

SCHLUMBERGER LIMITED/NV
Form 10-Q
April 24, 2019

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, 2019

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 HOUSTON, TEXAS, U.S.A.	77056
62 BUCKINGHAM GATE LONDON, UNITED KINGDOM	SW1E 6AJ

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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 No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
Emerging growth company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 at March 31, 2019
COMMON STOCK, \$0.01 PAR VALUE PER SHARE	1,385,122,272

SCHLUMBERGER LIMITED

First Quarter 2019 Form 10-Q

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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,	
	2019	2018
Revenue		
Services	\$5,906	\$5,736
Product sales	1,973	2,093
Total Revenue	7,879	7,829
Interest & other income	14	42
Expenses		
Cost of services	5,111	4,880
Cost of sales	1,841	1,922
Research & engineering	173	172
General & administrative	112	111
Interest	147	143
Income before taxes	509	643
Tax expense	79	113
Net income	430	530
Net income attributable to noncontrolling interests	9	5
Net income attributable to Schlumberger	\$421	\$525
Basic earnings per share of Schlumberger	\$0.30	\$0.38
Diluted earnings per share of Schlumberger	\$0.30	\$0.38
Average shares outstanding:		
Basic	1,385	1,385
Assuming dilution	1,397	1,394

See Notes to Consolidated Financial Statements

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SCHLUMBERGER LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited)

(Stated in millions)

	Three Months Ended March 31, 2019 2018	
Net income	\$430	\$530
Currency translation adjustments		
Unrealized net change arising during the period	77	39
Marketable securities		
Unrealized gain arising during the period	-	19
Cash flow hedges		
Net gain (loss) on cash flow hedges	(5)	5
Reclassification to net income of net realized (gain) loss	2	(3)
Pension and other postretirement benefit plans		
Amortization to net income of net actuarial loss	24	56
Amortization to net income of net prior service credit	(3)	(1)
Comprehensive income	525	645
Comprehensive income attributable to noncontrolling interests	9	5
Comprehensive income attributable to Schlumberger	\$516	\$640

See Notes to Consolidated Financial Statements

SCHLUMBERGER LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(Stated in millions)

	Mar. 31, 2019 (Unaudited)	Dec. 31, 2018
ASSETS		
Current Assets		
Cash	\$ 1,230	\$1,433
Short-term investments	925	1,344
Receivables less allowance for doubtful accounts (2019 - \$244; 2018 - \$249)	8,171	7,881
Inventories	4,224	4,010
Other current assets	1,223	1,063
	15,773	15,731
Investments in Affiliated Companies	1,544	1,538
Fixed Assets less accumulated depreciation	11,533	11,679
Multiclient Seismic Data	584	601
Goodwill	24,945	24,931
Intangible Assets	8,611	8,727
Other Assets	7,331	7,300
	\$ 70,321	\$70,507
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 9,702	\$10,223
Estimated liability for taxes on income	1,194	1,155
Short-term borrowings and current portion of long-term debt	99	1,407
Dividends payable	702	701
	11,697	13,486
Long-term Debt	16,449	14,644
Postretirement Benefits	1,136	1,153
Deferred Taxes	1,375	1,441
Other Liabilities	3,140	3,197
	33,797	33,921
Equity		
Common stock	13,000	13,132
Treasury stock	(3,756)	(4,006)
Retained earnings	31,386	31,658
Accumulated other comprehensive loss	(4,527)	(4,622)
Schlumberger stockholders' equity	36,103	36,162
Noncontrolling interests	421	424
	36,524	36,586
	\$ 70,321	\$70,507

See Notes to Consolidated Financial Statements

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SCHLUMBERGER LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

(Stated in millions)

	Three Months Ended March 31,	
	2019	2018
Cash flows from operating activities:		
Net income	\$430	\$530
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization ⁽¹⁾	903	874
Stock-based compensation expense	108	90
Earnings of equity method investments, less dividends received	3	(5)
Change in assets and liabilities: ⁽²⁾		
Increase in receivables	(280)	(152)
Increase in inventories	(197)	(81)
Increase in other current assets	(93)	(48)
Decrease (increase) in other assets	2	(70)
Decrease in accounts payable and accrued liabilities	(483)	(600)
Increase in estimated liability for taxes on income	5	45
Decrease in other liabilities	(42)	(7)
Other	(30)	(8)
NET CASH PROVIDED BY OPERATING ACTIVITIES	326	568
Cash flows from investing activities:		
Capital expenditures	(413)	(454)
SPM investments	(151)	(240)
Multiclient seismic data costs capitalized	(45)	(26)
Business acquisitions and investments, net of cash acquired	(5)	(13)
Sale of investments, net	420	980
Other	(36)	35
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(230)	282
Cash flows from financing activities:		
Dividends paid	(692)	(692)
Proceeds from employee stock purchase plan	85	107
Proceeds from exercise of stock options	22	20
Stock repurchase program	(98)	(97)
Proceeds from issuance of long-term debt	1,812	12
Repayment of long-term debt	(1,368)	(51)
Net decrease in short-term borrowings	(38)	(105)
Other	(20)	19
NET CASH USED IN FINANCING ACTIVITIES	(297)	(787)
Net (decrease) increase in cash before translation effect	(201)	63
Translation effect on cash	(2)	3

Cash, beginning of period	1,433	1,799
Cash, end of period	\$1,230	\$1,865

(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

SCHLUMBERGER LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(Unaudited)

(Stated in millions)

	Common Stock		Retained Earnings	Accumulated Other Comprehensive Loss		Noncontrolling Interests	Total
	Issued	Treasury		Loss			
January 1, 2019 – March 31, 2019							
Balance, January 1, 2019	\$13,132	\$(4,006)	\$31,658	\$ (4,622)	\$ 424		\$36,586
Net income			421		9		430
Currency translation adjustments				77			77
Changes in fair value of cash flow hedges				(3)			(3)
Pension and other postretirement benefit plans				21			21
Shares sold to optionees, less shares exchanged	(25)	47					22
Vesting of restricted stock	(100)	100					-
Shares issued under employee stock purchase plan	(115)	200					85
Stock repurchase program		(98)					(98)
Stock-based compensation expense	108						108
Dividends declared (\$0.50 per share)			(693)				(693)
Other		1			(12)		(11)
Balance, March 31, 2019	\$13,000	\$(3,756)	\$31,386	\$ (4,527)	\$ 421		\$36,524

(Stated in millions)

	Common Stock		Retained Earnings	Accumulated Other Comprehensive Loss		Noncontrolling Interests	Total
	Issued	Treasury		Loss			
January 1, 2018 – March 31, 2018							
Balance, January 1, 2018	\$12,975	\$(4,049)	\$32,190	\$ (4,274)	\$ 419		\$37,261
Net income			525		5		530
Currency translation adjustments				39			39
Changes in unrealized gain on marketable securities				19			19
Changes in fair value of cash flow hedges				2			2
Pension and other postretirement benefit plans				55			55
	(20)	40					20

Shares sold to optionees, less shares exchanged							
Vesting of restricted stock	(29)	29					-
Shares issued under employee stock purchase plan	(33)	140					107
Stock repurchase program		(97)					(97)
Stock-based compensation expense	90						90
Dividends declared (\$0.50 per share)			(693)				(693)
Other	15				(22)		(7)
Balance, March 31, 2018	\$12,998	\$ (3,937)	\$32,022	\$ (4,159)	\$ 402		\$37,326

SHARES OF COMMON STOCK

(Unaudited)

(Stated in millions)

	Shares		
	Issued	Treasury	Outstanding
Balance, January 1, 2019	1,434	(51)	1,383
Vesting of restricted stock	-	1	1
Shares issued under employee stock purchase plan	-	3	3
Stock repurchase program	-	(2)	(2)
Balance, March 31, 2019	1,434	(49)	1,385

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 three-month period ended March 31, 2019 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2019. The December 31, 2018 balance sheet information has been derived from the Schlumberger 2018 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, 2018, filed with the Securities and Exchange Commission on January 23, 2019.

2. Earnings Per Share

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

(Stated in millions, except per share amounts)

	2019		2018		Earnings per Share
	Schlumberger Net Income	Average Outstanding Shares	Schlumberger Net Income	Average Outstanding Shares	
First Quarter					
Basic	\$421	1,385	\$525	1,385	\$ 0.38
Assumed exercise of stock options	-	-	-	1	
Unvested restricted stock	-	12	-	8	
Diluted	\$421	1,397	\$525	1,394	\$ 0.38

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)

	2019	2018
First Quarter	43	39

3. Inventories

A summary of inventories, which are stated at the lower of average cost or net realizable value, is as follows:

(Stated in millions)

	Mar. 31, 2019	Dec. 31, 2018
Raw materials & field materials	\$1,877	\$1,803
Work in progress	549	519
Finished goods	1,798	1,688
	\$4,224	\$4,010

4. Fixed Assets

A summary of fixed assets follows:

(Stated in millions)

	Mar. 31, 2019	Dec. 31, 2018
Property, plant & equipment	\$38,714	\$38,664
Less: Accumulated depreciation	27,181	26,985
	\$11,533	\$11,679

Depreciation expense relating to fixed assets was \$512 million and \$523 million in the first quarter of 2019 and 2018, respectively.

5. Multiclient Seismic Data

The change in the carrying amount of multiclient seismic data for the three months ended March 31, 2019 was as follows:

(Stated in millions)

Balance at December 31, 2018	\$601
Capitalized in period	45
Charged to expense	(62)
Balance at March 31, 2019	\$584

6. Intangible Assets

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

(Stated in millions)

	Mar. 31, 2019			Dec. 31, 2018		
	Gross Book Value	Accumulated Amortization	Net Book Value	Gross Book Value	Accumulated Amortization	Net Book Value
Customer relationships	\$4,772	\$ 1,302	\$3,470	\$4,768	\$ 1,243	\$ 3,525
Technology/technical know-how	3,463	1,275	2,188	3,494	1,246	2,248
Tradenames	2,799	653	2,146	2,799	628	2,171
Other	1,428	621	807	1,404	621	783

\$12,462	\$ 3,851	\$8,611	\$12,465	\$ 3,738	\$ 8,727
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Amortization expense charged to income was \$160 million during the first quarter of 2019 and \$165 million during the first quarter of 2018.

Based on the net book value of intangible assets at March 31, 2019, amortization charged to income for the subsequent five years is estimated to be: remaining three quarters of 2019—\$510 million; 2020—\$657 million; 2021—\$628 million; 2022—\$622 million; 2023—\$609 million; and 2024—\$563 million.

7. Long-term Debt

A summary of Long-term Debt follows:

(Stated in millions)

	Mar. 31, 2019	Dec. 31, 2018
4.00% Senior Notes due 2025	\$1,743	\$1,742
3.30% Senior Notes due 2021	1,597	1,596
3.00% Senior Notes due 2020	1,596	1,596
3.65% Senior Notes due 2023	1,494	1,493
4.20% Senior Notes due 2021	1,100	1,100
2.40% Senior Notes due 2022	997	997
3.63% Senior Notes due 2022	847	847
3.75% Senior Notes due 2024	745	-
4.30% Senior Notes due 2029	844	-
1.00% Guaranteed Notes due 2026	671	678
2.65% Senior Notes due 2022	598	598
2.20% Senior Notes due 2020	499	499
7.00% Notes due 2038	209	210
4.50% Notes due 2021	132	132
5.95% Notes due 2041	115	115
3.60% Notes due 2022	109	109
5.13% Notes due 2043	99	99
4.00% Notes due 2023	81	82
3.70% Notes due 2024	55	55
Commercial paper borrowings	2,655	2,433
Other	263	263
	\$16,449	\$14,644

The estimated fair value of Schlumberger's Long-term Debt, based on quoted market prices at March 31, 2019 and December 31, 2018, was \$16.7 billion and \$14.6 billion, respectively.

At March 31, 2019, Schlumberger had separate committed credit facility agreements aggregating \$6.5 billion with commercial banks, of which \$3.8 billion was available and unused. These committed facilities support commercial paper programs in the United States and Europe, of which \$1.0 billion matures in February 2020, \$1.5 billion matures in November 2020, \$2.0 billion matures in February 2023 and \$2.0 billion matures in February 2024. Interest rates and other terms of borrowing under these lines of credit vary by facility.

Borrowings under Schlumberger's commercial paper programs at March 31, 2019 and December 31, 2018 were \$2.7 billion and \$2.4 billion, respectively, all of which were classified in Long-term Debt in the Consolidated Balance Sheet.

In April 2019, Schlumberger completed a debt exchange offer, pursuant to which it issued \$1.500 billion in principal of 3.90% Senior Notes due 2028 (the "New Notes") in exchange for \$401 million of 3.00% Senior Notes due 2020,

\$234 million of 3.63% Senior Notes due 2022 and \$817 million of 4.00% Senior Notes due 2025. In connection with the exchange of principal, Schlumberger paid a premium of \$48 million, substantially all of which was in the form of New Notes. This premium will be amortized as additional interest expense over the term of the New Notes.

8. 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.

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 2017, a Canadian-dollar functional currency subsidiary of Schlumberger issued \$1.1 billion of US-dollar denominated debt. Schlumberger entered into cross-currency swaps for an aggregate notional amount of \$1.1 billion in order to hedge changes in the fair value of its \$0.5 billion 2.20% Senior Notes due 2020 and its \$0.6 billion 2.65% Senior Notes due 2022. These cross-currency swaps effectively convert the US-dollar notes to Canadian-dollar denominated debt with fixed annual interest rates of 1.97% and 2.52%, respectively.

These cross-currency swaps are designated as cash flow hedges. The changes in the fair values of the hedges are recorded on the Consolidated Balance Sheet and in Accumulated Other Comprehensive Loss. Amounts recorded in Accumulated Other Comprehensive Loss are reclassified to earnings in the same periods that the underlying hedged item is recognized in earnings.

At March 31, 2019, Schlumberger had fixed rate debt aggregating \$13.5 billion and variable rate debt aggregating \$3.0 billion, after taking into account the effect of interest rate swaps.

Foreign Currency Exchange Rate Risk

As a multinational company, Schlumberger generates revenue in more than 120 countries. Schlumberger's functional currency is primarily the US dollar. 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 the local currency is not the functional currency and expenses denominated in local currency are not equal to revenues denominated in local currency. Schlumberger is also exposed to risks on future cash flows relating to certain of its fixed rate debt denominated in currencies other than the functional currency. Schlumberger uses foreign currency forward contracts to provide a hedge against a portion of these cash flow risks. These contracts are accounted for as cash flow hedges, with the 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.

At March 31, 2019, Schlumberger recognized a cumulative net \$16 million loss in Accumulated Other Comprehensive Loss relating to revaluation of foreign currency forward contracts designated as cash flow hedges, the majority of which is expected to be reclassified into earnings within the next 12 months.

Schlumberger is exposed to changes in the fair value of assets and liabilities that are denominated in currencies other than the functional currency. While Schlumberger uses foreign currency forward contracts and foreign currency options to economically hedge this exposure as it relates to certain currencies, these contracts are not designated as hedges for accounting purposes. Instead, the fair value of the contracts is recorded on the Consolidated Balance Sheet, and changes in the fair value are recognized in the Consolidated Statement of Income as are changes in fair value of the hedged item.

At March 31, 2019, contracts were outstanding for the US dollar equivalent of \$4.0 billion in various foreign currencies, of which \$1.1 billion relates to hedges of debt denominated in currencies other than the functional currency.

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

	(Stated in millions)		
	Gain (Loss) Recognized in Income		
	First Quarter		
	2019	2018	Consolidated Statement of Income Classification
Derivatives designated as fair value hedges:			
Cross currency swaps	\$ -	\$ 27	Interest expense
Derivatives designated as cash flow hedges:			
Foreign exchange contracts	\$(2)	\$ 4	Cost of services/sales
Cross currency swaps	(16)	19	Interest expense
	\$(18)	\$ 23	
Derivatives not designated as hedges:			
Foreign exchange contracts	\$ 6	\$ 28	Cost of services/sales

9. Contingencies

Schlumberger is party to various 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 any currently pending legal proceeding is remote. However, litigation is inherently uncertain and it is not possible to predict the ultimate disposition of any of these proceedings.

10. Segment Information

	(Stated in millions)			
	First Quarter 2019		First Quarter 2018	
	Revenue	Income Before Taxes	Revenue	Income Before Taxes
Reservoir Characterization	\$ 1,543	\$ 293	\$ 1,559	\$ 306
Drilling	2,387	307	2,126	293
Production	2,890	217	2,956	217
Cameron	1,174	137	1,310	166
Eliminations & other	(115)	(46)	(122)	(8)
Pretax operating income		908		974
Corporate & other ⁽¹⁾		(273)		(225)

Interest income ⁽²⁾	10	25
Interest expense ⁽³⁾	(136)	(131)
	\$7,879 \$509	\$7,829 \$643

⁽¹⁾ Comprised principally of certain corporate expenses not allocated to the segments, stock-based compensation costs, amortization expense associated with certain intangible assets, certain centrally managed initiatives and other nonoperating items.

⁽²⁾ Interest income excludes amounts which are included in the segments' income (\$1 million in 2019; \$3 million in 2018).

⁽³⁾ Interest expense excludes amounts which are included in the segments' income (\$11 million in 2019; \$12 million in 2018).

Revenue by geographic area was as follows:

	(Stated in millions)	
	First Quarter	
	2019	2018
North America	\$2,738	\$2,835
Latin America	992	870
Europe/CIS/Africa	1,707	1,713
Middle East & Asia	2,338	2,300
Eliminations & other	104	111
	\$7,879	\$7,829

North America and International revenue disaggregated by segment was as follows:

	(Stated in millions)			
	First Quarter 2019		Eliminations &	
	North	America International	other	Total
Reservoir Characterization	\$216	\$ 1,252	\$75	\$1,543
Drilling	578	1,755	54	2,387
Production	1,373	1,516	1	2,890
Cameron	560	568	46	1,174
Other	11	(54)	(72)	(115)
	\$2,738	\$ 5,037	\$104	\$7,879

	First Quarter 2018			
	North	America International	other	Total
Reservoir Characterization	\$222	\$ 1,200	\$137	\$1,559
Drilling	564	1,513	49	2,126
Production	1,500	1,455	1	2,956
Cameron	550	736	24	1,310
Other	(1)	(21)	(100)	(122)
	\$2,835	\$ 4,883	\$111	\$7,829

Revenue in excess of billings related to contracts where revenue is recognized over time was \$0.2 billion at March 31, 2019 and December 31, 2018. Such amounts are included within Receivables less allowance for doubtful accounts in the Consolidated Balance Sheet.

Due to the nature of its business, Schlumberger does not have significant backlog. Total backlog was \$2.9 billion at March 31, 2019, of which approximately 49% is expected to be recognized as revenue over the next 12 months.

Billings and cash collections in excess of revenue was \$1.0 billion at March 31, 2019 and \$0.9 billion at December 31, 2018. Such amounts are included within Accounts payable and accrued liabilities in the Consolidated Balance Sheet.

11. Pension and Other Postretirement Benefit Plans

Net pension cost (credit) for the Schlumberger pension plans included the following components:

(Stated in millions)

	First Quarter			
	2019		2018	
	US	Int'l	US	Int'l
Service cost	\$14	\$32	\$16	\$32
Interest cost	45	83	43	77
Expected return on plan assets	(58)	(150)	(62)	(147)
Amortization of prior service cost	2	2	3	3
Amortization of net loss	8	16	12	44
	\$11	\$(17)	\$12	\$9

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

(Stated in millions)

	First Quarter	
	2019	2018
Service cost	\$8	\$8
Interest cost	12	11
Expected return on plan assets	(16)	(15)
Amortization of prior service credit	(7)	(7)
	\$(3)	\$(3)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

First Quarter 2019 Compared to Fourth Quarter 2018

(Stated in millions)

	First Quarter 2019		Fourth Quarter 2018	
	Income Before Revenue Taxes		Income Before Revenue Taxes	
Reservoir Characterization	\$ 1,543	\$ 293	\$ 1,651	\$ 364
Drilling	2,387	307	2,461	318
Production	2,890	217	2,936	198
Cameron	1,174	137	1,265	127
Eliminations & other	(115)	(46)	(133)	(40)
Pretax operating income		908		