

MULTIMEDIA GAMES HOLDING COMPANY, INC.
Form DEFA14A
January 04, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under Rule 14a-12

Multimedia Games Holding Company, Inc.
(Name of Registrant as Specified in its Charter)

N/A
(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction:
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- (1) Amount Previously Paid:
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-variant: normal;">

\$

1,960

\$

597

\$

1,363

Tradenames

1,640

301

1,339

1,647

257

1,390

Customer Relationships

2,460

493

1,967

2,263

407

1,856

Other

372

267

105

435

335

100

\$

6,432

\$

1,742

\$

4,690

\$

6,305

\$

1,596

\$

4,709

Amortization expense charged to income was as follows:

	(Stated in millions)	
	2014	2013
Third Quarter	\$88	\$80
Nine Months	\$257	\$244

The weighted average amortization period for all intangible assets is approximately 20 years.

Based on the net book value of intangible assets at September 30, 2014, amortization charged to income for the subsequent five years is estimated to be: remainder of 2014—\$90 million; 2015—\$358 million; 2016—\$349 million; 2017—\$340 million; 2018—\$331 million; and 2019—\$320 million.

10. Long-term Debt

A summary of Long-term Debt follows:

	(Stated in millions)	
	Sept. 30, 2014	Dec. 31, 2013
3.30% Senior Notes due 2021	\$1,596	\$1,596
3.65% Senior Notes due 2023	1,495	1,495
2.75% Guaranteed Notes due 2015	1,273	1,373
1.95% Senior Notes due 2016	1,099	1,099

4.20% Senior Notes due 2021	1,100	1,099
1.25% Senior Notes due 2017	1,000	999
2.40% Senior Notes due 2022	999	999
1.50% Guaranteed Notes due 2019	656	697
2.65% Senior Notes due 2016	500	500
Commercial paper borrowings	1,392	—
Other	516	536
	\$11,626	\$10,393

The estimated fair value of Schlumberger's Long-term Debt at September 30, 2014 and December 31, 2013, based on quoted market prices, was \$11.9 billion and \$10.4 billion, respectively.

Borrowings under the commercial paper program at September 30, 2014 were \$1.4 billion, all of which were classified within Long-term debt in the Consolidated Balance Sheet. At December 31, 2013, borrowings under the commercial paper program were \$95 million, all of which were classified within Long-term debt – current portion in the Consolidated Balance Sheet.

11. Derivative Instruments and Hedging Activities

Schlumberger is exposed to market risks related to fluctuations in foreign currency exchange rates and interest rates. To mitigate these risks, Schlumberger utilizes derivative instruments. Schlumberger does not enter into derivative transactions for speculative purposes.

Foreign Currency Exchange Rate Risk

As a multinational company, Schlumberger conducts business in more than 85 countries. Schlumberger's functional currency is primarily the US dollar, which is consistent with the oil and gas industry. However, outside the United States, a significant portion of Schlumberger's expenses is incurred in foreign currencies. Therefore, when the US dollar weakens (strengthens) in relation to the foreign currencies of the countries in which Schlumberger conducts business, the US dollar-reported expenses will increase (decrease).

Schlumberger is exposed to risks on future cash flows to the extent that local currency expenses exceed revenues denominated in local currency that are other than the functional currency. In addition, Schlumberger is also exposed to risks on future cash flows relating to certain of its long-term debt which is denominated in currencies other than the functional currency. Schlumberger uses foreign currency forward contracts and foreign currency options to provide a hedge against a portion of these cash flow risks. These contracts are accounted for as cash flow hedges, with the effective portion of changes in the fair value of the hedge recorded on the Consolidated Balance Sheet and in Accumulated Other Comprehensive Loss. Amounts recorded in Accumulated Other Comprehensive Loss are reclassified into earnings in the same period or periods that the hedged item is recognized in earnings. The ineffective portion of changes in the fair value of hedging instruments, if any, is recorded directly to earnings.

At September 30, 2014, Schlumberger recognized a cumulative net \$50 million loss in Equity relating to revaluation of foreign currency forward contracts and foreign currency options designated as cash flow hedges, the majority of which is expected to be reclassified into earnings within the next 12 months.

Schlumberger is also exposed to changes in the fair value of assets and liabilities, including certain of its long-term debt, which are denominated in currencies other than the functional currency. Schlumberger uses foreign currency forward contracts and foreign currency options to hedge this exposure as it relates to certain currencies. These contracts are accounted for as fair value hedges with the fair value of the contracts recorded on the Consolidated Balance Sheet and changes in the fair value recognized in the Consolidated Statement of Income along with the change in fair value of the hedged item.

At September 30, 2014, contracts were outstanding for the US dollar equivalent of \$6.2 billion in various foreign currencies, of which \$2.5 billion related to hedges of debt denominated in currencies other than the functional currency.

Interest Rate Risk

Schlumberger is subject to interest rate risk on its debt and its investment portfolio. Schlumberger maintains an interest rate risk management strategy that uses a mix of variable and fixed rate debt combined with its investment portfolio and occasionally interest rate swaps to mitigate the exposure to changes in interest rates.

During the fourth quarter of 2013, Schlumberger entered into a cross currency swap for a notional amount of €0.5 billion in order to hedge changes in the fair value of Schlumberger's €0.5 billion 1.50% Guaranteed Notes due 2019. Under the terms of this swap, Schlumberger will receive interest at a fixed rate of 1.50% on the euro notional amount and will pay interest at a floating rate of three-month LIBOR plus approximately 64 basis points on the US dollar notional amount.

This cross currency swap is designated as a fair value hedge of the underlying debt. This derivative instrument is marked to market with gains and losses recognized currently in income to largely offset the respective gains and losses recognized on changes in the fair value of the hedged debt.

At September 30, 2014, Schlumberger had fixed rate debt aggregating \$9.1 billion and variable rate debt aggregating \$4.0 billion, after taking into account the effect of the swap.

Short-term investments and Fixed income investments, held to maturity, totaled \$4.1 billion at September 30, 2014, and were comprised primarily of money market funds, eurodollar time deposits, certificates of deposit, commercial paper, euro notes and Eurobonds, and were substantially all denominated in US dollars. The carrying value of these investments approximated fair value, which was estimated using quoted market prices for those or similar investments.

The fair values of outstanding derivative instruments were as follows:

(Stated in millions)			
	Fair Value of Derivatives		Consolidated Balance Sheet Classification
	Sept. 30, 2014	Dec. 31, 2013	
Derivative Assets			
Derivatives designated as hedges:			
Foreign exchange contracts	\$ 3	\$ 98	Other current assets
Foreign exchange contracts	2	24	Other Assets
Interest rate swap	—	27	Other Assets
	\$ 5	\$ 149	
Derivatives not designated as hedges:			
Foreign exchange contracts	\$ 10	\$ 10	Other current assets
Foreign exchange contracts	—	4	Other Assets
	\$ 10	\$ 14	
	\$ 15	\$ 163	
Derivative Liabilities			
Derivatives designated as hedges:			
Foreign exchange contracts	\$ 42	\$ 14	Accounts payable and accrued liabilities
Foreign exchange contracts	83	1	Other Liabilities
Interest rate swap	15	—	Other Liabilities
	\$ 140	\$ 15	
Derivatives not designated as hedges:			
Foreign exchange contracts	\$ 10	\$ 2	Accounts payable and accrued liabilities
	\$ 150	\$ 17	

The fair value of all outstanding derivatives was determined using a model with inputs that are observable in the market or that can be derived from or corroborated by observable data.

The effect of derivative instruments designated as fair value hedges and those not designated as hedges on the Consolidated Statement of Income was as follows:

(Stated in millions)					
	Gain (Loss) Recognized in Income				Consolidated Statement of Income Classification
	Third Quarter		Nine Months		
	2014	2013	2014	2013	
Derivatives designated as fair value hedges:					
Interest rate swap	\$ (44)	\$ —	\$ (53)	\$ (2)	Interest expense
Derivatives not designated as hedges:					

Foreign exchange contracts \$ (26) \$ 31 \$ (21) \$ 8 Cost of revenue

The effect of derivative instruments in cash flow hedging relationships on income and Accumulated Other Comprehensive Loss (AOCL) was as follows:

	(Stated in millions)				
	Gain (Loss) Reclassified				
	from AOCL into Income				
	Third		Nine		
	Quarter		Months		
	2014	2013	2014	2013	Consolidated Statement of Income Classification
Foreign exchange contracts	\$ (54)	\$ 33	\$ (62)	\$ (8)	Cost of revenue
Foreign exchange contracts	1	(3)	3	(7)	Research & engineering
	\$ (53)	\$ 30	\$ (59)	\$ (15)	

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(Stated in millions)
Gain (Loss) Recognized in
AOCL
Third

	Quarter		Nine Months	
	2014	2013	2014	2013
Foreign exchange contracts	\$(151)	\$ 76	\$(138)	\$(27)

12. Income Tax

Income from continuing operations before taxes which were subject to US and non-US income taxes was as follows:

	(Stated in millions)			
	Third Quarter		Nine Months	
	2014	2013	2014	2013
United States	\$522	\$494	\$1,671	\$1,425
Outside United States	1,998	1,737	5,252	5,096
	\$2,520	\$2,231	\$6,923	\$6,521

Schlumberger recorded net pretax credits of \$572 million during the nine months ended September 30, 2013 (\$53 million of charges in the US and \$625 million of net credits outside the US). See Note 2 – Charges and Credits.

The components of net deferred tax assets (liabilities) were as follows:

	(Stated in millions)	
	Sept. 30, 2014	Dec. 31, 2013
Postretirement benefits	\$206	\$236
Intangible assets	(1,497)	(1,502)
Investments in non-US subsidiaries	(228)	(282)
Other, net	73	128
	\$(1,446)	\$(1,420)

The above deferred tax balances at September 30, 2014 and December 31, 2013 were net of valuation allowances relating to net operating losses in certain countries of \$234 million and \$238 million, respectively.

The components of consolidated Taxes on income were as follows:

(Stated in millions)

Third

Quarter Nine Months

2014 2013 2014 2013

Current:

United States — Federal	\$202	\$116	\$479	\$435
United States — State	19	16	38	51
Outside United States	342	313	1,033	859
	\$563	\$445	\$1,550	\$1,345

Deferred:

United States — Federal	\$(38)	\$36	\$(27)	\$12
United States — State	(4)	2	(2)	(1)
Outside United States	35	26	9	28
Valuation allowance	—	(3)	—	(23)
	\$(7)	\$61	\$(20)	\$16
	\$556	\$506	\$1,530	\$1,361

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A reconciliation of the US statutory federal tax rate of 35% to the consolidated effective income tax rate follows:

	Third Quarter		Nine Months	
	2014	2013	2014	2013
US federal statutory rate	35 %	35 %	35 %	35 %
Non-US income taxed at different rates	(12)	(12)	(11)	(12)
Charges and credits (See Note 2)	—	—	—	(2)
Other	(1)	—	(2)	—
	22 %	23 %	22 %	21 %

13. Contingencies

In 2009, United States officials began a grand jury investigation and an associated regulatory inquiry, both related to certain historical Schlumberger operations in specified countries that are subject to United States trade and economic sanctions. Governmental agencies and authorities have a broad range of civil and criminal penalties that they may seek to impose for violations of trade and economic sanction laws including, but not limited to, disgorgement, fines, penalties and modifications to business practices. In recent years, these agencies and authorities have obtained a wide range of penalties in settlements with companies arising from trade and economic sanction investigations, including in some cases fines and other penalties in the tens and hundreds of millions of dollars. Schlumberger continues to cooperate and has been discussing the resolution of this matter with the governmental authorities. During the latter part of the second quarter of 2014, these discussions progressed to a point whereby Schlumberger determined that it was appropriate to increase its liability for this contingency. Accordingly, Schlumberger recorded a \$205 million charge during the second quarter of 2014 within Loss from discontinued operations in the Consolidated Statement of Income. However, no certainty exists that a settlement will be reached or if so, the amount of any such settlement. Therefore, the ultimate loss could be greater or less than the amount accrued.

Schlumberger and its subsidiaries are party to various other legal proceedings from time to time. A liability is accrued when a loss is both probable and can be reasonably estimated. Management believes that the probability of a material loss with respect to these other legal proceedings is remote. However, litigation is inherently uncertain and it is not possible to predict the ultimate disposition of any of these proceedings.

14. Segment Information

(Stated in millions)

Third Quarter 2014		Third Quarter 2013	
Revenue	Income	Revenue	Income

		before		before
		taxes		taxes
Reservoir Characterization	\$3,184	\$954	\$3,289	\$988
Drilling	4,821	1,045	4,358	889
Production	4,697	857	4,024	707
Eliminations & other	(56)	(50)	(63)	(88)
Pretax operating income		2,806		2,496
Corporate & other ⁽¹⁾		(210)		(179)
Interest income ⁽²⁾		8		6
Interest expense ⁽³⁾		(84)		(92)
	\$12,646	\$2,520	\$11,608	\$2,231

⁽¹⁾ Comprised principally of certain corporate expenses not allocated to the segments, interest on postretirement medical benefits, stock-based compensation costs, amortization expense associated with certain intangible assets and other nonoperating items.

⁽²⁾ Interest income excludes amounts which are included in the segments' income (\$5 million in 2014; \$3 million in 2013).

⁽³⁾ Interest expense excludes amounts which are included in the segments' income (\$6 million in 2014; \$6 million in 2013).

(Stated in millions)				
	Nine Months 2014		Nine Months 2013	
	Income before		Income before	
	Revenue	taxes	Revenue	taxes
Reservoir Characterization	\$9,131	\$2,651	\$9,157	\$2,629
Drilling	13,804	2,906	12,659	2,413
Production	13,157	2,319	11,708	1,888
Eliminations & other	(153)	(81)	(164)	(190)
Pretax operating income		7,795		6,740
Corporate & other ⁽¹⁾		(628)		(529)
Interest income ⁽²⁾		23		15
Interest expense ⁽³⁾		(267)		(277)
Charges and credits ⁽⁴⁾		—		572
	\$35,939	\$6,923	\$33,360	\$6,521

⁽¹⁾ Comprised principally of certain corporate expenses not allocated to the segments, interest on postretirement medical benefits, stock-based compensation costs, amortization expense associated with certain intangible assets and other nonoperating items.

⁽²⁾ Interest income excludes amounts which are included in the segments' income (\$15 million in 2014; \$6 million in 2013).

⁽³⁾ Interest expense excludes amounts which are included in the segments' income (\$15 million in 2014; \$17 million in 2013).

⁽⁴⁾ See Note 2 – Charges and Credits.

15. Pension and Other Postretirement Benefit Plans

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

	(Stated in millions)							
	Third Quarter				Nine Months			
	2014		2013		2014		2013	
	US	Int'l	US	Int'l	US	Int'l	US	Int'l
Service cost — benefits earned during period	\$19	\$38	\$19	\$28	\$54	\$98	\$60	\$95
Interest cost on projected benefit obligation	47	90	38	65	123	218	113	189
Expected return on plan assets	(60)	(143)	(47)	(88)	(156)	(343)	(150)	(288)
Amortization of prior service cost	3	38	3	29	9	90	9	88
Amortization of net loss	17	18	28	43	61	70	91	117
	\$26	\$41	\$41	\$77	\$91	\$133	\$123	\$201

The net periodic benefit cost for the Schlumberger US postretirement medical plan included the following components:

	(Stated in millions)			
	Third Quarter		Nine Months	
	2014	2013	2014	2013
Service cost — benefits earned during period	\$10	\$12	\$32	\$36
Interest cost on accumulated postretirement benefit obligation	15	14	45	42
Expected return on plan assets	(12)	(9)	(33)	(28)
Amortization of prior service cost	(1)	(1)	(3)	(3)
Amortization of net loss	(3)	2	1	17
	\$9	\$18	\$42	\$64

16. Accumulated Other Comprehensive Loss

Accumulated Other Comprehensive Loss consists of the following:

	(Stated in millions)				
	Currency Translation Adjustments	Fair Value of Derivatives	Pension and Other Postretirement Benefit Plans	Unrealized Gains on Marketable Securities	Total
Balance, January 1, 2014	\$ (1,068)	\$ 29	\$ (1,691)	\$ 176	\$ (2,554)
Other comprehensive income (loss) before reclassifications	(176)	(138)	—	(132)	(446)
Amounts reclassified from accumulated other comprehensive loss	—	59	228	—	287
Income taxes	—	—	(28)	—	(28)
Net other comprehensive income (loss)	(176)	(79)	200	(132)	(187)
Balance, September 30, 2014	\$ (1,244)	\$ (50)	\$ (1,491)	\$ 44	\$ (2,741)

	(Stated in millions)				
	Currency Translation Adjustments	Fair Value of Derivatives	Pension and Other Postretirement Benefit Plans	Unrealized Gains on Marketable Securities	Total
Balance, January 1, 2013	\$ (918)	\$ 30	\$ (3,141)	\$ 141	\$ (3,888)
Other comprehensive income (loss) before reclassifications	(139)	(27)	(23)	58	(131)
Amounts reclassified from accumulated other comprehensive loss	—	15	318	—	333
Income taxes	—	—	(40)	—	(40)
Net other comprehensive income (loss)	(139)	(12)	255	58	162
Balance, September 30, 2013	\$ (1,057)	\$ 18	\$ (2,886)	\$ 199	\$ (3,726)

17. Discontinued Operations

During the second quarter of 2013, Schlumberger completed the wind down of its operations in Iran and has classified the historical results of this business as a discontinued operation.

The following table summarizes the results of this discontinued operation:

	(Stated in millions)	
	Nine Months	
	2014	2013
Revenue	\$—	\$102

Loss before taxes	\$ (205)	\$ (63)
Tax expense	—	(6)
Loss from discontinued operations	\$ (205)	\$ (69)

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.
Third Quarter 2014 Compared to Second Quarter 2014

Product Groups

	(Stated in millions)			
	Third Quarter 2014		Second Quarter 2014	
	Revenue	Income Before Taxes	Revenue	Income Before Taxes
Reservoir Characterization	\$3,184	\$954	\$3,095	\$918
Drilling	4,821	1,045	4,653	981
Production	4,697	857	4,344	725
Eliminations & other	(56)	(50)	(38)	(3)
Pretax operating income		2,806		2,621
Corporate & other ⁽¹⁾		(210)		(216)
Interest income ⁽²⁾		8		8
Interest expense ⁽³⁾		(84)		(86)
	\$12,646	\$2,520	\$12,054	\$2,327

Geographic Areas

	(Stated in millions)			
	Third Quarter 2014		Second Quarter 2014	
	Revenue	Income Before Taxes	Revenue	Income Before Taxes
North America	\$4,255	\$825	\$3,888	\$700
Latin America	2,036	446	1,852	393
Europe/CIS/Africa	3,303	774	3,268	723
Middle East & Asia	2,970	820	2,966	826
Eliminations & other	82	(59)	80	(21)
Pretax operating income		2,806		2,621
Corporate & other ⁽¹⁾		(210)		(216)
Interest income ⁽²⁾		8		8
Interest expense ⁽³⁾		(84)		(86)
	\$12,646	\$2,520	\$12,054	\$2,327

⁽¹⁾ Comprised principally of certain corporate expenses not allocated to the segments, interest on postretirement medical benefits, stock-based compensation costs, amortization expense associated with certain intangible assets and other nonoperating items.

(2) Interest income excludes amounts which are included in the segments' income (\$5 million in the third quarter 2014; \$5million in the second quarter in 2014).

(3) Interest expense excludes amounts which are included in the segments' income (\$6 million in the third quarter 2014; \$4 million in the second quarter 2014).

Third-quarter revenue of \$12.6 billion increased 5% sequentially with International Areas revenue of \$8.3 billion growing \$222 million, or 3% sequentially, while North America Area revenue of \$4.3 billion increased \$367 million, or 9%, sequentially.

Third-quarter pretax operating income of \$2.8 billion increased 7% sequentially. Pretax operating margin increased by 45 basis points (bps) to 22.2%, as North America pretax operating margin increased 137 bps, to 19.4%, and International Areas pretax operating margin increased by 55 bps, to 24.6%.

North America Area revenue of \$4.3 billion increased 9% sequentially, with offshore revenue up 12% and land revenue increasing 9%. Higher offshore revenue was driven by higher summer activity in Eastern Canada and market share gains in drilling services in the US Gulf of Mexico. Land revenue increased as Western Canada land revenue rebounded strongly from the seasonal spring break-up while US land revenue continued to grow on increased stage counts and improving logistics. These sequential increases, however,

were slightly muted by weather-related activity disruption from flooding in some basins and from loop currents in the US Gulf of Mexico. Recent investments in the Artificial Lift business to capture market share and promote inorganic growth also contributed to the sequential increase.

North America pretax operating margin increased 137 bps sequentially, to 19.4%, as Western Canada recovered following the previous quarter's seasonal spring break-up and as the US land market continued to make efficiency gains, increased penetration of new technology, and improved recovery of logistical costs. North America offshore operating margin improved with market share gains and technology uptake. Margin expansion overall, however, was tempered by adverse weather and offshore loop currents.

Latin America Area led the sequential international increase with revenue of \$2.0 billion, growing 10% as Mexico rebounded with robust Integrated Project Management (IPM) work and strong deepwater drilling activity, while higher revenues were posted across all Groups in Venezuela, Argentina, Colombia, and Brazil.

Europe/CIS/Africa Area revenue of \$3.3 billion grew 1% sequentially from significantly increased exploration work in Angola, the start of new projects in Congo and Equatorial Guinea, increased software sales in the UK, and peak summer drilling and exploration activity in Russia and Central Asia. Revenue growth in Russia, however, was tempered by a cautious investment climate that delayed certain projects and spending by some customers following sanctions by the European Union and the United States. Norway revenue declined as seismic and drilling activity wound down after the peak activity of the second quarter.

Middle East & Asia Area revenue of \$3.0 billion was flat sequentially as strong offshore exploration activity in Saudi Arabia, increased drilling and market share gains in Oman, and higher WesternGeco marine survey work in Brunei were offset by a decrease in Iraq revenue due to a severe slowdown in operations in Kurdistan in response to growing unrest. India also declined following project completions.

Sequentially, International Areas pretax operating margin of 24.6% increased 55 bps. Europe/CIS/Africa pretax operating margin increased by 132 bps to 23.4%, Latin America grew 72 bps, to 21.9%, while Middle East & Asia margin of 27.6% was essentially flat with the previous quarter.

The expansion in International Areas pretax operating margin was due to the seasonal activity rebound in Russia and Central Asia combined with strong exploration results in Sub-Saharan Africa and in the Middle East GeoMarkets, higher-margin software sales in the North Sea GeoMarkets, and robust activity across the Latin America Area. The effect, however, was limited during the quarter by sanction-compliance-related costs in Russia, and the severe operational slowdown in Kurdistan.

Reservoir Characterization Group

Third-quarter revenue of \$3.2 billion increased 3% sequentially. Pretax operating income of \$954 million was 4% higher sequentially.

The sequential increase in revenue was driven primarily by higher use of Testing Services technologies as a result of strong exploration activity in Brazil as well as in a number of other GeoMarkets. WesternGeco revenue also increased sequentially through improved global marine vessel activity leading to higher asset utilization during the quarter. In addition, Schlumberger Information Solutions (SIS) posted higher software sales, mainly in the UK. These increases, however, were partially offset by sequentially lower PetroTechnical Services multiclient seismic sales.

Pretax operating margin of 30% was 29 bps higher sequentially reflecting higher WesternGeco vessel utilization, robust high-margin software sales, and stronger Testing Services activity.

Drilling Group

Third-quarter revenue of \$4.8 billion was up 4% sequentially. Pretax operating income of \$1.0 billion was 7% higher sequentially.

Sequentially, revenue increased primarily on strong Drilling & Measurements deepwater activity in Mexico, Russia, and offshore North America. IPM also increased on robust project activity in Mexico. Full-quarter rig revenue from the May 2014 acquisition of Saxon Energy Services (Saxon) also contributed to sequential growth.

Sequentially, pretax operating margin grew 60 bps, to 21.7% reflecting improved profitability in Drilling & Measurements driven by stronger activity and a more favorable geographical and technology mix. Improved efficiency on IPM projects in the Latin America Area continued to contribute to the Group's expanding margins.

Production Group

Third-quarter revenue of \$4.7 billion increased 8% sequentially. Pretax operating income of \$857 million increased 18% sequentially. The strong rebound from the seasonal spring break-up in Western Canada accounted for the majority of the sequential increase in Well Services, although a significant proportion came from increased stage count in the US land market as well as from improving logistics. Strong sales of Completions products in the Latin America and Middle East & Asia Areas, and expanding Artificial Lift product sales in North America also contributed to sequential growth.

Pretax operating margin of 18.3% increased 158 bps sequentially, reflecting improved profitability in Well Services as Western Canada recovered from the previous quarter's seasonal spring break-up; and as the US land market continued to expand on improving efficiency, better utilization, and recovery of logistical costs.

Third Quarter 2014 Compared to Third Quarter 2013

Product Groups

	(Stated in millions)			
	Third Quarter 2014		Third Quarter 2013	
	Income Before Taxes		Income Before Taxes	
	Revenue	Taxes	Revenue	Taxes
Reservoir Characterization	\$3,184	\$954	\$3,289	\$988
Drilling	4,821	1,045	4,358	889
Production	4,697	857	4,024	707
Eliminations & other	(56)	(50)	(63)	(88)
Pretax operating income		2,806		2,496
Corporate & other ⁽¹⁾		(210)		(179)
Interest income ⁽²⁾		8		6
Interest expense ⁽³⁾		(84)		(92)
	\$12,646	\$2,520	\$11,608	\$2,231

Geographic Areas

	(Stated in millions)			
	Third Quarter 2014		Third Quarter 2013	
	Income Before Taxes		Income Before Taxes	
	Revenue	Income	Revenue	Income

		Taxes		Taxes
North America	\$4,255	\$825	\$3,602	\$730
Latin America	2,036	446	1,934	399
Europe/CIS/Africa	3,303	774	3,185	714
Middle East & Asia	2,970	820	2,794	730
Eliminations & other	82	(59)	93	(77)
Pretax operating income		2,806		2,496
Corporate & other ⁽¹⁾		(210)		(179)
Interest income ⁽²⁾		8		6
Interest expense ⁽³⁾		(84)		(92)
	\$12,646	\$2,520	\$11,608	\$2,231

⁽¹⁾ Comprised principally of certain corporate expenses not allocated to the segments, interest on postretirement medical benefits, stock-based compensation costs, amortization expense associated with certain intangible assets and other nonoperating items.

⁽²⁾ Interest income excludes amounts which are included in the segments' income (\$5 million in 2014; \$3 million in 2013).

⁽³⁾ Interest expense excludes amounts which are included in the segments' income (\$5 million in 2014; \$6 million in 2013).

Third-quarter 2014 revenue of \$12.6 billion was 9% higher than the same period last year with International Areas revenue of \$8.3 billion increasing 5% and North America Area revenue of \$4.3 billion growing 18%.

Internationally, higher activities in a number of GeoMarkets, both offshore and in key land markets, contributed to the increase. The increase was led by the Middle East & Asia Area which increased 6%, mainly from robust results in Saudi Arabia, Australia and the United Arab Emirates. Europe/CIS/Africa Area increased 4%, led by the Sub-Saharan Africa region on strong development and exploration activities, particularly in the Central West Africa and Angola GeoMarkets. Latin America Area increased 5% mainly on strong activities in Argentina, Ecuador and Venezuela, partially offset by lower activity and pricing in Brazil.

North America revenue increased 18% due mainly to land revenue which was up 25%, while offshore revenue was down 1%. The increase in land revenue was driven by market share gains in pressure pumping, artificial lift and drilling services. The decrease in offshore revenue resulted from lower multiclient seismic sales.

Third-quarter 2014 pretax operating income of \$2.8 billion grew \$310 million, or 12%, versus the same period last year with International Areas pretax operating income of \$2 billion increasing 11% and North America pretax operating income of \$825 million increasing 13%.

Third-quarter 2014 pretax operating margin of 22.2% increased 68 bps as International pretax operating margin expanded 127 bps, to 24.6%, while North America pretax operating margin contracted 89 bps, to 19.4%. The expansion in International margins was due to increased high-margin exploration activities, market share gains, growth in accretive integration-related activities and premium pricing on new technology introductions. The North America margin contraction was due to higher cost inflation for labor, sand and transportation.

Reservoir Characterization Group

Third-quarter 2014 revenue of \$3.2 billion was 3% lower than the same period last year due to reduced multiclient sales and lower WesternGeco marine acquisition surveys.

Year-on-year, pretax operating margin was flat at 30% with higher-margin exploration activities benefiting Wireline Technologies and Testing Services and higher margin software sales being offset by lower profitability from reduced multiclient sales by PetroTechnical Services.

Drilling Group

Third-quarter 2014 revenue of \$4.8 billion was 11% higher than the previous year primarily due to robust demand for Drilling & Measurements services and M-I SWACO technologies as activity strengthened in the North America, Latin America and Middle East & Asia Areas. Rig revenue from Saxon also contributed to the year-on-year growth.

Year-on-year, pretax operating margin increased 128 bps, to 21.7%, primarily due to the Drilling & Measurements revenue growth which benefited from higher-margin drilling and exploration activities in the North America offshore and in the international markets.

Production Group

Third-quarter 2014 revenue of \$4.7 billion increased 17% year-on-year mostly from Well Services pressure pumping technologies driven by market share gains, improvements in operational efficiency as well as introduction of new technologies. Revenue also grew in the group from the expanding Artificial Lift business.

Year-on-year, pretax operating margin increased 67 bps, to 18.3%, mainly due to improved profitability for Well Services, and Well Intervention, particularly in the International Areas. This increase, however, was offset in part by the decrease in margins in North America due to pressure pumping commodity inflation.

Nine Months 2014 Compared to Nine Months 2013

Product Groups

	(Stated in millions)			
	Nine Months 2014		Nine Months 2013	
	Income		Income	
	Before		Before	
	Revenue	Taxes	Revenue	Taxes
Reservoir Characterization	\$9,131	\$2,651	\$9,157	\$2,629
Drilling	13,804	2,906	12,659	2,413
Production	13,157	2,319	11,708	1,888
Eliminations & other	(153)	(81)	(164)	(190)
Pretax operating income		7,795		6,740
Corporate & other ⁽¹⁾		(628)		(529)
Interest income ⁽²⁾		23		15
Interest expense ⁽³⁾		(267)		(277)
Charges and credits ⁽⁴⁾		—		572
	\$35,939	\$6,923	\$33,360	\$6,521

Geographic Areas

	(Stated in millions)			
	Nine Months 2014		Nine Months 2013	
	Income		Income	
	Before		Before	
	Revenue	Taxes	Revenue	Taxes
North America	\$11,827	\$2,208	\$10,249	\$2,019
Latin America	5,646	1,210	5,752	1,164
Europe/CIS/Africa	9,452	2,082	9,186	1,867
Middle East & Asia	8,781	2,396	7,844	1,931
Eliminations & other	233	(101)	329	(241)
Pretax operating income		7,795		6,740
Corporate & other ⁽¹⁾		(628)		(529)
Interest income ⁽²⁾		23		15
Interest expense ⁽³⁾		(267)		(277)
Charges and credits ⁽⁴⁾		—		572
	\$35,939	\$6,923	\$33,360	\$6,521

- (1) Comprised principally of certain corporate expenses not allocated to the segments, interest on postretirement medical benefits, stock-based compensation costs, amortization expense associated with certain intangible assets and other nonoperating items.
- (2) Interest income excludes amounts which are included in the segments' income (\$15 million in 2014; \$6 million in 2013).
- (3) Interest expense excludes amounts which are included in the segments' income (\$15 million in 2014; \$17 million in 2013).
- (4) See Note 2 – Charges and Credits in the Consolidated Financial Statements.

Nine-month 2014 revenue of \$35.9 billion grew \$2.6 billion, or 8%, versus the same period last year with International Areas revenue of \$23.9 billion increasing \$1.1 billion, or 5%, and North America Area revenue of \$11.8 billion growing \$1.6 billion, or 15%.

Internationally, higher activities in a number of GeoMarkets, both offshore and in key land markets, contributed to the increase. The increase was led by the Middle East & Asia Area which increased 12%, mainly from robust drilling and exploration results in Saudi Arabia, Australia, the United Arab Emirates and in a number of GeoMarkets in Southeast Asia. Europe/CIS/Africa Area increased 3%, led by the Sub-Saharan Africa region on strong development and exploration activities, particularly in Central West Africa, Angola and Continental Europe GeoMarkets. Norway also experienced strong growth driven by market share gains and higher rig-related services for a number of customers. The Latin America Area, however, decreased 2% primarily as a result of lower activity and pricing in Brazil and Mexico, partially offset by strong activity in Argentina and Ecuador.

North America revenue increased 15% due mainly to land revenue which was up 21%, while offshore revenue was down 2%. The increase in land revenue was driven by market share gains in pressure pumping, artificial lift and drilling services. The pressure pumping growth was augmented by improvements in operational efficiency and introduction of new technologies. The decrease in offshore revenue was attributable to lower drilling and exploration activities, due to a series of operational delays which impacted several product lines earlier in the year combined with lower multiclient sales.

Year-to-date 2014 pretax operating income of \$7.8 billion grew \$1.1 billion, or 16%, versus the same period last year with International Areas pretax operating income of \$5.7 billion increasing 15% and North America pretax operating income of \$2.2 billion increasing 9%.

Year-to-date 2014 pretax operating margin of 21.7% expanded 149 bps versus the same period last year, as International Areas pretax operating margin expanded 204 bps, to 23.8%, while North America pretax operating margin contracted 104 bps, to 18.7%. The increase in International Areas margins was due to increased high-margin exploration activities, market share gains, growth in accretive integration-related activities and premium in effective pricing on new technology introductions. The North America margin contraction reflected pressure pumping commodity inflation.

Reservoir Characterization Group

Nine-month 2014 revenue of \$9.1 billion was essentially flat compared to the same period last year. Testing Services revenue increased from higher offshore exploration and increased SIS software sales across all international areas were offset by lower WesternGeco marine vessel utilization and reduced multiclient seismic sales.

Year-on-year, pretax operating margin increased 32 bps, to 29.0%, largely due to the higher-margin exploration activities that benefited Wireline Technologies and Testing Services. Higher margin software sales also contributed to the improvement. However, these increases were partially offset by lower profitability in WesternGeco due to lower vessel utilization and lower PetroTechnical Services multiclient seismic sales.

Drilling Group

Nine-month 2014 revenue of \$13.8 billion was 9% higher than the previous year, primarily due to the robust demand for Drilling & Measurements services and M-I SWACO technologies as activity strengthened in the North America and Middle East & Asia Areas. Rig revenue from the acquisition of Saxon also contributed to the growth.

Year-on-year, pretax operating margin increased 199 bps, to 21.1%, primarily due to the increase in higher-margin activities of Drilling & Measurements that benefited from higher-margin exploration activities in the North America offshore and international markets. Improved profitability on Integrated Project Management activities also contributed to the margin increase.

Production Group

Nine-month 2014 revenue of \$13.2 billion increased 12% year-on-year, mostly from Well Services pressure pumping technologies driven by market share gains, improvements in operational efficiency as well as introduction of new technologies. Schlumberger Production Management (SPM) revenue grew as projects in Latin America continued to progress ahead of work plans. Revenue from the expanding Artificial Lift business also contributed to the year-on-year growth.

Year-on-year, pretax operating margin increased 150 bps, to 17.6%, mainly on improved profitability for Well Services, Completions and Well Intervention, particularly in the International Areas. SPM activities also contributed to the margin expansion. However, these increases were offset by the decrease in margins in North America due to pressure pumping commodity inflation.

INTEREST & OTHER INCOME

Interest & other income consisted of the following for the third quarter and nine months ended September 30, 2014 and 2013:

	(Stated in millions)			
	Third		Nine	
	Quarter		Months	
	2014	2013	2014	2013
Equity in net earnings of affiliated companies	\$66	\$34	\$182	\$84
Interest income	13	9	38	21
	\$79	\$43	\$220	\$105

OTHER

Research & engineering and General & administrative expenses, as a percentage of Revenue, for the third quarter and nine months ended September 30, 2014 and 2013 were as follows:

	Third		Nine	
	Quarter		Months	
	2014	2013	2014	2013
Research & engineering	2.4%	2.5 %	2.5%	2.6 %
General & administrative	1.0%	0.9 %	1.0%	0.9 %

The effective tax rate for the third quarter of 2014 was 22.1% compared to 22.7% for the same period of 2013.

The effective tax rate for the nine months ended September 30, 2014 was 22.1% compared to 20.9% for the same period of the prior year. The effective tax rate for the nine months ended September 30, 2013 was significantly impacted by the charges and credits described in Note 2 to the Consolidated Financial Statements. Excluding the impact of the charges and credits, the effective tax rate for the nine months ended September 30, 2013 was 23.2%. The decrease in the effective tax rate, excluding the impact of charges and credits, for the nine months ended September 30, 2014, as compared to the same period last year, was primarily attributable to the change in the geographic mix of earnings.

CHARGES AND CREDITS

Schlumberger recorded the following charges and credits in continuing operations during the first nine months of 2013. These charges and credits, which are summarized below, are more fully described in Note 2 to the Consolidated Financial Statements.

(Stated in millions)

	Pretax	Tax	Net	Classification
Gain on formation of OneSubsea joint venture	\$ (1,028)	\$ —	\$ (1,028)	Gain on formation of OneSubsea
Impairment of equity-method investments	364	19	345	Impairment & Other
Currency devaluation loss in Venezuela	92	—	92	Impairment & Other
	\$ (572)	\$ 19	\$ (591)	

There were no charges or credits recorded during the third quarter of 2013 or the first nine months of 2014.

NET DEBT

Net Debt represents gross debt less cash, short-term investments and fixed income investments, held to maturity. Management believes that Net Debt provides useful information regarding the level of Schlumberger indebtedness by reflecting cash and investments that could be used to repay debt.

Details of Net Debt follow:

	(Stated in millions)	
	Nine Months ended Sept. 30,	
	2014	2013
Income from continuing operations	\$5,393	\$5,160
Gain on formation of OneSubsea	—	(1,028)
Impairment of equity method investments and currency devaluation loss in Venezuela	—	456
Depreciation and amortization ⁽¹⁾	3,029	2,891
Pension and other postretirement benefits expense	266	388
Stock-based compensation expense	246	255
Pension and other postretirement benefits funding	(318)	(468)
Increase in working capital	(991)	(1,079)
Other	(343)	(4)
Cash flow from operations	7,282	6,571
Capital expenditures	(2,766)	(2,753)
SPM investments	(569)	(633)
Multiclient seismic data capitalized	(212)	(300)
Free cash flow ⁽²⁾	3,735	2,885
Stock repurchase program	(3,582)	(1,526)
Dividends paid	(1,451)	(1,196)
Proceeds from employee stock plans	795	415
	(503)	578
Business acquisitions and investments, net of cash acquired and debt assumed	(1,049)	(1,144)
Other	150	61
Increase in Net Debt	(1,402)	(505)
Net Debt, Beginning of period	(4,443)	(5,111)
Net Debt, End of period	\$(5,845)	\$(5,616)

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

⁽²⁾ “Free cash flow” represents cash flow from operations less capital expenditures, SPM investments and multiclient seismic data capitalized. Management believes that this is an important measure because it represents funds available to reduce debt and pursue opportunities that enhance shareholder value such as acquisitions and returning cash to shareholders through stock repurchases and dividends.

	(Stated in millions)		
	Sept. 30,	Sept.	Dec. 31,
Components of Net Debt	2014	30,	2013
	2014	2013	2013
Cash	\$3,118	\$3,149	\$3,472
Short-term investments	3,641	3,286	4,898
Fixed income investments, held to maturity	473	363	363

Long-term debt – current portion	(27)	(1,876)	(1,819)
Short-term borrowings	(1,424)	(622)	(964)
Long-term debt	(11,626)	(9,916)	(10,393)
	\$(5,845)	\$(5,616)	\$(4,443)

Key liquidity events during the first nine months of 2014 and 2013 included:

- During the second quarter of 2013, Schlumberger paid Cameron \$600 million in connection with the formation of the OneSubsea joint venture.
- On April 17, 2008, the Schlumberger Board of Directors (the “Board”) approved an \$8 billion share repurchase program for shares of Schlumberger common stock, to be acquired before December 31, 2011. On July 21, 2011, the Board

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approved an extension of this repurchase program to December 31, 2013. This program was completed during the third quarter of 2013.

On July 18, 2013, the Board approved a new \$10 billion share repurchase program to be completed at the latest by June 30, 2018. Schlumberger had repurchased \$5.3 billion of shares under this new share repurchase program as of September 30, 2014. Schlumberger has decided to accelerate this share repurchase program with the aim of completing it in 2.5 years as compared to the original target of 5 years.

The following table summarizes the activity, during the nine months ended September 30, under this share repurchase program during 2014 and 2013:

	(Stated in millions, except per share amounts)		
	Total cost of shares purchased	Total number of shares purchased	Average price paid per share
Nine months ended September 30, 2014	\$3,582	35.4	\$101.18
Nine months ended September 30, 2013	\$1,526	19.4	\$78.61

·Cash flow provided from operations was \$7.3 billion in the first nine months of 2014 compared to \$6.6 billion in the first nine months of 2013, largely reflecting the increase in income from continuing operations, excluding the impact of non-cash charges and credits.

·Capital expenditures were \$2.8 billion during both the first nine months of 2014 and 2013. Capital expenditures for full-year 2014 are expected to be approximately \$3.8 billion, as compared to expenditures of \$3.9 billion in 2013. At times in recent years, Schlumberger has experienced delays in payments from its national oil company customer in Venezuela. Schlumberger operates in more than 85 countries. At September 30, 2014, only five of those countries (including Venezuela) individually accounted for greater than 5% of Schlumberger's accounts receivable balance of which only one, the United States, represented greater than 10%.

As of September 30, 2014, Schlumberger had \$6.8 billion of cash and short-term investments on hand. Schlumberger had separate committed debt facility agreements aggregating \$3.9 billion with commercial banks, of which \$2.5 billion was available and unused as of September 30, 2014. The \$3.9 billion of committed debt facility agreements included \$3.5 billion of committed facilities which support a commercial paper program in Europe. Schlumberger believes that these amounts are sufficient to meet future business requirements for at least the next 12 months.

Borrowings under the commercial paper program at September 30, 2014 were \$1.4 billion.

Other Matters

As previously disclosed, during the second quarter of 2013, Schlumberger completed the wind down of its service operations in Iran. Prior to this, certain non-U.S. subsidiaries of Schlumberger provided oilfield services to the National Iranian Oil Company and certain of its affiliates ("NIOC"). Schlumberger has classified the results of this business as a discontinued operation. All prior periods were restated accordingly.

Schlumberger's residual transactions or dealings with the government of Iran in the quarter consisted of payments of taxes and other typical governmental charges. Two non-U.S. subsidiaries of Schlumberger have depository accounts at the Dubai branch of Bank Saderat Iran ("Saderat") and at Bank Tejarat ("Tejarat") in Tehran for the deposit by NIOC of amounts owed to non-US subsidiaries of Schlumberger for prior services rendered in Iran. One non-U.S. subsidiary also maintains an account at Tejarat for payment of local expenses such as taxes and utilities. Schlumberger anticipates that it will discontinue its dealings with Saderat and Tejarat following the receipt of all amounts owed to Schlumberger for prior services rendered in Iran.

Although the functional currency of Schlumberger's operations in Venezuela is the US dollar, a portion of the transactions are denominated in Venezuelan bolivares fuertes. For financial reporting purposes, such local currency transactions are remeasured into US dollars at the official exchange rate, which was fixed at 6.3 Venezuelan bolivares fuertes to the US dollar for most of 2013.

During 2014, Venezuela enacted certain changes to its foreign exchange system such that, in addition to the official rate of 6.3 Venezuelan bolivares fuertes per US dollar, there are now two other legal exchange rates (approximately 12 and 50 Venezuelan bolivares fuertes, respectively, to the US dollar as of September 30, 2014) that may be obtained via different exchange rate mechanisms. During the first nine months of 2014, Schlumberger continued to remeasure local currency transactions and balances into US dollars at the official exchange rate of 6.3.

At September 30, 2014, Schlumberger had approximately \$460 million of net monetary assets denominated in Venezuelan bolivares fuertes. In the event of a devaluation of the official exchange rate or if Schlumberger were to determine that it is more appropriate to

utilize one of the other legal exchange rates for financial reporting purposes, it would result in Schlumberger recording a devaluation charge in its Consolidated Statement of Income. Going forward, any devaluation in Venezuela will result in a reduction in the US dollar reported amount of local currency denominated revenues, expenses and, consequently, income before taxes. For example, if Schlumberger had applied an exchange rate of 50 Venezuelan bolivares fuertes to the US dollar throughout the first nine months of 2014, it would have reduced Schlumberger's earnings by approximately \$0.06 per share. Had Schlumberger changed to this exchange rate on September 30, 2014, it would have resulted in a one-time devaluation charge of \$400 million (\$0.31 per share).

FORWARD-LOOKING STATEMENTS

This Form 10-Q and other statements we make contain "forward-looking statements" within the meaning of the federal securities laws, which include any statements that are not historical facts, such as our forecasts or expectations regarding business outlook; growth for Schlumberger as a whole and for each of its segments (and for specified products or geographic areas within each segment); oil and natural gas demand and production growth; oil and natural gas prices; improvements in operating procedures and technology; capital expenditures by Schlumberger and the oil and gas industry; the business strategies of Schlumberger's customers; the success of Schlumberger's joint ventures and alliances; future global economic conditions; and future results of operations. These statements are subject to risks and uncertainties, including, but not limited to, global economic conditions; changes in exploration and production spending by Schlumberger's customers and changes in the level of oil and natural gas exploration and development; general economic, political and business conditions in key regions of the world, including in Russia and the Ukraine; pricing erosion; weather and seasonal factors; operational delays; production declines; changes in government regulations and regulatory requirements, including those related to offshore oil and gas exploration, radioactive sources, explosives, chemicals, hydraulic fracturing services and climate-related initiatives; the inability of technology to meet new challenges in exploration; and other risks and uncertainties detailed in our third-quarter 2014 earnings release, our most recent Form 10-K and other filings that we make with the Securities and Exchange Commission. If one or more of these or other risks or uncertainties materialize (or the consequences of such a development changes), or should our underlying assumptions prove incorrect, actual outcomes may vary materially from those reflected in our forward-looking statements. Schlumberger disclaims any intention or obligation to update publicly or revise such statements, whether as a result of new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

For quantitative and qualitative disclosures about market risk affecting Schlumberger, see Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," of the Schlumberger Annual Report on Form 10-K for the fiscal year ended December 31, 2013. Schlumberger's exposure to market risk has not changed materially since December 31, 2013.

Item 4. Controls and Procedures.

Schlumberger has carried out an evaluation under the supervision and with the participation of Schlumberger's management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), of the effectiveness of Schlumberger's "disclosure controls and procedures" (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of the end of the period covered by this report. Based on this evaluation, the CEO and the CFO have concluded that, as of the end of the period covered by this report, Schlumberger's disclosure controls and procedures were effective to provide reasonable assurance that information

required to be disclosed in the reports that Schlumberger files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Schlumberger's disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is accumulated and communicated to its management, including the CEO and the CFO, as appropriate, to allow timely decisions regarding required disclosure. There has been no change in Schlumberger's internal control over financial reporting that occurred during the quarter to which this report relates that has materially affected, or is reasonably likely to materially affect, Schlumberger's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

The information with respect to this Item 1 is set forth under Note 13—Contingencies, in the Consolidated Financial Statements.

Item 1A. Risk Factors.

As of the date of this filing, there have been no material changes from the risk factors previously disclosed in Part 1, Item 1A, of Schlumberger's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Unregistered Sales of Equity Securities

None.

Issuer Repurchases of Equity Securities

On July 18, 2013, the Schlumberger Board of Directors approved a new \$10 billion share repurchase program for shares of Schlumberger common stock, to be completed at the latest by June 30, 2018.

Schlumberger's common stock repurchase program activity for the three months ended September 30, 2014 was as follows:

(Stated in thousands, except per share amounts)

	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced program	Maximum value of shares that may yet be purchased under the program
July 1 through July 31, 2014	3,477.0	\$110.49	3,477.0	\$5,825,115
August 1 through August 31, 2014	2,502.0	\$108.90	2,502.0	\$5,552,655
September 1 through September 30, 2014	7,936.5	\$107.35	7,936.5	\$4,700,657
	13,915.5	\$108.41	13,915.5	

In connection with the exercise of stock options under Schlumberger's incentive compensation plans, Schlumberger routinely receives shares of its common stock from optionholders in consideration of the exercise price of the stock options. Schlumberger does not view these transactions as requiring disclosure under this Item as the number of shares of Schlumberger common stock received from optionholders is not material.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

The barite and bentonite mining operations of M-I LLC, an indirect wholly-owned subsidiary, are subject to regulation by the federal Mine Safety and Health Administration under the Federal Mine Safety and Health Act of 1977. Information concerning mine safety violations or other regulatory matters required by section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95 to this report.

Item 5. Other Information.

None.

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Item 6. Exhibits.

Exhibit 3.1—Articles of Incorporation of Schlumberger Limited (Schlumberger N.V.) (incorporated by reference to Exhibit 3 to Schlumberger’s Current Report on Form 8-K filed on April 7, 2011)

Exhibit 3.2—Amended and Restated By-laws of Schlumberger Limited (Schlumberger N.V.) (incorporated by reference to

Exhibit 3.1 to Schlumberger’s Current Report on Form 8-K filed on July 20, 2012)

* Exhibit 31.1—Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

* Exhibit 31.2—Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

** Exhibit 32.1—Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

** Exhibit 32.2—Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Exhibit 95—Mine Safety Disclosures

* Exhibit 101—The following materials from Schlumberger Limited’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Statement of Income; (ii) Consolidated Statement of Comprehensive Income; (iii) Consolidated Balance Sheet; (iv) Consolidated Statement of Cash Flows; (v) Consolidated Statement of Equity and (vi) Notes to Consolidated Financial Statements.

* Filed with this Form 10-Q.

** Furnished with this Form 10-Q.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized and in his capacity as Chief Accounting Officer.

Schlumberger Limited

(Registrant)

Date: October 22, 2014 /s/ Howard Guild

Howard Guild

Chief Accounting Officer and Duly Authorized Signatory