our total commitments under the Revolving Credit Agreement was reduced from $1.0 billion to $900 million after the sale of our U.S. pressure pumping and pump-down perforating assets in accordance with the terms of the Credit Agreement.

Our Credit Agreements require that we maintain the following financial covenants, with terms as defined in the Credit Agreements:

1) Leverage ratio of no greater than 2.5 to 1, which measures our indebtedness guaranteed by subsidiaries under the Credit Agreements and other guaranteed facilities to the trailing four quarters consolidated adjusted earnings before interest, taxes, depreciation, amortization and other specified charges ("Adjusted EBITDA");

2) Leverage and letters of credit ratio of no greater than 3.5 to 1, which is calculated as our indebtedness guaranteed by subsidiaries under the Credit Agreements and other guaranteed facilities and all letters of credit to the trailing four quarters Adjusted EBITDA; and

3) Asset coverage ratio of at least 4.0 to 1, which is calculated as our asset value to indebtedness guaranteed by subsidiaries under the Credit Agreements and other guaranteed facilities.

Our Credit Agreements contain financial covenants, as defined in the agreements, and customary events of default, including our failure to comply with the financial covenants. As of December 31, 2017, we were in compliance with our financial covenants as defined in the Credit Agreements and in the covenants under our indentures. We also expect to remain in compliance with all of our covenants throughout 2018. Should circumstances arise where we are not in compliance with our covenants during any quarterly reporting period, we may have to seek a waiver from our lenders or take measures to reduce indebtedness under the Credit Agreements to a level that would comply with the covenants.

Other Short-Term Borrowings and Other Debt Activity

We have short-term borrowings with various domestic and international institutions pursuant to uncommitted credit facilities. At December 31, 2017, we had $11 million in short-term borrowings under these arrangements. In 2016, we repaid $180 million borrowed under a credit agreement that matured in the first half of 2016.

Ratings Services' Credit Ratings

Our Standard & Poor's Global Ratings for our senior unsecured notes is B-, with a negative outlook. Our Moody's Investors Services credit rating on our senior unsecured notes is currently Caa1 and our short-term rating is SGL-3, both with a negative outlook. We continue to have access and expect we will continue to have access to most credit markets.

Cash Requirements

During 2018, we anticipate our cash requirements will include payments for capital expenditures, repayment of debt, interest payments on our outstanding debt, severance payments and payments for short-term working capital needs. Our cash requirements may also include opportunistic debt repurchases, business acquisitions and other amounts to settle litigation related matters described in "Item 1A. – Risk Factors" and "Item 8. – Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Note 21 – Disputes, Litigation and Contingencies." We anticipate funding these requirements from cash and cash equivalent balances, cash generated by our operations, availability under our credit facilities, accounts receivable factoring and proceeds from disposals of businesses or capital assets. We anticipate that cash generated from operations will be augmented by working capital improvements, increased activity and improved margins. We also historically have accessed banks for short-term loans from uncommitted borrowing arrangements and have accessed the capital markets with debt and equity offerings. From time to time we may and have entered into transactions to dispose of businesses or capital assets that no longer fit our long-term strategy.

Capital expenditures for 2018 are projected to be approximately $200 million to $250 million, excluding expenditures for our land drilling rigs business, compared to capital expenditures of $225 million in 2017 (excluding the purchase of certain leased equipment utilized in our North America pressure pumping operations for a total amount of $244 million in 2017) due to anticipated activity in the oil and gas business related to stabilizing active rig counts. The amounts we ultimately spend will depend on a number of factors including the type of contracts we enter into, asset availability and our expectations with respect to industry activity levels in 2018. Expenditures are expected to be used primarily to supporting ongoing activities of our core businesses and our sources of liquidity are anticipated to be sufficient to meet our needs.

Cash and cash equivalents of $599 million at December 31, 2017, are held by subsidiaries outside of Switzerland, the Company's taxing jurisdiction. Based on the nature of our structure, we are generally able to redeploy cash with no incremental tax. However, in 2016 we recorded tax expense of $137 million for a non-cash tax expense related to an internal restructuring of subsidiaries and $265 million of expense in 2015 for a non-cash tax expense on distribution of subsidiary earnings.

As of December 31, 2017, $99 million of our cash and cash equivalents balance was denominated in Angolan kwanza. The National Bank of Angola supervises all kwanza exchange operations and has limited U.S. Dollar conversions. In January 2018, the Angolan National Bank announced a new currency exchange regime and the Angolan kwanza subsequently devalued approximately 19%. As a result, we anticipate recognizing currency devaluation charges in the first quarter of 2018. Sustained Angolan exchange limitations may further and has limited our ability to repatriate earnings and exposes us to additional exchange rate risk.

Accounts Receivable Factoring and Other Receivables

From time to time, we participate in factoring arrangements to sell accounts receivable to third-party financial institutions. In 2017, we sold accounts receivable of $227 million, recognized a loss of $1 million and received cash proceeds totaling $223 million on these sales. In 2016, we sold accounts receivables of $156 million, recognized a loss of $0.7 million and received cash proceeds totaling $154 million on these sales. In 2015, we sold accounts receivables of $78 million, recognized a loss of $0.2 million and received cash proceeds totaling $77 million on these sales. Our factoring transactions were recognized as sales, and the proceeds are included as operating cash flows in our Consolidated Statements of Cash Flows.

In the first quarter of 2017, Weatherford converted trade receivables of $65 million into a note from the customer with a face value of $65 million. The note had a three year term at a 4.625% stated interest rate. We reported the note as a trading security within "Other Current Assets" at fair value on the Condensed Consolidated Balance Sheets at its fair value of $58 million on March 31, 2017. The note fair value was considered a Level 2 valuation and was estimated using secondary market data for similar bonds. During the second quarter of 2017, we sold the note for $59 million.

During the second quarter of 2016, we accepted a note with a face value of $120 million from PDVSA in exchange for $120 million in net trade receivables. The note had a three year term at a 6.5% stated interest rate. We carried the note at lower of cost or fair value and recognized a loss in the second quarter of 2016 of $84 million to adjust the note to fair value. In the fourth quarter of 2016, we sold the economic rights in the note receivable for $44 million and recognized a gain of $8 million.

Financial Risk Management

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

Foreign Currency Exchange Rates and Inflationary Impacts

We operate in virtually every oil and natural gas exploration and production region in the world. In some parts of the world, such as Latin America, the Middle East and Southeast Asia, the currency of our primary economic environment is the U.S. dollar, and we use the U.S. dollar as our functional currency. In other parts of the world, we conduct our business in currencies other than the U.S. dollar, and the functional currency is the applicable local currency.

Currency devaluation charges are included in current earnings in "Currency Devaluation Charges" on the accompanying Consolidated Statements of Operations. In 2017, we had no currency devaluation charges. In 2016 and 2015, currency devaluation charges were $41 million and $85 million, respectively, reflecting the impacts of the devaluation of several currencies.

Foreign Currency, Foreign Currency Forward Contracts and Cross-Currency Swaps

Assets and liabilities of entities for which the functional currency other than the U.S. dollar are translated into U.S. dollars using the exchange rates in effect at the balance sheet date result in translation adjustments that are reflected in Accumulated Other Comprehensive Loss in the Shareholders' (Deficiency) Equity section on our Consolidated Balance Sheets. Foreign currency translation comprehensive loss improved $130 million in 2017 and decreased $12 million in 2016.

As of December 31, 2017 and 2016, we had outstanding foreign currency forward contracts with total notional amounts aggregating $767 million and $1.6 billion, respectively. These contracts were entered into in order to hedge our net monetary exposure to currency fluctuations in various foreign currencies. The total estimated fair value of these contracts and amounts owed associated with closed contracts at December 31, 2017 and 2016, resulted in a net asset of approximately $1 million and a net liability $7 million, respectively. These derivative instruments were not designated as hedges, and the changes in fair value of the contracts are recorded each period in current earnings.

Interest Rates

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

Our senior notes outstanding at December 31, 2017 and 2016, and that were subject to interest rate risk consist of the following:

	December 31,			
	2017		2016	
(Dollars in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
6.35% Senior Notes due 2017	$—	$—	$89	$89
6.00% Senior Notes due 2018	66	66	66	66
9.625% Senior Notes due 2019	488	516	489	518
5.125% Senior Notes due 2020	364	364	363	342
5.875% Exchangeable Senior Notes due 2021 (a)	1,170	1,221	1,147	1,199
7.75% Senior Notes due 2021	741	767	739	761
4.50% Senior Notes due 2022	643	587	642	565
8.250% Senior Notes due 2023	739	755	738	757
9.875% Senior Notes due 2024	780	840	528	575
6.50% Senior Notes due 2036	447	378	447	364
6.80% Senior Notes due 2037	255	214	255	213
7.00% Senior Notes due 2038	456	396	456	384
9.875% Senior Notes due 2039	245	267	245	250
6.75% Senior Notes due 2040	456	391	456	373
5.95% Senior Notes due 2042	368	298	368	283
Total	**$7,218**	**$7,060**	**$7,028**	**$6,739**

(a) The Exchangeable Senior Notes due 2021 have been separated into the exchange feature, which is reported in Capital in Excess of Par Value, and the debt component, which is reflected in the table above and is reported in long-term debt. The estimated fair value reflected above is for the debt component only. The estimated fair value as of December 31, 2017 for the entire Exchangeable Senior Notes, which have a principal value of $1.265 billion, is $1.358 billion.

On June 26, 2017, we issued an additional $250 million aggregate principal amount of our 9.875% senior notes due 2024 ("Notes"). These Notes were issued as additional securities under an indenture pursuant to which we previously issued $540 million aggregate principal amount of our 9.875% senior notes due 2024. During 2016, through a series of offerings, we received proceeds net of underwriting fees of $3.7 billion from the issuance various unsecured debt instruments and a secured term loan. We used certain proceeds from our initial debt offering to fund tender offers to buy back our senior notes with a principal balance of $1.87 billion and used the remaining proceeds to repay our revolving credit facility and for general corporate purposes. We recognized a cumulative loss of $78 million on the tender offers buyback transaction. See “Note 12 – Short-term Borrowings and Other Debt Obligations” and “Note 13 – Long-term Debt” for additional details of our financing activities.

We have various capital lease and other long-term debt instruments of $460 million at December 31, 2017, but believe the impact of changes in interest rates in the near term will not be material to these instruments. The carrying value of our short-term borrowings of $11 million at December 31, 2017 approximates their fair value.

As it relates to our variable rate debt, if market interest rates increase by an average of 1% from the rates as of December 31, 2017, interest expense for 2017 would increase by less than $1 million. This amount was determined by calculating the effect of the hypothetical interest rate on our variable rate debt. For purposes of this sensitivity analysis, we assumed no changes in our capital structure.

Interest Rate Swaps and Derivatives

We manage our debt portfolio to limit our exposure to interest rate volatility and may employ interest rate derivatives as a tool to achieve that goal. The major risks from interest rate derivatives include changes in the interest rates affecting the fair value of such instruments, potential increases in interest expense due to market increases in floating interest rates and the creditworthiness of the counterparties in such transactions. The counterparties to our interest rate swaps are multinational commercial banks. We continually re-evaluate counterparty creditworthiness and modify our requirements accordingly.

Future Developments

Our results for 2017 were challenged by the continued volatility in oil prices and severe market contraction for our products and services. Market weakness and contraction has materially reduced capital spending by our customers, which has reduced our revenue, both through lower activity levels and pricing. We believe our industry will remain within this ‘medium-for-longer’ price level paradigm for some time, until production growth is moderated. In the interim, we expect continuous short-term cyclical fluctuations. We will continue to push innovation, both from a technological and a business model perspective, and we will deliver operational excellence to bring the cost of production down to a point at which market participants can make a decent return. For us, this includes a significant transformation program which was started late in the fourth quarter of 2017 to generate cost savings through flattening our structure, driving process changes, improving the efficiency of our supply chain and sales organizations and continuing to rationalize our manufacturing footprint.

For 2018, we expect growth in the Western Hemisphere to be driven by completion systems, artificial lift, and drilling services as rig count increases, pricing power improves and supplies tighten. North America growth is expected to be led by the Permian Basis, and we believe that apart from increasing activity in Argentina, South America and Mexico will remain relatively subdued. In the Eastern Hemisphere, we continue to anticipate growth in the North Sea and in the Gulf Cooperation Council (“GCC”) countries as a result of market share gains and activity levels in Russia are also expected to increase while Africa, Asia and Europe are expected to remain stable. We believe certain deepwater markets in the Eastern Hemisphere have likely reached their bottom with no expected improvements in the near term.

With current industry conditions, steadier oil prices and an increase in spending and activity, we continue to believe that over the longer term the outlook for our businesses is favorable. As decline rates accelerate and reservoir productivity complexities increase, our clients will continue to face challenges associated with decreasing the cost of extraction activities and securing desired rates of production. These challenges increase our customers’ requirements for technologies that improve productivity and efficiency and therefore increase demand for our products and services. These factors provide us with a positive outlook for our businesses over the longer term. However, the level of improvement in our businesses in the future will depend heavily on pricing, volume of work and our ability to offer solutions to more efficiently extract hydrocarbons, control costs and penetrate new and existing markets with our newly developed technologies.

We continually seek opportunities to maximize efficiency and value through various transactions, including purchases or dispositions of assets, businesses, investments or joint ventures. We evaluate our disposition candidates based on the strategic fit within our business and/or our short and long-term objectives. It is also our intention to divest our remaining land drilling rigs business. Upon completion, the cash proceeds from any divestitures are expected to be used to for working capital or repay or repurchase debt. Any such debt reduction may include the repurchase of our outstanding senior notes prior to their maturity in the open market or through a privately negotiated transaction or otherwise.

The oilfield services industry growth is highly dependent on many external factors, such as our customers’ capital expenditures, world economic and political conditions, the price of oil and natural gas, member-country quota compliance within the Organization of Petroleum Exporting Countries and weather conditions and other factors, including those described in the section entitled “Principal Risks and Uncertainties.

Opportunities and Challenges

Our industry offers many opportunities and challenges. The cyclicality of the energy industry impacts the demand for our products and services. Certain of our products and services, such as our drilling and evaluation services, well construction and well completion services, depend on the level of exploration and development activity and the completion phase of the well life cycle. Other products and services, such as our production optimization and artificial lift systems, are dependent on the number wells and the type of production systems used. We have created a long-term strategy aimed at growing our businesses, servicing our customers, and most importantly, creating value for our shareholders. The success of our long-term strategy will be determined by our ability to manage effectively any industry cyclicality, including the ongoing and prolonged industry downturn and our ability to respond to industry demands and periods of over-supply or low oil prices, successfully maximize the benefits from our acquisitions and complete the disposition of our land drilling rigs business.

Company Accounting Records

The directors believe that they have complied with the requirements of Section 281 to 285 of the Companies Act 2014, with regard to adequate accounting records by engaging the services of a fellow group undertaking who employs accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The accounting records of the Company are made available to the directors at its registered office.

Political Donations

No political contributions that require disclosure under s26(1) Electoral Act 1997 (as amended) were made during the years ended December 31, 2017 and 2016.

Subsidiaries

Information regarding subsidiaries is provided in “Note 28 – Significant Subsidiaries” to the Consolidated Financial Statements and the business conducted by these subsidiaries is described above. See “Directors’ Report – Principal Activities.”

Significant Events Since Year End

In February 2018, the Company issued $600 million aggregate principal amount of 9.875% senior notes due 2025 (“Notes”) through a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended, and to certain non-U.S. persons in accordance with Regulation S under the Securities Act. The Notes are senior, unsecured obligations of Weatherford International, LLC, a Delaware limited liability company and an indirect, wholly owned subsidiary of the Company. The purpose of the Offering was to repay in full the Company’s 6.00% senior notes due March 2018, to fund a concurrently announced tender offer to purchase for cash any and all of the Company’s 9.625% senior notes due 2019 and for debt repayment. We settled the tender offer in cash in the amount of $454 million related to a principal amount of $425 million of the Company’s 9.625% senior notes due 2019. See “Note 24 – Subsequent Event” for additional information.

Directors’ Compliance Statement

The directors, in accordance with Section 225 of the Companies Act 2014, acknowledge that they are responsible for securing the Company’s compliance with certain obligations specified in that section arising from the Companies Act 2014, and Irish tax laws (‘relevant obligations’). The directors confirm that:

- a compliance policy statement has been drawn up setting out the Company’s policies with regard to such compliance;
- appropriate arrangements and structures that, in their opinion, are designed to secure material compliance with the Company’s relevant obligations, have been put in place; and
- a review has been conducted, during the financial year, of the arrangements and structures that have been put in place to secure the Company’s compliance with its relevant obligations.

Audit Committee

The Group has established an Audit Committee with responsibility for:

- overseeing the integrity of our financial reporting process and systems of internal accounting and financial controls;
- reviewing our financial statements;
- overseeing our compliance with legal and regulatory requirements;
- together with the board, being responsible for the appointment, compensation, retention, and oversight of our independent auditor;
- overseeing our independent auditor’s qualifications and independence; and
- overseeing the performance of our internal audit function and independent auditor.

Relevant Audit Information

The directors believe that they have taken all steps necessary to make themselves aware of any relevant audit information and have established that the Group's statutory auditors are aware of that information. In so far as they are aware, there is no relevant audit information of which the Group's statutory auditors are unaware.

Directors' and Secretaries' Interest in Shares

The directors and secretaries of the Company as of December 31, 2017 are listed in the table below and, except as noted in the following, have served for each calendar fiscal year and through to the date of this report. Mr. Rayne retired from the Board of Directors on June 14, 2017 and Jennifer L. Presnall resigned October 30, 2017.

No director, secretary or any member of their immediate families had any interest in shares or debentures of any subsidiary. Directors' remuneration is set forth in "Note 26 – Directors' Remuneration" to the Consolidated Financial Statements.

The interest of the directors and secretaries in office at December 31, 2017 in the ordinary share capital of Weatherford International plc are shown in the table below:

	December 31, 2017		December 31, 2016 (or date of appointment if later)	
	Shares	**Options** [(a)]	**Shares**	**Options** [(a)]
Directors:				
Mohamed A. Awad	43,847	47,766	16,329	37,480
David J. Butters [(b)]	500,458	44,685	409,042	98,563
Roxanne J. Decyk [(c)]	—	44,685	—	—
John D. Gass	68,423	44,685	36,969	39,319
Francis S. Kalman	89,923	44,685	58,469	39,319
David S. King [(c)]	—	44,685	—	—
William E. Macaulay [(d)]	1,007,784	68,840	968,490	46,442
Mark A. McCollum [(e)]	—	1,645,338	—	—
Robert K. Moses, Jr.	675,048	44,685	635,022	47,173
Guillermo Ortiz	111,047	44,685	82,462	35,732
Emyr Jones Parry	100,397	44,685	71,812	35,732
Secretaries:				
Christina M. Ibrahim	86,690	627,519	24,217	389,768
Charity R. Kohl	16,654	33,921	11,212	18,510
Josh McMorrow [(f)]	9,068	37,854	2,452	21,921

(a) This category consists of unvested restricted share units, unvested performance units, options, notional share units and deferred compensation plan holdings.

(b) Shares include 55,088 shares held by Mr. Butters' wife, over which he has no voting or dispositive power and as to which he disclaims beneficial ownership.

(c) Ms. Decyk and Mr. King were appointed on September 21, 2017.

(d) Shares include 26,472 shares held by Mr. Macaulay's wife and 15,504 shares held in the name of or in trust for Mr. Macaulay's adult daughters, over which he has no voting or dispositive power and as to all of which he disclaims beneficial ownership.

(e) Mr. McCollum was appointed on April 24, 2017.

(f) Mr. McMorrow was appointed on June 15, 2017.

AUDITORS

KPMG, Chartered Accountants, will continue in office in accordance with s383(2) of the Companies Act 2014.

On behalf of the Directors

/s/ Mark A. McCollum

Mark A. McCollum
Director

/s/ Francis S. Kalman

Francis S. Kalman
Director

March 7, 2018

WEATHERFORD INTERNATIONAL PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the Consolidated Financial Statements for each financial year. Under that law, the directors have elected to prepare the Consolidated Financial Statements in accordance with section 279 of the Companies Act 2014, which provides that a true and fair view of the assets and liabilities, financial position and profit or loss of a company and its subsidiary undertakings may be given by preparing its group financial statements in accordance with U.S. accounting standards ("U.S. GAAP"), as defined in section 279(1) of the Companies Act 2014, to the extent that the use of those standards in the preparation of the financial statements does not contravene any provision of Part 6 of the Companies Act 2014. The directors have elected to prepare the Financial Statements of the parent company in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and as adapted by the European Union, and applicable law.

Under company law the directors must not approve the group and company financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the group and company and of the Group's profit or loss for that year. In preparing each of the group and company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the company and which enable them to ensure that the financial statements comply with the provisions of the Companies Act 2014. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and the company and to prevent and detect fraud and other irregularities.

The directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Act 2014. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WEATHERFORD INTERNATIONAL PLC

1. Report on the audit of the financial statements

Opinion

We have audited the Group and Parent Company financial statements (''financial statements'') of Weatherford International plc for the year ended 31 December 2017 which comprise the Consolidated and Parent Company Balance Sheets, the Consolidated Statements of Operations, the Consolidated Statements of Comprehensive Income/(Loss), the Consolidated and Parent Company Shareholders' Equity Statements, the Consolidated and Parent Company Cash Flows Statements and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is Irish law and US Generally Accepted Accounting Practice ("US GAAP"), and, as regards the Parent Company financial statements, International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and as adopted by the European Union, both as applied in accordance with the provisions of the Companies Act 2014.

In our opinion:

- the Group financial statements give a true and fair view, in accordance with US GAAP as applied in accordance with the Companies Act, 2014, of the assets, liabilities and financial position of the group as at 31 December 2017 and of its loss for the year then ended;
- the Parent Company statement of financial position gives a true and fair view in accordance with IFRS as adopted by the EU of the assets, liabilities and financial position of the Parent Company as at 31 December 2017;
- the Group financial statements have been properly prepared in accordance with US GAAP, as applied in accordance with the provisions of the Companies Act, 2014;
- the Parent Company financial statements have been properly prepared in accordance with IFRS as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2014; and
- the Group financial statements and Parent Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. Our responsibilities are described in the *Auditor's Responsibilities* section of our report. We have fulfilled our ethical responsibilities under, and we remained independent of the Group in accordance with ethical requirements applicable in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority ("IAASA") as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2. Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In arriving at our Group audit opinion, the key audit matters were as follows and which were of equal importance to our audit:

Provision for income taxes (2017: $137 million, 2016: $496 million)

Refer to financial statements page 46 (accounting policy) and note 20 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
The Group operates in a multinational tax environment and enters into transactions that have complex tax implications spanning multiple taxing jurisdictions. Judgement is required in assessing the level of provisions required in respect of the resulting uncertain tax positions. We identified a significant risk of error with respect to the accuracy of the calculation of unrecognized tax benefits.	Our procedures included, among others, the following: Obtaining and documenting our understanding of the process around income taxes and testing the design and implementation of the relevant controls therein. We critically assessed and challenged management's estimates and judgments related to unrecognized tax benefits with respect to individually material provisions based on our knowledge and experience of the application of the relevant legislation by authorities and courts. We reviewed correspondence with relevant tax authorities. We engaged our own tax specialists, including national tax specialists in material jurisdictions to assess the Group tax positions. We engaged valuation specialists in considering the methodology for the valuation and development of tax reserves We have also considered the adequacy of the Group's disclosures in respect of tax and uncertain tax positions. Based on procedures performed, We found the Group's estimate of the amounts to be recognised as uncertain tax positions to be appropriate and that the disclosures provide an adequate description of the current status of uncertain tax positions.

Goodwill (2017 $2.7 billion, 2016: $2.8 billion)

Refer to financial statements page 45 (accounting policy) and notes 2 and 9 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
We identified a significant risk of error related to the annual impairment test for goodwill, as the fair value of the reporting units used for the impairment calculation is dependent on projected financial information.	We evaluated the design, and tested the operating effectiveness of key controls over the determination of reporting segments and the annual impairment calculation, including the controls related to the development of projected financial information. We performed audit procedures to evaluate the appropriateness of management's projected financial information, including assessment of the significant assumptions therein and consideration of historic forecast accuracy. We engaged internal valuation specialists in the performance of these procedures. We reviewed the financial statement disclosures for completeness and accuracy. Based on the evidence obtained we concluded that the inputs to the Group's goodwill impairment calculation were reasonable and that the disclosures provided in the financial statements thereon were satisfactory.

Property, plant and equipment (2017: $2.7 billion, 2016: $4.5 billion)

Refer to financial statements page 45 (accounting policy) and note 8 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
We identified a significant risk of error related to the valuation of property, plant and equipment in certain components due to the diminished level of activity in the industry, which results in a risk associated with the estimation of the projected revenues and margins used to assess impairment.	We evaluated the design, and tested the operating effectiveness of key controls over the consideration of impairment triggering events and the calculation of long-lived asset impairment. We performed audit procedures to evaluate the appropriateness of management's projected revenues and margins, including assessment of significant assumptions and consideration of historic forecast accuracy. We engaged internal valuation specialists in the performance of these procedures. We reviewed the financial statement disclosures for completeness and accuracy. Based on the evidence obtained we concluded that the inputs to the Group's property, plant and equipment impairment calculation were reasonable and that the disclosures provided in the financial statements thereon were satisfactory.

Allowance for excess and obsolete inventory (2017 $682 million, 2016 $265 million)

Refer to financial statements page 45 (accounting policy) and note 7 to the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
We identified a significant risk of error with respect to the determination of the allowance for excess and obsolete inventory as the portion of aged inventory to be included in developing the allowance requires significant judgement.	Our procedures included among others the following: Obtaining and documenting our understanding of the process around the allowance for excess and obsolete inventory and testing the design and implementation of the relevant controls and testing their operating effectiveness. We tested the adequacy of the Group's inventory reserve giving consideration to historic evidence of the adequacy of the reserve, retrospective analysis, external industry factors, and the current economic environment. Based on the evidence obtained we concluded that the calculation and disclosure of the Group's inventory reserve was reasonable.

In arriving at our Parent Company audit opinion, the key audit matter was as follows:

Parent Company Key Audit Matter - Investment in subsidiaries

Refer to financial statements page 44 (accounting policy) and note 3 to the Parent Company financial statements.

The key audit matter	How the matter was addressed in our audit
We identified a significant risk of error related to the annual impairment test for the Parent Company's investment in subsidiaries, as the fair values used for the impairment calculation are dependent on projected financial information.	We evaluated the design, and tested the operating effectiveness of key controls over the preparation of the annual impairment calculation, including the controls related to the development of projected financial information. We performed audit procedures to evaluate the appropriateness of management's projected financial information, including assessment of significant assumptions and consideration of historic forecast accuracy. We reviewed the financial statement disclosures for completeness and accuracy. Based on the evidence obtained we concluded that the inputs to the Parent Company investment in subsidiaries impairment calculation were reasonable and that the disclosures provided in the Parent Company financial statements thereon were satisfactory.

3. Our application of materiality and an overview of the scope of our audit

We determined Group audit materiality based on consolidated loss before tax from continuing operations ("LBTCO"). We set overall Group materiality at $35 million for the financial year ended 31 December 2017 (2016: $35 million), which represented 1.3% of LBTCO (2016: 1.2%). We used this materiality to determine the nature and extent of testing required to reduce the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements to an appropriately low level. Our evaluation of the impact of any identified misstatements considers the financial impact of such misstatements both individually and in the aggregate with respect to our materiality determination. We also consider other qualitative factors including the impact on line item disclosures in the financial statements.

We also report to the Audit Committee any corrected or uncorrected identified misstatements exceeding $2 million, in addition to any other identified misstatements that warrant reporting on qualitative grounds.

With respect to the Parent Company audit, we based our calculation of materiality on total assets due to its nature as a holding company. Our materiality for the audit of the Parent Company was $29 million for the financial year ended 31 December 2017 (2016: $28 million). Materiality represented 0.5% of total assets at 31 December 2017 and 31 December 2016.

The Group operates in multiple international jurisdictions. Of the Group's international components, we subjected 12 to full scope audits for Group audit purposes with these components representing 78% of Group revenues and 70% of group total assets, and the remaining components to specific risk-focused audit procedures, with these components representing 22% of Group revenues and 30% of total assets. The latter components were not individually financially significant enough to require a full scope audit for Group purposes, but did present specific individual risks that needed to be addressed.

The Group auditor visits certain component locations to undertake an assessment of the audit risk and strategy adopted by the component auditors. Video and telephone conference meetings are also held with those component auditors at locations that were not physically visited. At these visits and meetings, the findings reported to the Group team are discussed in more detail.

In considering the audit procedures to be performed over foreign components, the materiality for work at these individual components was set below Group materiality and varied by component based principally on the revenues, assets and profits of each component. The Group team determined the component materialities, which ranged from $3 million to $20 million, having regard to the mix of size and risk profile of the Group across the components.

The Parent Company was audited by the Group audit team.

4. We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5. We have nothing to report on the other information included in the directors' report

The directors are responsible for the other information presented in the annual report, which comprises the Directors' Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information;

- We have not identified material misstatements in the directors' report;
- In our opinion, the information given in the directors' report is consistent with the financial statements;
- In our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

6. Our opinions on other matters prescribed by the Companies Act 2014 are unmodified

We have obtained all the information and explanations which we consider necessary for the purpose of our audit.

In our opinion, the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the Company's statement of financial position is in agreement with the accounting records.

7. We have nothing to report on other matters on which we are required to report by exception

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 32, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation not just those directly affecting the financial statements.

A fuller description of our responsibilities is provided on IAASA's website at

https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsiblities_for_audit.pdf

9. The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for our report, or for the opinions we have formed.

/s/ Michael Gibbons

Michael Gibbons
For and on behalf of KPMG
Chartered Accountants, statutory audit firm
1 Stokes Place, St. Stephen's Green, Dublin 2, Ireland.
March 7, 2018

WEATHERFORD INTERNATIONAL PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
(Dollars and shares in millions, except per share amounts)	**2017**	**2016**	**2015**
Revenues:			
Products	$2,116	$2,059	$3,573
Services	3,583	3,690	5,860
Total Revenues	**5,699**	**5,749**	**9,433**
Costs and Expenses:			
Cost of Products	2,142	2,143	3,433
Cost of Services	2,747	3,046	4,588
Research and Development	158	159	231
Selling, General and Administrative Attributable to Segments	910	970	1,353
Corporate General and Administrative	130	139	227
Long-Lived Asset Impairments, Write-Downs and Other Charges	1,664	1,043	768
Goodwill and Equity Investment Impairment	—	—	25
Restructuring Charges	183	280	232
Litigation Charges, Net	(10)	220	116
(Gain) Loss from Disposition of U.S. Pressure Pumping Assets and Businesses	(96)	—	6
Total Costs and Expenses	**7,828**	**8,000**	**10,979**
Operating Loss	**(2,129)**	**(2,251)**	**(1,546)**
Other Income (Expense):			
Interest Expense, Net	(579)	(499)	(468)
Warrant Fair Value Adjustment	86	16	—
Bond Tender Premium, Net	—	(78)	—
Currency Devaluation Charges	—	(41)	(85)
Other Income (Expense), Net	(34)	(24)	3
Loss Before Income Taxes	**(2,656)**	**(2,877)**	**(2,096)**
Income Tax (Provision) Benefit	(137)	(496)	145
Net Loss	**(2,793)**	**(3,373)**	**(1,951)**
Net Income Attributable to Noncontrolling Interests	20	19	34
Net Loss Attributable to Weatherford	**$(2,813)**	**$(3,392)**	**$(1,985)**
Loss Per Share Attributable to Weatherford:			
Basic & Diluted	$(2.84)	$(3.82)	$(2.55)
Weighted Average Shares Outstanding:			
Basic & Diluted	990	887	779

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

WEATHERFORD INTERNATIONAL PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Year Ended December 31,		
(Dollars in millions)	**2017**	**2016**	**2015**
Net Loss	$(2,793)	$(3,373)	$(1,951)
Foreign Currency Translation	130	(12)	(789)
Defined Benefit Pension Activity	(39)	42	28
Other	—	1	1
Other Comprehensive Income (Loss)	**91**	**31**	**(760)**
Comprehensive Loss	**(2,702)**	**(3,342)**	**(2,711)**
Comprehensive Income Attributable to Noncontrolling Interests	20	19	34
Comprehensive Loss Attributable to Weatherford	**$(2,722)**	**$(3,361)**	**$(2,745)**

WEATHERFORD INTERNATIONAL PLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31,	
(Dollars and shares in millions, except par value)	**2017**	**2016**
Current Assets:		
Cash and Cash Equivalents	$613	$1,037
Accounts Receivable, Net of Allowance for Uncollectible Accounts of $156 in 2017 and $129 in	1,103	1,383
Inventories, Net	1,234	1,802
Prepaid Expenses	237	263
Other Current Assets	332	402
Current Assets Held for Sale	359	23
Total Current Assets	**3,878**	**4,910**
Property, Plant and Equipment:		
Land, Buildings and Leasehold Improvements	1,551	1,622
Rental and Service Equipment	6,481	7,975
Machinery and Other	2,138	2,245
Property, Plant and Equipment, Gross	10,170	11,842
Less: Accumulated Depreciation	7,462	7,362
Property, Plant and Equipment, Net	2,708	4,480
Goodwill	2,727	2,797
Intangible Assets, Net	213	248
Equity Investments	62	66
Other Non-current Assets	159	163
Total Assets	**$9,747**	**$12,664**
Current Liabilities:		
Short-term Borrowings and Current Portion of Long-term Debt	$148	$179
Accounts Payable	856	845
Accrued Salaries and Benefits	308	291
Income Taxes Payable	228	255
Other Current Liabilities	690	858
Total Current Liabilities	**2,230**	**2,428**
Long-term Debt	7,541	7,403
Other Non-current Liabilities	547	765
Total Liabilities	**10,318**	**10,596**
Shareholders' (Deficiency) Equity:		
Shares - Par Value $0.001; Authorized 1,356 shares, Issued and Outstanding 993 shares and 983 shares at December 31, 2017 and 2016, respectively	1	1
Capital in Excess of Par Value	6,655	6,571
Retained Deficit	(5,763)	(2,950)
Accumulated Other Comprehensive Loss	(1,519)	(1,610)
Weatherford Shareholders' (Deficiency) Equity	(626)	2,012
Noncontrolling Interests	55	56
Total Shareholders' (Deficiency) Equity	(571)	2,068
Total Liabilities and Shareholders' (Deficiency) Equity	**$9,747**	**$12,664**

The accompanying notes are an integral part of these consolidated financial statements. On behalf of the Directors

/s/ Mark A. McCollum	/s/ Francis S. Kalman
Mark A. McCollum	Francis S. Kalman
Director	Director

WEATHERFORD INTERNATIONAL PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS’ (DEFICIENCY) EQUITY

(Dollars in millions)	Par Value of Issued Shares	Capital In Excess of Par Value	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests	Total Shareholders’ Equity (Deficiency)
Balance at December 31, 2014	**$1**	**$5,411**	**$2,427**	**$(881)**	**$75**	**$7,033**
Net Income (Loss)	—	—	(1,985)	—	34	(1,951)
Other Comprehensive Loss	—	—	—	(760)	—	(760)
Dividends Paid to Noncontrolling Interests	—	—	—	—	(48)	(48)
Equity Awards Granted, Vested and Exercised	—	91	—	—	—	91
Balance at December 31, 2015	**$1**	**$5,502**	**$442**	**$(1,641)**	**$61**	**$4,365**
Net Income (Loss)	—	—	(3,392)	—	19	(3,373)
Other Comprehensive Income	—	—	—	31	—	31
Dividends Paid to Noncontrolling Interests	—	—	—	—	(24)	(24)
Issuance of Common Shares	—	894	—	—	—	894
Issuance of Exchangeable Notes	—	97	—	—	—	97
Equity Awards Granted, Vested and Exercised	—	78	—	—	—	78
Balance at December 31, 2016	**$1**	**$6,571**	**$(2,950)**	**$(1,610)**	**$56**	**$2,068**
Net Income (Loss)	—	—	(2,813)	—	20	(2,793)
Other Comprehensive Income	—	—	—	91	—	91
Dividends Paid to Noncontrolling Interests	—	—	—	—	(21)	(21)
Equity Awards Granted, Vested and Exercised	—	84	—	—	—	84
Balance at December 31, 2017	**$1**	**$6,655**	**$(5,763)**	**$(1,519)**	**$55**	**$(571)**

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

WEATHERFORD INTERNATIONAL PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
(Dollars in millions)	2017	2016	2015
Cash Flows From Operating Activities:			
Net Loss	$(2,793)	$(3,373)	$(1,951)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	801	956	1,200
Long-Lived Asset Impairments and Other Charges	928	436	638
Venezuelan Receivables Write-Down	230	—	—
Inventory Write-off and Other Related Charges	540	269	244
Goodwill and Equity Investment Impairment	—	—	25
Restructuring and Other Asset Charges	38	194	194
Defined Benefit Pension Plan Gains	(47)	—	—
Currency Devaluation Charges	—	41	85
Litigation Charges (Credits)	(10)	214	122
Bond Tender Premium	—	78	—
Employee Share-Based Compensation Expense	70	87	73
Bad Debt Expense	8	69	48
(Gain) Loss on Sale of Assets and Businesses, Net	(91)	(10)	30
Deferred Income Tax Provision (Benefit)	(25)	381	(448)
Warrant Fair Value Adjustment	(86)	(16)	—
Other, Net	142	127	(32)
Change in Operating Assets and Liabilities, Net of Effect of Businesses Acquired:			
Accounts Receivable	(29)	214	1,031
Inventories	(37)	260	349
Other Current Assets	107	67	128
Accounts Payable	(2)	(21)	(813)
Billings in Excess of Costs and Estimated Earnings	11	45	(1)
Accrued Litigation and Settlements	(123)	(94)	(128)
Other Current Liabilities	20	(201)	(10)
Other, Net	(40)	(27)	(69)
Net Cash Provided by (Used in) Operating Activities	**(388)**	**(304)**	**715**
Cash Flows From Investing Activities:			
Capital Expenditures for Property, Plant and Equipment	(225)	(204)	(682)
Acquisition of Assets Held for Sale	(244)	—	—
Acquisitions of Businesses, Net of Cash Acquired	(7)	(5)	(14)
Acquisition of Intellectual Property	(15)	(10)	(8)
Insurance Proceeds Related to Asset Casualty Loss	—	39	—
Proceeds (Payment) Related to Sale of Businesses and Equity Investment, Net	(1)	(6)	8
Proceeds from Sale of Assets	51	49	37
Proceeds from Disposition of U.S. Pressure Pumping and Pump-Down Perforating Assets	430	—	—
Other Investing Activities	(51)	—	—
Net Cash Used in Investing Activities	**(62)**	**(137)**	**(659)**
Cash Flows From Financing Activities:			
Borrowings of Long-term Debt	250	3,681	4
Repayments of Long-term Debt	(69)	(1,963)	(474)
Borrowings (Repayments) of Short-term Debt, Net	(128)	(1,512)	505
Proceeds from Issuance of Ordinary Common Shares and Warrant	—	1,071	—
Bond Tender Premium	—	(78)	—
Payment for Leased Asset Purchase	—	(87)	—
Other Financing Activities, Net	(33)	(51)	(32)
Net Cash Provided by Financing Activities	**20**	**1,061**	**3**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	6	(50)	(66)
Net Increase (Decrease) in Cash and Cash Equivalents	**(424)**	**570**	**(7)**
Cash and Cash Equivalents at Beginning of Year	1,037	467	474
Cash and Cash Equivalents at End of Year	$613	$1,037	$467

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Weatherford International plc (“Weatherford Ireland”), an Irish public limited company and Swiss tax resident, together with its subsidiaries (“Weatherford,” the “Company,” “we,” “us” and “our”), is a multinational oilfield service company. Weatherford is one of the world’s leading providers of equipment and services used in the drilling, evaluation, completion, production and intervention of oil and natural gas wells. We operate in approximately 90 countries, which are located in nearly all of the oil and natural gas producing regions in the world. Many of our businesses, including those of our predecessor companies, have been operating for more than 50 years.

On June 17, 2014, we completed the change in our place of incorporation from Switzerland to Ireland, whereby Weatherford Ireland became the new public holding company and the parent of the Weatherford group of companies (the “Merger”). The Merger was effected through an agreement between Weatherford International Ltd. (“Weatherford Switzerland”) and Weatherford Ireland pursuant to which each registered share of Weatherford Switzerland was exchanged for the allotment of one ordinary share of Weatherford Ireland. The authorized share capital of Weatherford Ireland includes 1.356 billion ordinary shares with a par value of $0.001 per share. Our ordinary shares are listed on the New York Stock Exchange (the “NYSE”) under the symbol “WFT,” the same symbol under which Weatherford Switzerland registered shares were previously listed.

In February 2009, we completed a share exchange transaction in which Weatherford International Ltd., a Bermuda exempted company (“Weatherford Bermuda”), and our then parent company, became a wholly owned subsidiary of Weatherford Switzerland, for purposes of changing the Company’s place of incorporation from Bermuda to Switzerland. Prior to 2002, our parent company was Weatherford International, Inc., a Delaware corporation (“Weatherford Delaware”), until we moved our incorporation to Bermuda in 2002. Weatherford Bermuda and Weatherford Delaware continue to be wholly owned subsidiaries of Weatherford Ireland. In 2013, Weatherford Delaware converted its corporate form and now exists as Weatherford International, LLC, a Delaware limited liability company.

Principles of Consolidation

We consolidate all wholly owned subsidiaries, controlled joint ventures and variable interest entities where the Company has determined it is the primary beneficiary. All material intercompany accounts and transactions have been eliminated in consolidation.

Prior periods segment results, restructuring charges and certain other items have been reclassified for the change in our reportable segment presentation. Certain prior year amounts have been reclassified to conform to the current year presentation related to the adoption of new accounting standards. Net income and shareholders’ (deficiency) equity were not affected by these reclassifications. See subsection entitled “New Accounting Pronouncements” for additional details.

Investments in affiliates in which we exercise significant influence over operating and financial policies are accounted for using the equity method. We recognize equity in earnings of unconsolidated affiliates in Selling, General and Administration attributable to segments in our Consolidated Statements of Operations (see “Note 11 – Equity Investments”).

Use of Estimates

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

Disputes, Litigation and Contingencies

We accrue an estimate of the probable and estimable cost to resolve certain legal and investigation matters. For matters not deemed probable and reasonably estimable, we have not accrued any amounts in accordance with U.S. GAAP. Our contingent loss estimates are based upon an analysis of potential results, assuming a combination of probable litigation and settlement strategies. The accuracy of these estimates is impacted by the complexity of the associated issues.

Cash and Cash Equivalents

We consider all highly liquid investments with original maturities of three months or less to be cash equivalents.

Allowance for Doubtful Accounts

We establish an allowance for doubtful accounts based on various factors including historical experience, the current aging status of our customer accounts, the financial condition of our customers and the business and political environment in which our customers operate. Provisions for doubtful accounts are recorded when it becomes probable that customer accounts are uncollectible.

Major Customers and Credit Risk

Substantially all of our customers are engaged in the energy industry. This concentration of customers may impact our overall exposure to credit risk, either positively or negatively, in that customers may be similarly affected by changes in economic and industry conditions. We perform on-going credit evaluations of our customers and do not generally require collateral in support of our trade receivables. We maintain allowances for potential credit losses, and actual losses have historically been within our expectations. International sales also present various risks, including risks of war, civil disturbances and governmental activities that may limit or disrupt markets, restrict the movement of funds, or result in the deprivation of contract rights or the taking of property without fair consideration. Most of our international sales are to large international or national oil companies and these sales have resulted in a concentration of receivables from certain national oil companies. As of December 31, 2017, the Eastern Hemisphere accounted for 57% of our net outstanding accounts receivables and the Western Hemisphere accounted for 43% of our net outstanding accounts receivables. As of December 31, 2017, our net outstanding accounts receivable in the U.S. accounted for 19% of our balance and Kuwait accounted for 10% of our balance. No other country accounted for more than 10% of our net outstanding accounts receivables balance. During 2017, 2016 and 2015, no individual customer accounted for more than 10% of our consolidated revenues.

Inventories

We value our inventories at lower of cost or market using either the first-in, first-out ("FIFO") or average cost method. Cost represents third-party invoice or production cost. Production cost includes material, labor and manufacturing overhead. Work in process and finished goods inventories include the cost of materials, labor and manufacturing overhead. To maintain a book value that is the lower of cost or market, we maintain reserves for excess, slow moving and obsolete inventory. We regularly review inventory quantities on hand and record provisions for excess, slow moving and obsolete inventory.

Property, Plant and Equipment

We carry our property, plant and equipment, both owned and under capital lease, at cost less accumulated depreciation. The carrying values are based on our estimates and judgments relative to capitalized costs, useful lives and salvage value, where applicable. We expense maintenance and repairs as incurred. We capitalize expenditures for improvements as well as renewals and replacements that extend the useful life of the asset. We depreciate our fixed assets on a straight-line basis over their estimated useful lives, allowing for salvage value where applicable.

Our depreciation expense was $749 million, $896 million and $1.1 billion for the years ended December 31, 2017, 2016 and 2015, respectively. We classify our rig assets as "Rental and Service Equipment" on the Consolidated Balance Sheets.

The estimated useful lives of our major classes of PP&E are as follows:

Major Classes of Property, Plant and Equipment	Estimated Useful Lives
Buildings and leasehold improvements	10 – 40 years or lease term
Rental and service equipment	2 – 20 years
Machinery and other	2 – 12 years

Goodwill

Goodwill represents the excess of consideration paid over the fair value of net tangible and identifiable intangible assets acquired in a business combination. Goodwill is not amortized but is evaluated for impairment. We perform an impairment test for goodwill annually as of October 1 or more frequently if indicators of potential impairment exist that would more-likely-than-not reduce the fair value of the reporting unit below its carrying value. We have the option to assess qualitative factors to determine if it is necessary to perform the quantitative step of the impairment test. If it is not more-likely-than-not that the fair value of a reporting unit is less than its carrying value, further testing is not required. If it is more-likely-than-not that the fair value of a reporting unit is less than its carrying value, we must perform the quantitative goodwill impairment test. We also have the option to bypass the qualitative assessment at any time and perform the quantitative step. The quantitative step of the goodwill impairment test involves a comparison of the fair value of each of our reporting units with their carrying values. If the carrying value of a reporting unit's goodwill were to exceed its fair value, goodwill impairment is recognized as the difference to the extent of the goodwill balance.

Intangible Assets

Our intangible assets, excluding goodwill, are acquired technology, licenses, patents, customer relationships and other identifiable intangible assets. Intangible assets are amortized on a straight-line basis over their estimated economic lives generally ranging from two to 20 years, except for intangible assets with indefinite lives, which are not amortized. As many areas of our business rely on patents and proprietary technology, we seek patent protection both inside and outside the U.S. for products and methods that appear to have commercial significance. We capitalize patent defense costs when we determine that a successful defense is probable.

Long-Lived Assets

We initially record our long-lived assets at cost, and review on a regular basis to determine whether any events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. Factors that might indicate a potential impairment may include, but are not limited to, significant decreases in the market value of the long-lived asset, a significant change in the long-lived asset's physical condition, the introduction of competing technologies, legal challenges, a reduction in the utilization rate of the assets, a change in industry conditions or a reduction in cash flows associated with the use of the long-lived asset. If these or other factors indicate the carrying amount of the asset may not be recoverable, we determine whether an impairment has occurred through analysis of undiscounted cash flow of the asset at the lowest level that has an identifiable cash flow. If an impairment has occurred, we recognize a loss for the difference between the carrying amount and the fair value of the asset. We estimate the fair value of the asset using market prices when available or, in the absence of market prices, based on an estimate of discounted cash flows or replacement cost. Cash flows are generally discounted using an interest rate commensurate with a weighted average cost of capital for a similar asset.

Research and Development Expenditures

Research and development expenditures are expensed as incurred.

Environmental Expenditures

Environmental expenditures that relate to the remediation of an existing condition caused by past operations and that do not contribute to future revenues are expensed. Liabilities for these expenditures are recorded when it is probable that obligations have been incurred and costs can be reasonably estimated. Estimates are based on available facts and technology, enacted laws and regulations and our prior experience in remediation of contaminated sites.

Derivative Financial Instruments

We record derivative instruments on the balance sheet at their fair value as either assets or liabilities. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income (loss), depending on whether the derivative is designated as part of a hedge relationship, and if so, the type of hedge.

Foreign Currency

Results of operations for our foreign subsidiaries with functional currencies other than the U.S. dollar are translated using average exchange rates during the period. Assets and liabilities of these foreign subsidiaries are translated using the exchange rates in effect at the balance sheet dates, and the resulting translation adjustments are included in Accumulated Other Comprehensive Loss, a component of shareholders' (deficiency) equity.

For our subsidiaries that have a functional currency that differs from the currency of their balances and transactions, inventories, PP&E and other non-monetary assets and liabilities, together with their related elements of expense or income, are remeasured into the functional currency using historical exchange rates. All monetary assets and liabilities are remeasured into the functional currency at current exchange rates. All revenues and expenses are translated into the functional currency at average exchange rates. Remeasurement gains and losses for these subsidiaries are recognized in our results of operations during the period incurred. We record net foreign currency gains and losses on foreign currency derivatives (see "Note 15 – Derivative Instruments") in "Other Income (Expense), Net" on the accompanying Consolidated Statements of Operations. Devaluation charges on foreign currencies are reported in "Currency Devaluation Charges" on the accompanying Consolidated Statements of Operations..

At December 31, 2017 our net monetary asset position denominated in Angolan kwanza was approximately $99 million.

Share-Based Compensation

We account for all share-based payment awards, including shares issued under employee stock purchase plans, stock options, restricted shares, restricted share units and performance units by measuring these awards at the date of grant and recognizing the grant date fair value as an expense, net of expected forfeitures, over the service period, which is usually the vesting period.

Income Taxes

Income taxes have been provided based upon the tax laws and rates in the countries in which our operations are conducted and income is earned. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance for deferred tax assets is recorded when it is more likely than not that some or all of the benefit from the deferred tax asset will not be realized. The impact of an uncertain tax position taken or expected to be taken on an income tax return is recognized in the financial statements at the largest amount that is more likely than not to be sustained upon examination by the relevant taxing authority.

Revenue Recognition

Revenue is recognized when all of the following criteria have been met: (1) evidence of an arrangement exists; (2) delivery to and acceptance by the customer has occurred; (3) the price to the customer is fixed or determinable; and (4) collectability is reasonably assured.

Our services and products are generally sold based upon purchase orders, contracts or other persuasive evidence of an arrangement with our customers that include fixed or determinable prices but do not generally include right of return provisions or other significant post-delivery obligations. Our products are produced in a standard manufacturing operation, even if produced to our customer's specifications. Revenue is recognized for products upon delivery and when the customers assume the risks and rewards of ownership. Revenue is recognized for services when they are rendered. Both contract drilling and pipeline service revenue is contractual by nature and generally governed by day-rate based contracts. We recognize revenue for day-rate contracts as the services are rendered.

Up-front payments for preparation and mobilization of equipment and personnel in connection with new drilling contracts are deferred along with any related incremental costs incurred directly related to preparation and mobilization. The deferred revenue and costs are recognized over the primary contract term using the straight-line method. Costs of relocating equipment without contracts are expensed as incurred. Demobilization fees received are recognized, along with any related expenses, upon completion of contracts.

We incur rebillable expenses including shipping and handling, third-party inspection and repairs, and customs costs and duties. We recognize the revenue associated with these rebillable expenses when reimbursed by customers as Product Revenues and all related costs as Cost of Products in the accompanying Consolidated Statements of Operations.

Revenue Recognition – Venezuela

In the second quarter of 2017, we changed the accounting for revenue with our primary customer in Venezuela to record a discount reflecting the time value of money and accrete the discount as interest income over the expected collection period using the effective interest method. In connection with this development, we corrected this immaterial error for the three and six month periods ended June 30, 2017. The impact of the correction decreased revenue and increased interest income by approximately $31 million and $4 million, respectively, for the three month period ended June 30, 2017 and reduced accounts receivable by approximately $27 million as of June 30, 2017. To reflect the impact of payment delays and expectation that the time to collect may exceed one year, we reclassified $158 million of accounts receivable for this customer to Other Non-Current Assets on the accompanying Consolidated Balance Sheets.

In the fourth quarter of 2017, we changed the accounting for revenue with substantially all of our customers in Venezuela to cash basis due to the downgrade of the country's bonds by certain credit agencies, continued significant political and economic turmoil and continued economic sanctions around certain financing transactions imposed by the U.S. government. In connection with this development, we recorded a charge equal to a full allowance on our accounts receivable for revenue earned prior to September 30, 2017 in Other Non-Current Assets and Accounts Receivable, Net of Allowance for Uncollectible Account for these customers in Venezuela. The impact of the charge was approximately $230 million for the three month period ended December 31, 2017 and reduced Other Non-Current Assets and Accounts Receivable, Net of Allowance for Uncollectible Accounts on the accompanying Condensed Consolidated Balance Sheets by approximately $158 million and $72 million, respectively, as of December 31, 2017.

We will continue to monitor our Venezuelan operations and will actively pursue collection of our outstanding invoices.

Percentage-of-Completion

Revenue from certain long-term construction type contracts is reported based on the percentage-of-completion method of accounting. This method of accounting requires us to calculate contract profit to be recognized in each reporting period for each contract based upon our projections of future outcomes, which include:

- estimates of the available revenue under the contracts;
- estimates of the total cost to complete the project;
- estimates of project schedule and completion date;
- estimates of the extent of progress toward completion; and
- change order amounts or claims included in revenue.

Measurements of progress are based on costs incurred to date as a percentage of total estimated costs or output related to physical progress. At the outset of each contract, we prepare a detailed analysis of our estimated cost to complete the project. Risks related to service delivery, usage, productivity and other factors are considered in the estimation process. We periodically evaluate the estimated costs, claims, change orders and percentage-of-completion at the contract level. The recording of profits and losses on long-term contracts requires an estimate of the total profit or loss over the life of each contract. This estimate requires consideration of total contract value, change orders and claims, less costs incurred and estimated costs to complete. Anticipated losses on contracts are recorded in full in the period in which they become evident. Profits are recorded based upon the total estimated contract profit multiplied by the current estimated percentage complete for the contract. There are many factors that impact future costs, including but not limited to weather, inflation, customer activity levels and budgeting constraints, labor and community disruptions, timely availability of materials, productivity and other factors.

Earnings per Share

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

Unvested share-based payment awards and other instruments issued by the Company that contain non-forfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are participating securities and are included in the computation of earnings per share following the two-class method. Accordingly, we include our restricted share awards ("RSA") and the outstanding warrant, which contain the right to receive dividends, in the computation of both basic and diluted earnings per share when diluted.

New Accounting Pronouncements

Accounting Changes

In May 2017, the Financial Accounting Standards Board ("FASB") issued ASU 2017-09, *Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting*, which clarifies that modification accounting is required only if the fair value, the vesting conditions, or the classification of a share-based payment award changes as a result of changes in terms or conditions of the award. We have elected to early adopt ASU 2017-09 in the second quarter of 2017 and the adoption of this ASU had no impact on our Consolidated Financial Statements.

In January 2017, the Financial Accounting Standards Board ("FASB") issued ASU 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which eliminates Step 2 of the goodwill impairment test requiring an entity to compute the implied fair value of goodwill. Goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. We have elected to adopt ASU 2017-04 as of January 1, 2017 and the adoption of this ASU has no impact on our Consolidated Financial Statements.

In March 2016, the FASB issued ASU 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. ASU 2016-09 requires all income tax effects related to share-based payments at settlement (or expiration) be recorded through the income statement, including unrealized excess tax benefits. ASU 2016-09 also requires that all tax related cash flows resulting from share-based payments be presented as operating activities in the statement of cash flows. In addition, the guidance allows entities to increase the net-share settlement of an employee's shares for tax withholding purposes without triggering liability accounting and to make a policy election to estimate forfeitures or recognize them as they occur. Finally, the new guidance requires all cash payments made to a taxing authority on an employee's behalf for shares withheld be presented as financing activities in the statement of cash flows.

We adopted ASU 2016-09 in the first quarter of 2017. We prospectively adopted the changes requiring all tax effects related to share-based payments to be recorded through the income statement and all tax related cash flows from share based payments to be presented as operating activities in the statement of cash flows. There is no cumulative effect as there is no impact from unrecognized excess tax benefits or minimum withholding requirements and prior periods have not been adjusted. We have also made an entity-wide accounting policy election to continue to estimate forfeitures and adjust the estimate when it is likely to change. We have retrospectively adopted the guidance to classify as a financing activity on the statement of cash flows all cash payments made to a taxing authority on an employee's behalf for shares withheld for tax-withholding purposes. We have reclassified $10 million and $9 million from other operating activities to other financing activities in the Statements of Cash Flows for the years ended December 31, 2016 and 2015, respectively.

In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*, which requires inventory not measured using either the last in, first out or the retail inventory method to be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable cost of completion, disposal, and transportation. We adopted ASU 2015-11 in the first quarter of 2017 prospectively with no impact on our Consolidated Financial Statements.

Accounting Standards Issued Not Yet Adopted

In July 2017, the FASB issued ASU 2017-11, which amends the accounting for certain equity-linked financial instruments and states a down round feature no longer precludes equity classification when assessing whether the instrument is indexed to an entity's own stock. For an equity-linked financial instrument no longer accounted for as a liability at fair value, the amendments require a down round to be treated as a dividend and as a reduction of income available to common shareholders in basic earnings per share. The ASU is effective beginning with the first quarter of 2019, and early adoption is permitted. The ASU is required to be applied retrospectively to outstanding instruments. Weatherford has evaluated the impact that this new standard will have on our Consolidated Financial Statements and concluded adoption of the ASU will not impact the liability classification of our warrant instrument.

In March 2017, the FASB issued ASU 2017-07, *Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost,* which amends the presentation of net periodic pension and postretirement benefit cost ("net benefit cost"). The service cost component of net benefit cost will be bifurcated and presented with other employee compensation costs, while other components of net benefit costs will be presented separately outside of income from operations. The standard is required to be applied on a retrospective basis and will be effective beginning with the first quarter of 2018. The adoption of this amended guidance is not expected to have a material impact on our consolidated financial statements, other than the $41 million income adjustment of non-service cost components from operating expenses to other income (expense) for 2017.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory,* which eliminates a current exception in U.S. GAAP to the recognition of the income tax effects of temporary differences that result from intra-entity transfers of non-inventory assets. The intra-entity exception is being eliminated under the ASU. The standard is required to be applied on a modified retrospective basis and will be effective beginning with the first quarter of 2018. We estimate that the impact that this new standard will have on our Consolidated Financial Statements will be a reversal of $105 million of prepaid taxes through retained earnings. Prospectively, any taxes paid that result from the intra-entity transfers of non-inventory assets will be recognized in current tax expense.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842),* which requires a lessee to recognize a lease asset and lease liability for most leases, including those classified as operating leases under existing U.S. GAAP. The ASU also changes the definition of a lease and requires expanded quantitative and qualitative disclosures for both lessees and lessors.

Under ASU 2016-02, we will revise our leasing policies to require most of the leases, where we are the lessee, to be recognized on the balance sheet as a lease asset and lease liability whereas currently we do not recognize operating leases on our balance sheet. Further, we will separate leases from other contracts where we are either the lessor or lessee when the rights conveyed under the contract indicate there is a lease, where we may not be required to do so under existing policies. While we cannot calculate the impact ASU 2016-02 will have on Weatherford's financial statements, we anticipate that Weatherford's assets and liabilities will increase by a significant amount. This standard will be effective for us beginning with the first quarter of 2019. We do not anticipate adopting ASU 2016-02 early, which is permitted under the standard.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606),* which will replace most existing revenue recognition guidance in U.S. GAAP. ASU 2014-09 will require an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 requires a five-step approach to recognizing revenue: 1) identify the contract, 2) identify performance obligations, 3) determine the transaction price, 4) allocate the transaction price, and 5) recognize revenue. Subsequent to ASU 2014-09's issuance, Topic 606 has been affected by other FASB updates that address certain aspects of Topic 606 or revised the effective date of the accounting changes.

Under ASU 2014-09, we will revise our revenue recognition policy to require revenue recognition when control passes. This is a change from current policies, which generally require revenue recognition when delivery has occurred and risk and rewards of ownership have passed.

We adopted ASU 2014-09 as of January 1, 2018. ASU 2014-09 permits two transition methods: the retrospective method or the modified retrospective method. Weatherford applied the modified retrospective method which requires the recognition of a cumulative effect as an adjustment to opening retained earnings on the initial date of adoption.

We have commenced our implementation of ASU 2014-09 and completed an assessment of the differences between ASU 2014-09 and current accounting practices (gap analysis). Our approach involved comparing existing accounting requirements to the requirements under Topic 606 for each of our product lines and reviewing a sample of contracts within each product line and region. We are currently in the process of establishing new policies, procedures, and controls, establishing appropriate presentation and disclosure changes and quantifying any adoption date adjustments. Although not finalized, based on the implementation efforts performed, management's assessment is that ASU 2014-09 will not materially affect us. Any changes are not expected to have any impact to our cash flows.

2. BUSINESS COMBINATIONS AND DIVESTITURES

Acquisitions

From time to time, we acquire businesses we believe are important to our long-term strategy. Results of operations for acquisitions are included in the accompanying Consolidated Statements of Operations from the date of acquisition. The purchase price for the acquisitions is allocated to the net assets acquired based upon their estimated fair values at the date of acquisition. We did not complete any material acquisitions during the year ended December 31, 2017 or 2016.

Divestitures

On December 29, 2017, we completed the sale of our U.S. pressure pumping and pump-down perforating assets for $430 million in cash. As part of this transaction, we disposed of our ownership of our U.S. pressure pumping and pump-down perforating related facilities and supplier and customer contracts. Proceeds from the sale were applied to reduce outstanding indebtedness.

The carrying amounts of the major classes of assets of U.S. pressure pumping and pump-down perforating divested are as follows:

(Dollars in millions)	December 31, 2017
Assets:	
Inventory, Net	$7
Property, Plant and Equipment, Net	222
Goodwill	162
Total Assets	**$391**
Liabilities:	
Long-term Debt	$9
Other Liabilities	52
Total Liabilities	**$61**

Held for Sale

During the fourth quarter of 2017, we committed to a plan to divest our land drilling rigs assets. As such, we reclassified the carrying amounts of the assets we plan to divest as held for sale as of December 31, 2017, which include $276 million of PP&E and other assets and $64 million of inventory. As of December 31, 2017, we also had $19 million of other PP&E held for sale.

3. RESTRUCTURING CHARGES

Due to the ongoing levels of exploration and production spending, we continue to reduce our overall cost structure and workforce to better align with current activity levels of exploration and production. The cost reduction plan which began in 2016 and continued throughout 2017 (the "2016-17 Plan"), included a workforce reduction and other cost reduction measures initiated across our geographic regions. Prior plans, including the 2016 cost reduction plan (the "2016 Plan") and 2015 cost reduction plan (the "2015 Plan") also included a workforce reduction and other cost reduction measures initiated across our geographic regions. Other restructuring charges in each plan include contract termination costs, relocation and other associated costs.

In connection with the 2016-17 Plan, we recognized restructuring charges of $183 million in 2017, which include severance benefits of $109 million, other restructuring charges of $62 million and restructuring related asset charges of $12 million.

In connection with the 2016 Plan, we recognized restructuring charges of $280 million in 2016, which include severance benefits of $196 million, other restructuring charges of $44 million and restructuring related asset charges of $40 million.

The 2015 Plan commenced in the fourth quarter of 2014 and included a worldwide workforce reduction and other cost reduction measures. In connection with the 2015 Plan, we recognized restructuring charges of $232 million in 2015, which include severance benefits of $149 million, other restructuring charges of $19 million and restructuring related asset charges of $64 million.

The following tables present the components of the restructuring charges by segment and plan for the years ended December 31, 2017, 2016 and 2015.

	Year Ended December 31, 2017		
(Dollars in millions)	**Severance Charges**	**Other Restructuring Charges**	**Total Severance and Other Charges**
2016-2017 Plan:			
Western Hemisphere	$42	$28	$70
Eastern Hemisphere	35	42	77
Corporate	32	4	36
Total	**$109**	**$74**	**$183**

	Year Ended December 31, 2016		
(Dollars in millions)	**Severance Charges**	**Other Restructuring Charges**	**Total Severance and Other Charges**
2016 Plan:			
Western Hemisphere	$82	$71	$153
Eastern Hemisphere	62	13	75
Corporate	52	—	52
Total	**$196**	**$84**	**$280**

	Year Ended December 31, 2015		
(Dollars in millions)	**Severance Charges**	**Other Restructuring Charges**	**Total Severance and Other Charges**
2015 Plan:			
Western Hemisphere	$68	$26	$94
Eastern Hemisphere	66	57	123
Corporate	15	—	15
Total	**$149**	**$83**	**$232**

The severance and other restructuring charges gave rise to certain liabilities, the components of which are summarized below, and largely relate to the severance accrued as part of the 2016-17 Plan, the 2016 Plan and the 2015 Plan that will be paid pursuant to the respective arrangements and statutory requirements.

(Dollars in millions)	At December 31, 2017				
	2016-17 and 2016 Plans		2015 Plan		
	Severance Liability	Other Liability	Severance Liability	Other Liability	Total Severance and Other Liability
Western Hemisphere	$4	$17	$—	$—	$21
Eastern Hemisphere	7	18	—	5	30
Corporate	10	—	—	—	10
Total	**$21**	**$35**	**$—**	**$5**	**$61**

The following table presents the restructuring accrual activity for the year ended December 31, 2017.

(Dollars in millions)	Accrued Balance at December 31, 2016	Year Ended December 31, 2017			Accrued Balance at December 31, 2017
		Charges	Cash Payments	Other	
2016-17 and 2016 Plans					
Severance liability	$52	$109	$(137)	$(3)	$21
Other restructuring liability	22	62	(26)	(23)	35
2015 Plan					
Severance liability	3	—	(3)	—	—
Other restructuring liability	9	—	(1)	(3)	5
Total severance and other restructuring liability	**$86**	**$171**	**$(167)**	**$(29)**	**$61**

4. SUPPLEMENTARY INFORMATION

Cash paid for interest and income taxes was as follows:

(Dollars in millions)	Year Ended December 31, 2017	2016	2015
Interest paid	$538	$467	$477
Income taxes paid, net of refunds	87	161	331

In 2017 and 2016, we had non-cash financing obligations related to financed insurance premium and capital lease of equipment of $24 million and $25 million, respectively. During 2017, we purchased $50 million of held-to-maturity Angolan government bonds maturing in 2020: The carrying value of these investments approximate their fair value.

5. PERCENTAGE-OF-COMPLETION CONTRACTS

We account for our long-term early production facility construction contracts in Iraq under the percentage-of-completion method. Our remaining contract in Zubair is in the final warranty stage. There has been no change to our cumulative estimated loss since December 31, 2016. Our net billings in excess of costs as of December 31, 2017 were $56 million and are shown in the "Other Current Liabilities" on the accompanying Condensed Consolidated Balance Sheets.

During 2016, we were break-even for our Zubair contract and cumulative estimated loss from the Iraq contracts was $532 million as of December 31, 2016. On May 26, 2016, we entered into an agreement with our customer containing the terms and conditions of the settlement on the Zubair contract. The settlement paid to us was a gross amount of $150 million, of which $62 million and $72 million was received in the second and third quarters of 2016, respectively. The settlement included variation order requests, claims for extension of time, payments of remaining contract milestones and new project completion timelines that resulted in relief from the liquidated damages provisions. We collected the remaining gross settlement of $16 million in January 2017.

As of December 31, 2016, we had no claims revenue, and our percentage-of-completion project estimate included a cumulative $25 million in approved change orders and $16 million of back charges. Our net billings in excess of costs as of December 31, 2016 were $45 million and are shown in the "Other Current Liabilities" on the Consolidated Balance Sheet. The amounts associated with these contract change orders or claims are included in revenue only when they can be reliably estimated and their realization is reasonably assured.

During 2015, we recognized estimated project losses of $153 million related to our long-term early production facility construction contracts in Iraq accounted for under the percentage-of-completion method. Total estimated losses on these loss projects were $532 million at December 31, 2015. As of December 31, 2015, our percentage-of-completion project estimates include $116 million of claims revenue and $28 million of back charges. During 2015, an additional $32 million of claims revenue was included in our project estimates. Our costs in excess of billings as of December 31, 2015 were $6 million and are shown in the "Other Current Assets" on our Consolidated Balance Sheets. We also had a variety of unapproved contract change orders or claims that are not included in our revenues as of December 31, 2015. The amounts associated with these contract change orders or claims are included in revenue only when they can be reliably estimated and their realization is reasonably assured.

6. ACCOUNTS RECEIVABLE FACTORING AND OTHER RECEIVABLES

From time to time, we participate in factoring arrangements to sell accounts receivable to third-party financial institutions. In 2017, we sold accounts receivable of $227 million, recognized a loss of $1 million and received cash proceeds totaling $223 million on these sales. In 2016, we sold accounts receivables of $156 million, recognized a loss of $0.7 million and received cash proceeds totaling $154 million on these sales. In 2015, we sold accounts receivables of $78 million, recognized a loss of $0.2 million and received cash proceeds totaling $77 million on these sales. Our factoring transactions were recognized as sales, and the proceeds are included as operating cash flows in our Consolidated Statements of Cash Flows.

In the first quarter of 2017, Weatherford converted trade receivables of $65 million into a note from the customer with a face value of $65 million. The note had a three year term at a 4.625% stated interest rate. We reported the note as a trading security within "Other Current Assets" at fair value on the Condensed Consolidated Balance Sheets at its fair value of $58 million on March 31, 2017. The note fair value was considered a Level 2 valuation and was estimated using secondary market data for similar bonds. During the second quarter of 2017, we sold the note for $59 million.

During the second quarter of 2016, we accepted a note with a face value of $120 million from PDVSA in exchange for $120 million in net trade receivables. The note had a three year term at a 6.5% stated interest rate. We carried the note at lower of cost or fair value and recognized a loss in the second quarter of 2016 of $84 million to adjust the note to fair value. In the fourth quarter of 2016, we sold the economic rights in the note receivable for $44 million and recognized a gain of $8 million.

7. INVENTORIES, NET

Inventories, net of reserves, by category were as follows:

	December 31,	
(Dollars in millions)	**2017**	**2016**
Raw materials, components and supplies	$144	$168
Work in process	47	49
Finished goods	1,043	1,585
	$1,234	**$1,802**

Work in process and finished goods inventories include cost of materials, labor and manufacturing overhead. During 2017, 2016 and 2015, we recognized inventory write-off and other related charges, including excess and obsolete totaling $540 million, $269 million and $244 million, respectively. These charges were largely attributable to downturn in the oil and gas industry, where certain inventory has been deemed commercially unviable or technologically obsolete considering current and future demand.

8. LONG-LIVED ASSET IMPAIRMENTS

In the fourth quarter of 2017, we recognized long-lived asset impairments of $928 million, of which $923 million was related to PP&E impairments and $5 million was related to the impairment of intangible assets. The PP&E impairments in our Eastern Hemisphere segment include a $740 million write-down to the lower of carrying amount or fair value less cost to sell of our land drilling rigs classified as held for sale, $135 million related to Western Hemisphere segment product line assets and $37 million related to other Eastern Hemisphere segment product line assets. In addition, we recognized $11 million of long-lived impairment charges related to Corporate assets. The 2017 impairments were due to the sustained downturn in the oil and gas industry, whose recovery was not as strong as expected and whose recovery in subsequent quarters was slower than had previously been anticipated. The change in the expectations of the market's recovery, in addition to successive negative operating cash flows in certain asset groups represented an indicator that those assets will no longer be recoverable over their remaining useful lives. See "Note 14 – Fair Value of Financial Instruments, Assets and Equity Investments" for additional information regarding the fair value determination used in the impairment calculation.

During 2016, we recognized long-lived asset impairment charges of $436 million, of which $388 million was related to PP&E impairments and $48 million was related to the impairment of intangible assets. The PP&E impairment charges by segment were $251 million in the Western Hemisphere related to our Well Construction, Drilling Services and Managed Pressure Drilling assets and $137 million in the Eastern Hemisphere related to our Eastern Hemisphere Pressure Pumping assets. The intangible asset charge is related to the Well Construction and Completions businesses with $35 million attributable to the Western Hemisphere segment and $13 million related the Eastern Hemisphere segment.

The impairments in 2016 were due to the prolonged downturn in the oil and gas industry, whose recovery was not as strong as expected and whose recovery in subsequent quarters was slower than had previously been anticipated. The change in the expectations of the market's recovery, in addition to successive negative operating cash flows in certain asset groups represented an indicator that those assets will no longer be recoverable over their remaining useful lives. See "Note 14 – Fair Value of Financial Instruments, Assets and Equity Investments" for additional information regarding the fair value determination used in the impairment calculation.

During 2015, we recognized long-lived asset impairment charges of $638 million, of which $124 million was related to Pressure Pumping assets in the Western Hemisphere, $259 million for equipment in our Pressure Pumping, Drilling Tools, and Wireline assets in the Western Hemisphere and $255 million related to our land drilling rigs product line assets in the Eastern Hemisphere. The impairments in 2015 were due to the continued weakness in crude oil prices contributing to lower exploration and production spending and a decline in the utilization of our assets. The decline in oil prices and its impact on demand represented a significant adverse change in the business climate and an indication that these long-lived assets may not be recoverable. Based on the presence of impairment indicators, we performed an analysis of these asset groups and recorded long-lived asset impairment charges to adjust the assets to fair value.

The fair value of our drilling tools, pressure pumping, and wireline assets were estimated using a combination of the income approach, the cost approach, and the market approach. See "Note 14 – Fair Value of Financial Instruments, Assets and Equity Investments" for additional information regarding the fair value determination.

In addition, within the stand-alone financial statements of 2017 and 2016, Weatherford International plc recognized a $86 million and $3.8 billion impairment, respectively, of our Investment in Subsidiaries. The investment value for Irish statutory filing purposes was originally based upon our market capitalization as of the date of the Merger undertaken to effect a change in our place of incorporation from Switzerland to Ireland. The impairment was recognized in response to the significant decline in our market capitalization. This impairment did not have an impact on our consolidated financial results presented in accordance with U.S. GAAP within our Form 10-K.

9. GOODWILL

In 2017, 2016 and 2015, our annual goodwill impairment test indicated that goodwill was not impaired. Our cumulative impairment loss of goodwill was $771 million at December 31, 2017. The changes in the carrying amount of goodwill by reportable segment for the years ended December 31, 2017 and 2016, are presented in the following table.

(Dollars in millions)	Western Hemisphere	Eastern Hemisphere	Total
Balance at December 31, 2015	**$2,040**	**$763**	**$2,803**
Foreign currency translation	25	(31)	(6)
Balance at December 31, 2016	**$2,065**	**$732**	**$2,797**
Disposals	(162)	—	(162)
Foreign currency translation	55	37	92
Balance at December 31, 2017	**$1,958**	**$769**	**$2,727**

10. INTANGIBLE ASSETS

The components of intangible assets were as follows:

	December 31, 2017			December 31, 2016		
(Dollars in millions)	Gross Carrying Amount	Accumulated Amortization	Net Intangible Assets	Gross Carrying Amount	Accumulated Amortization	Net Intangible Assets
Acquired technology	$390	$(334)	$56	$373	$(300)	$73
Licenses	175	(168)	7	177	(166)	11
Patents	223	(144)	79	215	(134)	81
Customer Relationships and Contracts	197	(160)	37	193	(144)	49
Other	98	(64)	34	91	(57)	34
	$1,083	**$(870)**	**$213**	**$1,049**	**$(801)**	**$248**

Additions to intangible assets were $16 million and $11 million for the years ended December 31, 2017 and 2016, respectively. During 2016, we recognized $48 million of license and patent impairment charges related to the Well Construction and Completions businesses.

Amortization expense was $52 million, $60 million and $88 million for the years ended December 31, 2017, 2016 and 2015, respectively. Future estimated amortization expense for the carrying amount of intangible assets as of December 31, 2017 is expected to be as follows (dollars in millions):

Period	Amount
2018	$48
2019	42
2020	32
2021	20
2022	13

11. EQUITY INVESTMENTS

Our equity investments in unconsolidated affiliates were $62 million and $66 million for the years ended December 31, 2017 and 2016, respectively. Equity in losses of unconsolidated affiliates for the year ended December 31, 2017 totaled $3 million and equity in earnings of unconsolidated affiliates for the years ended December 31, 2016 and 2015 totaled $2 million and $3 million, respectively.

During 2015, we determined that the fair values of certain equity investments were significantly below their carrying values. We assessed these declines in value to be other than temporary and recognized an impairment loss of $25 million. See “Note 14 – Fair Value of Financial Instruments, Assets and Equity Investments” for additional information regarding the fair value determination.

12. SHORT-TERM BORROWINGS AND OTHER DEBT OBLIGATIONS

Our short-term borrowings and current portion of long-term debt consists of the followings:

	December 31,	
(Dollars in millions)	**2017**	**2016**
Other Short-term Loans	$11	$2
Current Portion of Long-term Debt	137	177
Short-term Borrowings and Current Portion of Long-term Debt	**$148**	**$179**

Revolving Credit Facility and Secured Term Loan Agreement

At December 31, 2017, we had total commitments under our revolving credit facility (the “Revolving Credit Agreement”) maturing in July of 2019 of $1.0 billion and borrowings of $375 million under our secured term loan agreement (the “Term Loan Agreement” and collectively with the Revolving Credit Agreement, the “Credit Agreements”) maturing in July of 2020. At December 31, 2017, we had $890 million available for borrowing under the Credit Agreements as summarized in the following table:

(Dollars in millions)	**December 31, 2017**
Facilities	$1,375
Less Uses of Facilities:	
Letters of Credit	110
Secured Term Loan Principal Borrowing	375
Borrowing Availability	**$890**

Loans under the Credit Agreements are subject to varying rates of interest based on whether the loan is a Eurodollar loan or an alternate base rate loan. We also incur a quarterly facility fee on the amount of the Revolving Credit Agreement. See “Note 13 – Long-term Debt”, for information related to interest rate applicable for the Term Loan Agreement.

Eurodollar Loans. Eurodollar loans bear interest at the Eurodollar rate, which is LIBOR, plus the applicable margin. The applicable margin for Eurodollar loans under the Revolving Credit Agreement ranges from 1.925% to 3.7% depending on our leverage ratio.

Alternate Base Rate Loans. Alternate base rate loans bear interest at the alternate base rate plus the applicable margin. The applicable margin for alternate base rate loans under the Revolving Credit Agreement ranges from 0.925% to 2.70% depending on our leverage ratio.

For the year ended December 31, 2017, the interest rate for the Revolving Credit Agreement was LIBOR plus a margin rate of 2.80%. See "Note 13 – Long-term Debt" for the interest rate details for the Term Loan Agreement. Borrowings under our Revolving Credit Agreement may be repaid from time to time without penalty. Obligations under the Term Loan Agreement are secured by substantially all of our assets. In addition, obligations under the Credit Agreements are guaranteed by a material portion of our subsidiaries.

Our Credit Agreements contain covenants including, among others, the following:

- a prohibition against incurring debt, subject to permitted exceptions;
- a restriction on creating liens on our assets and the assets of our operating subsidiaries, subject to permitted exceptions;
- restrictions on mergers or asset dispositions;
- restrictions on use of proceeds, investments, transactions with affiliates, or change of principal business; and
- maintenance of the following financial covenants, with terms as defined in the Credit Agreements:

1) Leverage ratio of no greater than 2.5 to 1, which measures our indebtedness guaranteed by subsidiaries under the Credit Agreements and other guaranteed facilities to the trailing four quarters consolidated adjusted earnings before interest, taxes, depreciation, amortization and other specified charges ("Adjusted EBITDA");
2) Leverage and letters of credit ratio of no greater than 3.5 to 1, which is calculated as our indebtedness guaranteed by subsidiaries under the Credit Agreements and other guaranteed facilities and all letters of credit to the trailing four quarters Adjusted EBITDA; and
3) Asset coverage ratio of at least 4.0 to 1, which is calculated as our asset value to indebtedness guaranteed by subsidiaries under the Credit Agreements and other guaranteed facilities.

Our Credit Agreements contain customary events of default, including our failure to comply with the financial covenants described above. As of December 31, 2017, we were in compliance with these financial covenants.

Other Short-Term Borrowings and Other Debt Activity

In June 2017, we repaid $88 million of our 6.35% Senior Notes on the maturity date. In 2016, we repaid $180 million, with a LIBOR-based weighted average interest rate of 1.95%, borrowed under a credit agreement that matured in the first half of 2016 and our 5.50% senior notes with a principal balance of $350 million.

We have short-term borrowings with various domestic and international institutions pursuant to uncommitted credit facilities. At December 31, 2017, we had $11 million in short-term borrowings under these arrangements. In addition, we had $375 million of letters of credit under various uncommitted facilities and $110 million of letters of credit under the Revolving Credit Agreement. At December 31, 2017, we have cash collateralized $82 million of our letters of credit, which is included in "Cash and Cash Equivalents" in the accompanying Consolidated Balance Sheets. We have $15 million of surety bonds, primarily performance bonds, issued by financial sureties against an indemnification from us at December 31, 2017.

At December 31, 2017, the current portion of long-term debt was primarily related to $66 million of our 6.00% Senior Notes due March 2018, the $50 million current portion of our secured term loan and $21 million of the current portion of capital leases and other debt.

13. LONG-TERM DEBT

We have issued various senior notes, all of which rank equally with our existing and future senior unsecured indebtedness, which have semi-annual interest payments and no sinking fund requirements. Our Long-term Debt consisted of the following:

	December 31,	
(Dollars in millions)	2017	2016
6.35% Senior Notes due 2017	$—	$89
6.00% Senior Notes due 2018	66	66
9.625% Senior Notes due 2019	488	489
5.125% Senior Notes due 2020	364	363
5.875% Exchangeable Senior Notes due 2021	1,170	1,147
7.75% Senior Notes due 2021	741	739
4.50% Senior Notes due 2022	643	642
8.25% Senior Notes due 2023	739	738
9.875% Senior Notes due 2024	780	528
6.50% Senior Notes due 2036	447	447
6.80% Senior Notes due 2037	255	255
7.00% Senior Notes due 2038	456	456
9.875% Senior Notes due 2039	245	245
6.75% Senior Notes due 2040	456	456
5.95% Senior Notes due 2042	368	368
Secured Term Loan due 2020	372	420
4.82% secured borrowing	—	5
Capital and Other Lease Obligations	86	120
Other	2	7
Total Senior Notes and Other Debt	7,678	7,580
Less: Amounts Due in One Year	137	177
Long-term Debt	**$7,541**	**$7,403**

The accrued interest on our borrowings was $145 million and $127 million at December 31, 2017 and 2016, respectively. The following is a summary of scheduled Long-term Debt maturities by year (dollars in millions):

2018	$137
2019	543
2020	643
2021	1,918
2022	651
Thereafter	3,786
	$7,678

Secured Term Loan Agreement

As of December 31, 2017, our borrowings, net of repayments, under the Term Loan Agreement were $375 million. The interest rate under the Term Loan Agreement is variable and is determined by our leverage ratio as of the most recent fiscal quarter, as either (1) the one-month London Interbank Offered Rate ("LIBOR") plus a variable margin rate ranging from 1.425% to 3.2% or (2) the alternate base rate plus the applicable margin ranging from 0.425% to 2.2%. For the year ended December 31, 2017, the interest rate for the Term Loan Agreement was LIBOR plus a margin rate of 2.3%. The Term Loan Agreement requires a principal repayment of $12.5 million on the last day of each quarter.

Exchangeable Senior Notes, Senior Notes and Tender Offers

We have issued various senior notes, all of which rank equally with our existing and future senior unsecured indebtedness, which have semi-annual interest payments and no sinking fund requirements.

Exchangeable Senior Notes

On June 7, 2016, we issued exchangeable notes with a par value of $1.265 billion and an interest rate of 5.875%. The notes have a conversion price of $7.74 per share and are exchangeable into a total of 163.4 million shares of the Company upon the occurrence of certain events on or after January 1, 2021. The notes mature on July 1, 2021. We have the choice to settle an exchange of the notes in any combination of cash or shares. As of December 31, 2017, the if-converted value did not exceed the principal amount of the notes.

The exchange feature is reported with a carrying amount of $97 million in “Capital in Excess of Par Value” on the accompanying Consolidated Balance Sheets. The debt component of the exchangeable notes has been reported separately in “Long-term Debt” on the accompanying Consolidated Balance Sheets with a carrying value of $1.170 billion at December 31, 2017, net of remaining unamortized discount and debt issuance costs of $95 million. The discount on the debt component is being amortized over the remaining maturity of the exchangeable notes at an effective interest rate of 8.4%. During 2017, interest expense on the notes was $97 million, of which $74 million related to accrued interest and $23 million related to amortization of the discount.

Senior Notes

On June 26, 2017, we issued an additional $250 million aggregate principal amount of our 9.875% senior notes due 2024 (“Notes”). These Notes were issued as additional securities under an indenture pursuant to which we previously issued $540 million aggregate principal amount of our 9.875% senior notes due 2024.

On November 18, 2016, we issued $540 million in aggregate principal amount of 9.875% notes due 2024. On June 17, 2016, we issued $750 million in aggregate principal amount of 7.75% senior notes due 2021 and $750 million in aggregate principal amount of 8.25% senior notes due 2023.

Tender Offers and Early Retirement of Senior Notes

We commenced a cash tender offer on June 1, 2016 (and amended the offer on June 8, 2016 and June 10, 2016), which included an early tender option with an early settlement date of June 17, 2016 and an expiration date of June 30, 2016 with a final settlement date of July 1, 2016 to repurchase a portion of our 6.35% senior notes due 2017, 6.00% senior notes due 2018, 9.625% senior notes due 2019, and 5.125% senior notes due 2020. On June 17, 2016, we settled the early tender offers in cash in the amount of $1.972 billion, retiring an aggregate face value of senior notes tendered of $1.87 billion and accrued interest of $27 million. We recognized a cumulative loss of $78 million on these transactions in “Bond Tender Premium, Net” on the accompanying Consolidated Statements of Operations. On June 30, 2016, we accepted additional tenders of $2 million of debt, which we settled in cash on July 1, 2016.

In 2015, through a series of open market transactions, we repurchased certain of our 4.50% senior notes, 5.125% senior notes, 5.95% senior notes, 6.50% senior notes, 6.75% senior notes, 6.80% senior notes and 7.00% senior notes with a total book value of $527 million. We recognized a cumulative gain of approximately $84 million on these transactions in the line captioned “Other Income (Expense), Net” on the accompanying Consolidated Statements of Operations.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS, ASSETS AND EQUITY INVESTMENTS

Financial Instruments Measured and Recognized at Fair Value

We estimate fair value at a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market for the asset or liability. Our valuation techniques require inputs that we categorize using a three level hierarchy, from highest to lowest level of observable inputs. Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 inputs are quoted prices or other market data for similar assets and liabilities in active markets, or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based upon our own judgment and assumptions used to measure assets and liabilities at fair value. Classification of a financial asset or liability within the hierarchy is determined based on the lowest level of input that is significant to the fair value measurement. Other than the derivative instruments discussed in “Note 15 – Derivative Instruments,” we had no other material assets or liabilities measured and recognized at fair value on a recurring basis at December 31, 2017 and 2016.

Fair Value of Other Financial Instruments

Our other financial instruments include cash and cash equivalents, accounts receivable, accounts payable, short-term borrowings and long-term debt. The carrying value of our cash and cash equivalents, accounts receivable, accounts payable, and short-term borrowings approximates their fair value due to their short maturities. These short-term borrowings are classified as Level 2 in the fair value hierarchy.

The fair value of our long-term debt fluctuates with changes in applicable interest rates among other factors. Fair value will generally exceed carrying value when the current market interest rate is lower than the interest rate at which the debt was originally issued and will generally be less than the carrying value when the market rate is greater than the interest rate at which the debt was originally issued. The fair value of our long-term debt is classified as Level 2 in the fair value hierarchy and is established based on observable inputs in less active markets.

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

	December 31,	
(Dollars in millions)	2017	2016
Fair Value	$7,060	$6,739
Carrying Value	7,218	7,028

Non-recurring Fair Value Measurements - Impairments

During the fourth quarter of 2017, long-lived assets were impaired and written down to their estimated fair values. The Level 3 fair values of the assets were determined using an income approach. The unobservable inputs to the income approach included the assets' estimated future cash flows and estimates of discount rates commensurate with the assets' risks.

During the third quarter of 2016, long-lived assets were impaired and written down to their estimated fair values. The Level 3 fair values of the long-lived assets were determined using either an income approach or a market approach. The unobservable inputs to the income approach included the assets' estimated future cash flows and estimates of discount rates commensurate with the assets' risks. The market approach considered unobservable estimates of market sales values, which in most cases was a scrap of salvage value estimate. During the second quarter of 2016, we adjusted a note for our largest customer in Venezuela to its estimated fair value. The Level 3 fair value was estimated based on unobservable pricing indications.

During 2015, long-lived assets related to pressure pumping, drilling tools, wireline, and land drilling rigs were impaired and written down to their estimated fair values. The Level 3 fair values of the long-lived assets were determined using a combination of the income approach, the cost approach and the market approach, which used inputs that included replacement costs (unobservable), physical deterioration estimates (unobservable), projections of estimated future operating cash flows (unobservable), discount rates for the applicable assets and market sales data for comparable assets. Also during 2015, an equity method investment was impaired and written down to its fair value. The equity investment Level 3 fair value was determined using an income based approach utilizing estimates of future cash flow, discount rate, long-term growth rate, and marketability discount, all of which were unobservable.

15. DERIVATIVE INSTRUMENTS

From time to time, we may enter into derivative financial instrument transactions to manage or reduce our market risk. We manage our debt portfolio to achieve an overall desired position of fixed and floating rates, and we may employ interest rate swaps as a tool to achieve that goal. We enter into foreign currency forward contracts and cross-currency swap contracts to economically hedge our exposure to fluctuations in various foreign currencies. The major risks from interest rate derivatives include changes in the interest rates affecting the fair value of such instruments, potential increases in interest expense due to market increases in floating interest rates, changes in foreign exchange rates and the creditworthiness of the counterparties in such transactions.

We monitor the creditworthiness of our counterparties, which are multinational commercial banks. The fair values of all our outstanding derivative instruments are determined using a model with Level 2 inputs including quoted market prices for contracts with similar terms and maturity dates.

Warrant

During the fourth quarter of 2016, in conjunction with the issuance of 84.5 million ordinary shares, we issued a warrant that gives the holder the option to acquire an additional 84.5 million ordinary shares. The exercise price on the warrant is $6.43 per share and is exercisable any time prior to May 21, 2019. The warrant is classified as a liability and carried at fair value with changes in its fair value reported through earnings. The warrant participates in dividends and other distributions as if the shares subject to the warrants were outstanding. In addition, the warrant permits early redemption due to a change in control.

The warrant fair value is considered a Level 3 valuation and is estimated using a combination of the Black Scholes option valuation model and Monte-Carlo simulation. Inputs to these models include Weatherford's share price and volatility and the risk free interest rate. The valuation also considers the probabilities of future share issuances and anticipated issuance discounts, which are considered Level 3 inputs. The fair value of the warrant was $70 million and $156 million on December 31, 2017 and 2016, respectively, generating an unrealized gain of $86 million in 2017. The change in fair value of the warrant during 2017 was principally due to a decrease in Weatherford's stock price. The warrant valuation would be negatively affected due to an increase in the likelihood of a future stock issuance.

Fair Value Hedges

We may use interest rate swaps to help mitigate exposures related to changes in the fair values of the fixed-rate debt. The interest rate swap is recorded at fair value with changes in fair value recorded in earnings. The carrying value of fixed-rate debt would be adjusted for changes in interest rates, with the changes in value recorded in earnings. After termination of the hedge, any discount or premium on the fixed-rate debt is amortized to interest expense over the remaining term of the debt. As of December 31, 2017, we did not have any fair value hedges designated.

As of December 31, 2017 and 2016, we had net unamortized premiums on fixed-rate debt of $4 million and $7 million, respectively, associated with fair value hedge terminations. These premiums are being amortized over the remaining term of the originally hedged debt as a reduction in interest expense included in “Interest Expense, Net” on the accompanying Consolidated Statements of Operations.

Cash Flow Hedges

In 2008, we entered into interest rate derivative instruments to hedge projected exposures to interest rates in anticipation of a debt offering. These hedges were terminated at the time of the issuance of the debt, and the associated loss is being amortized from “Accumulated Other Comprehensive Loss” to interest expense over the remaining term of the debt. As of December 31, 2017 and 2016, we had net unamortized losses of $9 million in both years, associated with our cash flow hedge terminations. As of December 31, 2017, we did not have any cash flow hedges designated.

Foreign Currency and Warrant Derivative Instruments

At December 31, 2017 and 2016, we had outstanding foreign currency forward contracts with notional amounts aggregating to $767 million and $1.6 billion, respectively. The notional amounts of our foreign currency forward contracts do not generally represent amounts exchanged by the parties and thus are not a measure of the cash requirements related to these contracts or of any possible loss exposure. The amounts actually exchanged at maturity are calculated by reference to the notional amounts and by other terms of the derivative contracts, such as exchange rates.

Our foreign currency derivatives are not designated as hedges under ASC 815, and the changes in fair value of the contracts are recorded each period in “Other Income (Expense), Net” on the accompanying Consolidated Statements of Operations.

The total estimated fair values of our foreign currency forward contracts and warrant derivative are as follows:

	December 31,		
(Dollars in millions)	**2017**	**2016**	**Classifications**
Derivative Assets not Designated as Hedges:			
Foreign Currency Forward Contracts	$5	$7	*Other Current Assets*
Derivative Liabilities not Designated as Hedges:			
Foreign Currency Forward Contracts	(4)	(14)	*Other Current Liabilities*
Warrant on Weatherford Shares	(70)	(156)	*Other Non-current Liabilities*

The amount of derivative instruments’ gain or (loss) on the Consolidated Statements of Operations is in the table below.

	Year Ended December 31,			
(Dollars in millions)	**2017**	**2016**	**2015**	**Classification**
Foreign Currency Forward Contracts	$(25)	$(25)	$(115)	*Other Income (Expense), Net*
Cross-currency Swap Contracts	—	—	13	*Other Income (Expense), Net*
Warrant on Weatherford Shares	86	16	—	*Warrant Fair Value Adjustment*

16. SHAREHOLDERS' (DEFICIENCY) EQUITY

Changes in our ordinary shares issued during the years ended December 31, 2017, 2016 and 2015, were as follows:

(Shares in millions)	Issued
Balance at December 31, 2014	**774**
Equity Awards Granted, Vested and Exercised	5
Balance at December 31, 2015	**779**
Share Issuance	200
Equity Awards Granted, Vested and Exercised	4
Balance at December 31, 2016	**983**
Equity Awards Granted, Vested and Exercised	10
Balance at December 31, 2017	**993**

In March 2016, we issued 115 million ordinary shares, and the amount in excess of par value of $623 million is reported in "Capital in Excess of Par Value" on the accompanying Consolidated Balance Sheets.

On June 7, 2016, we issued exchangeable notes with a par value of $1.265 billion. The exchange feature carrying value of $97 million is included in "Capital in Excess of Par Value" on the accompanying Consolidated Balance Sheets.

On November 21, 2016, we issued 84.5 million ordinary shares at a price of $5.40 per ordinary share, and a warrant to purchase 84.5 million ordinary shares on or prior to May 21, 2019 at an exercise price of $6.43 per ordinary share to a selected institutional investor. The amount in excess of par value for the ordinary shares net of warrant was $271 million and is reported in "Capital in Excess of Par Value." At December 31, 2017, the fair value of the warrant of $70 million is classified as "Other Non-current Liabilities" on the accompanying Consolidated Balance Sheets.

Accumulated Other Comprehensive Loss

The following table presents the changes in our accumulated other comprehensive loss by component for the year ended December 31, 2017 and 2016:

(Dollars in millions)	Currency Translation Adjustment	Defined Benefit Pension	Deferred Loss on Derivatives	Total
Balance at December 31, 2015	**$(1,602)**	**$(29)**	**$(10)**	**$(1,641)**
Other Comprehensive (Loss) Income before Reclassifications	(12)	41	—	29
Reclassifications	—	1	1	2
Net Activity	(12)	42	1	31
Balance at December 31, 2016	**(1,614)**	**13**	**(9)**	**(1,610)**
Other Comprehensive Income before Reclassifications	130	1	—	131
Reclassifications	—	(40)	—	(40)
Net Activity	130	(39)	—	91
Balance at December 31, 2017	**$(1,484)**	**$(26)**	**$(9)**	**$(1,519)**

For the year ended December 31, 2017, the defined benefit pension reclassifications represent the amortization of unrecognized net gains associated primarily with our supplemental executive retirement plan. For the year ended December 31, 2016, the defined benefit pension component of other comprehensive income before reclassifications relates primarily to a net actuarial gain resulting from the revaluation of the pension obligation associated with our supplemental executive retirement plan.

17. EARNINGS PER SHARE

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

The following discloses basic and diluted weighted average shares outstanding:

	Year Ended December 31,		
(Shares in millions)	**2017**	**2016**	**2015**
Basic and Diluted Weighted Average Shares Outstanding	990	887	779

Our basic and diluted weighted average shares outstanding for the years ended December 31, 2017, 2016 and 2015, are equivalent due to the net loss attributable to shareholders. Diluted weighted average shares outstanding for the years ended December 31, 2017, 2016 and 2015, exclude potential shares for stock options, restricted shares, performance units, exchangeable notes, warrants outstanding and the Employee Stock Purchase Plan ("ESPP") as we have net losses for those periods and their inclusion would be anti-dilutive. The following table discloses the number of anti-dilutive shares excluded:

	Year Ended December 31,		
(Shares in millions)	**2017**	**2016**	**2015**
Anti-dilutive Potential Shares	250	104	3

18. SHARE-BASED COMPENSATION

We have share-based compensation plans that permit the grant of options, stock appreciation rights, RSAs, restricted share units ("RSUs"), performance share awards, performance unit awards ("PUs"), other share-based awards and cash-based awards to any employee, non-employee directors and other individual service providers or any affiliate. In addition, we also have share-based compensation provisions under our Employee Share Purchase Plan ("ESPP"). For RSAs and RSUs, compensation expense is recognized on a straight-line basis over the requisite service period for the separately vesting portion of each award. For PUs, compensation expense is recognized on a straight-line basis over the requisite service period for the entire award.

The provisions of each award vary based on the type of award granted and are determined by the Compensation Committee of our Board of Directors. Those awards, such as stock options that are based on a specific contractual term, will be granted with a term not to exceed 10 years. Upon grant of an RSA, the recipient has the rights of a shareholder, including but not limited to the right to vote such shares and the right to receive any dividends paid on such shares, but not the right to disposition prior to vesting. Recipients of RSUs do not have the rights of a shareholder until such date as the shares are issued or transferred to the recipient. As of December 31, 2017, approximately 33 million shares were available for grant under our share-based compensation plans.

Share-Based Compensation Expense

We recognized the following share-based compensation expense during each of the years ended December 31, 2017, 2016 and 2015:

	Year Ended December 31,		
(Dollars in millions)	**2017**	**2016**	**2015**
Share-based Compensation	$70	$87	$73
Related Tax (Provision) Benefit	—	—	14

Options

Stock options were granted with an exercise price equal to or greater than the fair market value of our shares as of the date of grant. We used the Black-Scholes option pricing model to determine the fair value of stock options awarded. The estimated fair value of our stock options was expensed over their vesting period, which was generally one to four years. There were no stock options granted during 2017, 2016 or 2015. During 2017 and 2016, no stock options were exercised. The intrinsic value of stock options exercised during 2015 was $15 million. All options were fully vested.

A summary of option activity for the year ended December 31, 2017, is presented below:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Term	Aggregate Intrinsic Value
	(In thousands)			*(In thousands)*
Outstanding at December 31, 2016	598	$12.59	0.91 years	$—
Exercised	—	—		
Expired	(398)	10.42		
Outstanding and Vested at December 31, 2017	200	16.92	0.89 years	—
Exercisable at December 31, 2017	—	—	0.00 years	—

Restricted Share Awards and Restricted Share Units

RSAs and RSUs vest based on continued employment, generally over a three-year period. The fair value of RSAs and RSUs is determined based on the closing price of our shares on the date of grant. The total fair value, less assumed forfeitures, is expensed over the vesting period. The weighted-average grant date fair value of RSUs granted during the years ended December 31, 2017, 2016 and 2015 was $4.26, $6.20 and $11.94, respectively. The total fair value of RSAs and RSUs vested during the years ended December 31, 2017, 2016 and 2015 was $30 million, $38 million and $37 million, respectively. As of December 31, 2017, there was $59 million of unrecognized compensation expense related to unvested RSAs and RSUs, which is expected to be recognized over a weighted average period of two years. A summary of RSA and RSU activity for the year ended December 31, 2017 is presented below:

	RSA	Weighted Average Grant Date Fair Value	RSU	Weighted Average Grant Date Fair Value
	(In thousands)		*(In thousands)*	
Non-Vested at December 31, 2016	**137**	**$17.42**	**12,794**	**$9.15**
Granted	—	—	10,876	4.26
Vested	(86)	17.35	(5,946)	9.56
Forfeited	(11)	16.35	(2,455)	8.63
Non-Vested at December 31, 2017	**40**	**17.87**	**15,269**	**5.58**

Performance Units

The performance units we granted in 2017, 2016 and 2015 vest over three years and the performance units we granted prior to 2015 vest at the end of a three-year period assuming continued employment and the Company's achievement of certain market-based performance goals. Depending on the performance levels achieved in relation to the predefined targets, shares may be issued for up to 200% of the units awarded. If the established performance goals are not met, the performance units will expire unvested and no shares will be issued. The grant date fair value of the performance units we have granted was determined through use of the Monte Carlo simulation method. The assumptions used in the Monte Carlo simulation during the year ended December 31, 2017, included a weighted average risk-free rate of 1.17%, volatility of 67.0% and a zero dividend yield. The weighted-average grant date fair value of the performance units we granted during the years ended December 31, 2017, 2016 and 2015 was $6.06, $5.11 and $10.45, respectively. For the year ended December 31, 2017, 145 thousand shares were issued for the performance units related to the departure of a former executive officer. The total fair value of these shares was $1 million. For the years ended December 31, 2016 and 2015 we did not issue any shares. As of December 31, 2017, there was $9 million of unrecognized compensation expense related to performance units, which is expected to be recognized over a weighted average period of one year.

A summary of performance unit activity for the year ended December 31, 2017, is presented below:

	Performance Units	Weighted Average Grant Date Fair Value
	(In thousands)	
Non-vested at December 31, 2016	**1,932**	**$ 7.08**
Granted	3,070	6.06
Vested	(145)	6.25
Forfeited	(1,767)	7.15
Non-vested at December 31, 2017	**3,090**	**6.07**

Employee Stock Purchase Plan

In June 2016, our shareholders adopted our ESPP and approved 12 million shares to be reserved for issuance under the plan. The ESPP permits eligible employees to make payroll deductions to purchase Weatherford stock. Each offering period has a six-month duration beginning on either March 1 or September 1. Shares are purchased at 90% of the lower of the closing price for our common stock on the first or last day of the offering period. We issued 3 million shares under the ESPP as of December 31, 2017.

19. RETIREMENT AND EMPLOYEE BENEFIT PLANS

We have defined contribution plans covering certain employees. Contribution expenses related to these plans totaled $24 million, $30 million and $66 million in 2017, 2016 and 2015, respectively. The decrease in employer contributions in 2017 and 2016 relates primarily to headcount reductions and the suspension of employer matching contributions to our U.S. 401(k) savings plan and other contribution plans sponsored by the Company.

We have defined benefit pension and other post-retirement benefit plans covering certain U.S. and international employees. Plan benefits are generally based on factors such as age, compensation levels and years of service. Net periodic benefit income/cost related to these plans totaled $38 million of income in 2017 due primarily to amortization of the unrecognized net gain associated with our supplemental executive retirement plan and $9 million of cost in 2016 and 2015, respectively. The projected benefit obligations on a consolidated basis were $198 million and $205 million as of December 31, 2017 and 2016, respectively. The decrease year over year is due primarily to settlements offset by increases related to currency fluctuations in Euro and British Pound denominated plans. The fair values of plan assets on a consolidated basis (determined primarily using Level 2 inputs) were $133 million and $118 million as of December 31, 2017 and 2016, respectively. The increase in plan assets year over year is also due primarily to the Euro and British Pound currency fluctuations. As of December 31, 2017, the net underfunded obligation was substantially all recorded within Other Non-current Liabilities. As of December 31, 2016, the net underfunded obligation was primarily recorded within Other Non-current Liabilities with approximately $22 million recorded in Accrued Salaries and Benefits. Additionally, consolidated pre-tax amounts in accumulated other comprehensive income that have not yet been recognized as components of net periodic benefit cost were loss of $35 million and income of $3 million as of December 31, 2017 and 2016, respectively. The change in other comprehensive income (loss) year over year is due primarily to the amortization of the unrecognized net gain mentioned above.

The weighted average assumption rates used for benefit obligations were as follows:

	Year Ended December 31,	
	2017	**2016**
Discount rate:		
United States Plans	3.00% - 3.50%	1.00% - 4.00%
International Plans	1.60% - 6.75%	1.90% - 7.50%
Rate of Compensation Increase:		
United States Plans	—	—
International Plans	2.00% - 3.50%	2.00% - 3.50%

During 2017 and 2016, we made contributions and paid direct benefits of $23 million and $6 million, respectively, in connection with our defined benefit pension and other post-retirement benefit plans. In 2018, we expect to fund approximately $5 million related to those plans.

20. INCOME TAXES

We are exempt from Swiss cantonal and communal tax on income derived outside Switzerland, and we are also granted participation relief from Swiss federal tax for qualifying dividend income and capital gains related to the sale of qualifying investments in subsidiaries. We expect that the participation relief will result in a full exemption of participation income from Swiss federal income tax.

We provide for income taxes based on the laws and rates in effect in the countries in which operations are conducted, or in which we or our subsidiaries are considered resident for income tax purposes. The relationship between our pre-tax income or loss and our income tax provision or benefit varies from period to period as a result of various factors which include changes in total pre-tax income or loss, the jurisdictions in which our income is earned, the tax laws in those jurisdictions and in our operating structure.

Our income tax (provision) benefit from continuing operations consisted of the following:

	Year Ended December 31,		
(Dollars in millions)	**2017**	**2016**	**2015**
Total Current Provision	$(162)	$(115)	$(303)
Total Deferred (Provision) Benefit	25	(381)	448
(Provision) Benefit for Income Taxes	**$(137)**	**$(496)**	**$145**

Weatherford records deferred tax assets for net operating losses and temporary differences between the book and tax basis of assets and liabilities that are expected to produce tax deductions in future periods. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which those deferred tax assets would be deductible. The Company assesses the realizability of its deferred tax assets each period by considering whether it is more likely than not that all or a portion of the deferred tax assets will not be realized. The Company considers all available evidence (both positive and negative) when determining whether a valuation allowance is required. The Company evaluated possible sources of taxable income that may be available to realize the benefit of deferred tax assets, including projected future taxable income, the reversal of existing temporary differences, taxable income in carryback years and available tax planning strategies in making this assessment. The realizability of the deferred tax assets is dependent upon judgments and assumptions inherent in the determination of future taxable income, including factors such as future operation conditions (particularly as related to prevailing oil prices and market demand for our products and services).

Operations in various jurisdictions continue to experience losses due to the delayed recovery in the demand for oil field services. Our expectations regarding the recovery are more measured due to continue volatility in oil prices and market contraction for our products and services. Also, the Company recorded significant long-lived asset impairments and established allowances for inventory and other assets in the fourth quarter of 2017. As a result of the continued losses, and limited objective positive evidence to overcome negative evidence, the Company concluded that it needed to record additional valuation allowance of $73 million in the fourth quarter of 2017 against certain previously benefited deferred tax assets since it cannot support that it is more likely than not that the deferred tax assets will be realized.

The Company will continue to evaluate whether valuation allowances are needed in future reporting periods. Valuation allowances will remain until the Company can determine that net deferred tax assets are more likely than not to be realized. In the event that the Company were to determine that it would be able to realize the deferred income tax assets in the future as a result of significant improvement in earnings as a result of market conditions, the Company would adjust the valuation allowance, reducing the provision for income taxes in the period of such adjustment.

The difference between the income tax (provision) benefit at the Swiss federal income tax rate and the income tax (provision) benefit attributable to "Loss Before Income Taxes" for each of the three years ended December 31, 2017, 2016 and 2015 is analyzed below:

	Year Ended December 31,		
(Dollars in millions)	**2017**	**2016**	**2015**
Swiss Federal Income Tax Rate at 7.83%	$208	$225	$164
Tax on Operating Earnings Subject to Rates Different than the Swiss Federal Income Tax Rate	123	319	411
U.S. Tax Reform - Remeasure of U.S. Deferred Tax Assets	(249)	—	—
Non-cash Tax Expense on Distribution of Subsidiary Earnings	—	(137)	(265)
Change in Valuation Allowance Attributed to U.S. Tax Reform	301	—	—
Change in Valuation Allowance	(459)	(872)	(159)
Change in Uncertain Tax Positions	(61)	(31)	(6)
(Provision) Benefit for Income Taxes	**$(137)**	**$(496)**	**$145**

Our income tax provision in 2017 was $137 million on a loss before income taxes of $2.7 billion. The primary driver of the tax expense was due to profits in certain jurisdictions, deemed profit countries and withholding taxes on intercompany and third party transactions. In addition, the Company concluded that it needed to record a valuation allowance of $73 million in the fourth quarter of 2017 against certain previously benefited deferred tax assets since it cannot support that it is more likely than not that the deferred tax assets will be realized. The additional valuation allowance was partially offset by a one-time $52 million benefit as a result of the recent U.S tax reform. Our results for 2017 also include charges with no significant tax benefit principally related to asset write-downs and other charges including $928 million in long-lived asset impairments, $540 million inventory charges including excess and obsolete, $230 million in the write-down of Venezuelan receivables and $66 million of other write-downs charges and credits, $183 million in restructuring charges and the warranty fair value adjustment of $86 million.

On December 22, 2017, the U.S. enacted into law a comprehensive tax reform bill (the “Tax Cuts and Jobs Act,” or “TCJA”). The TCJA significantly revises the U.S. corporate income tax by, among other things, lowering the statutory corporate tax rate from 35% to 21%, eliminating certain deductions, imposing a mandatory one-time tax on accumulated earnings of foreign subsidiaries as of 2017 held in cash and illiquid assets (with the latter taxed at a lower rate), and a shift of the U.S. taxation of multinational corporations from a tax on worldwide income to a partial territorial system (along with certain rules designed to prevent erosion of the U.S. income tax base, such as the base erosion and anti-abuse tax). The SEC has issued guidance that allow for a measurement period of up to one year after the enactment date of the legislation to finalize the recording of the related tax impacts. The Company believes that the permanent reduction in the U.S. statutory corporate tax rate to 21% from 35% can reasonably be estimated to decrease the amount of the U.S. deferred tax assets and liabilities by $249 million with a decrease to the valuation allowance of $301 million for a net tax benefit of $52 million. The TCJA is not estimated to have other impacts on the Company’s effective tax rate because of the valuation allowance against the U.S. deferred tax assets. Any potential impact is offset by un-benefitted U.S. net operating loss carryforwards. As we do not have all the necessary information to analyze all effects of this tax reform, this is a provisional amount which we believe represents a reasonable estimate of the accounting implications of this tax reform. In addition, the various impacts of the TCJA may materially differ from the estimated impacts recognized in the fourth quarter due to regulatory guidance that may be issued in the future, tax law technical corrections, refined computations, and possible changes in the Company’s interpretations, assumptions, and actions as a result of the tax legislation. We will continue to evaluate tax reform, and adjust the provisional amounts as additional information is obtained. Any adjustment to these provisional amounts will be reported in the reporting period in which any such adjustments are determined, which will be no later than the fourth quarter of 2018.

Our income tax provision in 2016 was $496 million on a loss before income taxes of $2.9 billion. The primary component of the tax expense relates to the Company’s conclusion that certain deferred tax assets that had previously been benefited are not more likely than not to be realized. Our results for 2016 also include charges with no significant tax benefit principally related to $436 million of long-lived asset impairments, $219 million of inventory write-downs, $140 million of settlement agreement charges, $41 million of currency devaluation related to the Angolan kwanza and Egyptian pound, $78 million of bond tender premium, and $76 million of PDVSA note receivable net adjustment, $62 million in accounts receivable reserves and write-offs, and $114 million in pressure pumping related charges. In addition, we recorded $137 million for a non-cash tax expense related to an internal restructuring of subsidiaries.

In 2015, we had a tax benefit of $145 million on a loss before income taxes of $2.1 billion. The tax benefit was favorably impacted by a U.S. loss, which included restructuring, impairment charges and a worthless stock deduction. Our results for 2015 include $255 million of Land Drilling Rig impairment charges, $232 million of restructuring charges, $116 million of litigation settlements, $153 million of legacy project losses, $85 million of currency devaluation and related losses and $25 million of equity investment impairment, all with no significant tax benefit. In addition, we recorded a tax charge of $265 million for a non-cash tax expense on distribution of subsidiary earnings.

Deferred tax assets and liabilities are recognized for the estimated future tax effects of temporary differences between the tax basis of an asset or liability and its reported amount in the Consolidated Financial Statements. The measurement of deferred tax assets and liabilities is based on enacted tax laws and rates currently in effect in each of the jurisdictions in which we have operations.

The components of the net deferred tax asset (liability) attributable to continuing operations were as follows:

	December 31,	
(Dollars in millions)	**2017**	**2016**
Net Operating Losses Carryforwards:	$1,208	$1,258
Accrued Liabilities and Reserves	266	200
Tax Credit Carryforwards	99	102
Employee Benefits	39	34
Inventory	129	75
Other Differences between Financial and Tax Basis	346	252
Valuation Allowance	(1,887)	(1,738)
Total Deferred Tax Assets	200	183
Deferred Tax Liabilities:		
Property, Plant and Equipment	(49)	(13)
Intangible Assets	(131)	(212)
Deferred Income	—	(9)
Undistributed Subsidiary Earnings	—	—
Other Differences between Financial and Tax Basis	(71)	(25)
Total Deferred Tax Liabilities	(251)	(259)
Net Deferred Tax Asset (Liability)	**$(51)**	**$(76)**

The increase in the valuation allowance in 2017 is primarily attributable to the establishment of a valuation allowance against current year net operating losses (“NOLs”) and beginning-of-year deferred tax assets in the United Kingdom and Argentina. The overall increase in the valuation allowance in 2016 is primarily attributable to the establishment of a valuation allowance against current year net operating losses (“NOLs”) and beginning-of-year deferred tax assets in the United States, Brazil, and Colombia.

Deferred income taxes generally have not been recognized on the cumulative undistributed earnings of our non-Swiss subsidiaries because they are considered to be indefinitely reinvested or they can be distributed on a tax free basis. Distribution of these earnings in the form of dividends or otherwise may result in a combination of income and withholding taxes payable in various countries. In 2016 the company recorded a tax charge of $137 million for a non-cash tax expense related to an internal restructuring of subsidiaries. As of December 31, 2017, the pool of positive undistributed earnings of our non-Swiss subsidiaries that are considered indefinitely reinvested and may be subject to tax if distributed amounts to approximately $2.9 billion. Due to complexities in the tax laws and the manner of repatriation, it is not practicable to estimate the unrecognized amount of deferred income taxes and the related dividend withholding taxes associated with these undistributed earnings.

At December 31, 2017, we had approximately $5.0 billion of NOLs in various jurisdictions, $1.9 billion of which were generated by certain U.S. subsidiaries. Loss carryforwards, if not utilized, will mostly expire for U.S. subsidiaries from 2033 through 2037 and at various dates from 2018 through 2037 for non-U.S. subsidiaries. At December 31, 2017, we had $98 million of tax credit carryovers, of which $82 million is for U.S. subsidiaries. The U.S. credits primarily consists of $30 million of research and development tax credit carryforwards which expire from 2026 through 2036, and $52 million of foreign tax credit carryforwards which expire from 2018 through 2036.

A tabular reconciliation of the total amounts of uncertain tax positions at the beginning and end of the period is as follows:

	Year Ended December 31,		
(Dollars in millions)	**2017**	**2016**	**2015**
Balance at Beginning of Year	**$208**	**$195**	**$235**
Additions as a Result of Tax Positions Taken During a Prior Period	65	30	28
Reductions as a Result of Tax Positions Taken During a Prior Period	(1)	(1)	(9)
Additions as a Result of Tax Positions Taken During the Current Period	12	20	5
Reductions Relating to Settlements with Taxing Authorities	(29)	(19)	(46)
Reductions as a Result of a Lapse of the Applicable Statute of Limitations	(38)	(12)	(7)
Foreign Exchange Effects	—	(5)	(11)
Balance at End of Year	**$217**	**$208**	**$195**

Substantially all of the uncertain tax positions, if recognized in future periods, would impact our effective tax rate. To the extent penalties and interest would be assessed on any underpayment of income tax, such amounts have been accrued and classified as a component of income tax expense and other non-current liabilities in the Consolidated Financial Statements in accordance with our accounting policy. We recorded an expense of $10 million, an expense of $2 million and a benefit of $4 million of interest and penalty for the years ended December 31, 2017, 2016 and 2015, respectively. The amounts in the table above exclude cumulative accrued interest and penalties of $61 million, $51 million, and $50 million at December 31, 2017, 2016 and 2015, respectively, which are included in other liabilities.

We are subject to income tax in many of the approximately 90 countries where we operate. As of December 31, 2017, the following table summarizes the tax years that remain subject to examination for the major jurisdictions in which we operate:

Canada	2009 - 2017
Mexico	2007 - 2017
Russia	2015 - 2017
Switzerland	2010 - 2017
United States	2014 - 2017

We are continuously under tax examination in various jurisdictions. We cannot predict the timing or outcome regarding resolution of these tax examinations or if they will have a material impact on our financial statements. We anticipate that it is reasonably possible that the amount of uncertain tax positions may decrease by up to $12 million in the next twelve months due to expiration of statutes of limitations, settlements and/or conclusions of tax examinations.

21. DISPUTES, LITIGATION AND CONTINGENCIES

Shareholder Litigation

In 2010, three shareholder derivative actions were filed, purportedly on behalf of the Company, asserting breach of duty and other claims against certain current and former officers and directors of the Company related to the United Nations oil-for-food program governing sales of goods into Iraq, the Foreign Corrupt Practices Act of 1977 and trade sanctions related to the U.S. government investigations disclosed in our SEC filings since 2007. Those shareholder derivative cases were filed in Harris County, Texas state court and consolidated under the caption *Neff v. Brady, et al.*, No. 2010040764 (collectively referred to as the "*Neff Case*"). Other shareholder demand letters covering the same subject matter were received by the Company in early 2014, and a fourth shareholder derivative action was filed, purportedly on behalf of the Company, also asserting breach of duty and other claims against certain current and former officers and directors of the Company related to the same subject matter as the *Neff Case*. That case, captioned *Erste-Sparinvest KAG v. Duroc-Danner, et al.,* No. 201420933 (Harris County, Texas) was consolidated into the *Neff Case* in September 2014. A motion to dismiss was granted May 15, 2015, and an appeal was filed on June 15, 2015. Following briefing and oral argument, on June 29, 2017, the Texas Court of Appeals denied in part and granted in part the shareholders' appeal. The Court ruled that the shareholders lacked standing to bring claims that arose prior to the Company's redomestication to Switzerland in 2009, and upheld the dismissal of those claims. The Court reversed as premature the trial court's dismissal of claims arising after the redomestication and remanded to the trial court for further proceedings. On February 1, 2018, the individual defendants and nominal defendant Weatherford filed a motion for summary judgment on the remaining claims in the case. We cannot reliably predict the outcome of the remaining claims, including the amount of any possible loss.

Securities Class Action Settlement

On June 30, 2015, we signed a stipulation to settle a shareholder securities class action captioned *Freedman v. Weatherford International Ltd., et al.*, No. 1:12-cv-02121-LAK (S.D.N.Y.) for $120 million subject to notice to the class and court approval. The *Freedman* lawsuit had been filed in the U.S. District Court for the Southern District of New York in March 2012, and alleged that we and certain current and former officers of Weatherford violated the federal securities laws in connection with the restatements of the Company's historical financial statements announced on February 21, 2012 and July 24, 2012. On November 4, 2015, the U.S. District Court for the Southern District of New York entered a final judgment and an order approving the settlement. Pursuant to the settlement, we were required to pay $120 million, which was partially funded by insurance proceeds. There was no admission of liability or fault by a party in connection with the settlement. We are pursuing reimbursement from our insurance carriers and have recovered $26 million of the settlement amount to date.

On January 30, 2015, the U.S. District Court for the Southern District of New York approved the settlement of a purported shareholder securities class action captioned *Dobina v. Weatherford International Ltd.*, *et al.*, No. 1:11-cv-01646-LAK (S.D.N.Y.) for $53 million. The action named Weatherford and certain current and former officers as defendants. It alleged violation of the federal securities laws in connection with the material weakness in our internal controls over financial reporting for income taxes, and restatement of our historical financial statements announced in March 2011. The settlement was entirely funded by our insurers. There was no admission of liability or fault by any party in connection with the settlement.

U.S. Government and Other Investigations

The SEC and the U.S. Department of Justice ("DOJ") investigated certain accounting issues associated with the material weakness in our internal control over financial reporting for income taxes that was disclosed in a notification of late filing on Form 12b-25 filed on March 1, 2011 and in current reports on Form 8-K filed on February 21, 2012 and on July 24, 2012 and the subsequent restatements of our historical financial statements. During the first quarter 2016, we recorded a loss contingency in the amount of $65 million, and increased it to $140 million in the second quarter to reflect our best estimate of the potential settlement. As disclosed in the Form 8-K filed on September 27, 2016, the Company settled with the SEC without admitting or denying the findings of the SEC, by consenting to the entry of an administrative order that requires the Company to cease and desist from committing or causing any violations and any future violations of the anti-fraud provisions of the Securities Act of 1933 (as amended, the "Securities Act"), and the anti-fraud, reporting, books and records, and internal controls provisions of the Securities Exchange Act of 1934 (as amended, the "Exchange Act"), and the rules promulgated thereunder. As part of the terms of the SEC settlement, the Company agreed to pay a total civil monetary penalty of $140 million. In addition, certain reports and certifications regarding our internal controls over accounting for income taxes must be delivered to the SEC during the two years following the settlement. We have completed two of three such reports and expect the final report to be delivered by April 2018. A payment of $50 million was made during the fourth quarter of 2016, and a payment of $30 million was made in each of January and May 2017. A final payment for the civil monetary penalty of $30 million was made in September 2017.

Spitzer Industries Litigation

In August 2016, after a bench trial in Harris County, Texas, the court entered a judgment of $36 million against the Company in the case of Spitzer Industries, Inc. ("Spitzer") vs. Weatherford U.S., L.P. in connection with Spitzer's fabrication work on two mobile capture vessels used in the cleanup of marine oil spills. We agreed on a settlement and paid the settlement amount of $25 million during the fourth quarter of 2017.

Rapid Completions and Packers Plus Litigation

Several subsidiaries of the Company are defendants in a patent infringement lawsuit filed by Rapid Completions LLC ("RC") in U.S. District Court for the Eastern District of Texas on July 31, 2015. RC claims that we and other defendants are liable for infringement of seven U.S. patents related to specific downhole completion equipment and the methods of using such equipment. These patents have been assigned to Packers Plus Energy Services, Inc., a Canadian corporation ("Packers Plus"), and purportedly exclusively licensed to RC. The litigation is currently stayed pending resolution of inter partes reviews of each of the patents-in-suit, which are pending before the Patent Trial and Appeal Board of the U.S. Patent and Trademark Office ("USPTO"). RC is seeking a permanent injunction against further alleged infringement, unspecified damages for infringement, supplemental and enhanced damages, and additional relief such as attorneys' fees. The Company has filed a counterclaim against Packers Plus, seeking declarations of non-infringement, invalidity, and unenforceability of the patents-in-suit on the grounds of inequitable conduct before the USPTO. The Company is seeking attorneys' fees and costs incurred in the lawsuit.

On October 14, 2015, Packers Plus and RC filed suit in Federal Court in Toronto, Canada against the Company and certain subsidiaries alleging infringement of a related Canadian patent and seeking unspecified damages and an accounting of the Company's profits. Trial on the validity of the Canadian patent was completed in March 2017. On November 3, 2017, the Federal Court issued its decision, wherein it concluded that the defendants proved that the patent-in-suit was invalid and dismissed Packers Plus and RC's claims of infringement. On January 5, 2018, Packers Plus and RC filed their Notice of Appeal.

If one or more negative outcomes were to occur in either case, the impact to our financial position, results of operations, or cash flows could be material.

Other Disputes and Litigation

Additionally, we are aware of various disputes and potential claims and are a party in various litigation involving claims against us, including as a defendant in various employment claims alleging our failure to pay certain classes of workers overtime in compliance with the Fair Labor Standards Act for which an agreement was reached and settled during 2016. Some of these disputes and claims are covered by insurance. For claims, disputes and pending litigation in which we believe a negative outcome is probable and a loss can be reasonably estimated, we have recorded a liability for the expected loss. These liabilities are immaterial to our financial condition and results of operations.

In addition we have certain claims, disputes and pending litigation for which we do not believe a negative outcome is probable or for which we can only estimate a range of liability. It is possible, however, that an unexpected judgment could be rendered against us, or we could decide to resolve a case or cases, that would result in liability that could be uninsured and beyond the amounts we currently have reserved and in some cases those losses could be material. If one or more negative outcomes were to occur relative to these matters, the aggregate impact to our financial condition could be material.

Accrued litigation and settlements recorded in “Other Current Liabilities” on the accompanying Consolidated Balance Sheets as of December 31, 2017 and 2016 were $51 million and $181 million, respectively.

22. COMMITMENTS AND OTHER CONTINGENCIES

We are committed under various operating lease agreements primarily related to office space and equipment. Generally, these leases include renewal provisions and rental payments, which may be adjusted for taxes, insurance and maintenance related to the property. Future minimum commitments under noncancellable operating leases are as follows (dollars in millions):

2018	$176
2019	112
2020	69
2021	52
2022	32
Thereafter	192
	$633

Total rent expense incurred under operating leases was approximately $217 million, $324 million and $426 million for the years ended December 31, 2017, 2016 and 2015, respectively. The future rental commitment table above does not include leases that are short-term in nature or can be cancelled with notice of less than three months.

Other Contingencies

The contractual residual value guarantee balance of $28 million in “Other Non-Current Liabilities” on the accompanying Consolidated Balance Sheets at December 31, 2016 was extinguished after the underlying leased equipment in our North America pressure pumping operations was purchased during the first quarter of 2017.

We have minimum purchase commitments related to supply contracts and maintain a liability at December 31, 2017 of $69 million for expected penalties to be paid, of which $22 million is recorded in “Other Current Liabilities” and $47 million is recorded in “Other Non-Current Liabilities” on our Consolidated Balance Sheets.

23. SEGMENT INFORMATION

Reporting Segments

At the end of the third quarter of 2017, changes to the Company’s organization structure were internally announced by the Company’s management. During the fourth quarter of 2017, the Company's chief operating decision maker (its chief executive officer) changed the information he regularly reviews to allocate resources and assess performance. Implementation of these changes commenced in the beginning of the fourth quarter of 2017, and, as a result, we realigned our reporting segments into two reportable segments which are the Western Hemisphere segment and Eastern Hemisphere segment. Our Western Hemisphere segment represents the prior North America and Latin America segments as well as land drilling rigs operations in Colombia and Mexico. Our Eastern Hemisphere segment represents the prior MENA/Asia Pacific segment and Europe/SSA/Russia segment as well as land drilling rigs operations in the Eastern Hemisphere. Research and Development expenses are now included in the results of our Western and Eastern Hemisphere segments. We have revised our segment reporting to reflect our current management approach and recast prior periods to conform to the current segment presentation.

These reportable segments are based on management’s organization and view of Weatherford’s business when making operating decisions and assessing performance. The purpose of the change is to flatten the organization structure, reduce our costs and accelerate decision-making processes. Our corporate and other expenses that do not individually meet the criteria for segment reporting continue to be reported separately as Corporate expenses.

Financial information by segment is summarized below. Revenues are attributable to countries based on the ultimate destination of the sale of products or performance of services. The accounting policies of the segments are the same as those described in “Note 1 – Summary of Significant Accounting Policies.” Included in the 2016 and 2015 income (loss) from operations in the Eastern Hemisphere are losses related to our Zubair project in Iraq accounted for under the percentage-of-completion method as described in “Note 5 – Percentage of Completion Contracts.”

(Dollars in millions)	Year Ended December 31, 2017 Net Operating Revenues	Income (Loss) from	Depreciation and Amortization	Capital Expenditures
Western Hemisphere	$2,937	$(115)	$352	$70
Eastern Hemisphere	2,762	(143)	443	130
	5,699	(258)	795	200
Corporate General and Administrative		(130)	6	25
Long-Lived Asset Impairments, Write-Downs and Other Charges [(a)]		(1,664)		
Restructuring Charges [(b)]		(183)		
Litigation Charges, Net		10		
Gain from Disposition of U.S. Pressure Pumping Assets [(c)]		96		
Total	**$5,699**	**$(2,129)**	**$801**	**$225**

(a) During 2017, impairments, asset write-downs and other include $928 million in long-lived asset impairments (of which $740 million relates to the write-down to the lower of carrying amount or fair value less cost to sell of our land drilling rigs assets classified as held for sale), $506 million of asset write-downs, charges and credits and $230 million in the write-down of Venezuelan receivables.

(b) Includes restructuring charges of $183 million: $70 million in Western Hemisphere, $77 million in Eastern Hemisphere and $36 million in Corporate.

(c) In the fourth quarter of 2017, we recognized a gain on the disposition of our U.S. pressure pumping and pump-down perforating assets.

(Dollars in millions)	Year Ended December 31, 2016 Net Operating Revenues	Loss from Operations	Depreciation and Amortization	Capital Expenditures
Western Hemisphere	$2,942	$(409)	$446	$55
Eastern Hemisphere	2,807	(160)	501	134
	5,749	(569)	947	189
Corporate General and Administrative		(139)	9	15
Long-Lived Asset Impairment and Other Related Charges [(d)]		(1,043)		
Restructuring Charges [(e)]		(280)		
Litigation Charges		(220)		
Total	$5,749	$(2,251)	$956	$204

(d) Includes $710 million related to long-lived asset impairments, asset write-downs, receivable write-offs and other charges and credits, $219 million in inventory write-downs and $114 million of pressure pumping related charges.

(e) Includes restructuring charges of $280 million: $153 million in the Western Hemisphere, $75 million in the Eastern Hemisphere and $52 million in Corporate.

	Year Ended December 31, 2015			
(Dollars in millions)	Net Operating Revenues	Income (Loss) from Operations [f]	Depreciation and Amortization	Capital Expenditures
Western Hemisphere	$5,276	$(180)	$621	$390
Eastern Hemisphere	4,157	27	563	273
	9,433	(153)	1,184	663
Corporate General and Administrative		(194)	16	19
Long-Lived Asset Impairments [g]		(768)		
Goodwill Impairment		(25)		
Restructuring Charges [h]		(232)		
Litigation Charges		(116)		
Loss on Sale of Businesses, Net		(6)		
Other Items [i]		(52)		
Total	**$9,433**	**$(1,546)**	**$1,200**	**$682**

(f) Includes inventory write-downs of $223 million attributable to the reporting segments as follows: $127 million in the Western Hemisphere and $96 million in the Eastern Hemisphere. Also includes bad debt expense of $48 million of which $31 million was taken in the fourth quarter attributable to our reporting segments as follows: $29 million in the Western Hemisphere and $19 million in the Eastern Hemisphere.

(g) Includes $638 million of long-lived asset impairment charges, supply agreement charges related to a non-core business divestiture of $67 million, and pressure pumping related charges of $63 million.

(h) Includes restructuring charges of $232 million: $94 million in the Western Hemisphere, $123 million in the Eastern Hemisphere and $15 million in Corporate.

(i) Includes $17 million in professional and other fees, $11 million in divestiture related charges and facility closures and $24 million in other charges.

The following table presents total assets by segment at December 31:

	Total Assets at December 31,	
(Dollars in millions)	2017	2016
Western Hemisphere	$4,933	$6,167
Eastern Hemisphere	4,311	5,491
Corporate	503	1,006
Total	**$9,747**	**$12,664**

Total assets in the United States, part of our Western Hemisphere segment, were $2.9 billion and $3.3 billion as of December 31, 2017 and 2016, respectively.

Products and Services

We are one of the world's leading providers of equipment and services used in the production, completion, drilling and evaluation, and well construction of oil and natural gas wells. The composition of our consolidated revenues by product service line group is as follows:

	Year Ended December 31,		
	2017	2016	2015
Production	26%	29%	29%
Completions	22	20	20
Drilling and Evaluation	24	22	22
Well Construction	28	29	29
Total	**100%**	**100%**	**100%**

Geographic Areas

Financial information by geographic area within the hemispheres is summarized below. Revenues from customers and long-lived assets in Ireland were nil in each of the years presented. Long-lived assets exclude goodwill and intangible assets as well as deferred tax assets of $36 million and $81 million at December 31, 2017 and 2016, respectively.

	Revenues			Long-lived Assets	
(Dollars in millions)	**2017**	**2016**	**2015**	**2017**	**2016**
United States	$1,555	$1,523	$2,864	$870	$1,008
Latin America	890	1,064	1,782	575	903
Canada	492	355	630	118	140
Western Hemisphere	$2,937	$2,942	$5,276	$1,563	$2,051
Middle East & North Africa	$1,464	$1,513	$1,843	$528	$1,595
Europe/Sub-Sahara Africa/Russia	999	939	1,613	532	629
Asia	299	355	701	270	354
Eastern Hemisphere	$2,762	$2,807	$4,157	$1,330	$2,578
Total	$5,699	$5,749	$9,433	$2,893	$4,629

24. SUBSEQUENT EVENT

Senior Notes

In February 2018, the Company issued $600 million aggregate principal amount of 9.875% senior notes due 2025 (“Notes”) through a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended, and to certain non-U.S. persons in accordance with Regulation S under the Securities Act. The Notes are senior, unsecured obligations of Weatherford International, LLC, a Delaware limited liability company and an indirect, wholly owned subsidiary of the Company. The purpose of the Offering was to repay in full the Company’s 6.00% senior notes due March 2018, to fund a concurrently announced tender offer to purchase for cash any and all of the Company’s 9.625% senior notes due 2019 and for debt repayment. We settled the tender offer in cash in the amount of $454 million related to a principal amount of $425 million of the Company’s 9.625% senior notes due 2019.

25. EMPLOYEES

The average number of persons employed by the Company during the years ended December 31, 2017 and 2016 was as follows:

	Year Ended December 31,	
	2017	**2016**
Western Hemisphere	12,793	14,756
Eastern Hemisphere	16,327	17,889
Corporate and Research and Development	557	586
	29,677	33,231

Employee costs for the years ended December 31, 2017 and 2016 were as follows:

	Year Ended December 31,	
(Dollars in millions)	**2017**	**2016**
Salaries and wages	$1,873	$1,925
Benefits and payroll taxes	333	363
Employee welfare	61	59
Bonus and incentives	89	26
Employee stock plans	61	73
Severance	111	196
	$2,528	$2,642

26. DIRECTORS' REMUNERATION

Directors' remuneration for the years ended December 31, 2017 and 2016 is presented in the table below. Mr. Mark A. McCollum, the Company's President, Chief Executive Officer and Director effective April 24, 2017, was not compensated for his services as a director. Dr. Bernard J. Duroc-Danner, the Company's Chairman and Chief Executive Officer until November 9, 2016, was not compensated for his services as a director. Accordingly, the amounts below include compensation for both Mr. Mark A. McCollum and Dr. Bernard J. Duroc-Danner as chief executive officer (referred to as "Managerial Services") as well as compensation for all non-employee directors in their capacities as such (referred to as "Director Services").

	Year Ended December 31,	
(Dollars in millions)	**2017**	**2016**
Managerial services [(a)]	$9	$28
Director services	4	3
	$13	**$31**

(a) In 2017, includes base compensation earned of $1 million and share-based compensation of $8 million calculated in accordance with U.S. GAAP. In 2016, includes base compensation earned of $1 million, share-based compensation of $5 million calculated in accordance with U.S. GAAP and other compensation of $22 million consisting primarily of taxes and severance benefits.

27. AUDITORS' REMUNERATION

Fees paid to KPMG, the Company's statutory auditor, during the years ended December 31, 2017 and 2016 were as follows:

	Year Ended December 31,	
(Dollars in millions)	**2017**	**2016**
Audit fees		
Audit fees paid to KPMG and its affiliates	$17	$19
Audit of the parent company financial statements	—	—
Total audit fees	17	19
Tax and other fees	—	1
Total	$17	$20

28. SIGNIFICANT SUBSIDIARIES

Listed below are the significant subsidiaries of the Registrant as of December 31, 2017, and the states or jurisdictions in which they are incorporated or organized. The names of other subsidiaries have been omitted from the list below, since they would not constitute, in the aggregate, a significant subsidiary as of December 31, 2017.

Name of Company	Jurisdiction
Key International Drilling Company Limited	Bermuda
PD Oilfield Services Mexicana, S. de R.L. de C.V.	Mexico
Precision Drilling Services M.E.W.L.L.	United Arab Emirates
Precision Energy Services Saudi Arabia Co. Ltd.	Saudi Arabia
PT. Weatherford Indonesia	Indonesia
Reeves Wireline Technologies Limited	England
Weatherford (Malaysia) Sdn. Bhd.	Malaysia
Weatherford Al-Rushaid Co. Ltd.	Saudi Arabia
Weatherford Artificial Lift Systems, LLC	Delaware
Weatherford Asia Pacific Pte Ltd	Singapore
Weatherford Australia Pty. Limited	Australia
Weatherford Bermuda Holdings Ltd.	Bermuda
Weatherford Canada Ltd.	Canada
Weatherford de Mexico, S. de R.L. de C.V.	Mexico
Weatherford Drilling International (BVI) Ltd.	British Virgin Islands
Weatherford Drilling International Holdings (BVI) Ltd.	British Virgin Islands
Weatherford Holding GmbH	Germany
Weatherford Industria e Comercio Ltda.	Brazil
Weatherford International de Argentina S.A.	Argentina
Weatherford International Ltd.	Bermuda
Weatherford International, LLC	Delaware
Weatherford Latin America, S.C.A.	Venezuela
Weatherford Management Company Switzerland Sarl	Switzerland
Weatherford Oil Tool GmbH	Germany
Weatherford Oil Tool Middle East Limited	British Virgin Islands
Weatherford Products GmbH	Switzerland
Weatherford Services and Rentals Ltd.	British Virgin Islands
Weatherford Services, Ltd.	Bermuda
Weatherford Switzerland Trading and Development GmbH	Switzerland
Weatherford U.S., L.P.	Louisiana
Weatherford U.S. Holdings, L.L.C.	Delaware
Weatherford, LLC	Russia
WEUS Holding, LLC	Delaware
WFO S.A. de C.V.	Mexico

WEATHERFORD INTERNATIONAL PLC
PARENT COMPANY BALANCE SHEET
DECEMBER 31, 2017

	December 31,	
(In USD millions)	**2017**	**2016**
NON-CURRENT ASSETS		
Investment in Subsidiaries	$5,609	$5,634
Other Long-Term Assets	—	1
TOTAL NON-CURRENT ASSETS	**5,609**	**5,635**
CURRENT ASSETS		
Intercompany Debtors	185	172
Other Current Assets	1	1
Cash and Cash Equivalents	—	—
TOTAL CURRENT ASSETS	**186**	**173**
TOTAL ASSETS	**5,795**	**5,808**
EQUITY		
Called Up Share Capital	$1	$1
Share Premium	905	894
Share-based Payments Reserve	269	199
Other Reserve	97	97
Retained Earnings	4,282	4,154
SHAREHOLDERS' EQUITY	**5,554**	**5,345**
NON-CURRENT LIABILITIES		
Loans Payable to Affiliates	92	59
Other Long-Term Liabilities	70	156
TOTAL NON-CURRENT LIABILITIES	**162**	**215**
CURRENT LIABILITIES		
Current Portion of Loans Payable to Affiliates	56	70
Intercompany Creditors	13	73
Accounts Payable and Other Current Liabilities	10	105
TOTAL CURRENT LIABILITIES	**79**	**248**
TOTAL LIABILITIES	**241**	**463**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**$5,795**	**$5,808**

The balance sheet was approved and signed on behalf of the Board of Directors on March 7, 2018 by:

/s/ Mark A. McCollum	/s/ Francis S. Kalman
Mark A. McCollum	Francis S. Kalman
Director	Director

WEATHERFORD INTERNATIONAL PLC

PARENT COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

DECEMBER 31, 2017

(In USD millions)	Called up Share Capital	Share Premium	Share-based Payments	Other Reserve	Retained Earnings	Total
Balance at December 31, 2015	**$1**	**$—**	**$121**	**$—**	**$7,887**	**$8,009**
Net activity related to share-based payments reserve	—	—	78	—	—	78
Net activity related to exchangeable notes	—	—	—	97	—	97
Net activity related to issuance of common shares	—	894	—	—	—	894
Loss for period	—	—	—	—	(3,733)	(3,733)
Balance at December 31, 2016	**$1**	**$894**	**$199**	**$97**	**$4,154**	**$5,345**
Net activity related to share-based payments reserve	—	—	70	—	—	70
Net activity related to exchangeable notes	—	—	—	—	—	—
Net activity related to issuance of common shares	—	11	—	—	—	11
Profit for period	—	—	—	—	128	128
Balance at December 31, 2017	**$1**	**$905**	**$269**	**$97**	**$4,282**	**$5,554**

WEATHERFORD INTERNATIONAL PLC
PARENT COMPANY CASH FLOW STATEMENT
DECEMBER 31, 2017

	December 31,	
(In USD millions)	**2017**	**2016**
Cash Flows From Operating Activities:		
Net Income (Loss)	$128	$(2,497)
Adjustments to Reconcile Net Loss to Net Cash Provided By/(Used In) Operating Activities:		
Employee Share-Based Compensation Expense	9	3
Impairment of Investment in Subsidiaries	86	3,179
Movement in Accounts Payable and Other Current Liabilities	—	97
Change in Fair Value of Warrant	(86)	—
Changes in Operating Assets and Liabilities:		
Other, Net	(165)	(143)
Net Cash Provided By/(Used In) Operating Activities	(28)	639
Cash Flows From Investing Activities:		
Investment in Subsidiaries	—	(385)
Net Cash Used In Investing Activities	—	(385)
Capital Flows From Financing Activities:		
Net Repayment of Loans Payable to Affiliates	18	(271)
Share-Based Option Exercises	10	17
Net Cash Provided By/(Used In) Financing Activities	28	(254)
Increase/(Decrease) in Cash in the Year	$—	$—

Weatherford International plc
Parent Company Notes to Company Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Weatherford International plc (the “Company” or “Weatherford”) is a company incorporated and registered in Ireland. The parent company financial statements have been prepared in accordance with IFRS, as issued by the IASB and as adopted by the EU, and in accordance with the Companies Act of 2014. The IFRS that were adopted in these financial statements are those that were effective from January 1, 2017.

There were a number of amendments to standards that were effective for the Company beginning January 1, 2017. None of these had a material impact on the Company.

The following standards have been issued but are not yet effective:

- IFRS 15: Revenue from Contracts with Customers (Effective date 1 January 2018)
- IFRS 9 Financial Instruments (Effective date 1 January 2018)
- IFRS 16: Leases (Effective date 1 January 2019)

In the year ended December 31, 2017, the Company did not early adopt any new or amended standards and does not plan to early adopt any of the standards issued but not yet effective.

The implementation of IFRS 9 and 15 from January 1, 2018 will have no material impact on the reported financial results of the Company due to its nature as a holding company which has no material revenues or financial instruments.

Functional Currency

Items included in the balance sheet are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The balance sheet is presented in United States dollars, which is the Company’s functional currency. Transactions in currencies other than the functional currency are recorded at the rate ruling at the date of the transaction. The resulting monetary assets and liabilities are translated at the balance sheet rate with the resulting gains or losses reflected in the profit and loss account.

Profit and Loss Account

In accordance with Section 304 of the Companies Act 2014, the Company has availed itself of the exemption and has not presented a profit and loss account. The Company’s profit for the year ended December 31, 2017 was approximately $128 million and loss for the year ended December 31, 2016 was approximately $3.7 billion.

Financial Assets

The Company’s investment in its subsidiaries were originally recorded at cost where the cost also equaled fair value on June 17, 2014, based on the market capitalization of Weatherford International plc at that time. The investment is tested for impairment if circumstances or indicators suggest that impairment may exist and, in any case, on an annual basis. Impairments are recognized directly in the profit and loss account. If the investment is deemed to be impaired, the asset is impaired to the higher of its fair value or its value in use. The Company determines fair value based on the market capitalization of the group. Value in use is determined based on the expected cash flows of the investment’s cash generating units, discounted at an appropriate discount rate for the nature of the Company’s activities.

Taxation

The Company is a tax resident in Switzerland. Current tax is provided on the Company’s taxable profits, at amounts expected to be paid, using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is accounted for in respect of timing differences that have originated but not reversed at the balance sheet date and is provided for at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse. Timing differences arise from the inclusion of items in income and expenditure in tax computations in periods different from those in which they are included in the financial statements.

A deferred tax asset is only recognized when it is more likely than not the asset will be recoverable in the foreseeable future out of suitable taxable profits from which the underlying timing differences can be recovered.

Share-Based Payments

The Company and its subsidiaries operate a number of share-based incentive plans the details of which are presented in “Note 18 – Share-Based Compensation” to the Consolidated Financial Statements.

Our share-based payment plans permit the grant of options, stock appreciation rights, restricted stock awards ("RSAs"), restricted share units ("RSUs"), performance share awards, performance unit awards ("PUs") and other share-based awards. These share-based payments may be granted to any employee, non-employee director, individual service provider or any affiliate.

The expense associated with the share-based payment plans is recognized by the entity or subsidiary that receives services in exchange for the share-based compensation. Share-based payment expense is recognized over the requisite service period for awards of equity instruments to employees based on the grant date fair value of those awards expected to ultimately vest.

Forfeitures are estimated initially on the date of grant and revised if actual or expected forfeiture activity differs materially from original estimates. The profit and loss account of the Company is charged with the expense related to the services received by the Company. The remaining portions of the share-based payments represent a contribution to Company entities and are added to the carrying amount of those investments.

The Company issues new Weatherford International plc shares to fulfill its obligations under its share-based payment plans.

The net effect of the grant date fair value of the Company's share-based compensation to employees of the Company's subsidiaries and any recharges received from those subsidiaries is presented as a movement in Investment in Subsidiaries. For more information on financial fixed assets, see "Note 3 – Investment in Subsidiaries" below.

In June 2016, our shareholders adopted our Employee Stock Purchase Plan ("ESPP") and approved 12 million shares to be reserved for issuance under the plan. The ESPP permits eligible employees to make payroll deductions to purchase Company stock. Each offering period has a six-month duration beginning on either March 1 or September 1. Shares are purchased at 90% of the lower of the closing price for our common stock on the first or last day of the offering period. We issued 3 million shares under the ESPP as of December 31, 2017.

2. HISTORY AND DESCRIPTION OF THE COMPANY

On March 3, 2014 the Company was incorporated in Ireland, as a private limited liability company. The Company was subsequently converted to a public limited company, to effect a move of Weatherford International Ltd. ("Weatherford Switzerland") to Ireland (the "Transaction" or "Merger"). The Transaction was completed on June 17, 2014, at which time the Company replaced Weatherford Switzerland as the ultimate parent company of the Weatherford group of companies. In the Transaction, each registered share of Weatherford Switzerland was exchanged for the allotment of one ordinary share of Weatherford Ireland. The Weatherford International Ltd. shares were immediately cancelled.

The principal activity of the company is an investment holding company. The Company is the parent company of one of the world's leading providers of equipment and services used in the drilling, evaluation, completion, production and intervention of oil and natural gas wells. Weatherford and its subsidiaries operate in approximately 90 countries and have service and sales locations in nearly all of the oil and natural gas producing regions in the world.

3. INVESTMENT IN SUBSIDIARIES

The Company's investment was recorded at fair value on June 17, 2014 (date of the Transaction) based on the market price of the Weatherford International Ltd. common shares and the book value of the net assets acquired at the time of the Merger. This initial valuation became the Company's cost basis in its investments. This initial investment has been subsequently adjusted to reflect the activity related to share-based payment transactions and impairments.

(In USD millions)

Balance as of December 31, 2015	**$9,381**
Net activity related to subsidiary share transactions	1
Net activity related to share-based payment plans	83
Impairment	(3,831)
Balance as of December 31, 2016	**$5,634**
Net activity related to subsidiary share transactions	$—
Net activity related to share-based payment plans	61
Impairment	(86)
Balance as of December 31, 2017	**$5,609**

See "Note 8 – Long-Lived Asset Impairments" and "Note 14 – Fair Value of Financial Instruments, Assets and Equity Investments" of the Consolidated Financial Statements for additional impairment information and the methodology used in the impairment of our Investment in Subsidiaries, which are consistent with those used for long lived asset impairments.

4. CALLED UP SHARE CAPITAL

(In USD millions, except shares and par value)	December 31, 2017	December 31, 2016
Authorized:		
40,000 deferred ordinary shares of €1.00 par value	$—	$—
1,356,000,000 ordinary shares of $0.001 par value	1	1
	$1	**$1**
Allotted, Called Up and Fully Paid Equity:		
Deferred ordinary shares of €1.00 par value, 0 and 0 shares as of December 31, 2017 and 2016, respectively	$—	$—
Ordinary shares, par value $0.001 per share, 992,833,000 and 982,755,000 shares as of December 31, 2017 and 2016, respectively	1	1
	$1	**$1**

Deferred Ordinary Shares

The Company has 40,000 authorized ordinary shares, par value €1.00 per share. Each ordinary share of Weatherford International plc entitles its holder to receive payments upon a liquidation of Weatherford International plc; however a holder of an ordinary share is not entitled to vote on matters submitted to a vote of shareholders of Weatherford plc or to receive dividends.

Ordinary Shares

The Company has 1,356,000,000 authorized ordinary shares, par value $0.001 per share which entitles its holder to one vote per share, and no cumulative voting rights. Shareholders rights to attend, participate in a general meeting and exercise their vote are subject to the Company's right to set record dates to determine eligibility. Each ordinary share entitles its holder to a pro-rata part of any dividend declared including any dividend declared in the event of the Company's winding up.

In March 2016, the Company issued 115 million ordinary shares, and the amount in "Share Premium" of $623 million on the Company Balance Sheet is reported in "Capital in Excess of Par Value" on the accompanying Consolidated Balance Sheets.

On June 7, 2016, Weatherford International Ltd., a Bermuda exempt company, issued exchangeable notes to which we guarantee with an exchange feature carrying value of $97 million recorded in "Other Reserve" on the Company Balance Sheet and is included in "Capital in Excess of Par Value" on the accompanying Consolidated Balance Sheets.

On November 21, 2016, the Company issued 84.5 million ordinary shares at a price of $5.40 per ordinary share, and a warrant to purchase 84.5 million ordinary shares on or prior to May 21, 2019 at an exercise price of $6.43 per ordinary share to a selected institutional investor. The "Share Premium" on the Company Balance Sheet for the ordinary shares net of warrant was $271 million and is included in "Capital in Excess of Par Value" on the accompanying Consolidated Balance Sheets. At December 31, 2017, the fair value of the warrant of $70 million is classified as "Other Long-Term Liabilities" on the Company Balance Sheet and included in "Other Non-current Liabilities" on the accompanying Consolidated Balance Sheets. Changes in the fair value of the warrant are recorded each period in the Consolidated Statements of Operations and the Consolidated Statements of Comprehensive Income (Loss).

5. RELATED PARTY TRANSACTIONS

The company has availed itself of the exemption provided in International Accounting Standard 24, Related Party Disclosures, for subsidiary undertakings, 100% of whose voting rights are controlled within the group. Consequently, the financial statements do not contain disclosures of transactions with entities in Weatherford International plc.

6. GUARANTEES

Weatherford International plc, the ultimate parent company of the Weatherford group of companies, guarantees the obligations of Weatherford International Ltd., a Bermuda exempt company and Weatherford International, LLC, a Delaware limited liability company. The guaranteed debt includes a revolving credit facility, a term loan, notes and debentures totaling approximately $7.7 billion as of December 31, 2017 and $7.6 billion 2016. Some of these obligations contain customary events of default, including our failure to comply with the financial covenants. As of December 31, 2017, we were in compliance with these financial covenants. See "Note 12 – Short-term Borrowings and Other Debt Obligations" and "Note 13 – Long-term Debt" in the Company's consolidated financial statements for more detailed information on the underlying debt guaranteed by the Company.

7. *TAX*

As of December 31, 2017 and 2016, the Company had an accrued net income tax receivable of $102 thousand and $11 thousand, respectively. There were no deferred tax liabilities nor recognized or unrecognized deferred tax assets as of the balance sheet date.

8. EMPLOYEE

As of December 31, 2017, the Company had one employee. “Note 25 – Employees” of the Consolidated Financial Statements provides additional information on the overall number and cost of the persons employed by the Company.

9. DIRECTORS’ AND AUDITORS’ REMUNERATION

“Note 26 – Directors' Remuneration” and “Note 27 – Auditors' Remuneration” of the Consolidated Financial Statements provide additional details regarding the fees paid by the Company to Directors and Auditors. Fees for the audit of the Weatherford International plc individual accounts were $71 thousand in December 31, 2017 and 2016, respectively.

10. FINANCIAL INSTRUMENTS

The Company’s policies related to financial instruments are the same as those described in the Consolidated Financial Statements. The Company’s only material third party financial asset or liability is the warrant that was issued in 2016. See “Note 15 – Derivative Instruments” of the Consolidated Financial Statements for additional information.

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