

SCHLUMBERGER LTD /NV/
Form 10-Q
April 25, 2012
[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: March 31, 2012

Commission file No.: 1-4601

SCHLUMBERGER N.V.
(SCHLUMBERGER LIMITED)

(Exact name of registrant as specified in its charter)

Edgar Filing: SCHLUMBERGER LTD /NV/ - Form 10-Q

<p>CURAÇAO (State or other jurisdiction of incorporation or organization)</p> <p>42 RUE SAINT-DOMINIQUE</p> <p>PARIS, FRANCE</p> <p>5599 SAN FELIPE, 17th FLOOR</p> <p>HOUSTON, TEXAS, U.S.A.</p> <p>PARKSTRAAT 83</p> <p>THE HAGUE,</p> <p>THE NETHERLANDS (Addresses of principal executive offices)</p>	<p>52-0684746 (I.R.S. Employer Identification No.)</p> <p>75007</p> <p>77056</p> <p>2514 JG (Zip Codes)</p>
--	--

Registrant's telephone number: (713) 375-3400

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

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

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

Large accelerated filer Accelerated filer
 Non-accelerated filer Smaller reporting company
 Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

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

Class	Outstanding as March 31, 2012
COMMON STOCK, \$0.01 PAR VALUE PER SHARE	1,333,554,386

Table of Contents

SCHLUMBERGER LIMITED

First Quarter 2012 Form 10-Q

Table of Contents

	Page
<u>PART I</u> <u>Financial Information</u>	
Item 1. <u>Financial Statements</u>	3
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	24
Item 4. <u>Controls and Procedures</u>	24
<u>PART II</u> <u>Other Information</u>	
Item 1. <u>Legal Proceedings</u>	25
Item 1A. <u>Risk Factors</u>	25
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	25
Item 3. <u>Defaults Upon Senior Securities</u>	25
Item 4. <u>Mine Safety Disclosures</u>	25
Item 5. <u>Other Information</u>	25
Item 6. <u>Exhibits Certifications</u>	26

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements.****SCHLUMBERGER LIMITED AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF INCOME****(Unaudited)***(Stated in millions , except per share amounts)*

	Three Months Ended March 31,	
	2012	2011
<i>Revenue</i>		
Oilfield Services	\$ 9,918	\$ 8,122
Distribution	693	594
	10,611	8,716
<i>Interest & other income</i>		
	47	31
<i>Expenses</i>		
<i>Cost of Revenue:</i>		
Oilfield Services	7,816	6,483
Distribution	658	572
Research & engineering	275	254
General & administrative	93	93
Merger & integration	15	34
Interest	80	73
<i>Income before taxes</i>		
	1,721	1,238
Taxes on income	411	295
<i>Net income</i>		
	1,310	943
Net income (loss) attributable to noncontrolling interests	9	(1)
<i>Net income attributable to Schlumberger</i>		
	\$ 1,301	\$ 944
Basic earnings per share of Schlumberger		
	\$ 0.98	\$ 0.69
Diluted earnings per share of Schlumberger		
	\$ 0.97	\$ 0.69
Average shares outstanding:		
Basic	1,334	1,360
Assuming dilution	1,344	1,375
<i>See Notes to Consolidated Financial Statements</i>		

Table of Contents

SCHLUMBERGER LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Stated in millions)

	Three months Ended March 31,	
	2012	2011
<i>Net income</i>	\$ 1,310	\$ 943
<i>Currency translation adjustments</i>		
Unrealized net change arising during the period	111	129
<i>Derivatives</i>		
Net derivatives gain on hedge transactions	155	192
Reclassification to net income of net realized gain	(110)	(227)
<i>Pension and other postretirement benefit plans</i>		
Actuarial loss		
Actuarial loss arising during the period	(28)	(11)
Amortization to net income of net actuarial loss	43	33
Prior service cost		
Prior service credit arising during the period		1
Amortization to net income of net prior service cost	31	30
Income taxes on pension and other postretirement benefit plans	(10)	(22)
<i>Comprehensive income</i>	1,502	1,068
Comprehensive income (loss) attributable to noncontrolling interests	9	(1)
<i>Comprehensive income attributable to Schlumberger</i>	\$ 1,493	\$ 1,069

See Notes to Consolidated Financial Statements

Table of Contents**SCHLUMBERGER LIMITED AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEET**

	Mar. 31, 2012 (Unaudited)	(Stated in millions) Dec. 31, 2011
ASSETS		
<i>Current Assets</i>		
Cash	\$ 1,346	\$ 1,705
Short-term investments	2,739	3,122
Receivables less allowance for doubtful accounts (2012 - \$171; 2011 - \$177)	10,401	9,500
Inventories	5,118	4,700
Deferred taxes	487	456
Other current assets	1,201	1,056
	21,292	20,539
<i>Fixed Income Investments, held to maturity</i>	281	256
<i>Investments in Affiliated Companies</i>	1,303	1,266
<i>Fixed Assets less accumulated depreciation</i>	13,314	12,993
<i>Multiclient Seismic Data</i>	454	425
<i>Goodwill</i>	14,199	14,154
<i>Intangible Assets</i>	4,805	4,882
<i>Other Assets</i>	718	686
	\$ 56,366	\$ 55,201
LIABILITIES AND EQUITY		
<i>Current Liabilities</i>		
Accounts payable and accrued liabilities	\$ 7,294	\$ 7,579
Liability for taxes on income	1,411	1,245
Long-term debt - current portion	1,296	1,041
Short-term borrowings	432	336
Dividends payable	369	337
	10,802	10,538
<i>Long-term Debt</i>	8,439	8,556
<i>Postretirement Benefits</i>	1,717	1,732
<i>Deferred Taxes</i>	1,749	1,731
<i>Other Liabilities</i>	1,171	1,252
	23,878	23,809
<i>Equity</i>		
Common stock	11,685	11,639
Treasury stock	(5,767)	(5,679)
Retained earnings	29,794	28,860
Accumulated other comprehensive loss	(3,365)	(3,557)
Schlumberger stockholders' equity	32,347	31,263
Noncontrolling interests	141	129
	32,488	31,392

\$	56,366	\$	55,201
----	---------------	----	--------

See Notes to Consolidated Financial Statements

Table of Contents**SCHLUMBERGER LIMITED AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF CASH FLOWS****(Unaudited)***(Stated in millions)*

	Three Months Ended Mar. 31,	
	2012	2011
Cash flows from operating activities:		
Net income	\$ 1,310	\$ 943
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization ⁽¹⁾	853	788
Earnings of companies carried at equity, less dividends received	(37)	(21)
Deferred income taxes	(18)	60
Stock-based compensation expense	79	67
Pension and other postretirement benefits expense	97	94
Pension and other postretirement benefits funding	(54)	(49)
Change in assets and liabilities: ⁽²⁾		
Increase in receivables	(875)	(561)
Increase in inventories	(399)	(251)
Increase in other current assets	(130)	(49)
Decrease in accounts payable and accrued liabilities	(267)	(177)
Increase (decrease) in liability for taxes on income	164	(99)
Decrease in other liabilities	(16)	(41)
Other - net	25	132
NET CASH PROVIDED BY OPERATING ACTIVITIES	732	836
Cash flows from investing activities:		
Capital expenditures	(961)	(770)
Multiclient seismic data capitalized	(101)	(83)
Business acquisitions, net of cash acquired		(74)
Sale of investments, net	362	565
Other	(45)	

Table of Contents**ERICSSON US 401(k) PLAN****NOTES TO FINANCIAL STATEMENTS****AS OF DECEMBER 31, 2013 AND 2012, AND FOR THE YEAR ENDED DECEMBER 31, 2013****(Thousands of dollars)**

As of December 31, 2012, the Master Trust investments measured at fair value on a recurring basis were as follows:

December 31, 2012	Level 1	Level 2	Level 3	Total
Mutual funds:				
Index funds	\$ 209,806	\$	\$	\$ 209,806
Domestic equity	254,094			254,094
International equity	168,558			168,558
Money market	1,443			1,443
Total mutual funds	633,901			633,901
Separate accounts:				
Fixed income		217,416		217,416
Domestic equity		68,025		68,025
Money market		10,457		10,457
International equity		5,576		5,576
Payables		(8,237)		(8,237)
Total separate accounts		293,237		293,237
Ericsson stock fund	59,096			59,096
Commingled fund (Domestic equity)		35,716		35,716
Collective trust		159,494		159,494
Self-directed accounts:				
Corporate Debt		108		108
Interest bearing cash		8,140		8,140
Common and preferred stocks		17,248		17,248
Registered investment companies		4,695		4,695
Total self-directed accounts		30,191		30,191
Total investments at fair value	\$ 692,997	\$ 518,638	\$	\$ 1,211,635

6. PARTY-IN-INTEREST TRANSACTIONS

Certain Plan investments are Common Stock shares of LM Ericsson Telephone Company, a related party of Ericsson Inc. Ericsson Inc. sponsors the plan; therefore, these investments qualify as a party-in-interest transaction. The Plan recorded purchases of \$16,453 and sales of \$27,955 of the Company's stock during the year ended December 31, 2013.

Certain Plan investments are shares of mutual funds managed by JP Morgan Chase Bank and its affiliates. These institutions served or are currently serving as trustee to the Plan and, therefore, these investments qualify as party-in-interest transactions.

7. TAX STATUS OF THE PLAN

Management believes that the Plan is qualified under section 401(a) of the Internal Revenue Code (IRC) and therefore, the trust is exempt from taxation under section 501(a). The Internal Revenue Service granted a favorable letter of determination to the Plan covering its first four amendments on September 13, 2002. Generally, contributions to a qualified plan are deductible by the Company when made, earnings of the trust are tax exempt and participants are not taxed on their benefits until withdrawn from the Plan.

Table of Contents

ERICSSON US 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2013 AND 2012, AND FOR THE YEAR ENDED DECEMBER 31, 2013

(Thousands of dollars)

Although the Plan has been amended since receiving the determination letter, management believes the Plan remains qualified under the applicable sections of the IRC and the Employee Retirement Income Security Act of 1974.

GAAP requires plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Plan Administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2013, there are no uncertain positions taken or expected to be taken that would require recognition of the liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

8. SYNTHETIC GUARANTEED INVESTMENT CONTRACTS

The Plan holds investments in synthetic guaranteed investment contracts (synthetic GICs) as part of the Stable Value Fund. The investments in synthetic GICs are presented at fair value on the table of the investments held in the Plan. The fair value of the synthetic GICs equals the total of the fair value of the underlying assets plus the total wrap rebid value, which is calculated by discounting the annual rebid fee, due to rebid, over the duration of the contract assets. The wrappers rebid value was \$0 and \$10 as of December 31, 2013 and 2012, respectively.

In determining the net assets available for benefits, the synthetic GICs are recorded at their contract values, which are equal to principal balance plus accrued interest. As provided in ASC 962, an investment contract is generally valued at contract value, rather than fair value, to the extent it is fully benefit-responsive.

The Stable Value Fund is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The synthetic GICs issuers are contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan.

The GICs are included in the financial statements at contract value as reported to the Plan by the Trustee, the investment manager. Contract value represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. There are currently no reserves against contract values for credit risk of the contract issuers or otherwise.

The average yield of the synthetic GICs based on actual earnings was approximately 1.66% and 1.72% at December 31, 2013 and 2012, respectively. The average yield of the synthetic GICs based on interest rate credited to participants was approximately 1.19% and 1.16% at December 31, 2013 and 2012, respectively.

Table of Contents**ERICSSON US 401(k) PLAN****NOTES TO FINANCIAL STATEMENTS****AS OF DECEMBER 31, 2013 AND 2012, AND FOR THE YEAR ENDED DECEMBER 31, 2013****(Thousands of dollars)**

The following table shows the adjustment from fair value to contract value for the fully benefit-responsive investment contract, in the Master Trust as of December 31, 2013:

	Major Credit Rating	Investments at Fair Value	Wrapper Contracts at Fair Value	Adjustment to Contract Value	Contract Value
December 31, 2013					
Wrapped bonds		\$	\$	\$	\$
ING Life Ins. Com	A-	33,070		291	33,361
ING Life Ins. Com	A-	32,878		289	33,167
Prudential Ins. Co. of America	AA-	108,479		2,688	111,167
Collective Trust Funds		126,484		(912)	125,572
Liabilities: Admin and wrapper contract fees payable		(179)			(179)
Total		\$ 300,732	\$	\$ 2,356	\$ 303,088

The following table shows the adjustment from fair value to contract value for the fully benefit-responsive investment contract, in the Plan as of December 31, 2012:

	Major Credit Rating	Investments at Fair Value	Wrapper Contracts at Fair Value	Adjustment to Contract Value	Contract Value
December 31, 2012					
Wrapped bonds		\$ 105,273	\$	\$	\$ 105,273
Natixis Financials	A			(686)	(686)
ING Life Ins. Com	A-			(1,373)	(1,373)
State Street Bank & Trust	AA-		10	(703)	(693)
Collective Trust Funds		54,338		(1,531)	52,807
Liabilities: Admin and wrapper contract fees payable		(93)			(93)
Total		\$ 159,518	\$ 10	\$ (4,293)	\$ 155,235

9. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK IN THE PLAN

In accordance with the investment strategy of the managed accounts, the Plan's investment managers may execute transactions in various financial instruments that may give rise to varying degrees of off-balance-sheet market and credit risk. These instruments can be executed on an exchange or negotiated in the OTC market. These financial instruments include futures, forward settlement contracts, swap and option contracts.

Table of Contents

ERICSSON US 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2013 AND 2012, AND FOR THE YEAR ENDED DECEMBER 31, 2013

(Thousands of dollars)

Swap contracts include equity, credit default and interest rate swap contracts. Equity swaps involve an agreement to exchange cash flows based on the total return of underlying securities.

Credit default swaps involve the exchange of cash flows based on the creditworthiness of the underlying issuer of securities. Interest rate swaps involve an agreement to exchange periodic interest payment streams (typically fixed vs. variable) calculated on an agreed upon periodic interest rate multiplied by a predetermined notional principal amount.

Market risk arises from the potential for changes in value of financial instruments resulting from fluctuations in interest and foreign exchange rates and in prices of debt and equity securities. The gross notional (or contractual) amounts used to express the volume of these transactions do not necessarily represent the amounts potentially subject to market risk. In many cases, these financial instruments serve to reduce, rather than increase, the Plan's exposure to losses from market or other risks. In addition, the measurement of market risk is meaningful only when all related and offsetting transactions are identified. The Plan's investment managers generally limit the Plan's market risk by holding or purchasing offsetting positions.

As a writer of option contracts, the Plan receives a premium to become obligated to buy or sell financial instruments for a period of time at the holder's option. During this period, the Plan bears the risk of an unfavorable change in the market value of the financial instrument underlying the option, but has no credit risk, as the counterparty has no performance obligation to the Plan once it has paid its cash premium.

The Plan is subject to credit risk of counterparty nonperformance on derivative contracts in a gain position, except for written options, which obligate the Plan to perform and do not give rise to any counterparty credit risk.

Investments sold, but not yet purchased by the Plan as of December 31, 2013 and 2012 involve obligations to deliver specified securities at contracted prices and thereby create a liability to purchase the securities at prevailing future market prices.

Accordingly, these transactions result in off-balance sheet risk as the Plan's ultimate obligation to satisfy the sale of financial instruments sold, but not yet purchased, may exceed the amount recognized in the financial statements.

The Plan's investment managers typically monitor risk exposure related to financial instruments through the use of financial, credit and legal reporting systems.

As of December 31, 2013 and 2012, the Plan did not hold any such investments.

Table of Contents

ERICSSON US 401(k) Plan

SCHEDULE H LINE 4i SCHEDULE OF ASSETS (HELD AT END OF YEAR)

DECEMBER 31, 2013

(Thousands of dollars)

EIN: 06-1119960

Plan Number: 006

Name and Issuer	Description of Investment	Current Value
*Various Participants	Notes receivable (4.25% 9.50%)	\$ 19,047

(*) Indicates a party-in-interest.

Table of Contents

SIGNATURES

The Plan. Pursuant to the requirements of the Securities and Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Ericsson US 401(k) Plan

Date: 06/30/14

/s/ John Moore

John Moore

V.P. Legal Affairs

Table of Contents

EXHIBIT INDEX

Exhibit No.

99.1 Consent of Independent Accountants Filed herewith