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

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: June 30, 2016

Commission file No.: 1-4601

SCHLUMBERGER N.V.

(SCHLUMBERGER LIMITED)

(Exact name of registrant as specified in its charter)

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

(Addresses of principal executive offices) (Zip Codes)

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

(713) 513-2000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x 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 x 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 x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

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

Class	Outstanding at June 30, 2016
COMMON STOCK, $0.01 PAR VALUE PER SHARE	1,390,690,530

SCHLUMBERGER LIMITED

Second Quarter 2016 Form 10-Q

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

See Notes to Consolidated Financial Statements

SCHLUMBERGER LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited)

(Stated in millions)

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

See Notes to Consolidated Financial Statements

SCHLUMBERGER LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(Stated in millions)

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

See Notes to Consolidated Financial Statements

SCHLUMBERGER LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

(Stated in millions)

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

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

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

(2) Net of the effect of business acquisitions.

See Notes to Consolidated Financial Statements

6

SCHLUMBERGER LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF EQUITY

(Unaudited)

(Stated in millions)

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

(Stated in millions)

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

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

SHARES OF COMMON STOCK

(Unaudited)

(Stated in millions)

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

See Notes to Consolidated Financial Statements

SCHLUMBERGER LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

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

New Accounting Pronouncements

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

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

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

2. Charges and Credits

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

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

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

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

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

The following is a summary of these charges:

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

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

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

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

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

	(Stated in millions)		
	Pretax	Tax	Net
Workforce reduction	$390	$56	$334
Currency devaluation loss in Venezuela	49	-	49
	$439	$56	$383

9

3. Earnings Per Share

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

(Stated in millions, except per share amounts)

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

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

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

(Stated in millions)

	2016	2015
Second Quarter	49	11
Six Months	49	13

4. Acquisition of Cameron

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

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

Calculation of Consideration Transferred

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

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

Equity consideration:		
Number of shares of Cameron stock outstanding	192	
Exchange ratio	0.716	
Schlumberger shares of common stock issued	138	
Schlumberger closing stock share price on April 1, 2016	$72.12	
Equity consideration		$9,924
Cash consideration:		
Number of shares of Cameron stock outstanding	192	
Cash consideration per Cameron share	$14.44	
Cash consideration		2,776
Other:		
Fair value of replacement equity awards		103
Total fair value of the consideration transferred		$12,803

Certain amounts reflect rounding adjustments

Preliminary Allocation of Consideration Transferred to Net Assets Acquired

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

(Stated in millions)

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

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

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

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

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

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

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

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

Supplemental Pro Forma Financial Information

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

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

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

(Stated in millions, except per share amounts)

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

5. Inventories

A summary of inventories follows:

(Stated in millions)

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

6. Fixed Assets

A summary of fixed assets follows:

(Stated in millions)

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

Depreciation expense relating to fixed assets was as follows:

(Stated in millions)

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

7. Multiclient Seismic Data

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

(Stated in millions)

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

8. Goodwill

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

(Stated in millions)

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

9. Intangible Assets

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

(Stated in millions)

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

Amortization expense charged to income was as follows:

(Stated in millions)

	2016	2015
Second Quarter	$160	$93
Six Months	$249	$179

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

10. Long-term Debt

A summary of Long-term Debt follows:

(Stated in millions)

	Jun. 30, 2016	Dec. 31, 2015
4.00% Senior Notes due 2025	$1,739	$1,741
3.30% Senior Notes due 2021	1,593	1,597
3.00% Senior Notes due 2020	1,590	1,591