Weatherford International plc

IRISH DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 2018

For the year ended
December 31

WEATHERFORD INTERNATIONAL PLC
FOR THE YEAR ENDED DECEMBER 31, 2018

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DIRECTORS’ REPORT
FOR THE YEAR ENDED DECEMBER 31, 2018

The directors present their annual report and audited Consolidated Financial Statements and related Notes of Weatherford International plc for the year ended December 31, 2018.

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, business strategy, plans, goals and objectives, 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 timely execute and 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, business enhancements, transformation efforts and the cost and support reduction plans;
- our high level of indebtedness and its impact on our ability to maintain sufficient liquidity to fund our operations or otherwise meet our obligations as they come due in the future;
- our ability to meet the continued listing standards required by the New York Stock Exchange (the “NYSE”);
- increases in the prices and availability of our procured products and services;
- potential non-cash asset impairment charges for long-lived assets, goodwill, intangible assets or other assets;
- changes to our effective tax rate;
- ability to realize cost savings and business enhancements from our transformation efforts;
- downturns in our industry which could affect the carrying value of our goodwill, intangible assets or other assets and impact our ability to generate sufficient liquidity or cash flow to fund our operations or otherwise meet our obligations as they come due in the future;

- member-country quota compliance within the Organization of Petroleum Exporting Countries ("OPEC");
- adverse weather conditions in certain regions of our operations;
- our ability 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;
- our ability to attract, motivate and retain employees, including key personnel;
- limited authorized share capital, access to capital, significantly higher cost of capital, or difficulty or inability to raise additional funds in the equity or debt capital markets or from other financing sources, as a result of changes in market conditions, our financial situation or our credit rating; and
- our ability to extend and/or refinance our Credit Agreements on terms favorable to the Company and comply with restrictions and covenants contained therein.

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 U.S. Securities and 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, 2018 and 2017, and the related Consolidated Statements of Operations, Comprehensive Loss, Shareholders' Equity and Cash Flows for the twelve months ended December 31, 2018, 2017 and 2016. 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, 2018 submitted to the U.S. Securities and Exchange Commission on February 15, 2019.

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 over 80 countries and have service and sales locations in virtually 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.

DIVESTITURES

In the fourth quarter of 2018, we completed the sale of a portion of the land drilling rigs operations we previously committed to divesting in the fourth quarter of 2017, and received gross cash proceeds of $216 million. The sale represents two of a series of four closings pursuant to the purchase and sale agreements entered into with ADES International Holding Ltd. ("ADES") in July of 2018 to sell our land drilling rig operations in Algeria, Kuwait and Saudi Arabia, as well as two idle land rigs in Iraq. The sale is for 31 land rigs and related drilling contracts, as well as the transfer of employees and contract personnel, for an aggregate purchase price of $287.5 million, subject to regulatory approvals, consents and other customary closing conditions and includes potential adjustments based on working capital, net cash, loss or destruction of rigs and drilling contract backlog. We expect to complete the remaining two closings with ADES in the first quarter of 2019.

In December of 2018, we agreed to sell our surface data logging business to Excellence Logging for $50 million in cash, subject to customary post-closing working capital adjustments. The transaction is expected to close in the first half of 2019.

In October of 2018, we agreed to sell our Reservoir Solutions business, also known as our laboratory services business to an affiliate of CSL Capital Management, L.P., for an aggregate purchase price of $205 million in cash, subject to customary post-closing working capital adjustments. The transaction is expected to close in the first quarter of 2019.

In December of 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

The Company's chief operating decision maker (its chief executive officer) regularly reviews information by our two reportable segments, which are our Western Hemisphere and Eastern Hemisphere segments. These reportable segments are based on management's organization and view of Weatherford's business when making operating decisions, allocating resources and assessing performance. Research and development expenses are included in the results of our Western and Eastern Hemisphere segments. Our corporate and other expenses that do not individually meet the criteria for segment reporting are reported separately on the caption Corporate General and Administrative.

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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> ***Pressure Pumping*** 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.
>
> ***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.

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.

Surface Data 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. In December of 2018, we agreed to sell our surface data logging business, which is classified as held for sale as of December 31, 2018.

***Wireline Service*s** 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. In October of 2018, we agreed to sell our laboratory services business, which is classified as held for sale as of December 31, 2018.

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. During 2018, we disposed of our Kuwait and Saudi Arabia land drilling rigs operations. Nearly all our remaining land drilling rigs assets are classified as held for sale as of December 31, 2018.

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. 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, 2018, the Eastern Hemisphere accounted for 55% of our net outstanding accounts receivables and the Western Hemisphere accounted for 45% of our net outstanding accounts receivables. As of December 31, 2018, our net outstanding accounts receivable in the U.S. accounted for 18% of our balance and Mexico accounted for approximately 10% of our balance. No other country accounted for more than 10% of our net outstanding accounts receivables balance. During 2018, 2017 and 2016, no individual customer accounted for more than 10% of our consolidated revenues.

Backlog

Our services are usually short-term in nature, day-rate based and cancellable should our customers 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.

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 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 2018 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 2019 to be material.

Employees

As of December 31, 2018, we employed approximately 26,500 employees, which is 9% and 12% lower than our workforce as of December 31, 2017 and 2016, 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 5 – Restructuring Charges” for details on our workforce reductions. In addition, our workforce has been reduced as a result of the dispositions of certain businesses. Certain of our operations are subject to union contracts and these contracts cover approximately 17% of our employees. We believe we have a dedicated 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 ordinary shares 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.

Fluctuations in oil and natural gas prices, especially a substantial or extended decline, affect the level of exploration, development and production activity of our customers and the demand for our products and services, which could have a material adverse effect on our business, financial condition and results of operations.

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 will 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 several 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. 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 operating losses and negatively impact liquidity.

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.

Severe or unseasonable weather could adversely affect demand for our products and services.

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.

Not responding timely to changes in the market and customer requirements in the highly competitive oilfield services business may adversely affect our ability to succeed. Additionally, the impact of consolidation and acquisitions of our competitors is difficult to predict.

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.

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. 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.

Liability claims resulting from catastrophic incidents could have a material adverse effect on our business, financial condition and results of operations

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 may be 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.

We may not be able to generate sufficient cash flows to service our indebtedness and may be forced to take actions in order to satisfy our obligations under our indebtedness. If we are required to take such actions, and such actions are not successful, our indebtedness and liabilities could 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.

As of December 31, 2018, we had approximately $7.6 billion of long-term debt with $2.6 billion maturing by 2021, primarily our senior notes. Based on senior note obligations, we expect to have interest payments of approximately $553 million due during 2019. 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;
- limiting our access to the inventory and services needed to operate our business;
- requiring us to secure additional sources of liquidity, which may or may not be available to us; and
- placing us at a possible competitive disadvantage with less leveraged competitors or competitors that may have better access to capital resources.

Our ability to make scheduled payments on, or to refinance, our debt obligations will depend on our financial and operating performance, which is subject to prevailing economic and competitive conditions and certain financial, business and other factors beyond our control. Lower commodity prices and in turn lower demand for our products and services have negatively impacted our revenues, earnings and cash flows, and sustained low oil and natural gas prices could have an adverse effect on our liquidity position. We are in the process of evaluating various strategic alternatives to address our liquidity and capital structure, including strategic and refinancing alternatives, but there can be no assurance that we will have the ability to borrow or otherwise raise the amounts necessary to refinance our indebtedness as it matures. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business and operations. If we continue to experience operating losses and we are not able to generate additional liquidity through the mechanisms described above or through some combination of other actions, including our proposed strategic divestitures and other business operations, then our liquidity needs may exceed availability under our Revolving Credit Agreements and other facilities that we may enter into in the future, and we might need to secure additional sources of funds, which may or may not be available to us. If we are unable to secure such additional funds, we may not be able to meet our future obligations as they become due.

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 $435 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 a goodwill impairment charge of $1.9 billion in 2018 and long-lived asset impairment charges of $151 million, $928 million and $436 million in 2018, 2017 and 2016, respectively.

A significant portion of our revenue is derived from our non-United States operations, which exposes us to risks inherent in doing business in each of the over 80 countries in which we operate.

Our non-United States operations accounted for approximately $4.1 billion of our consolidated revenue in both 2018 and 2017 and $4.2 billion in 2016. Operations in countries other than the United States are subject to various risks, including:

- volatility in political, social and economic conditions;
- exposure to expropriation of our assets or other governmental actions;
- social unrest, acts of terrorism, war or other armed conflict:
- confiscatory taxation or other adverse tax policies;
- deprivation of contract rights;
- trade and economic sanctions or other restrictions imposed by the European Union, the United States or other countries;
- exposure under the United States Foreign Corrupt Practices Act (“FCPA”) or similar legislation;
- restrictions on the repatriation of income or capital;
- currency exchange controls;
- inflation; and
- currency exchange rate fluctuations and devaluations.

We utilize letters of credit and performance and bid bonds to provide credit support to our customers. If the beneficiaries were to call the letters of credit under our committed facilities, our available liquidity would be reduced by the amount called and it could have an adverse impact on our business, operations, and financial condition.

As of December 31, 2018, we had $495 million of letters of credit and performance and bid bonds outstanding, consisting of $291 million of letters of credit under various uncommitted facilities and $204 million of letters of credit under the Revolving Credit Agreement. At December 31, 2018, we have cash collateralized $81 million of our letters of credit, which is included in “Cash and Cash Equivalents” in the accompanying Consolidated Balance Sheets. In Latin America we utilize surety bonds as part of our customary business practice.These obligations could be called by the beneficiaries should we breach certain contractual or performance obligations. If the beneficiaries were to call the letters of credit under our committed facilities, our available liquidity would be reduced by the amount called and it could have an adverse impact on our business, operations and financial condition.

Credit rating agencies have lowered and could further lower our credit ratings. Therefore, capital financing may not be available to us at economic rates.

Our credit ratings have been downgraded by multiple credit rating agencies and these agencies could further downgrade our credit ratings. On December 24, 2018, S&P Global Ratings downgraded our senior unsecured notes to CCC– from CCC+, with a negative outlook. Weatherford's issuer credit rating was lowered to CCC from B–. On December 20, 2018, Moody's Investors Services downgraded our credit rating on our senior unsecured notes to Caa3 from Caa1 and our speculative grade liquidity rating to SGL-4 from SGL-3, both with a negative outlook. Our non-investment grade status may 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, negatively affect our cash flow and impact our access to the inventory and services needed to operate our business.

Credit and equity markets have been highly volatile recently, 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. In addition, our ability to raise capital through equity financing may be limited by the number of ordinary shares authorized but unissued or reserved for issuance. If we are unable to enhance our borrowings via debt offerings or our credit facilities, 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.

If we cannot meet the NYSE's continued listing requirements, the NYSE may delist Weatherford Ireland's ordinary shares.

In the future, if we are not able to meet the continued listing requirements of the NYSE, which require, among other things, that the average closing price of our ordinary shares be above $1.00 over 30 consecutive trading days, our ordinary shares may be delisted. The closing price of our ordinary shares on February 5, 2019 was $0.91 per share.

If we are unable to satisfy the NYSE's criteria for continued listing, our ordinary shares would be subject to delisting. A delisting of our ordinary shares could negatively impact us by, among other things, reducing the liquidity and market price of the ordinary shares; reducing the number of investors willing to hold or acquire our ordinary shares, which could negatively impact our ability to raise equity financing; decreasing the amount of news and analyst coverage of us; and limiting our ability to issue additional securities or obtain additional financing in the future.

In addition, delisting from the NYSE might negatively impact our reputation and, as a consequence, our business. Moreover, a delisting of our ordinary shares would constitute a "fundamental change" under the terms of indenture governing the exchangeable notes, which would require us to make an offer to repurchase the exchangeable senior notes at an amount in cash equal to the principal amount of the exchangeable senior notes of $1.265 billion plus accrued and unpaid interest on the exchangeable senior notes. We may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of the exchangeable senior notes. Our failure to repurchase notes when required in connection with a fundamental change would constitute a default under the indenture. A default under the indenture or the fundamental change itself could also lead to a default under agreements governing our other indebtedness. If the repayment of the other indebtedness accelerates, then we may not have sufficient funds to repay that indebtedness or repurchase the notes when required.

If we are unable to comply with the restrictions and covenants in the agreements governing the Revolving Credit Agreements (comprised of our existing unsecured senior revolving credit agreement, the "A&R Credit Agreement", and a Secured Second Lien 364-Day Revolving Credit Agreement, the "364-Day Credit Agreement", amended and or entered into in August of 2018), 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 Agreements, 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 Agreements, the Term Loan Agreement or our indentures. If we breach our covenants under the Revolving Credit Agreements, 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 Agreements and Term Loan Agreement restrict, and our indentures could restrict, our current and future operations, particularly our ability to respond to changes or to pursue our business strategies.

The Revolving Credit Agreements and Term Loan Agreement contain, and our indentures contain, a number of restrictive covenants that could 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 or 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 Agreements 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 Agreements, 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 Agreements 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 or the 364-Day Credit 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. If we do not repay our debt out of cash on hand, we could attempt to (i) restructure or refinance such debt, (ii) sell assets or (iii) repay such debt with the proceeds from an equity offering. We cannot assure you that we will be able to generate sufficient cash flows from operating activities to pay the interest on our debt or that future borrowings, equity financings or proceeds from the sale of assets will be available to pay or refinance such debt. The terms of our debt, including our bank credit facility, may also prohibit us from taking such actions. Factors that will affect our ability to raise cash through offerings of our capital stock, a refinancing of our debt or a sale of assets include financial market conditions and our market value and operating performance at the time of such offerings, refinancing or sale of assets. We cannot assure you that any such offerings, restructuring, refinancing or sale of assets will be successfully completed.

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 have signed agreements to divest certain of our land drilling rigs (a portion of which have closed), our laboratories business and our surface data logging business and plan to divest certain other non-strategic assets. Such divestitures can be complex in nature and may be affected by unanticipated developments, such as the recent significant and sustained decrease in the price of crude oil, delays in obtaining regulatory, governmental, customer or other third party 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 in limited circumstances not being completed at all, any of which could have a negative impact on our ability to repay indebtedness or our liquidity and otherwise 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 have and do 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, including our cash flow, repayment of indebtedness or compliance with debt covenants;
- 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, including receiving the expected cash proceeds.

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 upon 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 business could be negatively affected by cybersecurity incidents and other technology disruptions.

We rely heavily on information systems to conduct and protect our business. These information systems are increasingly subject to sophisticated cybersecurity incidents such as unauthorized access to data and systems, loss or destruction of data (including confidential customer, supplier and employee information), computer viruses, or other malicious code, phishing and cyber attacks, and other similar events. These incidents 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, human error, complications encountered as existing systems are maintained, repaired, replaced, or upgraded or outbreaks of hostilities or terrorist acts.

Given the rapidly evolving nature of cyber incidents, 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 be able to avoid a material impact to our systems should such incidents or attacks occur. A cyber incident or attack, could result in the disclosure of confidential or proprietary customer, supplier or employee information, theft or loss of intellectual property, damage to our reputation with our customers, suppliers 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. Moreover, we have no control over the information technology systems of our customers, suppliers and others with which our systems may connect and communicate. As a result, the occurrence of a cyber incident could go unnoticed for a period time. As cybersecurity incidents continue to evolve, we may also 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 cyber attack or other incident. Any cyber incident could have a material adverse effect on our business, financial condition and results of operations.

The ability to retain or attract employees, including executive officers and other key personnel, could have a material adverse effect our business.

Our business is dependent on our ability to attract, develop, and retain qualified employees. Our ability to meet our employment needs is subject to external and internal factors such as the current and future prices of oil and natural gas, the demand for employees by companies in our industry, our reputation within the labor market (particularly in our highly competitive industry), as well as our employees' perception of opportunities with us as compared to our peers (including as to our financial performance and incentives related thereto). If we are unable to attract and retain adequate numbers and an appropriate mix of qualified employees, the quality of products and services we provide to our customers may decrease and our financial performance may be adversely affected. Further, we depend on the contributions of key personnel for our future success. Departures of key employees can cause disruptions to, and uncertainty in, our business and operations. Future departures of key employees, including changes in our senior management, could disrupt our business and have a materially adverse effect on our financial condition and results of operations.

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, as we note that the TCJA could adversely affect our business and financial condition. The various impacts of the TCJA may materially differ from the impacts recognized 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.

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 recorded a valuation allowance against all future tax benefits of our U.S. net operating loss carryforwards. As of December 31, 2018, we had gross net operating loss ("NOL") and research tax credit carryforwards of approximately $2.0 billion and $34 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, 2018, 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.

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. 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 asset

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.

The following discussion should be read in conjunction with our Consolidated Financial Statements and Notes thereto included in "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 the section entitled "Forward-Looking Statements" and the section entitled "Principal Risks and Uncertainties."

OVERVIEW

General

We conduct operations in over 80 countries and have service and sales locations in virtually 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. Products 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.
- ***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. During 2018, we disposed of our Kuwait and Saudi Arabia land drilling rigs operations. Our remaining land drilling rig business is part of Well Construction and nearly all our remaining land drilling rigs assets were classified as held for sale as of December 31, 2018.

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)
2018	$45.41	$2.94	1,223	988
2017	60.42	2.95	1,082	948
2016	53.72	3.68	639	955

(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) Average rig count – Source: Baker Hughes Rig Count

During 2018 oil prices ranged from a low of $42.53 per barrel in late December to a high of $76.41 per barrel in early October on the New York Mercantile Exchange. Natural gas ranged from a low of $2.55 MM/BTU in mid-February to a high of $4.84 MM/BTU in mid-November. 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

Divestitures

In the fourth quarter of 2018, we completed the sale for a portion of the land drilling rigs operations we previously committed to divesting in the fourth quarter of 2017 and received gross cash proceeds of $216 million. Proceeds from the sale were used to reduce outstanding indebtedness. The sale represents two of a series of four closings pursuant to the purchase and sale agreements entered into with ADES in 2018 to sell our land drilling rig operations in Algeria, Kuwait and Saudi Arabia, as well as two idle land rigs in Iraq, for a total of 31 land rigs and related drilling contracts, as well as transferring employees and contract personnel, for an aggregate purchase price of $287.5 million, subject to regulatory approvals, consents and other customary closing conditions including potential adjustments based on working capital, net cash, loss or destruction of rigs and drilling contract backlog.

In December of 2018, we agreed to sell our surface data logging business to Excellence Logging for $50 million in cash, subject to customary post-closing working capital adjustments. The transaction is expected to close in the first half of 2019.

In October of 2018, we agreed to sell our Reservoir Solutions business, also known as our laboratory services business to an affiliate of CSL Capital Management, L.P., for an aggregate purchase price of $205 million in cash, subject to customary post-closing working capital adjustments. The transaction is expected to close in the first quarter of 2019.

In December of 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.

Summary of Operating Charges

For the year ended December 31, 2018, we recorded $1.9 billion of goodwill impairment charges related to our annual fair value assessment of our business and assets, $151 million of long-lived asset impairments, $126 million of severance and restructuring charges and $89 million of other asset write-downs.

For the year ended December 31, 2017, we incurred $928 million of long-lived asset impairments, $540 million inventory write-off and other related charges including excess and obsolete, $230 million in the write-down of Venezuelan receivables and $183 million of severance and restructuring charges. For the year ended December 31, 2016, we incurred $436 million related to long-lived asset impairments, $280 million of severance and restructuring charges, $220 million of litigation charges, $269 million of inventory write-downs and $194 million of asset-write downs and other charges primarily for pressure pumping related charges related to the shutdown of our U.S. pressure pumping business.

Goodwill and Long-lived Asset Impairments

During 2018, we recorded a goodwill impairment of $1.9 billion which was based upon our annual fair value assessment of our business and assets. The rapid and steep decline in oil prices and consequentially lower expectations for future exploration and production capital spending, resulted in a sharp reduction in share prices in the oilfield services sector, including our share price, which triggered the goodwill impairment in line with U.S. GAAP. During 2018, we also recognized long-lived asset impairments of $151 million related to our land drilling rigs assets primarily to write-down our land drilling rigs assets to the lower of carrying amount or fair value less cost to sell. The 2018 impairments were due to the sustained downturn in the oil and gas industry that resulted in a reassessment of our disposal groups for our land drilling rigs. The change in our expectations of the market's recovery, in addition to successive negative operating cash flows in certain disposal asset groups represented an indicator that those assets will no longer be recoverable over their remaining useful lives.

During 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 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, $172 million related to segment product line assets and $11 million of long-lived impairments 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.

During 2016, 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 2016 impairments 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 in 2016 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.

Recent Litigation Settlements

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. 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. In addition, certain reports and certifications regarding our internal controls over accounting for income taxes were delivered to the SEC during the two years following the settlement. We have completed these reports as of April 2018 and our final payment for the civil monetary penalty was made in September 2017. For additional information about this resolution, see “Note 20 – Disputes, Litigation and Legal Contingencies.”

Debt Transactions and Equity Issuances

In February of 2018, we repaid in full our 6.00% senior notes due March 2018. On February 28, 2018, we issued $600 million in aggregate principal amount of our 9.875% senior notes due 2025.

The February 2018 debt offering partially funded a concurrent tender offer to purchase for cash any and all of our 9.625% senior notes due 2019. We settled the tender offer in cash for the amount of $475 million, retiring an aggregate face value of $425 million and accrued interest of $20 million. In April 2018, we repaid the remaining principal outstanding on an early redemption of the bond. We recognized a cumulative loss of $34 million on these transactions in “Bond Tender and Call Premium” on the accompanying Consolidated Statements of Operations.

In June of 2017, we repaid our 6.35% senior notes on the maturity date. On June 26, 2017, we issued an additional $250 million aggregate principal amount of our 9.875% senior notes due 2024. 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.

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.

See “Note 11 – Short-term Borrowings and Other Debt Obligations” and “Note 12 – Long-term Debt” for additional details of our financing activities.

RESULTS OF OPERATIONS

The following table contains selected financial data comparing our consolidated and segment results from operations for 2018, 2017 and 2016. See “Note 22 – 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)	2018	2017	2016	2018 vs 2017	2017 vs 2016
Revenues:					
Western Hemisphere	$ 3,063	$ 2,937	$ 2,942	4 %	— %
Eastern Hemisphere	2,681	2,762	2,807	(3)%	(2)%
Total Revenues	$ 5,744	$ 5,699	$ 5,749	1 %	(1)%
Operating Income (Loss):					
Western Hemisphere	$ 208	$ (113)	$ (407)	284 %	72 %
Eastern Hemisphere	119	(139)	(157)	186 %	11 %
Total Segment Operating Income (Loss)	**$ 327**	**$ (252)**	**$ (564)**	**230 %**	**55 %**
Corporate General and Administrative	$ (130)	$ (130)	$ (138)	— %	6 %
Goodwill Impairment	(1,917)	—	—	— %	— %
Long-Lived Asset Impairments, Write-Downs and Other	(238)	(1,711)	(1,043)	86 %	(64)%
Restructuring and Transformation Charges	(126)	(183)	(280)	31 %	35 %
Litigation Charges, Net	—	10	(220)	(100)%	105 %
Gain from Disposition of U.S. Pressure Pumping Assets	—	96	—	(100)%	— %
Total Operating Loss	**$ (2,084)**	**$ (2,170)**	**$ (2,245)**	**4 %**	**3 %**
Interest Expense, Net	$ (614)	$ (579)	$ (499)	(6)%	(16)%
Warrant Fair Value Adjustment	70	86	16	(19)%	438 %
Bond Tender and Call Premium	(34)	—	(78)	— %	100 %
Currency Devaluation Charges	(49)	—	(41)	— %	100 %
Other Income (Expense), Net	(46)	7	(30)	(757)%	123 %
Loss before Income Taxes	(2,757)	(2,656)	(2,877)	(4)%	8 %
Income Tax Provision	(34)	(137)	(496)	75 %	72 %
Net Loss	(2,791)	(2,793)	(3,373)	— %	17 %
Net Income Attributable to Noncontrolling Interests	20	20	19	— %	(5)%
Net Loss Attributable to Weatherford	**$ (2,811)**	**$ (2,813)**	**$ (3,392)**	**— %**	**17 %**
Net Loss per Diluted Share	(2.82)	(2.84)	(3.82)	1 %	26 %
Weighted Average Diluted Shares Outstanding	997	990	887	(1)%	(12)%
Depreciation and Amortization	556	801	956	31 %	16 %

Revenues Percentage by Product Lines

The following table contains the percentage distribution of our consolidated revenues by product lines for 2018, 2017 and 2016:

	Year Ended December 31,		
	2018	2017	2016
Production	27%	26%	29%
Completions	21	22	20
Drilling and Evaluation	25	24	22
Well Construction	27	28	29
Total	**100%**	**100%**	**100%**

Consolidated and Segment Revenues

2018 vs 2017 Revenues

Consolidated revenues increased $45 million, or 1%, in 2018 compared to 2017.

- Western Hemisphere revenues improved $126 million, or 4%, in 2018 compared to 2017 on higher activity levels in all product lines in the U.S. and an improved product mix for the Production and Completions product lines in the U.S. Growth in Latin America was driven by higher demand for Integrated Services and Projects and improved activity levels in Latin America. These improvements were partially offset by lower activity in Canada due to a general slowdown and increasing crude oil differentials.
- Eastern Hemisphere revenues declined $81 million, or 3%, in 2018 compared to 2017, respectively. The modest decline in revenues was primarily due to fewer offshore projects in West Africa, the North Sea and Asia, partially offset with increased activity and higher product sales in the Gulf Cooperation Countries.

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 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.

Consolidated and Segment Operating Results

2018 vs 2017 Operating Results

Consolidated operating results improved $86 million, or 4%, in 2018 compared to 2017 and segment operating income of $327 million improved $579 million, or 230%, in 2018 compared to 2017. 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;
- Through our transformation program we have improved our segment operating income following the positive structural changes, improvements in our operating efficiency, ongoing lowering of our non-productive time, improvements in our collaboration with our customers by continuing our steady progress on our transformation initiatives: and
- Lower long-lived asset impairments and asset write-downs compared to 2017.

Western Hemisphere 2018 segment operating income of $208 million improved $321 million, or 284% compared to 2017. The improvement was driven by Production, Completions and Well Construction activity increases in the U.S. with a profitable product mix, and a decline in operating costs as a result of our transformation efforts. Operating income also improved due to growth in Latin America driven by higher demand for Integrated Services and Projects and improved activity levels in Latin America across all product lines. These improvements were partially offset by lower operating results in Canada as a result of the difficult macro environment and adverse foreign exchange rate impacts in Latin America.

Eastern Hemisphere 2018 segment operating income of $119 million improved $258 million, or 186%, compared to 2017. The improvement is primarily a result of improved product mix, a reduced cost structure and improved service quality resulting in greater operational efficiency.

2017 *vs* 2016 Operating Results

Consolidated operating results improved $75 million, or 3%, in 2017 compared to 2016 and segment operating loss improved $312 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 assets.

The Western Hemisphere segment operating loss improved $294 million, or 72%, in 2017 compared to 2016. The improvement was 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. Offsets to the improvement were the deterioration of results in Venezuela as a result of the change in revenue accounting, the difficult geopolitical situation and lower revenue in Argentina and Brazil, and the suffering from pricing pressures and reduced demand for our products and services in most product lines.

The Eastern Hemisphere segment operating loss improved $18 million, or 11%, in 2017 compared to 2016. The improvement was 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.

Interest Expense, Net

Net interest expense was $614 million in 2018 compared to $579 million in 2017. This increased interest expense of $35 million, or 6%, was primarily as result of higher average borrowings, higher average interest rates in 2018 and lower interest income.

Net interest expense was $579 million in 2017 compared to $499 million in 2016. This increased interest expense of $80 million, or 16%, was primarily due to a full year of interest expense on higher interest rates from the senior notes and exchangeable notes issued in 2016.

Warrant Fair Value Adjustment

We recorded a warrant fair value income of $70 million and $86 million in 2018 and 2017, respectively, related to the fair value adjustment to our warrant liability. The change in fair value of the warrant during 2018 was primarily driven by eliminating the warrant share value associated with any future equity issuance and a decrease in Weatherford's stock price. The change in fair value of the warrant during 2017 was principally due to a decrease in Weatherford's stock price.

Other Income (Expense), Net

We incurred other expense of $46 million in 2018, other income of $7 million in 2017 and other expense of $30 million in 2016. In 2018, other expense was primarily driven by foreign currency exchange losses, letter of credit fees, other financing fees and non-service periodic pension and other post-retirement benefit expenses. In 2017, other income was primarily due to gains associated from our supplemental executive retirement plan and non-service periodic pension and other post-retirement benefit expenses partially offset by foreign currency exchange losses, letter of credit and other financing fees. In 2016, other expense was primarily driven by foreign currency exchange losses. Foreign exchange losses are typically due to the strengthening U.S. dollar compared to our foreign denominated operations.

Currency Devaluation Charges

For the year ended December 31, 2018, we recognized currency devaluation charges of $49 million primarily related to the devaluation of the Angolan kwanza due to a change in Angolan central bank policy in 2018. For the year ended December 31, 2017, we had no significant currency devaluation charges. For the year ended December 31, 2016, we recognized currency devaluation charges of $41 million to include charges related to the Angolan kwanza of $31 million and the Egyptian pound of $10 million. Currency devaluation charges are included in current earnings in “Currency Devaluation Charges” on the accompanying Consolidated Statements of Operations. For additional information, see “Cash Requirements” under the “Liquidity and Capital Resources” section.

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, 2018, we incurred a tax expense of $34 million on a loss before income taxes of $2.8 billion.

Results for the year ended December 31, 2018 include losses with no significant tax benefit. The tax expense for the year ended December 31, 2018 also includes withholding taxes and deemed profit taxes that do not directly correlate to ordinary income or loss. 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.

Our results for 2018 also include charges with $70 million tax benefit principally related to the $1.9 billion goodwill impairment. The other asset write-downs and other charges, including $238 million in long-lived asset impairments, $126 million in restructuring charges and the warrant fair value adjustment of $70 million resulted in no significant tax benefit.

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).

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 2018, the income tax provision was $34 million compared to a tax provision of $137 million in 2017 and $496 million in 2016, respectively, which resulted in an effective tax rate of (1)%, (5)% and (17)%, respectively. Our 2018 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. Results for the year ended December 31, 2018 also include a tax benefit of $70 million, primarily driven by the release of a deferred tax liability related to the $1.9 billion goodwill impairment.

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, $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 warrant 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 permanent reduction in the U.S. statutory corporate tax rate to 21% from 35% decreased 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 recorded for the year ended December 31, 2017. The

TCJA did not 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 would be offset by un-benefitted U.S. net operating loss carryforwards. As we did not have all the necessary information to analyze all effects of this tax reform as of December 31, 2017, this was a provisional amount which we believed represented a reasonable estimate of the accounting implications of TCJA. We finalized our accounting for this matter during 2018 and concluded that no adjustment to the provisional amount recorded during 2017 was identified in the twelve months of 2018. We no longer have any provisionally recorded items related to the enactment of the TCJA as of December 31, 2018. The various impacts of the TCJA may differ from the estimated impacts recognized 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.

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 $40 million in 2018, $43 million in 2017 and $88 million in 2016 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 $15 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 highly competitive nature of our business and the continuing losses we incurred over the last few years, we continue to reduce our overall cost structure and workforce to better align our business with current activity levels. The ongoing transformation plan, which began in 2018 and is expected to continue through 2019 (the "Transformation Plan"), included a workforce reduction, organization restructure, facility consolidations and other cost reduction measures and efficiency initiatives across the company globally.

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 due to the ongoing levels of exploration and production spending. This plan was initiated to reduce our overall cost structure and workforce to better align with current activity levels of exploration and production. Prior plans, including the 2016 cost reduction plan (the "2016 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 Transformation Plan, we recognized restructuring and transformation charges of $126 million in 2018, which include severance charges of $61 million and other restructuring charges of $59 million and restructuring related asset charges of $6 million.

In connection with the 2016-17 Plan, we recognized restructuring charges of $183 million in 2017, which include severance charges 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 charges of $196 million, other restructuring charges of $44 million and restructuring related asset charges of $40 million.

Please see "Note 5 – 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, 2018, we had cash and cash equivalents of $602 million compared to $613 million at December 31, 2017 and $1.0 billion at December 31, 2016. The following table summarizes cash provided by (used in) each type of business activity, for the years ended December 31, 2018, 2017 and 2016:

	Year Ended December 31,		
(Dollars in millions)	2018	2017	2016
Net Cash Used in Operating Activities	$(242)	$(388)	$(304)
Net Cash Provided by (Used in) Investing Activities	122	(62)	(137)
Net Cash Provided by Financing Activities	168	20	1,061

Operating Activities

Cash used in operating activities was $242 million in 2018 compared to $388 million in 2017. Cash used in operating activities in 2018 was driven by working capital needs, cash payments for debt interest and cash severance and restructuring costs.

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

Investing Activities

Our investing activities provided cash of $122 million during 2018 and used cash of $62 million and $137 million during 2017 and 2016, respectively. In 2018, the primary drivers of investing activities were capital expenditures of $217 million for property, plant and equipment and assets held for sale, which was partially offset by net proceeds from dispositions of assets and businesses and equity investments of $363 million.

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 $186 million, $225 million and $204 million for 2018, 2017 and 2016, respectively. In addition, during 2018 we purchased assets totaling $31 million related to our land drilling rigs business, which were impaired at the time of purchase as our land drilling rigs were classified as held for sale. 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 that we enter, our asset availability and our expectations with respect to industry activity levels in the following year. The decline in capital expenditures in 2018 compared to 2017 is due to the continued price fluctuation of crude oil, continued weakness in demand and lower exploration and production spending and improved asset efficiency. The increased capital expenditures in 2017 compared to 2016 was due to higher anticipated activity in the oil and gas industry related to greater volumes of work and increased rig count.

Other investing sources of cash for 2018 included cash proceeds of $106 million from several asset dispositions and cash proceeds of $257 million from the sale of our land drilling rigs businesses in Kuwait and Saudi Arabia, as well as the continuous sucker rod service business in Canada and the sale of an equity investment. The cash sources were partially offset by cash paid of $28 million to acquire intellectual property and other intangibles.

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 previously completed 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 4 – Business Combinations and Divestitures” for additional information.

Financing Activities

Our financing activities provided cash of $168 million, $20 million and $1.1 billion during 2018, 2017 and 2016, respectively.

In February of 2018, we issued $600 million of our 9.875% senior notes due 2025 for net proceeds of $586 million. We used part of the proceeds from our debt offering to repay in full our 6.00% senior notes due March 2018 and to fund a concurrent tender offer to purchase all of our 9.625% senior notes due 2019.

Net long- and short-term debt repayments, including the tender offer and borrowings under our revolving credit facilities, in 2018 totaled $378 million. We settled the tender offer for $475 million, retiring an aggregate face value of $425 million and accrued interest of $20 million. In April 2018, we repaid the remaining principal outstanding on an early redemption of the bond. We recognized a cumulative loss of $34 million on these transactions in "Bond Tender and Call Premium" on the accompanying Consolidated Statements of Operations. The debt repayments and bond tender premium payments were partially offset by net borrowings primarily under our revolving credit facilities of $158 million. Other financing activities in 2018 primarily included the costs incurred for the amended Credit Agreements and payments of non-controlling interest dividends.

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 repayments of $128 million in 2017 included the repayment of our 6.35% senior notes with a principal balance of $88 million. Other financing activities in 2017 related primarily to payments of non-controlling interest dividends.

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 in 2016 to fund tender offers to buy back an aggregate principal balance of $1.9 billion of our 6.35% senior notes, 6.00% senior notes, 9.625% senior notes and 5.125% senior notes 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 11 – Short-term Borrowings and Other Debt Obligations " and "Note 12 – Long-term Debt" for additional details of our financing activities.

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 Agreements and Term Loan Agreement

On August 16, 2018, we amended and restated our existing Revolving Credit Agreement (the "A&R Credit Agreement"), entered into a Secured Second Lien 364-Day Revolving Credit Agreement (the "364-Day Credit Agreement") and amended certain terms of our existing Term Loan Agreement ("Term Loan Agreement"). At December 31, 2018, the A&R Credit Agreement and the 364-Day Credit Agreement have total commitments of $846 million, comprised respectively of $529 million and $317 million. At December 31, 2018, we have principal borrowings of $310 million under the Term Loan Agreement. We collectively refer to our A&R Credit Agreement, 364-Day Credit Agreement and Term Loan Agreement as the "Credit Agreements." Our Credit Agreements contain customary events of default, including our failure to comply with the financial covenants.

Under the terms of the A&R Credit Agreement, commitments of $226 million from non-extending lenders ("non-extending lenders") will mature on July 12, 2019 and commitments of $303 million from extending lenders ("extending lenders") will mature on July 13, 2020. The 364-Day Credit Agreement matures on August 15, 2019 and the Term Loan matures in July of 2020. There is no guarantee that we will be able to refinance all or a portion of the non-extending portion of our A&R Credit Agreement or the 364-Day Credit Agreement when they mature. Due to certain factors, including our credit rating downgrade described below, any refinancing of the non-extending portion of our A&R Credit Agreement or the 364-Day Credit Agreement may be at higher interest rates and may require us to comply with more onerous covenants than those described below, which could further restrict our business and operations.

The A&R Credit Agreement and Term Loan Agreement were amended to permit the debt and the liens to be incurred under the 364-Day Credit Agreement and to make other modifications related to factoring of receivables, senior borrowings, permitted liens, and covenants.

At December 31, 2018, we had total borrowing availability of $325 million available under our Credit Agreements. The following table summarizes our Credit Agreements borrowing capacity utilization and availability:

(Dollars in millions)	December 31, 2018
Facilities	$1,156
Less Uses of Facilities:	
364-Day Credit Agreement	317
A&R Credit Agreement	—
Letters of Credit	204
Term Loan Principal Borrowing	310
Borrowing Availability	**$325**

If we continue to experience operating losses and we are not able to satisfy our cash requirements described below under "Cash Requirements", then our liquidity needs may exceed the availability under our Credit Agreements and other facilities that we may enter into in the future.

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.
4) Current asset coverage ratio of at least 2.1 to 1, which is calculated as our current asset value to indebtedness under the Term Loan Agreement and commitments under the 364-Day Credit Agreement.

As of December 31, 2018, we were in compliance with these financial covenants as defined in the Credit Agreements and in the covenants under our indentures. We expect to remain in compliance with all our covenants in 2019. 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. These measures include, among other things, issuing equity, but the proceeds we may be able to generate are limited by the current trading price for our stock and the limited number of shares we have authorized to issue under our governing documents. Furthermore, if we seek a waiver, we may not be able to obtain a waiver from the required lenders.

Other Short-Term Borrowings and Debt Activity

We have short-term borrowings with various domestic and international institutions pursuant to uncommitted credit facilities. At December 31, 2018, we had $9 million in short-term borrowings under these arrangements. At December 31, 2018, the current portion of long-term debt was primarily related to the $50 million current portion of our Term Loan Agreement.

Ratings Services' Credit Ratings

On December 24, 2018, S&P Global Ratings downgraded our senior unsecured notes to CCC– from CCC+, with a negative outlook. Weatherford's issuer credit rating was lowered to CCC from B–. On December 20, 2018, Moody's Investors Service downgraded our credit rating on our senior unsecured notes to Caa3 from Caa1 and our speculative grade liquidity rating to SGL-4 from SGL-3, both with a negative outlook. While we expect to continue to have access to credit markets, our non-investment grade status may 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 of our borrowings. Suppliers and financial institutions may lower or eliminate the level of credit provided through payment or intraday funding when dealing with us thereby increasing the need for higher levels of cash on hand, which could decrease our ability to repay debt balances, negatively affect our cash flow and impact our access to the inventory and services needed to operate our business.

Cash Requirements

During 2019, we anticipate our cash requirements will include payments for capital expenditures, repayment of debt, interest payments on our outstanding debt, payments for short-term working capital needs and transformation costs, including severance and professional consulting payments. Our cash requirements may also include opportunistic debt repurchases, business acquisitions, awards under our employee incentive programs if we do not have a sufficient amount of authorized capital to grant equity awards, and other amounts to settle litigation related matters described in "Principal Risks and Uncertainties" and "Notes to Consolidated Financial Statements – Notes to Consolidated Financial Statements – Note 20 – Disputes, Litigation and Legal Contingencies." While we anticipate funding these requirements from cash and cash equivalent balances, cash generated by our operations, availability under our credit facilities, accounts receivable factoring, proceeds from disposals of businesses or capital assets that no longer fit our long-term strategy, we cannot assure that cash flows and other internal and external sources of liquidity will at all times be sufficient to satisfy our cash requirements. We historically have accessed banks for short-term loans from uncommitted borrowing arrangements and have accessed the capital markets with debt and equity offerings.

Capital expenditures for 2019 are projected to be approximately $200 million to $250 million 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 actual industry activity levels in 2019. Expenditures are expected to be used primarily to support the ongoing activities of our core business. If we are unable to generate positive cash flows or access other sources of liquidity described in the previous paragraph, we may need to reduce or eliminate our anticipated capital expenditures in 2019.

Cash and cash equivalents of $600 million at December 31, 2018, 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.

As of December 31, 2018, $28 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 policy and the Angolan kwanza subsequently devalued. As of December 31, 2018, the Angolan kwanza has devalued approximately 85% since December 31, 2017. As a result, we recognized currency devaluation charges of $49 million in 2018, primarily for the Angolan kwanza. Sustained Angolan exchange limitations may continue 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 2018, we sold accounts receivable of $382 million, recognized a loss of $2 million and received cash proceeds totaling $373 million on these sales. In 2017, we sold accounts receivables 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. 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, we converted trade receivables of $65 million into a note from a 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 Consolidated Balance Sheets at its fair value of $58 million on March 31, 2017. 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 the 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.

Highly Inflationary Economy

As of June 30, 2018, the economy of Argentina was deemed to be highly inflationary and, effective July 1, 2018, we changed the functional currency of our Argentine operations from an Argentine peso functional currency to a U.S. dollar functional currency. For the year ended December 31, 2018, the functional currency change resulted in an immaterial currency loss on the Argentine peso denominated net assets held by our subsidiaries.

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 thus we use the U.S. dollar primarily 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. For the year ended December 31, 2018 and December 31, 2016, we recognized currency devaluation charges of $49 million and $41 million, respectively, and primarily related to the devaluation of the Angolan kwanza.

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 section on our Consolidated Balance Sheets. Foreign currency translation comprehensive loss worsened $240 million in 2018 and improved $130 million in 2017.

As of December 31, 2018 and 2017, we had outstanding foreign currency forward contracts with total notional amounts aggregating $435 million and $767 million, 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, 2018 and 2017, resulted in a net liability of approximately $4 million and a net asset $1 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, 2018 and 2017, and that were subject to interest rate risk consist of the following:

	December 31,			
	2018		2017	
(Dollars in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
6.00% Senior Notes due 2018	—	—	66	66
9.625% Senior Notes due 2019	—	—	488	516
5.125% Senior Notes due 2020	364	266	364	364
5.875% Exchangeable Senior Notes due 2021 [(a)]	1,194	792	1,170	1,221
7.75% Senior Notes due 2021	743	571	741	767
4.50% Senior Notes due 2022	644	373	643	587
8.25% Senior Notes due 2023	742	448	739	755
9.875% Senior Notes due 2024	781	486	780	840
9.875% Senior Notes due 2025 [(b)]	588	363	—	—
6.50% Senior Notes due 2036	447	223	447	378
6.80% Senior Notes due 2037	255	134	255	214
7.00% Senior Notes due 2038	456	241	456	396
9.875% Senior Notes due 2039	245	138	245	267
6.75% Senior Notes due 2040	457	230	456	391
5.95% Senior Notes due 2042	369	190	368	298
Total	$ 7,285	$ 4,455	$ 7,218	$ 7,060

(a) The fair value of the Exchangeable Senior Notes due 2021 includes an exchange feature reported in Capital in Excess of Par Value, and a debt component further described in “Note 12 – Long-term Debt.” In 2017, the fair value of the Exchangeable Senior Notes was separated into the exchange feature and the debt component and was not included in the fair value of debt.

(b) On February 28, 2018, we issued $600 million in aggregate principal amount of our 9.875% senior notes due 2025.

We had various capital lease and term loan debt instruments of $377 million at December 31, 2018 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 $326 million at December 31, 2018 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, 2018, interest expense for 2018 would increase by approximately $3 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.

Amounts paid or received upon termination of the interest rate swaps represent the fair value of the agreements at the time of termination. Derivative gains and losses are recognized 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.

Future Developments

Our results for 2018 improved in the Western Hemisphere primarily due to higher demand for our products and services in well construction, production, and drilling services as the average rig count increased and supplies tightened, combined with the positive impact from our transformation initiatives. The high volatility in oil prices will continue to negatively impact customer buying behavior and their demand for our services. North America growth was led by the Permian Basin, and apart from increasing activity in Argentina, the overall market activity in Latin America remained relatively subdued. In the Eastern Hemisphere, we experienced continued growth in the Gulf Cooperation Council ("GCC") countries mainly as a result of market share gains and increased activity levels in Russia while Africa, Asia and Europe remained relatively stable. We believe certain deepwater markets in the Eastern Hemisphere have likely reached their bottom, with little expected improvements in the near term. Our overall market expectations are positive, however this is subject to short term volatility in oil prices leading to a potential impact on demand for our products and services.

In the absence of any geopolitical events, 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 all market participants can make acceptable returns. For us, this means continuous focus on our transformation program, which started late in the fourth quarter of 2017, generating cost savings through the flattening of our organizational structure, driving process changes, improving the capabilities and the efficiency of our supply chain, sales and general administrative organizations and continuing to rationalize our manufacturing footprint. Furthermore, through our transformation program we expect to see improvements in our operating efficiency, ongoing lowering of our non-productive time, improvements in our collaboration with our customers and continuing our steady progress towards our transformation targets.

As production 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, which in turn puts pressure on us to deliver our products and services at competitive rates. We believe we are well positioned to satisfy our customers' needs, but 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.

For 2019, our North American customers are expected to have a flat or lower capital spending primarily related to the pricing pressures related to the hydraulic fracturing market and its associated sub-sectors, where we are relatively insulated from due to our disposition of our pressure pumping business in the fourth quarter of 2017. The slowdown in activity in Canada as result of high crude oil price differentials is also expected to lead to lower revenue in the short term. We expect activity levels in Latin America to remain constructive, as additional contract wins will support our continued growth, partly offset by inflationary pressures in Argentina. In the Eastern Hemisphere, we anticipate growth in the North Sea, Continental Europe and in the GCC countries as a result of an increase in activity combined with some market share growth. We expect activity levels in Russia, Africa, and Asia to remain relatively stable.

We continually seek opportunities to maximize efficiency and value through various transactions, including purchases or dispositions of assets, businesses, investments or joint ventures. In the first quarter of 2018, we acquired the remaining interest in our Qatari joint venture that we now consolidate. In July of 2018, we entered into purchase and sale agreements to sell our land drilling rig operations in Algeria, Kuwait and Saudi Arabia as well as two idle land rigs in Iraq, to ADES International Holding Ltd. ("ADES"), for a gross purchase price of $287.5 million. During the second quarter of 2018, we also committed to plans to divest certain remaining land drilling rigs operations and other business operations for which we believe a sale is probable within the next twelve months. In the third quarter of 2018, we completed the sale of an equity investment in a joint venture for $12.5 million. In October of 2018, we agreed to sell our Reservoir Solutions business, also known as our laboratory services business to an affiliate of CSL Capital Management, L.P., for an aggregate purchase price of $205 million, subject to customary post-closing working capital adjustments. In December of 2018, we agreed to sell our Surface Data Logging business to Excellence Logging for $50 million in cash, subject to customary post-closing working capital adjustments. We evaluate our disposition candidates based on the strategic fit within our business and/or our short and long-term objectives. Divestitures, however, can be complex and may be affected by unanticipated developments, such as the significant decrease in crude oil prices in the fourth quarter of 2018 and delays in obtaining regulatory, customer or third party approvals, which may result in the consummation of such divestitures, if agreed upon, being delayed or terminated, which could have a negative impact on our liquidity position, ability to repay indebtedness and comply with certain covenants in our debt instruments.

Upon completion, the cash proceeds from any divestitures are expected to be used 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 privately negotiated transactions. We continue to be mindful of our debt and its maturities and we are evaluating options to ensure that our balance sheet and capital structure is aligned with our business and the long-term health of our company.

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 "Forward-Looking Statements" and the section entitled "Item 1A. – Risk Factors."

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 of wells and the type of production systems used. We have created a long-term strategy aimed at growing our businesses, servicing our customers, and 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 businesses that are no longer a strategic fit within our business and/or our short and long term objectives. There is no assurance that we will be able to execute on our long-term strategy or achieve its intended benefits.

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 entity, which 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, 2018 and 2017.

Subsidiaries

Information regarding subsidiaries is provided in “Note 26 – 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

On February 27, 2019, we completed the sale of four contracted drilling rigs in Algeria and received gross cash proceeds of $40 million. This closing was pursuant to the purchase and sale agreements entered into with ADES International Holding Ltd. (ADES) in July of 2018 to sell our land drilling rigs. We expect to complete the remaining closings by the end of the first quarter of 2019.

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.

Non-Financial Disclosure

For the purpose of Statutory Instrument 360/2017 European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 (as amended), the following items, each as described and published on our website (www.weatherford.com), are deemed to be incorporated in this part of the Directors’ Report:

- The Safety and Service Quality section of our website;
- The Sustainability section of our website;
- The Sustainability section of our 2017 Annual Report;
- The Carbon Disclosure Project Response (“CDPR”); and
- Our Operational Performance and Excellence System (“OEPS”).

In addition, the following sections of this Directors’ Report provide a description of the Company’s business model: Principal Activities on page 3, Strategy on page 3, Markets on pages 3 – 4, Reporting Segments on page 4, Operating Groups on pages 4 – 5, and Other Business Data on pages 5 – 6. Lastly, a description of principal risks facing the Company and their impact on our business may be found in the Principal Risks and Uncertainties section on pages 6 – 15 of this Directors’ Report.

The Board oversees an Enterprise Risk Management ("ERM") program to identify and evaluate varying levels of risk and their potential impact on the enterprise, as well as steps to further mitigate those risks. Management representatives of the ERM committee present quarterly to the Audit Committee and annually to the full Board. Therefore, the Board is responsible for the oversight of overall risk management for the Company, and the Audit Committee is responsible for risk assessment.

Our Sustainability Committee, comprised of leaders from a cross-section of our organization, is committed to making measurable progress on our sustainability agenda and further weaving its values into the fabric of our organization. The Sustainability Committee reports to the Board on progress and areas that need additional support by incorporating environmental, social and governance risks ("ESG") as determined from our Sustainability Materiality Matrix.

Detailed outcomes of our KPI's in our previous financial years can be found in the Sustainability Section of our 2016 and 2017 Annual Report, relevant sections of the 2018 CDPR and the Sustainability section of the Company's website. We will disclose detailed outcomes of our KPI's for our 2018 financial year in the Sustainability Section of our 2018 Annual Report, which will be published on our website in the coming months. Our preliminary assessment of the outcomes of our KPIs for the 2018 financial year indicates that we have continued to make progress towards our environmental, diversity and other goals.

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, 2018 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. Butters and Mr. Moses retired from the Board of Directors on April 27, 2018 and Charity R. Kohl resigned on April 26, 2018.

Unless noted below, 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 24 – Directors' Remuneration" to the Consolidated Financial Statements.

The interest of the directors and secretaries in office at December 31, 2018 in the ordinary share capital of Weatherford International plc are shown in the table below:

	December 31, 2018		December 31, 2017 (or date of appointment if later)	
	Shares	**Options [(a)]**	**Shares**	**Options [(a)]**
Directors:				
Mohamed A. Awad	82,059	62,711	43,847	47,766
Roxanne J. Decyk [(b)]	35,748	62,711	—	44,685
John D. Gass	104,171	62,711	68,423	44,685
Francis S. Kalman	125,671	62,711	89,923	44,685
David S. King [(b)]	35,748	62,711	—	44,685
William E. Macaulay [(c)]	289,065	96,610	1,007,784	68,840
Mark A. McCollum [(d)]	242,025	2,834,137	—	1,645,338
Angela A. Minas [(e)]	40,000	62,711	—	—
Guillermo Ortiz	146,795	62,711	111,047	44,685
Emyr Jones Parry	136,145	62,711	100,397	44,685
Secretaries:				
Christina M. Ibrahim	199,230	758,235	86,690	627,519
Josh McMorrow [(f)]	33,388	64,999	9,068	37,854
Christine M. Morrison [(g)]	13,595	26,666	9,107	12,600

(a) This category consists of unvested restricted share units and unvested performance units.
(b) Ms. Decyk and Mr. King were appointed on September 21, 2017.
(c) Shares at December 31, 2017 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.
(d) Mr. McCollum was appointed on April 24, 2017.
(e) Ms. Minas was appointed on March 12, 2018.
(f) Mr. McMorrow was appointed on June 15, 2017.
(g) Ms. Morrison was appointed on April 27, 2018.

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

February 28, 2019

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 adopted 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 applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsible for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of 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 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 AUDITOR’S 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 2018 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 2018 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 2018;
- 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 - our assessment of risks of material misstatement

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. The key audit matters identified differ from our 2017 audit in that we no longer consider the allowance for excess and obsolete inventory to be a key audit matter and we have assessed the risks associated with uncertainties in projected future cashflows as relating to their use in all aspects of financial reporting and not solely their use in performing an assessment of the carrying value of goodwill. In arriving at our Group audit opinion, the key audit matters, in descending order of importance to our audit, were as follows.

Inherent uncertainties related to projected financial information

Refer to financial statements notes and accounting policies related to goodwill

The key audit matter

We identified significant risks of error related to the inherent uncertainty involved in the use of projected financial information to determine, among other matters, the amount to be recorded, if any, as an impairment against goodwill.

How the matter was addressed in our audit

We evaluated the design, and tested the operating effectiveness of key controls over the determination of reporting segments and the controls related to the development of projected financial information by management.

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 involved internal valuation specialists in the performance of these procedures.

We reviewed the financial statement disclosures related to goodwill for completeness and accuracy. We performed procedures to assess management's determination that no material uncertainty exists that casts significant doubt over the Company's ability to continue as a going concern.

Based on the evidence obtained we concluded that the inputs to the projected financial information used in management's going concern assessment and determination of goodwill impairment were reasonable and that the disclosures provided in the financial statements thereon were satisfactory.

Property, plant and equipment (2018: $2,086 million, 2017: $2,708 million)

Refer to financial statements page 47 (accounting policy) and note 9 to the consolidated financial statements.

The key audit matter

We identified a risk of error related to the valuation of property, plant and equipment, specifically the inputs into management's impairment assessment.

How the matter was addressed in our audit

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 significant assumptions into the assessment of impairment.

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.

Provision for income taxes (2018: $34 million, 2017: $137 million)

Refer to financial statements page 48 (accounting policy) and note 19 to the consolidated financial statements.

The key audit matter

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.

How the matter was addressed in our audit

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.
- 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's 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.

Parent Company Key Audit Matter - Investment in subsidiaries (2018 $811 million, 2017 $5,609 million)

Refer to financial statements page 81 (accounting policy) and note 3 to the Parent Company financial statements.

The key audit matter

We identified a 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.

How the matter was addressed in our audit

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 total revenues. This represents a change from 2017 and previous years where we determined audit materiality based on consolidated loss before tax from continuing operations ("LBTCO"). During 2016 and 2017, the Company recognized significant restructuring costs and impairment losses resulting in significant pretax losses and net losses. During our audit planning, the Company also forecasted pre-tax losses for 2018. Due to the resulting volatility of LBTCO, we determined that LBTCO was no longer the appropriate benchmark from which to determine materiality.

We set overall Group materiality at $27 million for the financial year ended 31 December 2018 (2017: $35 million), which represented 0.47% of revenues (2016: 1.3% of LBTCO). 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 $1.35 million (2017: $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 $4.8 million for the financial year ended 31 December 2018 (2017: $29 million). Materiality represented 0.5% of total assets at 31 December 2018 and 31 December 2017.

The Group operates in multiple international jurisdictions. Of the Group's international components, we subjected 11 to full scope audits for Group audit purposes with these components representing 79% of Group revenues and 74% of group total assets, and the remaining components to specific risk-focused audit procedures, with these components representing 21% of Group revenues and 26% 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 $3.5 million to $18 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. Other information

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.

The other information comprises the information included in the directors' report, including the following items, each as described and published on the company's website (www.weatherford.com) and which are deemed to be incorporated in the Non-Financial Reporting section of the Directors' Report:

- The Safety and Service Quality section of the company's website;
- The Sustainability section of the company's website;
- The Sustainability section of the company's 2017 Annual Report;
- The Carbon Disclosure Project Response ("CDPR"); and
- The Operational Performance and Excellence System ("OEPS").

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 or the Safety and Service Quality and Sustainability sections of the company's website, the Sustainability section of the company's 2017 Annual Report, the CDPR, and the OEPS as published on the company's website and which are each deemed incorporated in the Non-Financial Reporting section of the directors' report;
- in our opinion, the information given in the directors' report, the Safety and Service Quality and Sustainability sections of the company's website , the Sustainability section of the company's 2017 Annual Report, the CDPR, and the OEPS as published on the company's website and which are each deemed incorporated in the Non-Financial Reporting section of the directors' report, are 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 34, 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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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.

<u>/s/ Michael Gibbons</u>

Michael Gibbons
For and on behalf of
KPMG
Chartered Accountants, statutory audit firm
1 Stokes Place, St. Stephen's Green, Dublin 2, Ireland.
February 28, 2019

WEATHERFORD INTERNATIONAL PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars and shares in millions, except per share amounts)	Year Ended December 31, 2018	2017	2016
Revenues:			
Products	$ 2,051	$ 2,116	$ 2,059
Services	3,693	3,583	3,690
Total Revenues	**5,744**	**5,699**	**5,749**
Costs and Expenses:			
Cost of Products	1,887	2,142	2,143
Cost of Services	2,627	2,747	3,046
Research and Development	139	158	159
Selling, General and Administrative Attributable to Segments	764	904	965
Corporate General and Administrative	130	130	138
Goodwill Impairment	1,917	—	—
Long-Lived Asset Impairments, Write-Downs and Other	238	1,711	1,043
Restructuring and Transformation Charges	126	183	280
Litigation Charges, Net	—	(10)	220
Gain from Disposition of U.S. Pressure Pumping Assets	—	(96)	—
Total Costs and Expenses	**7,828**	**7,869**	**7,994**
Operating Loss	**(2,084)**	**(2,170)**	**(2,245)**
Other Income (Expense):			
Interest Expense, Net	(614)	(579)	(499)
Warrant Fair Value Adjustment	70	86	16
Bond Tender and Call Premium	(34)	—	(78)
Currency Devaluation Charges	(49)	—	(41)
Other Income (Expense), Net	(46)	7	(30)
Loss Before Income Taxes	**(2,757)**	**(2,656)**	**(2,877)**
Income Tax Provision	(34)	(137)	(496)
Net Loss	**(2,791)**	**(2,793)**	**(3,373)**
Net Income Attributable to Noncontrolling Interests	20	20	19
Net Loss Attributable to Weatherford	**$(2,811)**	**$(2,813)**	**$(3,392)**
Loss Per Share Attributable to Weatherford:			
Basic & Diluted	$(2.82)	$(2.84)	$(3.82)
Weighted Average Shares Outstanding:			
Basic & Diluted	997	990	887

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)	**2018**	**2017**	**2016**
Net Loss	$(2,791)	$(2,793)	$(3,373)
Foreign Currency Translation	(240)	130	(12)
Defined Benefit Pension Activity	12	(39)	42
Other	1	—	1
Other Comprehensive Income (Loss)	**(227)**	**91**	**31**
Comprehensive Loss	**(3,018)**	**(2,702)**	**(3,342)**
Comprehensive Income Attributable to Noncontrolling Interests	20	20	19
Comprehensive Loss Attributable to Weatherford	**$(3,038)**	**$(2,722)**	**$(3,361)**

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

WEATHERFORD INTERNATIONAL PLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31,	
(Dollars and shares in millions, except par value)	**2018**	**2017**
Assets:		
Cash and Cash Equivalents	$602	$613
Accounts Receivable, Net of Allowance for Uncollectible Accounts of $123 in 2018 and $156 in	1,130	1,103
Inventories, Net	1,025	1,234
Other Current Assets	428	569
Assets Held for Sale	265	359
Total Current Assets	**3,450**	**3,878**
Property, Plant and Equipment, Net of Accumulated Depreciation of $5,786 in 2018 and $6,602 in	2,086	2,708
Goodwill	713	2,727
Other Non-current Assets	352	434
Total Assets	**$6,601**	**$9,747**
Liabilities:		
Short-term Borrowings and Current Portion of Long-term Debt	$383	$148
Accounts Payable	732	856
Accrued Salaries and Benefits	249	308
Income Taxes Payable	214	228
Other Current Liabilities	722	690
Total Current Liabilities	**2,300**	**2,230**
Long-term Debt	7,605	7,541
Other Non-current Liabilities	362	547
Total Liabilities	**10,267**	**10,318**
Shareholders' Deficiency:		
Shares - Par Value $0.001; Authorized 1,356 shares, Issued and Outstanding 1,002 shares and 993 shares at December 31, 2018 and 2017, respectively	1	1
Capital in Excess of Par Value	6,711	6,655
Retained Deficit	(8,671)	(5,763)
Accumulated Other Comprehensive Loss	(1,746)	(1,519)
Weatherford Shareholders' Deficiency	(3,705)	(626)
Noncontrolling Interests	39	55
Total Shareholders' Deficiency	(3,666)	(571)
Total Liabilities and Shareholders' Deficiency	**$6,601**	**$9,747**

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' (Deficiency) Equity
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)**
Net Income (Loss)	—	—	(2,811)	—	20	(2,791)
Other Comprehensive Loss	—	—	—	(227)	—	(227)
Dividends Paid to Noncontrolling Interests	—	—	—	—	(16)	(16)
Equity Awards Granted, Vested and Exercised	—	52	—	—	—	52
Adoption of Intra-Entity Transfers of Assets Other Than Inventory and Revenue from Contracts with Customers	—	—	(97)	—	—	(97)
Other	—	4	—	—	(20)	(16)
Balance at December 31, 2018	**$1**	**$6,711**	**$(8,671)**	**$(1,746)**	**$39**	**$(3,666)**

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)	**2018**	**2017**	**2016**
Cash Flows From Operating Activities:			
Net Loss	$(2,791)	$(2,793)	$(3,373)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:			
Depreciation and Amortization	556	801	956
Goodwill Impairment	1,917	—	—
Long-Lived Asset Impairments	151	928	436
Venezuelan Receivables Write-Down	—	230	—
Inventory Write-off and Other Related Charges	80	540	269
Asset Write-Downs and Other Charges	89	38	194
Defined Benefit Pension Plan Gains	—	(47)	—
Currency Devaluation Charges	49	—	41
Litigation Charges (Credits)	5	(10)	214
Bond Tender Premium	34	—	78
Employee Share-Based Compensation Expense	47	70	87
Bad Debt Expense	5	8	69
Gain on Sale of Assets and Businesses, Net	(53)	(91)	(10)
Deferred Income Tax Provision (Benefit)	(79)	(25)	381
Warrant Fair Value Adjustment	(70)	(86)	(16)
Other, Net	8	142	127
Change in Operating Assets and Liabilities, Net:			
Accounts Receivable	(70)	(29)	214
Inventories	86	(37)	260
Other Current Assets	(90)	107	67
Accounts Payable	(90)	(2)	(21)
Accrued Litigation and Settlements	(25)	(123)	(94)
Other Current Liabilities	48	20	(201)
Other, Net	(49)	(29)	18
Net Cash Used in Operating Activities	(242)	(388)	(304)

WEATHERFORD INTERNATIONAL PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS. Continued

	Year Ended December 31,		
(Dollars in millions)	**2018**	**2017**	**2016**
Cash Flows From Investing Activities:			
Capital Expenditures for Property, Plant and Equipment	(186)	(225)	(204)
Acquisition of Assets Held for Sale	(31)	(244)	—
Acquisitions of Businesses, Net of Cash Acquired	4	(7)	(5)
Acquisition of Intangible Assets	(28)	(15)	(10)
Insurance Proceeds Related to Asset Casualty Loss	—	—	39
Proceeds (Payment) from Disposition of Businesses and Investments	257	429	(6)
Proceeds from Disposition of Assets	106	51	49
Other Investing Activities	—	(51)	—
Net Cash Provided by (Used in) Investing Activities	122	(62)	(137)
Cash Flows From Financing Activities:			
Borrowings of Long-term Debt	586	250	3,681
Repayments of Long-term Debt	(502)	(69)	(1,963)
Borrowings (Repayments) of Short-term Debt, Net	158	(128)	(1,512)
Proceeds from Issuance of Ordinary Common Shares and Warrant	—	—	1,071
Bond Tender Premium	(34)	—	(78)
Payment for Leased Asset Purchase	—	—	(87)
Other Financing Activities, Net	(40)	(33)	(51)
Net Cash Provided by Financing Activities	**168**	**20**	**1,061**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(59)	6	(50)
Net Increase (Decrease) in Cash and Cash Equivalents	**(11)**	**(424)**	**570**
Cash and Cash Equivalents at Beginning of Year	613	1,037	467
Cash and Cash Equivalents at End of Year	$602	$613	$1,037
Supplemental Cash Flow Information			
Interest Paid	$584	$538	$467
Income Taxes Paid, Net of Refunds	$99	$87	$161
Non-Cash Financing Obligations	$23	$24	$25

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 80 countries, which are located in virtually 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.

Our ordinary shares are listed on the New York Stock Exchange (the "NYSE") under the symbol "WFT." The authorized share capital of Weatherford Ireland includes 1.356 billion ordinary shares with a par value of $0.001 per share.

Principles of Consolidation

We consolidate all wholly owned subsidiaries and controlled joint ventures. All material intercompany accounts and transactions have been eliminated in consolidation.

Certain prior year amounts have been reclassified to conform to the current year presentation, including those related to the adoption of new accounting standards. Prior year net income and shareholders' deficiency were not affected by these reclassifications. See subsection entitled "New Accounting Pronouncements" for additional details. Our rental and service equipment and accumulated depreciation in 2017 have been revised to reflect certain net assets reclassified to held for sale at December 31, 2017.

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 net realizable value of inventories, equity investments, derivative financial instruments, intangible assets and goodwill, property, plant and equipment ("PP&E"), income taxes, 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.

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. 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, 2018, the Eastern Hemisphere accounted for 55% of our net outstanding accounts receivables and the Western Hemisphere accounted for 45% of our net outstanding accounts receivables. As of December 31, 2018, our net outstanding accounts receivable in the U.S. accounted for 18% of our balance and Mexico accounted for 10% of our balance. No other country accounted for more than 10% of our net outstanding accounts receivables balance. During 2018, 2017 and 2016, no individual customer accounted for more than 10% of our consolidated revenues.

Inventories

We value our inventories at lower of cost or net realizable value 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 net realizable value, we regularly review inventory quantities on hand and maintain reserves 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 $493 million, $749 million and $896 million for the years ended December 31, 2018, 2017 and 2016, respectively.

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 – 15 years
Machinery and other	2 – 12 years

Assets Held for Sale

We consider businesses or assets to be held for sale when all of the following criteria are met: (a) management commits to a plan to sell the business or asset and (b) the business or asset is available for immediate sale in its present condition and (c) actions required to complete the sale of the business or asset have been initiated and (d) the sale of the business or asset is probable and we expect the completed sale will occur within one year and (e) the business or asset is actively being marketed for sale at a price that is reasonable given its current fair value, and (f) it is unlikely that the plan to sell will be significantly modified or withdrawn.

Upon designation as held for sale, we record the carrying value of each business or asset at the lower of its carrying value or its estimated fair value, less estimated costs to sell, and cease recording depreciation. If at any time these criteria are no longer met, subject to certain exceptions, the assets previously classified as held for sale are reclassified as held and used and measured individually at the lower of the following: (a) the carrying amount before being classified as held for sale, adjusted for any depreciation (amortization) expense that would have been recognized had the asset been continuously classified as held and used or (b) the fair value at the date of the subsequent decision not to sell. During 2018 and 2017, there were no reclassifications from held for sale to held and used.

Goodwill and Intangible Assets

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 unconditional 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.

Our intangible assets, excluding goodwill, are acquired technology, licenses, patents, customer relationships and other identifiable intangible assets. These are included in the caption “Other Non-current Assets” on the Consolidated Balance Sheets. 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, but tested for impairment. 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 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 or asset group 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 or asset group, 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 or asset group may not be recoverable, we determine whether an impairment has occurred through analysis of undiscounted cash flow of the asset or asset group 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 or asset group. We estimate the fair value of the asset or asset group 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.

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.

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 14 – 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.

As of December 31, 2018, cash and cash equivalents denominated in Angolan kwanza was approximately $28 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.

Disputes, Litigation and Contingencies

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

Revenue Recognition

As of January 1, 2018, we adopted the new revenue recognition guidance, ASU 2014-09, Revenue from Contracts with Customers (Topic 606), and all of the related amendments, collectively Topic 606, using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. We recognized the cumulative effect of initially applying the new guidance as an adjustment to the opening balance of retained earnings as of January 1, 2018. The comparative period information has not been adjusted and continues to be reported under the previous revenue standard, the primary accounting policies for which are discussed below.

Our services and products were generally sold based upon purchase orders, contracts or other persuasive evidence of an arrangement with our customers that included fixed or determinable prices but do not generally include right of return provisions or other significant post-delivery obligations. Our products were produced in a standard manufacturing operation, even if produced to our customer’s specifications. Revenue was recognized for products when title passed to the customer, collectability was reasonably assured, delivery occurred as directed by our customer and when the customer assumed the risks and rewards of ownership. Revenue was 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 recognized revenue for day-rate contracts as the services were rendered.

See “Note 2 – New Accounting Pronouncements” and “Note 3 – Revenues” for details on the impact of adoption of the new revenue recognition guidance and our revenue recognition policies.

Earnings (Loss) per Share

Basic earnings (loss) 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.

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 until it expires on May 21, 2019, which contain the right to receive dividends, in the computation of both basic and diluted earnings per share when dilutive.

2. NEW ACCOUNTING PRONOUNCEMENTS

Accounting Changes

In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which replaced most existing revenue recognition guidance in U.S. GAAP. We adopted the new guidance and all of the related amendments, collectively Topic 606, using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. We recognized the cumulative effect of initially applying the new guidance as an adjustment to the opening balance of retained earnings as of January 1, 2018. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. Net income for 2017 and shareholders’ equity as of December 31, 2017 were not affected by the adoption of the new guidance. The impact of the adoption of the new guidance was immaterial to our consolidated net loss.

The primary impact on adopting Topic 606 on our Consolidated Financial Statements is in our Well Construction product line, where we receive customer payments related to the demobilization of drilling equipment and crew. Under the adoption of Topic 606, we now recognize revenue on demobilization equally over the term of the contract, subject to any constraint as discussed in “Note 3 – Revenues” to our Consolidated Financial Statements. Prior to the adoption of Topic 606, we recognized demobilization revenue once the service was completed. These changes did not have any impact on our Consolidated Statements of Cash Flows.

The cumulative effect of the changes made to our January 1, 2018 Consolidated Balance Sheet for the adoption of Topic 606, were as follows:

(Dollars in millions)	Balance at December 31, 2017	Adjustments Due to Topic 606	Balance at January 1, 2018
Assets and Liabilities:			
Other Current Assets	$569	$10	$579
Other Current Liabilities	690	2	692
Shareholders’ Deficiency:			
Retained Deficit	(5,763)	8	(5,755)

In August 2018, the FASB issued ASU 2018-15, Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40), Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract, which requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance in Accounting Standards Codification (ASC) 350-40 to determine which implementation costs to capitalize as assets. This standard will reduce diversity in practice in accounting for the costs of implementing cloud computing arrangements that are service contracts. We elected to early adopt ASU 2018-15 as we currently apply such guidance to our cloud computing arrangements. The adoption of this ASU has no material impact on our Consolidated Financial Statements.

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 costs (“net benefit cost”). The service cost component of net benefit cost is required to be presented with other employee compensation costs, while other components of net benefit costs are presented separately outside of income from operations. We adopted ASU 2017-07 in the first quarter of 2018 on a retrospective basis which resulted in the reclassification of $41 million of income and $6 million of expense for the years ended December 31, 2017 and 2016, respectively, from “Total Costs and Expenses” to “Other Income (Expense), Net” on our Consolidated Statements of Operations.

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. We adopted ASU 2016-16 in the first quarter of 2018 on a modified retrospective basis. The impact that this new standard has on our Consolidated Financial Statements is a reversal of $105 million of prepaid taxes through retained earnings. Prospectively, any taxes accrued that result from the intra-entity transfers of non-inventory assets will be recognized in current tax expense.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, which reduces diversity in practice as to how certain transactions are classified in the statement of cash flows. We adopted ASU 2016-15 in the first quarter of 2018 on a retrospective basis and the adoption of this ASU has no material impact on our Consolidated Statements of Cash Flows.

Accounting Standards Issued Not Yet Adopted

In August 2018, the FASB issued ASU 2018-14, Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans, which makes minor changes to the disclosure requirements for employers that sponsor defined benefit pension and other postretirement benefit plans. The ASU is effective for the fiscal year ending December 31, 2020, but early adoption is permitted. The ASU is required to be applied retrospectively. This new standard will not have a significant impact on our Consolidated Financial Statements.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement, which eliminates, adds and modifies certain disclosure requirements for fair value measurements as part of its disclosure framework project. The ASU is effective beginning with the first quarter of 2020, and early adoption is permitted. The ASU is required to be applied retrospectively, except the new Level 3 disclosure requirements which are applied prospectively. We have evaluated the impact that this new standard will have on our Consolidated Financial Statements and concluded adoption of the ASU will not have a significant impact.

In February 2018, the FASB issued ASU 2018-02, Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, which permits a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. The standard is required to be applied in the period of adoption or on a retrospective basis to each period affected, and will be effective beginning in the first quarter of 2019, although early adoption is permitted. We are evaluating the impact that this new standard will have on our Consolidated Financial Statements.

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 evaluated the impact that this new standard will have on our Consolidated Financial Statements and concluded adoption of the ASU will not have a significant impact on our Consolidated Financial Statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to determine credit loss estimates. The guidance requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The updated guidance applies to (i) loans, accounts receivable, trade receivables, and other financial assets measured at amortized cost, (ii) loan commitments and other off-balance sheet credit exposures, (iii) debt securities and other financial assets measured at fair value through other comprehensive income, and (iv) beneficial interests in securitized financial assets. The amended guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. We will adopt the new standard on the effective date of January 1, 2020 and are evaluating the effect, if any, that the guidance will have on our consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which requires a lessee to recognize a right-of-use (“ROU”) 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.

This standard, and all the related amendments, will be effective for us beginning January 1, 2019 and we have elected to adopt using the optional adoption-date method and recognize a cumulative effect adjustment. In addition, we have elected certain available practical expedients. 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 right-of-use 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.

Additionally, we are implementing changes to our systems, processes and internal controls to ensure we meet the standard's reporting and disclosure requirements. Adoption of the standard will result in the recognition of both additional ROU operating lease assets and lease liabilities of approximately $275 million to $315 million upon adoption.

3. REVENUES

Revenue Recognition

The majority of our revenue is derived from short term contracts. We account for revenue in accordance with Topic 606, which we adopted on January 1, 2018, using the modified retrospective method. See "Note 2 – New Accounting Pronouncements" for further discussion of the adoption, including the impact on our 2018 Consolidated Financial Statements.

Revenues are recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

The following tables disaggregate our product and service revenues from contracts with customers by major product line and geographic region for year ended December 31, 2018:

	Year Ended December 31, 2018		
(Dollars in millions)	**Western Hemisphere**	**Eastern Hemisphere**	**Total Excluding Rental Revenues**
Product Lines:			
Production	$1,176	$342	$1,518
Completions	609	604	1,213
Drilling and Evaluation	612	778	1,390
Well Construction	429	857	1,286
Total	**$2,826**	**$2,581**	**$5,407**

(Dollars in millions)	**Year Ended December 31, 2018**
Geographic Areas:	
United States	$1,435
Latin America	1,017
Canada	374
Western Hemisphere	**2,826**
Middle East & North Africa	1,376
Europe/Sub-Sahara Africa/Russia	920
Asia	285
Eastern Hemisphere	**2,581**
Total Product and Service Revenue before Rental Revenues	5,407
Rental Revenues	337
Total Revenues	**$5,744**

Contract Balances

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables, contract assets, and customer advances and deposits (contract liabilities classified as deferred revenues) on the Consolidated Balance Sheets.

Receivables for products and services with customers, under Topic 606, are included in "Accounts Receivable, Net," contract assets are included in "Other Current Assets" and contract liabilities are included in "Other Current Liabilities" on our Consolidated Balance Sheets.

The following table provides information about receivables for product and services included in "Accounts Receivable, Net"

at December 31, 2018 and January 1, 2018, respectively:

(Dollars in millions)	December 31, 2018	January 1, 2018
Receivables for Product and Services in Accounts Receivable, Net	$1,051	$1,081

Consideration under certain contracts such as turnkey or lump sum contracts may be classified as contract assets as the invoicing occurs once the performance obligations have been satisfied while the customer simultaneously receives and consumes the benefits provided. We also have receivables for work completed but not billed in which the rights to consideration are conditional and would be classified as contract assets. These are primarily related to service contracts and are not material to our Consolidated Financial Statements. We may also have contract liabilities and defer revenues for certain product sales that are not distinct from their installation.

We did not recognize any revenues during 2018 related to performance obligations satisfied prior to January 1, 2018.

Significant changes in the contract assets and liabilities balances during the period are as follows:

(Dollars in millions)	Contract Assets	Contract Liabilities
Balance at January 1, 2018	$10	$42
Revenue recognized that was included in the deferred revenue balance at the beginning of the period	—	(112)
Increase due to cash received, excluding amount recognized as revenue during the period	—	120
Increase due to revenue recognized during the period but contingent on future performance	14	—
Transferred to receivables from contract assets recognized at the beginning of the period	(13)	—
Changes as a result of adjustments due to changes in estimates or contract modifications	—	21
Impairment of contract assets	(5)	—
Reclassification to held for sale and sold	(2)	(7)
Balance at December 31, 2018	**$4**	**$64**

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account in Topic 606. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

Our principal business is to provide equipment and services to the oil and natural gas exploration and production industry, both on land and offshore, through our major product lines: Production, Completions, Drilling and Evaluation and Well Construction.

Generally, our revenue is recognized for services over time as the services are rendered and we primarily utilize an output method such as time elapsed or footage drilled which coincides with how customers receive the benefit. Both contract drilling and pipeline service revenue is contractual by nature and generally governed by day-rate based contracts. Revenue is recognized on product sales at a point in time when control passes and is generally upon delivery but is dependent on the terms of the contract.

Our services and products are generally sold based upon purchase orders, contracts or call-out work orders that include fixed per unit prices or variable consideration but do not generally include right of return provisions or other significant post-delivery obligations. We generally bill our sales of services and products upon completion of the performance obligation. Product sales are billed and recognized when control passes to the customer. Our products are produced in a standard manufacturing operation, even if produced to our customer's specifications. Revenues are recognized at the amount to which we have the right to invoice for services performed. Our payment terms vary by the type and location of our customer and the products or services offered. The term between invoicing and when payment is due is not significant. For certain products or services and customer types, we require payment before the products or services are delivered to the customer. We defer revenue recognition on such payments until the products or services are delivered to the customer.

From time to time, we may enter into bill and hold arrangements. When we enter into these arrangements, we determine if the customer has obtained control of the product by determining (a) the reason for the bill-and-hold arrangement; (b) whether the product is identified separately as belonging to the customer; (c) whether the product is ready for physical transfer to the customer; and (d) whether we are unable to utilize the product or direct it to another customer.

We account for individual products and services separately if they are distinct and the product or service is separately identifiable from other items in the contract and if a customer can benefit from it on its own or with other resources that are readily available to the customer. The consideration, including any discounts, is allocated between separate products and services based on their standalone selling prices. The standalone selling prices are determined based on the prices at which we separately sell our products and services. For items not sold separately (e.g. term software licenses in our Production product line), we estimate standalone selling prices using the adjusted market assessment approach.

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 contract term using the straight-line method. Costs of relocating equipment without contracts are expensed as incurred. Demobilization fees received are recognized over the contract period and may be constrained to the amount that it is probable a significant reversal in the fees will not occur. When determining if such variable consideration should be constrained, management considers whether there are factors outside the Company’s control that could result in a significant reversal of revenue as well as the likelihood and magnitude of such a potential reversal.

The nature of our contracts gives rise to several types of variable consideration, including claims and lost-in-hole charges. Our claims are not significant and lost-in-hole charges are constrained variable consideration. We do not estimate revenue associated with these types of variable consideration.

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.

We provide certain assurance warranties on product sales which range from one to five years but do not offer extended warranties on any of our products or services. These assurance warranties are not separate performance obligations, thus no portion of the transaction price is allocated to our obligations under the assurance warranties.

In the following table, estimated revenue expected to be recognized in the future related to performance obligations that are either unsatisfied or partially unsatisfied as of December 31, 2018 primarily relate to subsea services and an artificial lift contract:

(Dollars in millions)	2019	2020	2021	2022	Thereafter	Total
Service revenue	$57	$33	$18	$18	$19	$145

All consideration from contracts with customers is included in the amounts presented above.

Early Production Facility Long-Term Construction Contracts

We account for our long-term early production facility construction contracts in Iraq as our performance obligations under the terms of the contract are satisfied, which generally occurs with the transfer of control of the goods or services to the customer. Our only remaining contract is the Zubair contract, which is in its final warranty stage. There has been no change to our cumulative estimated loss of $532 million from all of the Iraq contracts since December 31, 2016. Our net billings in excess of costs as of December 31, 2018 and December 31, 2017 were $31 million and $56 million, respectively, and are shown in the “Other Current Liabilities” on the accompanying Consolidated Balance Sheets.

Venezuela Revenue Recognition

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 the fourth quarter of 2017, we changed the accounting for revenue with substantially all of our customers in Venezuela 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 of $230 million to fully reserve our receivables for these customers in Venezuela. We continue to monitor our Venezuelan operations and will actively pursue the collection of our outstanding invoices. During 2018, we collected $16 million on previously fully reserved accounts receivable.

Practical Expedients

We generally expense sales commissions paid when incurred as a result of obtaining a contract because the amortization period is one year or less. These costs are recorded within “Selling, General and Administrative Attributable to Segments” on our Consolidated Statements of Operations.

We do not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed.

4. BUSINESS COMBINATIONS AND DIVESTITURES

Acquisitions

On March 26, 2018, we acquired the remaining 50% equity interest in our Qatari joint venture that we previously accounted for as an equity method investment and consolidated the entity. The total consideration to purchase the remaining equity interest was $87 million, which is comprised of a cash consideration of $72 million and an estimated contingent consideration of $15 million related to services the Qatari entity will render under new contracts. Of the $72 million in cash consideration, $48 million was paid in accordance with closing terms through the joint venture, with the remaining payment of $24 million to be paid two years from closing. As a result of this step acquisition transaction with a change in control, we remeasured our previously held equity investment to fair value and recognized a $12 million gain. The Level 3 fair value of the acquisition was determined using an income approach. The unobservable inputs to the income approach included the Qatari entity's estimated future cash flows and estimates of discount rates commensurate with the entity's risks. Upon consolidation, we recognized intangible assets of $22 million, PP&E of $25 million, goodwill of $27 million, other current assets of $16 million and other liabilities of $43 million as a result of the purchase accounting assessment and is remeasured in the allowable period as needed.

Divestitures

In the fourth quarter of 2018, we completed the sale for a portion of our land drilling rigs operations and received gross cash proceeds of $216 million. The sale represents two of a series of four closings pursuant to the purchase and sale agreements entered into with ADES International Holding Ltd. ("ADES") in July of 2018 to sell our land drilling rig operations in Algeria, Kuwait and Saudi Arabia, as well as two idle land rigs in Iraq, for an aggregate purchase price of $287.5 million, subject to regulatory approvals, consents and other customary closing conditions to include potential adjustments based on working capital, net cash, loss or destruction of rigs and drilling contract backlog.

The two closings were for our land drilling rigs operations in Kuwait and Saudi Arabia and included 23 of a total of 31 land rigs and related drilling contracts, as well as transferring employees and contract personnel. The net loss on these first two closings was $9 million from primarily transaction costs to close the dispositions. The carrying amount of the assets and liabilities held for sale sold in 2018 totaled $253 million and $36 million, respectively, to include PP&E, inventory, accounts receivable and other assets and liabilities. We expect to complete the remaining two closings with ADES in the first quarter of 2019. In the third quarter of 2018, ADES advanced $43 million of the aggregate purchase price in the form of a deposit held in escrow, which was released at each closing as credit towards the proceeds paid and as of December 31, 2018, there was $11 million remaining in escrow.

In March of 2018, we completed the sale of our continuous sucker rod service business in Canada for a purchase price of $25 million and recognized a gain of $2 million. The carrying amounts of the major classes of assets divested total $23 million and included PP&E of $14 million, allocated goodwill of $8 million and inventory of $1 million. In the third quarter of 2018, we completed the sale of an equity investment in a joint venture for $12.5 million and recognized a gain of $3 million.

In December of 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 used to reduce outstanding indebtedness. The net gain on the disposition of the U.S. pressure pumping and pump-down assets was $96 million. The carrying amount of the major classes of assets divested total $391 million and included PP&E of $222 million, allocated goodwill of $162 million and inventory of $7 million. The carrying amounts of the major classes of liabilities divested total $61 million and included other liabilities of $52 million and long-term debt of $9 million.

Held for Sale

Assets qualifying as held for sale total $265 million at December 31, 2018 and consist of PP&E and other net assets of $214 million, allocated goodwill of $7 million, and inventory of $44 million. Liabilities in held for sale, which is included in "Other Current Liabilities" on the Consolidated Balance Sheets, totaled $17 million at December 31, 2018. These amounts primarily consist of our surface data logging and laboratory services business and our remaining land drilling rigs operations held for sale.

In December of 2018, we agreed to sell our surface data logging business to Excellence Logging for $50 million in cash, subject to customary post-closing working capital adjustments. The transaction is expected to close in the first half of 2019.

In October of 2018, we agreed to sell our Reservoir Solutions business, also known as our laboratory services business to an affiliate of CSL Capital Management, L.P., for an aggregate purchase price of $205 million in cash, subject to customary post-closing working capital adjustments. The transaction is expected to close in the first quarter of 2019.

In July of 2018, we entered into an agreement with ADES to sell a majority of our land drilling rigs operations. The remaining two closings are expected to be completed by the end of the first quarter of 2019. As a result of entering into certain purchase and sale agreements as asset sales, we recognized asset write-down charges of $58 million for deferred mobilization costs and other rigs related assets as such costs were no longer recoverable.

During the third quarter of 2018, we recorded an $18 million charge to "Long-Lived Asset Impairments, Asset Write-Downs and Other" in our Consolidated Statements of Operations to correct an immaterial error relating to our estimates of recoverability of certain assets associated with the original and ongoing valuation of the assets and liabilities classified as held for sale associated with the planned disposition of our land drilling rig operations. The charge would have affected "Long-Lived Asset Impairments, Asset Write-Downs and Other" expense, operating loss, and loss before income taxes for the year ended December 31, 2017 by $18 million and would not have affected our compliance with financial covenants under our revolving and term loan credit facilities if it had been recorded in prior periods or in the year ended December 31, 2018, and did not have an impact to cash flow from operating activities or any other cash flow measures for those periods.

Assets qualifying as held for sale total $359 million at December 31, 2017. There were no liabilities in held for sale. These amounts primarily consist of our land drilling rigs operations, laboratory services and surface data logging businesses, and 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. See "Note 9 – Long-Lived Asset Impairments" for further details related to impairments and those specific to our land drilling rigs assets.

5. RESTRUCTURING CHARGES

Due to the highly competitive nature of our business and the continuing losses we incurred over the last few years, we continue to reduce our overall cost structure and workforce to better align our business with current activity levels. The ongoing transformation plan, which began in 2018 and is expected to continue through 2019 (the "Transformation Plan"), included a workforce reduction, organization restructure, facility consolidations and other cost reduction measures and efficiency initiatives across our geographic regions.

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 due to the ongoing levels of exploration and production spending. This plan was initiated to reduce our overall cost structure and workforce to better align with current activity levels of exploration and production. Prior plans, including the 2016 cost reduction plan (the "2016 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 Transformation Plan, we recognized restructuring and transformation charges of $126 million in 2018, which include severance charges of $61 million and other restructuring charges of $59 million and restructuring related asset charges of $6 million.

In connection with the 2016-17 Plan, we recognized restructuring charges of $183 million in 2017, which include severance charges 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 charges of $196 million, other restructuring charges of $44 million and restructuring related asset charges of $40 million.

The following tables present the components of the restructuring charges by segment and plan for the years ended December 31, 2018, 2017 and 2016.

(Dollars in millions) **Transformation Plan**	**Year Ended December 31, 2018** **Severance Charges**	**Other Restructuring Charges**	**Total Severance and Other Charges**
Western Hemisphere	$21	$6	$27
Eastern Hemisphere	30	15	45
Corporate	10	44	54
Total	**$61**	**$65**	**$126**

(Dollars in millions) **2016-17 Plan**	**Year Ended December 31, 2017** **Severance Charges**	**Other Restructuring Charges**	**Total Severance and Other Charges**
Western Hemisphere	$42	$28	$70
Eastern Hemisphere	35	42	77
Corporate	32	4	36
Total	**$109**	**$74**	**$183**

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

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

	Balance at December 31, 2018				
	Transformation Plan		2016-17 and 2016 Plans		
(Dollars in millions)	Severance Liability	Other Liability	Severance Liability	Other Liability	Total Severance and Other Liability
Western Hemisphere	$6	$—	$3	$7	$16
Eastern Hemisphere	10	—	2	12	24
Corporate	2	16	1	—	19
Total	**$18**	**$16**	**$6**	**$19**	**$59**

The following tables present the restructuring accrual activity for the year ended December 31, 2018, 2017 and 2016.

(Dollars in millions)	Accrued Balance at December 31, 2017	Year Ended December 31, 2018 Charges	Cash Payments	Other	Accrued Balance at December 31, 2018
Transformation Plan					
Severance liability	$—	$61	$(35)	$(8)	$18
Other restructuring liability	—	59	(43)	—	16
2016-17 and Prior Plans					
Severance liability	21	—	(15)	—	6
Other restructuring liability	40	—	(16)	(5)	19
Total severance and other restructuring liability	**$61**	**$120**	**$(109)**	**$(13)**	**$59**

(Dollars in millions)	Balance at Beginning of Period	Charges	Cash Payments	Other	Balance at End of Period
Year Ended December 31, 2017:					
Severance and restructuring liability	$86	$171	$(167)	$(29)	$61
Year Ended December 31, 2016:					
Severance and restructuring liability	$51	$240	$(198)	$(7)	$86

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 2018, we sold accounts receivable of $382 million, recognized a loss of $2 million and received cash proceeds totaling $373 million on these sales. In 2017, we sold accounts receivables 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. 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, we converted trade receivables of $65 million into a note from a 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 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 the 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)	2018	2017
Raw materials, components and supplies	$131	$144
Work in process	47	47
Finished goods	847	1,043
	$1,025	$1,234

During 2018, 2017 and 2016, we recognized inventory write-off and other related charges, including excess and obsolete charges, totaling $80 million, $540 million and $269 million, respectively. These charges were largely attributable to the downturn in the oil and gas industry, where certain inventory has been deemed commercially unviable or technologically obsolete considering current and future demand.

8. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net was composed of the following:

	December 31,	
(Dollars in millions)	2018	2017
Land, Buildings and Leasehold Improvements	$1,303	$1,551
Rental and Service Equipment	4,869	5,621
Machinery and Other	1,700	2,138
	7,872	9,310
Less: Accumulated Depreciation	5,786	6,602
Property, Plant and Equipment, Net	$2,086	$2,708

9. LONG-LIVED ASSET IMPAIRMENTS

During 2018, we recognized long-lived asset impairments of $151 million, of which $141 million ($43 million in our Western Hemisphere segment and $98 million in our Eastern Hemisphere segment) was to write-down our land drilling rigs assets to the lower of carrying amount or fair value less cost to sell and the remaining $10 million ($3 million was in our Western Hemisphere and $7 million is in our Eastern Hemisphere segment) of charges were for land drilling rigs assets charges not in held for sale. See "Note 4 – Business Combinations and Divestitures" for more details. The 2018 impairments were due to the sustained downturn in the oil and gas industry that resulted a reassessment of our disposal groups for our land drilling rigs. The change in our expectations of the market's recovery, in addition to successive negative operating cash flows in certain disposal asset groups represented an indicator that those assets will no longer be recoverable over their remaining useful lives. See "Note 13 – Fair Value of Financial Instruments, Assets and Other Assets" for additional information regarding the fair value determination used in the impairment calculation.

During 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 13 – Fair Value of Financial Instruments, Assets and Other Assets" 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 2016 impairments 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 in 2016 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 13 – Fair Value of Financial Instruments, Assets and Other Assets" for additional information regarding the fair value determination used in the impairment calculation.

10. GOODWILL AND INTANGIBLE ASSETS

Goodwill

In the fourth quarter of 2018, our annual and interim goodwill impairment tests indicated that our goodwill was impaired and as a result we incurred a goodwill impairment charge of $1.9 billion. Impairment indicators during the fourth quarter required us to update our October 1 impairment test as of December 31. The impairment indicators during the quarter included the steep decline in oil prices and expectations for lower exploration and production capital spending that resulted in a sharp reduction in share prices in the oilfield services sector. In 2017 and 2016, our annual goodwill impairment test indicated that goodwill was not impaired. Our cumulative impairment loss for goodwill was $2.7 billion at December 31, 2018. The changes in the carrying amount of goodwill by reporting segment for the years ended December 31, 2018 and 2017, are presented in the following table.

(Dollars in millions)	Western Hemisphere	Eastern Hemisphere	Total
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**
Acquisitions	—	27	27
Disposals	(10)	—	(10)
Reclassification to assets held for sale	(5)	(2)	(7)
Foreign currency translation	(69)	(38)	(107)
Impairment	(1,380)	(537)	(1,917)
Balance at December 31, 2018	**$494**	**$219**	**$713**

Intangible Assets

At December 31, 2018 and December 31, 2017, our intangible assets were $213 million in both years. During 2016, we recognized $48 million of license and patent impairment charges related to the Well Construction and Completions businesses. See “Note 9 – Long-Lived Asset Impairments” for additional information regarding the impairment charges.

Amortization expense was $63 million, $52 million and $60 million for the years ended December 31, 2018, 2017 and 2016, respectively. Based on the carrying value of intangible assets at December 31, 2018, amortization expense for the subsequent five years is estimated as follows (dollars in millions):

Period	Amount
2019	$60
2020	46
2021	27
2022	17
2023	14

11. 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)	2018	2017
364-Day Credit Agreement	$317	$—
Other Short-term Loans	9	11
Current Portion of Long-term Debt	57	137
Short-term Borrowings and Current Portion of Long-term Debt	$383	$148

Revolving Credit Agreements and Term Loan Agreement

On August 16, 2018, we amended and restated our existing Revolving Credit Agreement, entered into a Secured Second Lien 364-Day Revolving Credit Agreement and amended certain terms of our existing Term Loan Agreement. At December 31, 2018, we have two revolving credit agreements with total commitments of $846 million, comprised of an unsecured senior revolving credit agreement (the “A&R Credit Agreement”) in the amount of $529 million, and a Secured Second Lien 364-Day Revolving Credit Agreement (the “364-Day Credit Agreement” and, together with the A&R Credit Agreement, the “Revolving Credit Agreements”) in the amount of $317 million. At December 31, 2018, we have principal borrowings of $310 million under the Term Loan Agreement. We collectively refer to our Revolving Credit Agreements and Term Loan Agreement as the “Credit Agreements.”

Under the terms of the A&R Credit Agreement, commitments of $226 million from non-extending lenders (“non-extending lenders”) will mature on July 12, 2019 and commitments of $303 million from extending lenders (“extending lenders”) will mature on July 13, 2020. Commitments from our extending lenders reduced by $54 million on November 14, 2018. The 364-Day Credit Agreement matures on August 15, 2019.

The A&R Credit Agreement and Term Loan Agreement were amended to permit the debt and the liens to be incurred under the 364-Day Credit Agreement and to make other modifications related to factoring of receivables, senior borrowings, permitted liens, and covenants.

At December 31, 2018, we had total borrowing availability of $325 million available under our Credit Agreements. The following table summarizes our Credit Agreements borrowing capacity utilization and availability:

(Dollars in millions)	December 31, 2018
Facilities	$1,156
Less Uses of Facilities:	
364-Day Credit Agreement	317
A&R Credit Agreement	—
Letters of Credit	204
Term Loan Principal Borrowing	310
Borrowing Availability	**$325**

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 A&R Credit Agreement. For the year ended December 31, 2018, the interest rate for the A&R Credit Agreement was LIBOR plus a margin rate of 3.55% for extending lenders and LIBOR plus a margin rate of 2.80% for non-extending lenders and the interest rate for borrowings under the Term Loan Agreement and 364-Day Credit Agreement was LIBOR plus a margin rate of 2.30% and LIBOR plus a margin rate of 3.05%, respectively.

Our Credit Agreements contain customary events of default, including in the event of our failure to comply with our financial covenants described above. We must maintain a leverage ratio of no greater than 2.5 to 1, a leverage and letters of credit ratio of no greater than 3.5 to 1, an asset coverage ratio of at least 4.0 to 1 and a current asset coverage ratio of at least 1.5 to 1, in each case with the terms and definitions for the ratios as provided in the Credit Agreements. We must also maintain a current asset coverage ratio of at least 2.1 to 1. The Term Loan Agreement and 364-Day Credit Agreement require us to pledge assets as collateral in order to borrow under the credit facility. As of December 31, 2018, we were in compliance with these financial covenants.

Other Short-Term Borrowings and Debt Activity

In February 2018, we repaid in full our 6.00% senior notes due March 2018. In June 2017, we repaid in full our 6.35% senior notes on the maturity date.

We have short-term borrowings with various domestic and international institutions pursuant to uncommitted credit facilities. At December 31, 2018, we had $9 million in short-term borrowings under these arrangements. In addition, we had $291 million of letters of credit under various uncommitted facilities and $204 million of letters of credit under the A&R Credit Agreement. At December 31, 2018, we have cash collateralized $81 million of our letters of credit, which is included in “Cash and Cash Equivalents” in the accompanying Consolidated Balance Sheets.

At December 31, 2018, the current portion of long-term debt was primarily related to the $50 million current portion of our Term Loan Agreement.

12. LONG-TERM DEBT

Our long-term debt carrying value consisted of the following:

	December 31,	
(Dollars in millions)	**2018**	**2017**
6.00% Senior Notes due 2018	—	66
9.625% Senior Notes due 2019	—	488
5.125% Senior Notes due 2020	364	364
5.875% Exchangeable Senior Notes due 2021	1,194	1,170
7.75% Senior Notes due 2021	743	741
4.50% Senior Notes due 2022	644	643
8.25% Senior Notes due 2023	742	739
9.875% Senior Notes due 2024	781	780
9.875% Senior Notes due 2025	588	—
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	457	456
5.95% Senior Notes due 2042	369	368
Term Loan Agreement due 2020	308	372
Capital and Other Lease Obligations	69	86
Other	—	2
Total Senior Notes and Other Debt	**7,662**	**7,678**
Less: Amounts Due in One Year	57	137
Long-term Debt	**$7,605**	**$7,541**

The accrued interest on our borrowings was $140 million and $145 million at December 31, 2018 and 2017, respectively. The following is a summary of scheduled long-term debt maturities by year (dollars in millions):

2019	$57
2020	622
2021	1,937
2022	644
2023	742
Thereafter	3,660
	$7,662

Term Loan Agreement

As of December 31, 2018, our borrowings, net of repayments, under the Term Loan Agreement were $310 million. The interest rate for borrowings under our 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, 2018, 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, 2018, 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 $1.194 billion at December 31, 2018, net of remaining unamortized discount and debt issuance costs of $71 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%. In 2018, 2017 and 2016, interest expense related to accrued interest and amortization of the discount on the notes was $99 million, $97 million and $54 million. At December 31, 2018, $74 million was related to accrued interest and $25 million was related to amortization of the discount.

Senior Notes

In February 2018, we repaid in full our 6.00% senior notes due March 2018. On February 28, 2018, we issued $600 million in aggregate principal amount of our 9.875% senior notes due 2025.

In June 2017, we repaid in full our 6.35% senior notes on the maturity date. On June 26, 2017, we issued an additional $250 million aggregate principal amount of our 9.875% senior notes due 2024. 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.

Tender Offers

The February 2018 debt offering partially funded a concurrent tender offer to purchase for cash any and all of our 9.625% senior notes due 2019. We settled the tender offer in cash for the amount of $475 million, retiring an aggregate face value of $425 million and accrued interest of $20 million. In April 2018, we repaid the remaining principal outstanding on an early redemption of the bond. We recognized a cumulative loss of $34 million on these transactions in "Bond Tender and Call Premium" on the accompanying Consolidated Statements of Operations.

In June 2016, we commenced a cash tender offer completed on July 1, 2016 for the repurchase of 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. We settled the June 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 and Call Premium" 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.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS, ASSETS AND OTHER ASSETS

Financial Instruments and Other Assets 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 14 – Derivative Instruments" and held for sale assets and liabilities described in "Note 1 – Summary of Significant Accounting Policies" and "Note 4 – Business Combinations and Divestitures," we had no other material assets or liabilities measured and recognized at fair value on a recurring basis at December 31, 2018 and 2017.

Fair Value of Other Financial Instruments

Our other financial instruments include cash and cash equivalents, accounts receivable, accounts payable, held-to-maturity investments, 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. During 2017, we purchased $50 million of held-to-maturity Angolan government bonds maturing in 2020. The carrying value of $50 million in both periods approximate their fair value as of December 31, 2018 and 2017. We assess whether an other-than-temporary impairment loss on the investment has occurred due to a decline in fair value or other market conditions. If the fair value of the security is below amortized cost and it is more likely than not that we will not be able to recover its amortized cost basis before its stated maturity, we will record an other-than-temporary impairment charge in the Consolidated Statements of Operations.

The fair value of our long-term debt fluctuates with changes in applicable interest rates among other factors. Fair value will exceed carrying value when the current market interest rate is lower than the interest rate at which the debt was originally issued and will 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)	**2018**	**2017**
Fair Value	$4,455	$7,060
Carrying Value	7,285	7,218

Non-recurring Fair Value Measurements - Impairments

In the fourth quarter of 2018, our annual and interim goodwill impairment tests indicated that our goodwill was impaired and as a result three of our reporting units were written down to their estimated fair values. The Level 3 fair values of our reporting units were determined using a combination of the income and market approach. The unobservable inputs to the income approach included the reporting unit's estimated future cash flows and estimates of discount rates commensurate with the reporting unit's risks. The market approach considered market multiples of comparable publicly traded companies to estimate fair value as a multiple of each reporting unit's actual and forecasted earnings.

During 2018, long-lived assets were impaired and written down to their estimated fair values due to the sustained downturn in the oil and gas industry that resulted in a reassessment of our disposal groups for our land drilling rigs that were included in assets held for sale at December 31, 2018 and 2017. The Level 3 fair values of the long-lived assets were determined using a combination of the market and income approach. The market approach considered market sales values for similar assets. 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 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.

14. 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 2 valuation and is estimated using the Black Scholes valuation model. Inputs to the model include Weatherford's share price, volatility of our share price, and the risk free interest rate. The fair value of the warrant was nil and $70 million at December 31, 2018 and 2017, respectively. We generated an unrealized gain of $70 million, $86 million and $16 million in 2018, 2017 and 2016, respectively. The change in fair value of the warrant during 2018 was primarily driven by eliminating the warrant share value associated with any future equity issuance and a decrease in Weatherford's stock price. The change in fair value of the warrant during 2017 was principally due to a decrease in Weatherford's stock price.

Fair Value Hedges

We may use interest rate swaps to help mitigate exposures related to changes in the fair values of 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 fixed-rate debt is amortized to interest expense over the remaining term of the debt. As of December 31, 2018, we did not have any fair value hedges designated.

As of December 31, 2018 and 2017, we had net unamortized premiums on fixed-rate debt of nil and $4 million, respectively, associated with fair value hedge terminations. These premiums were amortized over the remaining term of the originally hedged debt as a reduction to interest expense included in "Interest Expense, Net" on the accompanying Consolidated Statements of Operations.

Cash Flow Hedges

We may use interest rate swaps to mitigate our exposure to variability in forecasted cash flows due to changes in interest rates. 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, 2018 and 2017, we had net unamortized losses of $8 million and $9 million, respectively, associated with our cash flow hedge terminations. As of December 31, 2018, we did not have any cash flow hedges designated.

Other Derivative Instruments

We enter into contracts to hedge our exposure to currency fluctuations in various foreign currencies. At December 31, 2018 and 2017, we had outstanding foreign currency forward contracts with notional amounts aggregating to $435 million and $767 million, 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 in 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:

(Dollars in millions)	December 31, 2018	December 31, 2017	Classification
Derivative Assets not Designated as Hedges:			
Foreign Currency Forward Contracts	$—	$5	*Other Current Assets*
Derivative Liabilities not Designated as Hedges:			
Foreign Currency Forward Contracts	(4)	(4)	*Other Current Liabilities*
Warrant on Weatherford Shares	—	(70)	*Other Current Liabilities*

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

(Dollars in millions)	Year Ended December 31, 2018	2017	2016	Classification
Foreign Currency Forward Contracts	$(15)	$(25)	$(25)	*Other Income (Expense), Net*
Warrant on Weatherford Shares	70	86	16	*Warrant Fair Value Adjustment*

15. SHAREHOLDERS' (DEFICIENCY) EQUITY

Changes in our ordinary shares issued during the years ended December 31, 2018, 2017 and 2016, were as follows:

(Shares in millions)	Issued
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**
Equity Awards Granted, Vested and Exercised	9
Balance at December 31, 2018	**1,002**

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. Upon issuance of the warrant, the amount in excess of par value for the ordinary shares net of warrant was $271 million and was recorded in "Capital in Excess of Par Value." At December 31, 2018, the fair value of the warrant is nil.

Accumulated Other Comprehensive Loss

The following table presents the changes in our accumulated other comprehensive loss by component for the year ended December 31, 2018 and 2017:

(Dollars in millions)	Currency Translation Adjustment	Defined Benefit Pension	Deferred Loss on Derivatives	Total
Balance at December 31, 2016	**$(1,614)**	**$13**	**$(9)**	**$(1,610)**
Other Comprehensive (Loss) Income before Reclassifications	130	1	—	131
Reclassifications	—	(40)	—	(40)
Net Activity	130	(39)	—	91
Balance at December 31, 2017	**(1,484)**	**(26)**	**(9)**	**(1,519)**
Other Comprehensive Income before Reclassifications	(240)	10	—	(230)
Reclassifications	—	2	1	3
Net Activity	(240)	12	1	(227)
Balance at December 31, 2018	**$(1,724)**	**$(14)**	**$(8)**	**$(1,746)**

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.

16. 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)	2018	2017	2016
Basic and Diluted Weighted Average Shares Outstanding	997	990	887

Our basic and diluted weighted average shares outstanding for the years ended December 31, 2018, 2017 and 2016, are equivalent due to the net loss attributable to shareholders. Diluted weighted average shares outstanding for the years ended December 31, 2018, 2017 and 2016, exclude potential shares for stock options, restricted shares, performance units, exchangeable notes, the warrant 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)	2018	2017	2016
Anti-dilutive Potential Shares	251	250	104

17. 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, 2018, approximately 18 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, 2018, 2017 and 2016:

	Year Ended December 31,		
(Dollars in millions)	**2018**	**2017**	**2016**
Share-based Compensation	$47	$70	$87
Related Tax (Provision) Benefit	—	—	—

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 or exercised during 2018, 2017 or 2016.

A summary of option activity for the year ended December 31, 2018, is presented below:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Term	Aggregate Intrinsic Value
	(In thousands)			*(In thousands)*
Outstanding at December 31, 2017	200	$16.92	0.89 years	$—
Exercised	—	—		
Expired	(200)	16.92		
Outstanding and Vested at December 31, 2018	—	—	0.00 years	—
Exercisable at December 31, 2018	—	—	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, 2018, 2017 and 2016 was $1.76, $4.26 and $6.20, respectively. The total fair value of RSAs and RSUs vested during the years ended December 31, 2018, 2017 and 2016 was $17 million, $30 million and $38 million, respectively. As of December 31, 2018, there was $35 million of unrecognized compensation expense related to 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, 2018 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, 2017	40	$ 17.87	15,269	$ 5.58
Granted	—	—	10,892	1.76
Vested	(40)	17.87	(6,906)	6.68
Forfeited	—	—	(1,977)	4.85
Non-Vested at December 31, 2018	—	—	17,278	2.82

Performance Units

The performance units we granted in 2018 vest at the end of a three-year period and the performance units we granted prior to 2018 vest over three years assuming continued employment and the Company's achievement of certain market-based and 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 expire unvested and no shares are issued. The grant date fair value of the performance units with market-based goals was determined through use of the Monte Carlo simulation method. The assumptions used in the Monte Carlo simulation during the year ended December 31, 2018, included a weighted average risk-free rate of 2.28%, volatility of 63.0% and a zero dividend yield. The grant date fair value of the performance units with performance goals was determined based on the closing price of our shares on the date of grant. The weighted-average grant date fair value of all performance units we granted during the years ended December 31, 2018, 2017 and 2016 was $4.57, $6.06 and $5.11, respectively. For the year ended December 31, 2018, we did not issue performance unit shares.

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 year ended December 31, 2016 , we did not issue any shares. As of December 31, 2018, there was $10 million of unrecognized compensation expense related to performance units, which is expected to be recognized over a weighted average period of less than two years.

A summary of performance unit activity for the year ended December 31, 2018, is presented below:

	Performance Units	Weighted Average Grant Date Fair Value
	(In thousands)	
Non-vested at December 31, 2017	3,090	$6.07
Granted	2,954	4.57
Vested	—	—
Forfeited	(2,030)	6.01
Non-vested at December 31, 2018	4,014	4.99

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 4 million and 3 million shares under the ESPP during the years ended December 31, 2018 and 2017, respectively. In January of 2019, we temporarily suspended our ESPP due to insufficient shares remaining available for issuance under the plan as a consequence of our lower share price.

18. RETIREMENT AND EMPLOYEE BENEFIT PLANS

We have defined contribution plans covering certain employees. Contribution expenses related to these plans totaled $37 million, $24 million and $30 million in 2018, 2017 and 2016, respectively. The increase in employer contributions in 2018 relates primarily to the recommencement of employer matching contributions to our U.S. 401(k) savings plan and other contribution plans sponsored by the Company. The decrease in 2017 relates primarily to headcount reductions and the suspension of employer matching contributions.

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 $8 million of cost in 2018, $38 million of income in 2017 and $9 million of cost in 2016. The change in net periodic benefit income/cost is due primarily to amortization of the unrecognized net gain associated with our supplemental executive retirement plan in 2017. The projected benefit obligations on a consolidated basis were $173 million and $198 million as of December 31, 2018 and 2017, respectively. The decrease year over year is due primarily to actuarial gains and currency fluctuations. The fair values of plan assets on a consolidated basis (determined primarily using Level 2 inputs) were $123 million and $133 million as of December 31, 2018 and 2017, respectively. The decrease in plan assets year over year is due primarily to negative asset returns and currency fluctuations. As of December 31, 2018 and December 31, 2017, the net underfunded obligation was substantially all recorded within Other Non-current Liabilities. Additionally, consolidated pre-tax amounts in accumulated other comprehensive loss that have not yet been recognized as components of net periodic benefit cost were a net loss of $21 million and loss of $35 million as of December 31, 2018 and 2017, respectively. The change in other comprehensive loss year over year is due primarily to net actuarial gains.

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

	Year Ended December 31,	
	2018	2017
Discount rate:		
United States Plans	3.00% - 4.25%	3.00% - 3.50%
International Plans	1.85% - 7.25%	1.60% - 6.75%
Rate of Compensation Increase:		
United States Plans	—	—
International Plans	2.00% - 3.50%	2.00% - 3.50%

During 2018 and 2017, we made contributions and paid direct benefits of $5 million and $23 million, respectively, in connection with our defined benefit pension and other post-retirement benefit plans. In 2019, we expect to fund approximately $5 million related to those plans.

19. 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)	2018	2017	2016
Total Current Provision	$(113)	$(162)	$(115)
Total Deferred (Provision) Benefit	79	25	(381)
Provision for Income Taxes	$(34)	$(137)	$(496)

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).

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, 2018, 2017 and 2016 is analyzed below:

	Year Ended December 31,		
(Dollars in millions)	2018	2017	2016
Swiss Federal Income Tax Rate at 7.83%	$216	$208	$225
Tax on Operating Earnings Subject to Rates Different than the Swiss Federal Income Tax Rate	(387)	123	319
U.S. Tax Reform - Remeasure of U.S. Deferred Tax Assets	—	(249)	—
Non-cash Tax Expense on Distribution of Subsidiary Earnings	—	—	(137)
Change in Valuation Allowance Attributed to U.S. Tax Reform	—	301	—
Change in Valuation Allowance	166	(459)	(872)
Change in Uncertain Tax Positions	(29)	(61)	(31)
Provision for Income Taxes	**$(34)**	**$(137)**	**$(496)**

Our income tax provision in 2018 was $34 million on a loss before income taxes of $2.8 billion. Results for the year ended December 31, 2018 include losses with no significant tax benefit. The tax expense for the year ended December 31, 2018 also includes withholding taxes and deemed profit taxes that do not directly correlate to ordinary income or loss. 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. Our results for 2018 also include charges with $70 million tax benefit principally related to the $1.9 billion goodwill impairment. The other asset write-downs and other charges, including $238 million in long-lived asset impairments, $126 million in restructuring charges and the warrant fair value adjustment of $70 million resulted in no significant tax benefit.

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 warrant 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 permanent reduction in the U.S. statutory corporate tax rate to 21% from 35% decreased 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 recorded for the year ended December 31, 2017. The TCJA did not 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 would be offset by un-benefitted U.S. net operating loss carryforwards. As we did not have all the necessary information to analyze all effects of this tax reform as of December 31, 2017, this was a provisional amount which we believed represented a reasonable estimate of the accounting implications of this tax reform. We finalized our accounting for this matter during 2018 and concluded that no adjustment to the provisional amounts recorded during 2017 was identified in the twelve months of 2018. The various impacts of the TCJA may differ from the amounts recorded 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.

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.

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)	**2018**	**2017**
Net Operating Losses Carryforwards	$1,002	$1,208
Accrued Liabilities and Reserves	331	266
Tax Credit Carryforwards	94	99
Employee Benefits	29	39
Inventory	67	129
Other Differences between Financial and Tax Basis	324	346
Valuation Allowance	(1,702)	(1,887)
Total Deferred Tax Assets	145	200
Deferred Tax Liabilities:		
Property, Plant and Equipment	(15)	(49)
Intangible Assets	(57)	(131)
Other Differences between Financial and Tax Basis	(52)	(71)
Total Deferred Tax Liabilities	(124)	(251)
Net Deferred Tax Asset (Liability)	**$21**	**$(51)**

The decrease in the valuation allowance in 2018 is primarily attributable to expiration of unbenefited net operating loss carryforwards and the foreign exchange remeasurement of our net deferred tax assets, combined with improved operating income in local jurisdictions, excluding the goodwill impairment charge.

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, 2018, 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 $2.8 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, 2018, we had approximately $4.2 billion of NOLs in various jurisdictions, $2.0 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 2019 through 2038 for non-U.S. subsidiaries. At December 31, 2018, we had $94 million of tax credit carryovers, of which $62 million is for U.S. subsidiaries. The U.S. credits primarily consists of $34 million of research and development tax credit carryforwards which expire from 2026 through 2036, and $28 million of foreign tax credit carryforwards which expire from 2019 through 2037.

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)	**2018**	**2017**	**2016**
Balance at Beginning of Year	**$217**	**$208**	**$195**
Additions as a Result of Tax Positions Taken During a Prior Period	31	65	30
Reductions as a Result of Tax Positions Taken During a Prior Period	(9)	(1)	(1)
Additions as a Result of Tax Positions Taken During the Current Period	14	12	20
Reductions Relating to Settlements with Taxing Authorities	(18)	(29)	(19)
Reductions as a Result of a Lapse of the Applicable Statute of Limitations	(23)	(38)	(12)
Foreign Exchange Effects	(17)	—	(5)
Balance at End of Year	**$195**	**$217**	**$208**

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 $1 million, $10 million and $2 million in interest and penalty for the years ended December 31, 2018, 2017 and 2016, respectively. The amounts in the table above exclude cumulative accrued interest and penalties of $60 million, $61 million, and $51 million at December 31, 2018, 2017 and 2016, respectively, which are included in other liabilities.

We are subject to income tax in many of the approximately 80 countries where we operate. As of December 31, 2018, the following table summarizes the tax years that remain subject to examination for the major jurisdictions in which we operate:

Canada	2010 - 2018
Mexico	2009 - 2018
Russia	2015 - 2018
Switzerland	2010 - 2018
United States	2014 - 2018

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 $15 million in the next twelve months due to expiration of statutes of limitations, settlements and/or conclusions of tax examinations.

20. DISPUTES, LITIGATION AND LEGAL 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 then 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 then 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. On February 13, 2018, the trial court dismissed with prejudice certain directors for lack of jurisdiction. The plaintiffs have appealed the jurisdictional ruling and the parties have jointly moved for a stay of the case during the pendency of the appeal. We cannot reliably predict the outcome of the remaining claims, including the amount of any possible loss.

U.S. Government and Other Investigations

As of December 31, 2016, the Company had agreed to pay as part of the terms of a settlement with the SEC a total civil monetary penalty of $140 million relating to the SEC and the U.S. Department of Justice ("DOJ") investigation of certain accounting issues associated with the material weakness in our internal control over financial reporting for income taxes for historical periods indicated in 2012 and 2011 SEC filings reporting the historical financial restatements. In addition, certain reports and certifications regarding our internal controls over accounting for income taxes were delivered to the SEC during the two years following the settlement. We have completed these reports as of 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. These payments are reported under the caption "Accrued Litigation and Settlements" on our Consolidated Statements of Cash Flows.

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. 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 four patents that remain asserted against the Company on the grounds of inequitable conduct. The Company is seeking attorneys' fees and costs incurred in the lawsuit. The litigation was stayed, pending resolution of inter partes reviews ("IPR") of each of the four patents before the Patent Trial and Appeal Board ("PTAB") of the U.S. Patent and Trademark Office ("USPTO"). On February 22, 2018, the PTAB issued IPR decisions finding that all of the claims of the '505, '634, and '774 patents that were challenged by the Company in the IPRs are invalid. On October 16, 2018, the PTAB issued an IPR decision finding that all of the claims of the '501 patent are invalid. RC has appealed the decisions of the PTAB.

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. The Company filed its responsive brief in June 2018. The hearing of the appeal took place on February 6, 2019 and a decision is pending.

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, 2018 and 2017 were $29 million and $51 million, respectively.

21. 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):

2019	$128
2020	87
2021	68
2022	45
2023	27
Thereafter	176
	$531

Total rent expense incurred under operating leases was approximately $187 million, $217 million and $324 million for the years ended December 31, 2018, 2017 and 2016, respectively. The future rental commitment table above does not include leases that are short-term in nature.

Other Contingencies

We have minimum purchase commitments related to supply contracts and maintain a liability at December 31, 2018 of $46 million for expected penalties to be paid, of which $22 million is recorded in "Other Current Liabilities" and $24 million is recorded in "Other Non-Current Liabilities" on our Consolidated Balance Sheets.

22. SEGMENT INFORMATION

Reporting Segments

The Company's chief operating decision maker (its chief executive officer) regularly reviews information by our two reportable segments, which are our Western Hemisphere and Eastern Hemisphere segments. These reportable segments are based on management's organization and view of Weatherford's business when making operating decisions, allocating resources and assessing performance. Research and development expenses are included in the results of our Western and Eastern Hemisphere segments. Our corporate and other expenses that do not individually meet the criteria for segment reporting are reported separately on the caption Corporate General and Administrative.

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 loss from operations in the Eastern Hemisphere are losses related to our Zubair project in Iraq as described in "Note 3 – Revenues." Excluded from capital expenditures in the tables below is the acquisition of assets held for sale.

(Dollars in millions)	Year Ended December 31, 2018 Net Operating Revenues	Income (Loss) from Operations	Depreciation and Amortization	Capital Expenditures
Western Hemisphere	$3,063	$208	$216	$81
Eastern Hemisphere	2,681	119	333	87
	5,744	327	549	168
Corporate General and Administrative		(130)	7	18
Goodwill Impairment [(a)]		(1,917)		
Long-Lived Asset Impairments, Write-Downs and Other Charges [(b)]		(238)		
Restructuring and Transformation Charges [(c)]		(126)		
Total	**$5,744**	**$(2,084)**	**$556**	**$186**

(a) Goodwill impairment of $1.9 billion was taken during the fourth quarter of 2018.

(b) During 2018, impairments, asset write-downs and other includes $151 million in long-lived asset impairments primarily related to the land drilling rigs business and $87 million of other asset write-downs, charges and credits.

(c) Includes restructuring charges of $126 million: $27 million in Western Hemisphere, $45 million in Eastern Hemisphere and $54 million in Corporate.

(Dollars in millions)	Year Ended December 31, 2017 Net Operating Revenues	Income (Loss) from Operations	Depreciation and Amortization	Capital Expenditures
Western Hemisphere	$2,937	$(113)	$352	$70
Eastern Hemisphere	2,762	(139)	443	130
	5,699	(252)	795	200
Corporate General and Administrative		(130)	6	25
Long-Lived Asset Impairments, Write-Downs and Other Charges [(d)]		(1,711)		
Restructuring Charges [(e)]		(183)		
Litigation Charges, Net		10		
Gain from Disposition of U.S. Pressure Pumping Assets [(f)]		96		
Total	**$5,699**	**$(2,170)**	**$801**	**$225**

(d) 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.

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

(f) 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	$(407)	$446	$55
Eastern Hemisphere	2,807	(157)	501	134
	5,749	(564)	947	189
Corporate General and Administrative		(138)	9	15
Long-Lived Asset Impairments and Other Related Charges (g)		(1,043)		
Restructuring Charges (h)		(280)		
Litigation Charges		(220)		
Total	**$5,749**	**$(2,245)**	**$956**	**$204**

(g) 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.

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

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

(Dollars in millions)	Total Assets at December 31, 2018	 2017
Western Hemisphere	$3,122	$4,933
Eastern Hemisphere	2,966	4,311
Corporate	513	503
Total	**$6,601**	**$9,747**

Total assets in the United States, part of our Western Hemisphere segment, were $1.6 billion and $2.9 billion as of December 31, 2018 and 2017, respectively.

Products and Services

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

	Year Ended December 31, 2018	 2017	 2016
Production	27%	26%	29%
Completions	21	22	20
Drilling and Evaluation	25	24	22
Well Construction	27	28	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 $35 million and $36 million at December 31, 2018 and 2017, respectively.

	Revenues			Long-lived Assets	
(Dollars in millions)	**2018**	**2017**	**2016**	**2018**	**2017**
United States	$1,605	$1,555	$1,523	$750	$870
Latin America	1,076	890	1,064	381	575
Canada	382	492	355	59	118
Western Hemisphere	**$3,063**	**$2,937**	**$2,942**	**$1,190**	**$1,563**
Middle East & North Africa	$1,430	$1,464	$1,513	$413	$528
Europe/Sub-Sahara Africa/Russia	953	999	939	411	532
Asia	298	299	355	174	270
Eastern Hemisphere	**$2,681**	**$2,762**	**$2,807**	**$998**	**$1,330**
Total	**$5,744**	**$5,699**	**$5,749**	**$2,188**	**$2,893**

23. EMPLOYEES

The average number of persons employed by the Company during the years ended December 31, 2018 and 2017 was as follows:

	Year Ended December 31,	
	2018	**2017**
Western Hemisphere	12,015	12,793
Eastern Hemisphere	15,802	16,327
Corporate and Research and Development	620	557
	28,437	**29,677**

Employee costs for the years ended December 31, 2018 and 2017 were as follows:

	Year Ended December 31,	
(Dollars in millions)	**2018**	**2017**
Salaries and wages	$1,750	$1,873
Benefits and payroll taxes	326	333
Employee welfare	56	61
Bonus and incentives	49	89
Employee stock plans	45	61
Severance	61	111
	$2,287	**$2,528**

24. DIRECTORS' REMUNERATION

Directors' remuneration for the years ended December 31, 2018 and 2017 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. Accordingly, the amounts below include compensation for Mr. Mark A. McCollum 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)	**2018**	**2017**
Managerial services (a)	$9	$9
Director services (b)	3	4
	$12	**$13**

(a) 2018 includes base compensation earned of $1 million, share-based compensation of $7 million calculated in accordance with U.S. GAAP and other compensation of $1 million consisting of non-equity incentive compensation, tax gross-ups and retirement plan contributions. 2017 includes base compensation earned of $1 million and share-based compensation of $8 million calculated in accordance with U.S. GAAP.

(b) 2018 includes director fees of $1 million and shared-based compensation of $2 million calculated in accordance with U.S. GAAP. 2017 includes director fees and retirement benefits of $2 million and shared-based compensation of $2 million calculated in accordance with U.S. GAAP. There are no retirement benefit plans for our non-employee directors.

25. AUDITORS' REMUNERATION

Fees paid to KPMG, the Company's statutory auditor, during the years ended December 31, 2018 and 2017 were as follows:

	Year Ended December 31,	
(Dollars in millions)	**2018**	**2017**
Audit fees		
Audit fees paid to KPMG and its affiliates	$14	$17
Audit of the parent company financial statements	—	—
Total audit fees	14	17
Tax and other fees	—	—
Total	$14	$17

26. SIGNIFICANT SUBSIDIARIES

Listed below are the significant subsidiaries of the Registrant as of December 31, 2018, 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, 2018.

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, 2018

	December 31,	
(In USD millions)	**2018**	**2017**
NON-CURRENT ASSETS		
Investment in Subsidiaries	$811	$5,609
TOTAL NON-CURRENT ASSETS	**811**	**5,609**
CURRENT ASSETS		
Intercompany Debtors	142	185
Other Current Assets	1	1
Cash and Cash Equivalents	—	—
TOTAL CURRENT ASSETS	**143**	**186**
TOTAL ASSETS	**954**	**5,795**
EQUITY		
Called Up Share Capital	$1	$1
Share Premium	905	905
Share-based Payments Reserve	320	269
Other Reserve	97	97
Retained Earnings	(411)	4,282
SHAREHOLDERS' EQUITY	**912**	**5,554**
NON-CURRENT LIABILITIES		
Loans Payable to Affiliates	18	92
Other Long-Term Liabilities	—	70
TOTAL NON-CURRENT LIABILITIES	**18**	**162**
CURRENT LIABILITIES		
Current Portion of Loans Payable to Affiliates	3	56
Intercompany Creditors	11	13
Accounts Payable and Other Current Liabilities	10	10
TOTAL CURRENT LIABILITIES	**24**	**79**
TOTAL LIABILITIES	**42**	**241**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**$954**	**$5,795**

The balance sheet was approved and signed on behalf of the Board of Directors on February 28, 2019 by:

/s/ Mark A. McCollum
Mark A. McCollum
Director

/s/ Francis S. Kalman
Francis S. Kalman
Director

WEATHERFORD INTERNATIONAL PLC

PARENT COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

DECEMBER 31, 2018

(In USD millions)	Called up Share Capital	Share Premium	Share-based Payments	Other Reserve	Retained Earnings	Total
Balance at December 31, 2016	**$1**	**$894**	**$199**	**$97**	**$4,154**	**$5,345**
Income for period	—	—	—	—	128	128
Transactions with shareholders recognized in equity:						
Net activity related to share-based	—	—	70	—	—	70
Net activity related to issuance of common shares	—	11	—	—	—	11
Balance at December 31, 2017	**$1**	**$905**	**$269**	**$97**	**$4,282**	**$5,554**
Loss for period	—	—	—	—	(4,693)	(4,693)
Transactions with shareholders recognized in equity:						
Net activity related to share-based	—	—	51	—	—	51
Balance at December 31, 2018	**$1**	**$905**	**$320**	**$97**	**$(411)**	**$912**

WEATHERFORD INTERNATIONAL PLC
PARENT COMPANY CASH FLOW STATEMENT
DECEMBER 31, 2018

	December 31,	
(In USD millions)	**2018**	**2017**
Cash Flows From Operating Activities:		
Net Income (Loss)	$(4,693)	$128
Adjustments to Reconcile Net Loss to Net Cash Provided By/(Used In) Operating Activities:		
Employee Share-Based Compensation Expense	21	9
Impairment of Investment in Subsidiaries	4,823	86
Change in Fair Value of Warrant	(70)	(86)
Changes in Operating Assets and Liabilities:		
Other, Net	41	(165)
Net Cash Provided By/(Used In) Operating Activities	122	(28)
Capital Flows From Financing Activities:		
Net Repayment of Loans Payable to Affiliates	(128)	18
Share-Based Option Exercises	6	10
Net Cash Provided By/(Used In) Financing Activities	(122)	28
Increase/(Decrease) in Cash in the Year	**$—**	**$—**

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, 2018.

There were a number of amendments to standards that were effective for the Company beginning January 1, 2018. None of these had a material impact on the Company, including the adoption of IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*.

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

- IFRS 16: Leases (Effective date 1 January 2019)

In the year ended December 31, 2018, 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.

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 therein and has not presented a profit and loss account. The Company's loss for the year ended December 31, 2018 was approximately $4.7 billion and profit for the year ended December 31, 2017 was approximately $128 million.

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, and was 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 and determines value in use 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 17 - 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 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 4 million and 3 million shares under the ESPP during the years ended December 31, 2018 and 2017, respectively. In January of 2019, we temporarily suspended our ESPP due to insufficient shares remaining available for issuance under the plan as a consequence of our lower share price.

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 over 80 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.

Due to prolonged weakness in crude oil prices contributing to lower exploration and production spending and a decline in revenues and income, the Company recognized an impairment of $4.8 billion and $86 million in 2018 and 2017, respectively, of our Investment in Subsidiaries to the value in use amount, which was the higher of fair value or value in use, as defined in subsection Financial Assets of Note 1 Summary of Significant Accounting Polices of the Parent Company Financial Statements. This impairment did not have an impact on the Company's consolidated financial statements.

(In USD millions)	
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**
Net activity related to subsidiary share transactions	$(1)
Net activity related to share-based payment plans	26
Impairment	(4,823)
Balance as of December 31, 2018	**$811**

4. CALLED UP SHARE CAPITAL

(In USD millions, except shares and par value)	December 31, 2018	December 31, 2017
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, 2018 and 2017, respectively	$—	$—
Ordinary shares, par value $0.001 per share, 1,002,171,483 and 992,833,000 shares as of December 31, 2018 and 2017, respectively	1	1
	$1	**$1**

Deferred Ordinary Shares

The Company has 40,000 authorized deferred ordinary shares, par value €1.00 per share, which entitles its holder to receive payments upon a liquidation of Weatherford International plc and does not entitle its holder 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. The fair value of the warrant was nil and $70 million on December 31, 2018 and 2017, respectively, generating an unrealized gain of $70 million in 2018 and $86 million in 2017. 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 the group controlled by 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, 364-day credit facility, a term loan and senior notes totaling approximately $7.9 billion and $7.7 billion as of December 31, 2018 and 2017, respectively. Some of these obligations contain customary events of default, including our failure to comply with the financial covenants. As of December 31, 2018, we were in compliance with these financial covenants. See "Note 11 - Short-term Borrowings and Other Debt Obligations" and "Note 12 - 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, 2018 and 2017, the Company had an accrued net income tax payable of $28 thousand and $102 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, 2018, the Company had one employee. "Note 23 - 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 24 - Directors' Remuneration" and "Note 25 - 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, 2018 and 2017, respectively.

10. Financial Instruments

The Company's only material third party financial asset or liability is the warrant that was issued in 2016. See "Note 14 - Derivative Instruments" of the Consolidated Financial Statements for additional information. Further information on financial instruments, as required by IFRS 7, IFRS 9 and IFRS 13 are not provided on the grounds of materiality.

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