NABORS INDUSTRIES LTD
Form 10-Q
August 01, 2018
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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, 2018

Commission File Number: 001-32657

NABORS INDUSTRIES LTD.

(Exact name of registrant as specified in its charter)

Bermuda	98-0363970
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Crown House

Second Floor

4 Par-la-Ville Road

Hamilton, HM08

Bermuda

(441) 292-1510

(Address of principal executive office)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 (Do not check if a smaller reporting company)	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

The number of common shares, par value $.001 per share, outstanding as of July 30, 2018 was 357,465,024, excluding 52,800,203 common shares held by our subsidiaries, or 410,265,227 in the aggregate.

NABORS INDUSTRIES LTD. AND SUBSIDIARIES

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	June 30, 2018	December 31, 2017
	(In thousands, except per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 593,284	$ 336,997
Short-term investments	43,262	28,369
Accounts receivable, net	780,247	698,477
Inventory, net	173,063	166,307
Assets held for sale	35,963	37,052
Other current assets	156,652	180,134
Total current assets	1,782,471	1,447,336
Property, plant and equipment, net	5,709,895	6,109,565
Goodwill	172,817	173,226
Deferred income taxes	406,281	419,003
Other long-term assets	228,824	252,854
Total assets (1)	$ 8,300,288	$ 8,401,984
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of debt	$ 243	$ 181
Trade accounts payable	379,028	363,416
Accrued liabilities	492,787	533,044
Income taxes payable	1,724	22,835
Total current liabilities	873,782	919,476
Long-term debt	3,818,613	4,027,766
Other long-term liabilities	290,013	301,633
Deferred income taxes	20,713	10,338
Total liabilities (1)	5,003,121	5,259,213
Commitments and contingencies (Note 7)		
Redeemable noncontrolling interest in subsidiary (Note 3)	208,519	203,998
Equity:		
Shareholders' equity:		
Preferred shares, par value $0.001 per share:		
Series A 6% Cumulative Mandatory Convertible; $50 per share liquidation preference; issued 5,750	6	—
Common shares, par value $0.001 per share:		
Authorized common shares 800,000; issued 410,252 and 367,510, respectively	410	368

Capital in excess of par value	3,382,711	2,791,129
Accumulated other comprehensive income (loss)	(12,573)	11,185
Retained earnings	1,006,500	1,423,154
Less: treasury shares, at cost, 52,800 and 52,800 common shares, respectively	(1,314,020)	(1,314,020)
Total shareholders' equity	3,063,034	2,911,816
Noncontrolling interest	25,614	26,957
Total equity	3,088,648	2,938,773
Total liabilities and equity	$ 8,300,288	$ 8,401,984

(1) The condensed consolidated balance sheet as of June 30, 2018 and December 31, 2017 include assets and liabilities of variable interest entities. See Note 3—Joint Ventures for additional information.

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

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)

(Unaudited)

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
	(In thousands, except per share amounts)			
Revenues and other income:				
Operating revenues	$ 761,920	$ 631,355	$ 1,496,114	$ 1,193,905
Earnings (losses) from unconsolidated affiliates	(1)	—	1	2
Investment income (loss)	(3,164)	(886)	(2,699)	(165)
Total revenues and other income	758,755	630,469	1,493,416	1,193,742
Costs and other deductions:				
Direct costs	493,975	417,521	969,378	805,165
General and administrative expenses	67,823	63,695	142,394	127,104
Research and engineering	12,439	11,343	28,245	23,100
Depreciation and amortization	218,262	208,090	431,710	411,762
Interest expense	60,592	54,688	121,978	111,206
Other, net	77,601	10,104	91,690	23,614
Total costs and other deductions	930,692	765,441	1,785,395	1,501,951
Income (loss) from continuing operations before income taxes	(171,937)	(134,972)	(291,979)	(308,209)
Income tax expense (benefit):				
Current	3,464	14,313	12,235	37,002
Deferred	19,814	(33,809)	34,588	(82,107)
Total income tax expense (benefit)	23,278	(19,496)	46,823	(45,105)
Income (loss) from continuing operations, net of tax	(195,215)	(115,476)	(338,802)	(263,104)
Income (loss) from discontinued operations, net of tax	(584)	(15,504)	(659)	(15,943)
Net income (loss)	(195,799)	(130,980)	(339,461)	(279,047)
Less: Net (income) loss attributable to noncontrolling interest	(2,953)	(1,971)	(3,492)	(2,888)
Net income (loss) attributable to Nabors	(198,752)	(132,951)	(342,953)	(281,935)
Less: Preferred stock dividend	(3,680)	—	(3,680)	—
Net income (loss) attributable to Nabors common shareholders	$ (202,432)	$ (132,951)	$ (346,633)	$ (281,935)
Amounts attributable to Nabors common shareholders:				
Net income (loss) from continuing operations	$ (201,848)	$ (117,447)	$ (345,974)	$ (265,992)
Net income (loss) from discontinued operations	(584)	(15,504)	(659)	(15,943)

Net income (loss) attributable to Nabors common shareholders	$ (202,432)	$ (132,951)	$ (346,633)	$ (281,935)
Earnings (losses) per share:				
Basic from continuing operations	$ (0.61)	$ (0.41)	$ (1.08)	$ (0.93)
Basic from discontinued operations	—	(0.05)	—	(0.06)
Total Basic	$ (0.61)	$ (0.46)	$ (1.08)	$ (0.99)
Diluted from continuing operations	$ (0.61)	$ (0.41)	$ (1.08)	$ (0.93)
Diluted from discontinued operations	—	(0.05)	—	(0.06)
Total Diluted	$ (0.61)	$ (0.46)	$ (1.08)	$ (0.99)
Weighted-average number of common shares outstanding:				
Basic	328,372	278,916	318,580	278,348
Diluted	328,372	278,916	318,580	278,348
Dividends declared per common share	$ 0.06	$ 0.06	$ 0.12	$ 0.12

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

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(In thousands)			
Net income (loss) attributable to Nabors	$ (198,752)	$ (132,951)	$ (342,953)	$ (281,935)
Other comprehensive income (loss), before tax:				
Translation adjustment attributable to Nabors	(5,570)	10,879	(14,913)	14,739
Unrealized gains (losses) on marketable securities:				
Unrealized gains (losses) on marketable securities	—	3,785	—	584
Less: reclassification adjustment for (gains) losses included in net income (loss)	—	1,341	—	1,341
Unrealized gains (losses) on marketable securities	—	5,126	—	1,925
Pension liability amortization and adjustment	54	50	108	100
Unrealized gains (losses) and amortization on cash flow hedges	142	153	282	306
Adoption of ASU No. 2016-01	—	—	(9,144)	—
Other comprehensive income (loss), before tax	(5,374)	16,208	(23,667)	17,070
Income tax expense (benefit) related to items of other comprehensive income (loss)	48	78	91	157
Other comprehensive income (loss), net of tax	(5,422)	16,130	(23,758)	16,913
Comprehensive income (loss) attributable to Nabors	(204,174)	(116,821)	(366,711)	(265,022)
Net income (loss) attributable to noncontrolling interest	2,953	1,971	3,492	2,888
Translation adjustment attributable to noncontrolling interest	(63)	108	(159)	157
Comprehensive income (loss) attributable to noncontrolling interest	2,890	2,079	3,333	3,045
Comprehensive income (loss)	$ (201,284)	$ (114,742)	$ (363,378)	$ (261,977)

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

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended June 30, 2018	2017
	(In thousands)	
Cash flows from operating activities:		
Net income (loss)	$ (339,461)	$ (279,047)
Adjustments to net income (loss):		
Depreciation and amortization	432,782	413,072
Deferred income tax expense (benefit)	33,921	(83,294)
Deferred financing costs amortization	4,055	3,516
Discount amortization on long-term debt	10,619	9,787
Losses (gains) on debt buyback	—	15,944
Losses (gains) on long-lived assets, net	69,481	124
Losses (gains) on investments, net	4,969	1,342
Provisions for bad debt	(2,663)	376
Share-based compensation	14,732	18,045
Foreign currency transaction losses (gains), net	6,280	2,491
Equity in (earnings) losses of unconsolidated affiliates, net of dividends	(1)	(2)
Other	(3,109)	(2,636)
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	(86,968)	(89,340)
Inventory	(7,153)	(4,125)
Other current assets	21,463	(8,137)
Other long-term assets	18,773	29,569
Trade accounts payable and accrued liabilities	(21,824)	75,961
Income taxes payable	(22,429)	12,718
Other long-term liabilities	(56,110)	(125,894)
Net cash (used for) provided by operating activities	77,357	(9,530)
Cash flows from investing activities:		
Purchases of investments	(676)	(4,489)
Sales and maturities of investments	2,602	12,429
Capital expenditures	(209,471)	(315,769)
Proceeds from sales of assets and insurance claims	77,272	18,796
Other	—	—
Net cash (used for) provided by investing activities	(130,273)	(289,033)
Cash flows from financing activities:		
Increase (decrease) in cash overdrafts	(344)	(42)
Proceeds from issuance of long-term debt	800,000	411,200
Debt issuance costs	(12,990)	(11,037)
Proceeds from revolving credit facilities	625,000	100,000
Reduction in revolving credit facilities	(1,135,000)	—

Proceeds from issuance of common shares, net of issuance costs	302,014	8,300
Proceeds from issuance of preferred stock, net of issuance costs	278,573	—
Distributions to noncontrolling interest	(4,676)	(6,982)
Noncontrolling interest contribution	—	20,000
Reduction in long-term debt	(460,837)	(377,983)
Dividends to shareholders	(36,200)	(34,197)
Proceeds from (payment for) commercial paper	(40,000)	171,985
Cash proceeds from equity component of exchangeable debt	—	159,952
Payments on term loan	—	(162,500)
Proceeds from (payments for) short-term borrowings	62	(173)
Purchase of capped call hedge transactions	—	(40,250)
Other	(3,688)	(7,844)
Net cash (used for) provided by financing activities	311,914	230,429
Effect of exchange rate changes on cash and cash equivalents	(3,637)	992
Net increase (decrease) in cash and cash equivalents	255,361	(67,142)
Cash, cash equivalents and restricted cash, beginning of period	342,029	264,990
Cash, cash equivalents and restricted cash, end of period	$ 597,390	$ 197,848
RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH		
Cash and cash equivalents, beginning of period	336,997	264,093
Restricted cash, beginning of period	5,032	897
Cash and cash equivalents and restricted cash, beginning of period	$ 342,029	$ 264,990
Cash and cash equivalents, end of period	593,284	196,567
Restricted cash, end of period	4,106	1,281
Cash and cash equivalents and restricted cash, end of period	$ 597,390	$ 197,848

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

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited)

	Mandatory Convertible Preferred Shares		Common Shares		Capital in Excess of Par Value	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Shares	Non-controlling Interest	Tot Equ
ds)	Shares	Par Value	Shares	Par Value						
31,	—	—	333,598	334	2,521,332	(12,119)	2,033,427	(1,295,949)	7,770	3
	—	—	—	—	—	—	(281,935)	—	2,888	(
o s	—	—	—	—	—	—	(34,307)	—	—	(
sive s),	—	—	—	—	—	16,913	—	—	157	1
ares et r of . ns	—	—	843	1	8,299	—	—	—	—	8
d on	—	—	—	—	18,045	—	—	—	—	1
of le	—	—	—	—	116,195	—	—	—	—	1
. f	—	—	—	—	(40,250)	—	—	—	—	(
	—	—	—	—	1,943	—	5,150	—	—	7
ling ns ns)	—	—	—	—	—	—	—	—	13,018	1

	—	—	1,058	1	(7,845)	—	—	—	(290)	(
30,	—	$ —	335,499	$ 336	$ 2,617,719	$ 4,794	$ 1,722,335	$ (1,295,949)	$ 23,543	$ 3
31,	—	—	367,510	368	2,791,129	11,185	1,423,154	(1,314,020)	26,957	2
	—	—	—	—	—	—	(342,953)	—	3,492	(
o										
s	—	—	—	—	—	—	(40,511)	—	—	(
o										
s	—	—	—	—	—	—	(3,680)	—	—	(
hare	—	—	40,250	40	301,974	—	—	—	—	3
hare	5,750	6	—	—	278,566	—	—	—	—	2
sive s),	—	—	—	—	—	(23,758)	—	—	(159)	(
d on f	—	—	—	—	14,732	—	—	—	—	1
	—	—	—	—	—	—	9,144	—	—	9
f	—	—	—	—	—	—	(34,132)	—	—	(
ling ns ns)	—	—	—	—	—	—	—	—	(4,676)	(
on ing	—	—	—	—	—	—	(4,522)	—	—	(
	—	—	2,492	2	(3,690)	—	—	—	—	(
30,	5,750	$ 6	410,252	$ 410	$ 3,382,711	$ (12,573)	$ 1,006,500	$ (1,314,020)	$ 25,614	$ 3

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

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Nabors Industries Ltd. and Subsidiaries

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Nature of Operations

Unless the context requires otherwise, references in this report to "we," "us," "our," "the Company," or "Nabors" mean Nabors Industries Ltd., together with our subsidiaries where the context requires. References in this report to "Nabors Delaware" mean Nabors Industries, Inc., a wholly owned subsidiary of Nabors.

With operations in over 25 countries, Nabors is a global provider of drilling and drilling-related services for land-based and offshore oil and natural gas wells, with a fleet of rigs and drilling-related equipment which, as of June 30, 2018 included:

- 405 actively marketed rigs for land-based drilling operations in the United States, Canada and approximately 20 other countries throughout the world; and
- 35 actively marketed rigs for offshore drilling operations in the United States and multiple international markets.

Our business consists of five reportable segments: U.S. Drilling, Canada Drilling, International Drilling, Drilling Solutions and Rig Technologies.

Note 2 Summary of Significant Accounting Policies

Interim Financial Information

The accompanying unaudited condensed consolidated financial statements of Nabors have been prepared in conformity with generally accepted accounting principles in the United States ("U.S. GAAP"). Pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"), certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been omitted. Therefore, these financial statements should be read together with our annual report on Form 10-K for the year ended December 31, 2017 (“2017 Annual Report”). In management’s opinion, the unaudited condensed consolidated financial statements contain all adjustments necessary to state fairly our financial position as of June 30, 2018 and the results of operations, comprehensive income (loss), cash flows and changes in equity for the periods presented herein. Interim results for the six months ended June 30, 2018 may not be indicative of results that will be realized for the full year ending December 31, 2018.

Principles of Consolidation

Our condensed consolidated financial statements include the accounts of Nabors, as well as all majority owned and non-majority owned subsidiaries required to be consolidated under U.S. GAAP. All significant intercompany accounts and transactions are eliminated in consolidation.

In addition to the consolidation of our majority owned subsidiaries, we also consolidate variable interest entities (“VIE”) when we are determined to be the primary beneficiary of a VIE. Determination of the primary beneficiary of a VIE is based on whether an entity has (1) the power to direct activities that most significantly impact the economic performance of the VIE and (2) the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. Our determination of the primary beneficiary of a VIE considers all relationships between us and the VIE. During 2016, we entered into an agreement with Saudi Aramco, to form a new joint venture, SANAD, to own, manage and operate onshore drilling rigs in the Kingdom of Saudi Arabia. SANAD, which is equally owned by Saudi Aramco and Nabors, began operations during the fourth quarter of 2017. As we have the power to direct activities that most significantly impact SANAD’s economic performance, including operations, maintenance and certain sourcing and procurement, we have determined Nabors to be the primary beneficiary and accordingly consolidate the joint venture. See Note 3—Joint Ventures.

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Revenue Recognition

We recognize revenues and costs on daywork contracts daily as the work progresses over the contract term. For certain contracts, we receive lump sum payments for the mobilization of rigs and other drilling equipment. We defer revenue related to mobilization periods and recognize the revenue over the term of the related drilling contract.

Costs incurred related to a mobilization period for which a contract is secured are deferred and recognized over the term of the related drilling contract. Costs incurred to relocate rigs and other drilling equipment to areas in which a contract has not been secured are expensed as incurred. We defer recognition of revenue on amounts received from customers for prepayment of services until those services are provided.

We recognize revenue for top drives and other capital equipment we manufacture upon transfer of control, which generally occurs when the product has been shipped to the customer.

We recognize, as operating revenue, proceeds from business interruption insurance claims in the period that the applicable proof of loss documentation is received. Proceeds from casualty insurance settlements in excess of the carrying value of damaged assets are recognized in other, net in our condensed consolidated statement of income (loss) in the period that the applicable proof of loss documentation is received. Proceeds from casualty insurance settlements that are expected to be less than the carrying value of damaged assets are recognized at the time the loss is incurred and recorded in other, net in our condensed consolidated statement of income (loss).

We recognize reimbursements received for out of pocket expenses incurred as revenues and account for out of pocket expenses as direct costs.

Inventory, net

Inventory is stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out or weighted-average cost methods and includes the cost of materials, labor and manufacturing overhead. Inventory included the following:

	June 30, 2018	December 31, 2017

	(In thousands)	
Raw materials	$ 133,894	$ 124,635
Work-in-progress	14,480	19,113
Finished goods	24,689	22,559
	$ 173,063	$ 166,307

Property, Plant and Equipment

We review our assets for impairment when events or changes in circumstances indicate that their carrying amounts may not be recoverable. If the estimated undiscounted future cash flows are not sufficient to support the asset's recorded value, an impairment charge is recognized to the extent the carrying amount of the long-lived asset exceeds its estimated fair value. Management considers a number of factors such as estimated future cash flows from the assets, appraisals and current market value analysis in determining fair value. The determination of future cash flows requires the estimation of utilization, dayrates, operating margins, sustaining capital and remaining economic life. Such estimates can change based on market conditions, technological advances in the industry or changes in regulations governing the industry. Significant and unanticipated changes to the assumptions could result in future impairments. A significantly prolonged period of lower oil and natural gas prices could continue to adversely affect the demand for and prices of our services, which could result in future impairment charges. As the determination of whether impairment charges should be recorded on our long-lived assets is subject to significant management judgment, and an impairment of these assets could result in a material charge on our consolidated statements of income (loss), management believes that accounting estimates related to impairment of long-lived assets are critical.

For an asset classified as held for sale, we consider the asset impaired when its carrying amount exceeds fair value less its cost to sell. Fair value is determined in the same manner as a long lived asset that is held and used.

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In June 2018, we sold three of our offshore jackup rigs for approximately $61.4 million in cash and publicly traded shares with a value of $21.8 million at closing. The sale resulted in a loss of $63.7 million, which has been recognized in other, net on our condensed consolidated statements of income (loss) for the three and six months ended June 30, 2018. This long-lived asset group was reported under our International segment. The sale of these offshore jackup rigs does not constitute a triggering event for the remainder of our rig fleet.

Goodwill

We review goodwill for impairment annually during the second quarter of each fiscal year or more frequently if events or changes in circumstances indicate that the carrying amount of such goodwill and intangible assets may exceed their fair value. We initially assess goodwill for impairment based on qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of one of our reporting units is greater than its carrying amount. If the carrying amount exceeds the fair value, an impairment charge will be recognized in an amount equal to the excess; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit.

Our estimated fair values of our reporting units incorporate judgment and the use of estimates by management. The fair values calculated in these impairment tests were determined using discounted cash flow models involving assumptions based on our utilization of rigs or other oil and gas service equipment, revenues and earnings from affiliates, as well as direct costs, general and administrative costs, depreciation, applicable income taxes, capital expenditures and working capital requirements. Our discounted cash flow projections for each reporting unit were based on financial forecasts. The future cash flows were discounted to present value using discount rates determined to be appropriate for each reporting unit. Terminal values for each reporting unit were calculated using a Gordon Growth methodology with a long term growth rate of 3%.

Another factor in determining whether impairment has occurred is the relationship between our market capitalization and our book value. As part of our annual review, we compared the sum of our reporting units' estimated fair value, which included the estimated fair value of non-operating assets and liabilities, less debt, to our market capitalization and assessed the reasonableness of our estimated fair value. Any of the above mentioned factors may cause us to re-evaluate goodwill during any quarter throughout the year.

Based on our annual review during the second quarter of 2018, we did not record a goodwill impairment. However, a significantly prolonged period of lower oil prices could adversely affect demand for and prices of our services. Additionally, our ability to commercialize our rotary steerable drilling technology tools could impact the discounted cash flow models. These factors could result in future impairment charges, particularly in our U.S. Drilling and Rig Services segments.

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, Revenue from Contracts with Customers, relating to the revenue recognition from contracts with customers that creates a common revenue standard for U.S. GAAP and IFRS. The core principle requires the recognition of revenue to represent the transfer of promised goods or services to customers in an amount that reflects the consideration, including costs incurred, to which the entity expects to be entitled in exchange for those goods or services. The standard also requires significantly expanded disclosures containing qualitative and quantitative information regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In July 2015, the FASB approved a one year deferral of this standard, with a new effective date for fiscal years beginning after December 15, 2017. Throughout 2017 we, along with our third party consultants, identified and reviewed our revenue streams, identified a subset of contracts to represent these revenue streams and performed a detailed analysis of such contracts. We adopted this guidance under the modified retrospective approach as of January 1, 2018. The adoption of this standard did not have a material impact on our consolidated financial statements. See Note 12—Revenue Recognition.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments—Overall, relating to the recognition and measurement of financial assets and liabilities. This standard enhances the reporting model for financial instruments, which includes amendments to address aspects of recognition, measurement, presentation and disclosure. This new standard became effective for us on January 1, 2018. Upon adoption, we recorded an adjustment to retained earnings of $9.1 million to eliminate the net unrealized gain balance in accumulated other comprehensive income (loss) related to the marketable securities. If we do have a material amount of investments in marketable securities in the future, we expect that the impact to our consolidated statements of income (loss) and other comprehensive income (loss) from this update could be material. Furthermore, depending on trends in the stock market, we may see increased volatility in our consolidated statements of income (loss) and other comprehensive income (loss).

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows, to reduce the diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This guidance is effective for public companies for fiscal years beginning after December 15, 2017. Early application is permitted. The adoption of this standard did not have a material impact on our consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16, Income Taxes, which simplifies the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. We adopted this standard during the first quarter of 2018 using the modified retrospective method, through a cumulative-effect adjustment directly to retained earnings. Upon adoption, we reduced deferred tax assets by approximately $34.1 million and recognized an offsetting decrease to retained earnings.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows: Restricted Cash, to provide guidance on the classification of restricted cash in the statement of cash flows. This guidance is effective for public companies for fiscal years beginning after December 15, 2017. The amendments in the ASU should be adopted on a retrospective basis. The adoption of this standard did not have a material impact on our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, Clarifying the Definition of a Business, which clarifies the definition of a business and provides further guidance for evaluating whether a transaction will be accounted for as an acquisition of an asset or a business. The standard provides a test to determine whether a set of assets and activities acquired is a business. When substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the set is not a business. Under the updated guidance, an acquisition of a single property will likely be treated as an asset acquisition as opposed to a business combination and associated transaction costs will be capitalized rather than expensed as incurred. Additionally, assets acquired, liabilities assumed, and any noncontrolling interest will be measured at their relative fair values. The adoption of this standard did not have a material impact on our consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, Compensation—Stock Compensation, to reduce diversity in practice and provide clarity regarding existing guidance in ASC 718, “Stock Compensation”. The standard provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting under ASC 718. Specifically, an entity would not apply modification accounting if the fair value, vesting conditions and classification of the awards are the same immediately before and after the modification. This guidance is effective for public companies for fiscal years beginning after December 15, 2017. The adoption of this standard did not have a material impact on our consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, Leases, relating to leases to increase transparency and comparability among companies. This standard requires that all leases with an initial term greater than one year be recorded on the balance sheet as an asset and a lease liability. Additionally, this standard will require disclosures designed to give financial statement users information on the amount, timing, and uncertainty of cash flows arising from leases. A modified retrospective approach is currently required for the adoption of this guidance, which is effective for our reporting period beginning January 1, 2019. Early adoption is permitted. We are currently evaluating the impact this will have on our consolidated financial statements.

In February 2018, the FASB issued ASU No. 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017. In addition, the standard requires certain disclosures regarding stranded tax effects. This guidance is effective for public companies for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. We are currently evaluating the impact this will have on our consolidated financial statements.

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Note 3 Joint Ventures

During 2016, we entered into an agreement with Saudi Aramco to form SANAD, a new joint venture, to own, manage and operate onshore drilling rigs in the Kingdom of Saudi Arabia. SANAD, which is equally owned by Saudi Aramco and Nabors, began operations during the fourth quarter of 2017.

During 2017, Nabors and Saudi Aramco each contributed $20 million in cash for the purpose of capitalizing the joint venture upon formation. In addition, since inception Nabors and Saudi Aramco have each contributed a combination of drilling rigs, drilling rig equipment and other assets, including cash, each with a value of approximately $204 million to the joint venture in exchange for redeemable ownership interests which accrue interest annually, have a twenty-five year maturity and are required to be converted to authorized capital should certain events occur, including the accumulation of specified losses. In the accompanying consolidated balance sheet, Nabors has reported Saudi Aramco's share of authorized capital as a component of noncontrolling interest in equity and Saudi Aramco's share of the redeemable ownership interests as redeemable noncontrolling interest in subsidiary, classified as mezzanine equity. The accrued interest on the redeemable ownership interest is a non-cash financing activity and is reported as an increase in the redeemable noncontrolling interest in subsidiary line in our condensed consolidated balance sheet.

The condensed balance sheet of SANAD, as included in our consolidated balance sheet, is presented below.

(In thousands)	June 30, 2018	December 31, 2017
Assets:		
Cash and cash equivalents	$ 109,445	$ 94,496
Accounts receivable	27,690	10,580
Other current assets	8,402	10,834
Property, plant and equipment, net	250,904	130,218
Other long-term assets	20,750	23,091
Total assets	$ 417,191	$ 269,219
Liabilities:		
Accounts payable	$ 45,705	$ 7,236
Accrued liabilities	8,002	2,592
Total liabilities	$ 53,707	$ 9,828

The assets of SANAD cannot be used by Nabors for general corporate purposes. Additionally, creditors of SANAD do not have recourse to other assets of Nabors.

Note 4 Fair Value Measurements

Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date (exit price). We utilize market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. We primarily apply the market approach for recurring fair value measurements and endeavor to utilize the best information available. Accordingly, we employ valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The use of unobservable inputs is intended to allow for fair value determinations in situations where there is little, if any, market activity for the asset or liability at the measurement date. We are able to classify fair value balances utilizing a fair value hierarchy based on the observability of those inputs. Under the fair value hierarchy:

· Level 1 measurements include unadjusted quoted market prices for identical assets or liabilities in an active market;

· Level 2 measurements include quoted market prices for identical assets or liabilities in an active market that have been adjusted for items such as effects of restrictions for transferability and those that are not quoted but are observable through corroboration with observable market data, including quoted market prices for similar assets; and

· Level 3 measurements include those that are unobservable and of a subjective nature.

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Our debt securities could transfer into or out of a Level 1 or 2 measure depending on the availability of independent and current pricing at the end of each quarter. During the three and six months ended June 30, 2018 and 2017, there were no transfers of our financial assets between Level 1 and Level 2 measures. Our financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Fair Value as of June 30, 2018		
	Level 1	Level 2	Level 3
	(In thousands)		
Assets:			
Short-term investments:			
Available-for-sale equity securities	$ 39,327	$ 3,926	$ —
Mortgage-CMO debt securities	—	9	—
Total short-term investments	$ 39,327	$ 3,935	$ —

	Fair Value as of December 31, 2017		
	Level 1	Level 2	Level 3
	(In thousands)		
Assets:			
Short-term investments:			
Available-for-sale equity securities	$ 22,909	$ 5,450	$ —
Mortgage-CMO debt securities	—	10	—
Total short-term investments	$ 22,909	$ 5,460	$ —

Nonrecurring Fair Value Measurements

We applied fair value measurements to our nonfinancial assets and liabilities measured on a nonrecurring basis, which consist of measurements primarily to assets held for sale, goodwill, equity method investments, intangible assets and other long-lived assets, assets acquired and liabilities assumed in a business combination and our pipeline contractual commitment. Based upon our review of the fair value hierarchy, the inputs used in these fair value measurements were considered Level 3 inputs.

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Fair Value of Financial Instruments

We estimate the fair value of our financial instruments in accordance with U.S. GAAP. The fair value of our long-term debt, revolving credit facility and commercial paper is estimated based on quoted market prices or prices quoted from third-party financial institutions. The fair value of our debt instruments is determined using Level 2 measurements. The carrying and fair values of these liabilities were as follows:

	June 30, 2018		December 31, 2017	
	Carrying Value (In thousands)	Fair Value	Carrying Value (In thousands)	Fair Value
6.15% senior notes due February 2018	$ —	$ —	$ 460,762	$ 462,674
9.25% senior notes due January 2019	303,489	312,457	303,489	321,028
5.00% senior notes due September 2020	669,999	675,386	669,846	670,757
4.625% senior notes due September 2021	695,228	683,208	695,108	665,003
5.50% senior notes due January 2023	600,000	579,036	600,000	584,850
5.10% senior notes due September 2023	346,640	327,901	346,576	325,844
0.75% senior exchangeable notes due January 2024	440,189	454,969	429,982	443,940
5.75% senior notes due February 2025	800,000	761,600	—	—
Revolving credit facility	—	—	510,000	510,000
Commercial paper	—	—	40,000	40,000
Other	243	243	181	181
	3,855,788	$ 3,794,800	4,055,944	$ 4,024,277
Less: current portion	243		181	
Less: deferred financing costs	36,932		27,997	
	$ 3,818,613		$ 4,027,766	

The fair values of our cash equivalents, trade receivables and trade payables approximate their carrying values due to the short-term nature of these instruments.

As of June 30, 2018 our short-term investments were carried at fair market value and included $43.3 million in securities classified as available-for-sale. As of December 31, 2017, our short-term investments were carried at fair market value and included $28.4 million in securities classified as available-for-sale.

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Note 5 Debt

Debt consisted of the following:

	June 30, 2018	December 31, 2017
	(In thousands)	
6.15% senior notes due February 2018 (1)	$ —	$ 460,762
9.25% senior notes due January 2019 (2)	303,489	303,489
5.00% senior notes due September 2020	669,999	669,846
4.625% senior notes due September 2021	695,228	695,108
5.50% senior notes due January 2023	600,000	600,000
5.10% senior notes due September 2023	346,640	346,576
0.75% senior exchangeable notes due January 2024	440,189	429,982
5.75% senior notes due February 2025	800,000	—
Term loan facility	—	—
Revolving credit facility	—	510,000
Commercial paper	—	40,000
Other	243	181
	3,855,788	4,055,944
Less: current portion	243	181
Less: deferred financing costs	36,932	27,997
	$ 3,818,613	$ 4,027,766

(1) The 6.15% senior notes were repaid in February 2018, utilizing proceeds received from the 5.75% senior notes due February 2025 offering.

(2) The 9.25% senior notes due January 2019 have been classified as long-term because we have the ability and intent to repay this obligation utilizing our revolving credit facility (see Revolving Credit Facility below). On July 6, 2018, we redeemed the remaining $303.5 million aggregate principal amount of our 9.25% senior unsecured notes for approximately $327.2 million, reflecting principal, accrued and unpaid interest.

During the six months ended June 30, 2018, we repaid the $460.8 million aggregate principal amount outstanding on our 6.15% senior notes due February 2018 for approximately $475.0 million in cash, reflecting principal and approximately $14.2 million of accrued and unpaid interest.

5.75% Senior Notes Due February 2025

In January 2018, Nabors Industries, Inc. (“Nabors Delaware”), a wholly owned subsidiary of Nabors, issued $800 million in aggregate principal amount of 5.75% senior unsecured notes due February 1, 2025, which are fully and unconditionally guaranteed by Nabors. The notes are subject to registration rights. The notes pay interest semi-annually on February 1 and August 1, beginning on August 1, 2018, and will mature on February 1, 2025.

The notes rank equal in right of payment to all of Nabors Delaware's existing and future unsubordinated indebtedness, and senior in right of payment to all of Nabors Delaware's existing and future senior subordinated and subordinated indebtedness. Our guarantee of the notes is unsecured and an unsubordinated obligation and ranks equal in right of payments to all of our unsecured and unsubordinated indebtedness from time to time outstanding. In the event of a change of control triggering event, as defined in the indenture, the holders of the notes may require Nabors Delaware to purchase all or a portion of the notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any. The notes are redeemable in whole or in part at any time at the option of Nabors Delaware at a redemption price, plus accrued and unpaid interest, as specified in the indenture. Nabors Delaware used a portion of the proceeds to repay the amount outstanding on the 6.15% senior notes due February 2018. The remaining proceeds not used for such purposes were allocated for general corporate purposes, including to repay amounts outstanding under the commercial paper program and to repurchase or repay other indebtedness.

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0.75% Senior Exchangeable Notes Due January 2024

In January 2017, Nabors Delaware issued $575 million in aggregate principal amount of 0.75% exchangeable senior unsecured notes due 2024, which are fully and unconditionally guaranteed by Nabors. The notes bear interest at a rate of 0.75% per year payable semiannually on January 15 and July 15 of each year, beginning on July 15, 2017. The exchangeable notes are bifurcated for accounting purposes into debt and equity components of $411.2 million and $163.8 million, respectively, based on the relative fair value. Debt issuance costs of $9.6 million and equity issuance costs of $3.9 million were capitalized in connection with the issuance of these notes in long-term debt and netted against the proceeds allocated to the equity component, respectively, in our condensed consolidated balance sheet. The debt issuance costs are being amortized through January 2024.

The exchangeable notes are exchangeable, under certain conditions, at an initial exchange rate of 39.75 common shares of Nabors per $1,000 principal amount of exchangeable notes (equivalent to an initial exchange price of approximately $25.16 per common share). Upon any exchange, Nabors Delaware will settle its exchange obligation in cash, common shares of Nabors, or a combination of cash and common shares, at our election.

In connection with the pricing of the notes, we entered into privately negotiated capped call transactions which are expected to reduce potential dilution to common shares and/or offset potential cash payments required to be made in excess of the principal amount upon any exchange of notes. Such reduction and/or offset is subject to a cap representing a price per share of $31.45, an approximately 75.0% premium over our share price of $17.97 as of the date of the transaction. The capped call meets the definition of a derivative under ASC 815, Derivatives and Hedging, as it has an underlying (the Company’s share price), a notional amount (the number of underlying shares to be purchased per option), an initial net investment less (by more than a nominal amount) than the amount that would have to be paid to own the underlying and provides for a default net share settlement (but could also be settled in cash at the election of the Company). However, the capped call meets the derivative scope exception under ASC 815 for instruments indexed to the Company’s own stock and classified in shareholders’ equity and therefore was initially recorded in equity. Until such time as the Company elects a settlement method for the exchangeable notes, the capped call transaction will continue to be accounted for as equity. At conversion, if the Company elects to partially settle the notes in cash in excess of the principal amount, or fully in cash, the capped call will be subject to mark to market through earnings as a derivative until such settlement is paid.

The net proceeds from the offering of the exchangeable notes were used to prepay the remaining balance of our unsecured term loan originally scheduled to mature in 2020, as well as to pay the cost of the capped call transactions. The remaining net proceeds from the offering were allocated for general corporate purposes, including to repurchase or repay other indebtedness.

Commercial Paper Program

In February 2018, we utilized a portion of the proceeds received in connection with the 5.75% senior notes offering to repay the outstanding balance on the commercial paper program. In March 2018, the program was terminated.

Revolving Credit Facility

As of June 30, 2018, we had no borrowings outstanding under our $2.25 billion revolving credit facility, which matures in July 2020. The weighted average interest rate on borrowings during the six month period ended June 30, 2018 was 3.22%. The revolving credit facility contains various covenants and restrictive provisions that limit our ability to incur additional indebtedness, make investments or loans and create liens and require us to maintain a net funded indebtedness to total capitalization ratio, as defined in the agreement. Availability under the revolving credit facility is subject to a covenant not to exceed a net debt to capital ratio of 0.60:1. We were in compliance with all covenants under the agreement at June 30, 2018. If we fail to perform our obligations under the covenants, the revolving credit commitment could be terminated, and any outstanding borrowings under the facility could be declared immediately due and payable. We have contemplated various alternative actions that could be pursued if we believe a violation of the covenant seemed likely to occur in the future. These actions include reductions in discretionary capital or other types of controllable expenditures, monetization of assets, amending or renegotiating the revolving credit agreement, accessing capital markets through a variety of alternative methods, or any combination of these alternatives.

Term Loan Facility

On September 29, 2015, Nabors Delaware entered into a new five-year unsecured term loan facility for $325.0 million, which was fully and unconditionally guaranteed by us. The term loan facility contained a mandatory prepayment of $162.5 million due in September 2018, which was repaid in December 2016 utilizing a portion of the proceeds received in connection with the 5.50% senior notes due January 2023 offering. In January 2017, we repaid the remaining $162.5 million term loan utilizing a portion of the proceeds received in connection with the 0.75% senior exchangeable notes and the facility was terminated.

Note 6 Shareholders' Equity

Common shares

In May 2018, we issued 35,000,000 shares of common stock at a price to the public of $7.75 per share. In connection with this offering, in June 2018 the underwriters exercised in full their option to purchase 5,250,000 additional common shares. Nabors received aggregate net proceeds of approximately $302.0 million after deducting underwriting discounts, commissions and offering expenses.

During the year ended December 31, 2017, we repurchased 3.1 million of our common shares in the open market for $18.1 million, all of which are held by our subsidiaries, and which are accounted for as treasury shares.

On April 20, 2018, a cash dividend of $0.06 per share was declared for shareholders of record on June 12, 2018. The dividend was paid on July 3, 2018 in the amount of $21.5 million and was charged to retained earnings in our condensed consolidated statements of changes in equity for the six months ended June 30, 2018.

On July 27, 2018, our Board of Directors declared a cash dividend of $0.06 per common share, which will be paid on October 2, 2018 to shareholders of record at the close of business on September 11, 2018.

Convertible Preferred Shares

In May 2018, we issued 5,750,000 shares (including the underwriters option for 750,000 shares) of 6% Series A Mandatory Convertible Preferred Stock (the “mandatory convertible preferred shares”), par value $.001 per share, with a liquidation preference of $50 per share. The dividends on the mandatory convertible preferred shares will be payable on a cumulative basis. Unless converted earlier, each share of mandatory convertible preferred shares initially will automatically convert into between 5.3763 shares and 6.4516 shares of our common stock based on the average share price over a period of twenty consecutive trading days ending prior to May 1, 2021, subject to anti-dilution adjustments. Nabors received aggregate net proceeds of approximately $278.6 million after deducting underwriting discounts, commissions and offering expenses.

On June 6, 2018, a cash dividend of $0.64 per mandatory convertible preferred shares was declared for shareholders of record on July 13, 2018. The dividend will be paid on August 1, 2018 in the amount of $3.7 million and was charged to retained earnings in our condensed consolidated statements of changes in equity for the six months ended June 30, 2018.

On July 27, 2018, our Board of Directors declared a cash dividend of $0.75 per mandatory convertible preferred shares, which will be paid on November 1, 2018 to shareholders of record at the close of business on October 15, 2018 in the amount of $4.3 million.

Note 7 Commitments and Contingencies

Contingencies

Income Tax

We operate in a number of countries throughout the world and our tax returns filed in those jurisdictions are subject to review and examination by tax authorities within those jurisdictions. We do not recognize the benefit of income tax positions we believe are more likely than not to be disallowed upon challenge by a tax authority. If any tax authority

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successfully challenges our operational structure, intercompany pricing policies or the taxable presence of our subsidiaries in certain countries, if the terms of certain income tax treaties are interpreted in a manner that is adverse to our structure, or if we lose a material tax dispute in any country, our effective tax rate on our worldwide earnings could change substantially.

We have received an assessment from a tax authority in Latin America in connection with a 2007 income tax return. The assessment relates to the denial of depreciation expense deductions related to drilling rigs. Similar deductions were taken for tax year 2009. Although Nabors and its tax advisors believe these deductions are appropriate and intend to continue to defend our position, the contingency has been partially reserved. If we ultimately do not prevail, we estimate that we would be required to recognize additional tax expense for the entire contingency in the range of $3 million to $8 million.

In certain jurisdictions we have recognized deferred tax assets and liabilities. Judgment and assumptions are required in determining whether deferred tax assets will be fully or partially utilized. When we estimate that all or some portion of certain deferred tax assets such as net operating loss carryforwards will not be utilized, we establish a valuation allowance for the amount we determine to be more likely than not unrealizable. We continually evaluate strategies that could allow for future utilization of our deferred assets. Any change in the ability to utilize such deferred assets will be accounted for in the period of the event affecting the valuation allowance. If facts and circumstances cause us to change our expectations regarding future tax consequences, the resulting adjustments could have a material effect on our financial results or cash flow. At this time, we consider it more likely than not that we will have sufficient taxable income in the future that will allow us to realize the deferred tax assets that we have recognized. However, it is possible that some of our recognized deferred tax assets, relating to net operating loss carryforwards, could expire unused or could carryforward indefinitely without utilization. Therefore, unless we are able to generate sufficient taxable income from our component operations, a substantial valuation allowance to reduce our deferred tax assets may be required, which would materially increase our tax expense in the period the allowance is recognized and materially adversely affect our results of operations and statement of financial condition.

Self-Insurance

We estimate the level of our liability related to insurance and record reserves for these amounts in our condensed consolidated financial statements. Our estimates are based on the facts and circumstances specific to existing claims and our past experience with similar claims. These loss estimates and accruals recorded in our financial statements for claims have historically been reasonable in light of the actual amount of claims paid and are actuarially supported. Although we believe our insurance coverage and reserve estimates are reasonable, a significant accident or other event that is not fully covered by insurance or contractual indemnity could occur and could materially affect our financial position and results of operations for a particular period.

We self-insure for certain losses relating to workers' compensation, employers' liability, general liability, automobile liability and property damage. Some of our workers' compensation, employers' liability and marine employers' liability claims are subject to a $3.0 million per-occurrence deductible; additionally, some of our automobile liability claims are subject to a $2.5 million deductible. General liability claims remain subject to a $5.0 million per-occurrence deductible. Our policies were renewed effective April 1, 2018 and remain subject to these same deductibles.

In addition, we are subject to a $5.0 million deductible for land rigs and for offshore rigs. This applies to all kinds of risks of physical damage except for named windstorms in the U.S. Gulf of Mexico for which we are self-insured.

Effective May 22, 2018, our platform rig, MODS-400, is subject to a limit of $200.0 million with a $5.0 million deductible for named windstorm damage in the U.S. Gulf of Mexico.

Litigation

Nabors and its subsidiaries are defendants or otherwise involved in a number of lawsuits in the ordinary course of business. We estimate the range of our liability related to pending litigation when we believe the amount and range of loss can be estimated. We record our best estimate of a loss when the loss is considered probable. When a liability is probable and there is a range of estimated loss with no best estimate in the range, we record the minimum estimated liability related to the lawsuits or claims. As additional information becomes available, we assess the potential liability related to our pending litigation and claims and revise our estimates. Due to uncertainties related to the resolution of lawsuits and claims, the ultimate outcome may differ from our estimates. For matters where an unfavorable outcome is reasonably possible and significant, we disclose the nature of the matter and a range of potential exposure, unless an estimate cannot be made at the time of disclosure. In the opinion of management and based on liability accruals provided, our ultimate exposure with respect to these pending lawsuits and claims is not expected to have a material adverse effect on our consolidated financial position or cash flows, although they could have a material adverse effect on our results of operations for a particular reporting period.

In March 2011, the Court of Ouargla entered a judgment of approximately $24.1 million (at June 30, 2018 exchange rates) against us relating to alleged violations of Algeria's foreign currency exchange controls, which require that goods and services provided locally be invoiced and paid in local currency. The case relates to certain foreign currency payments made to us by CEPSA, a Spanish operator, for wells drilled in 2006. Approximately $7.5 million of the total contract amount was paid offshore in foreign currency, and approximately $3.2 million was paid in local currency. The judgment includes fines and penalties of approximately four times the amount at issue. We have appealed the ruling based on our understanding that the law in question applies only to resident entities incorporated under Algerian law. An intermediate court of appeals upheld the lower court's ruling, and we appealed the matter to the Supreme Court. On September 25, 2014, the Supreme Court overturned the verdict against us, and the case was reheard by the Ouargla Court of Appeals on March 22, 2015 in light of the Supreme Court's opinion. On March 29, 2015, the Ouargla Court of Appeals reinstated the initial judgment against us. We have appealed this decision again to the Supreme Court. While our payments were consistent with our historical operations in the country, and, we believe, those of other multinational corporations there, as well as interpretations of the law by the Central Bank of Algeria, the ultimate resolution of this matter could result in a loss of up to $16.1 million in excess of amounts accrued.

On September 29, 2017, Nabors and Nabors Maple Acquisition Ltd. were sued, along with Tesco Corporation ("Tesco") and its Board of Directors, in a putative shareholder class action filed in the United States District Court for the Southern District of Texas, Houston Division. The plaintiff alleges that the September 18, 2017 Preliminary Proxy Statement filed by Tesco with the United States Securities and Exchange Commission omitted material information with respect to the proposed transaction between Tesco and Nabors announced on August 14, 2017. The plaintiff claims that the omissions rendered the Proxy Statement false and misleading, constituting a violation of Sections 14(a) and 20(a) of the Securities Exchange Act of 1934, and alleges liability by Nabors as a control person of Tesco. The court consolidated several matters and entered a lead plaintiff appointment order. The plaintiff recently filed their amended complaint, adding Nabors Industries, Ltd. as a party. Nabors has filed its motion to dismiss and will vehemently defend itself against the allegations.

Off-Balance Sheet Arrangements (Including Guarantees)

We are a party to some transactions, agreements or other contractual arrangements defined as "off-balance sheet arrangements" that could have a material future effect on our financial position, results of operations, liquidity and capital resources. The most significant of these off-balance sheet arrangements involve agreements and obligations under which we provide financial or performance assurance to third parties. Certain of these agreements serve as guarantees, including standby letters of credit issued on behalf of insurance carriers in conjunction with our workers' compensation insurance program and other financial surety instruments such as bonds. In addition, we have provided indemnifications, which serve as guarantees, to some third parties. These guarantees include indemnification provided by Nabors to our share transfer agent and our insurance carriers. We are not able to estimate the potential future maximum payments that might be due under our indemnification guarantees.

Management believes the likelihood that we would be required to perform or otherwise incur any material losses associated with any of these guarantees is remote. The following table summarizes the total maximum amount of financial guarantees issued by Nabors:

	Maximum Amount				
	2018	2019	2020	Thereafter	Total
	(In thousands)				
Financial standby letters of credit and other financial surety instruments	$ 132,550	79,477	40	—	$ 212,067

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Note 8 Earnings (Losses) Per Share

ASC 260, Earnings per Share, requires companies to treat unvested share-based payment awards that have nonforfeitable rights to dividends or dividend equivalents as a separate class of securities in calculating earnings (losses) per share. We have granted and expect to continue to grant to employees restricted stock grants that contain nonforfeitable rights to dividends. Such grants are considered participating securities under ASC 260. As such, we are required to include these grants in the calculation of our basic earnings (losses) per share and calculate basic earnings (losses) per share using the two-class method. The two-class method of computing earnings per share is an earnings allocation formula that determines earnings per share for each class of common stock and participating security according to dividends declared and participation rights in undistributed earnings.

Basic earnings (losses) per share is computed utilizing the two-class method and is calculated based on the weighted-average number of common shares outstanding during the periods presented.

Diluted earnings (losses) per share is computed using the weighted-average number of common and common equivalent shares outstanding during the periods utilizing the two-class method for stock options and unvested restricted stock. Shares issuable upon exchange of the $575 million 0.75% exchangeable notes are not included in the calculation of diluted earnings (losses) per share unless the exchange value of the notes exceeds their principal amount at the end of the relevant reporting period, in which case the notes will be accounted for as if the number of common shares that would be necessary to settle the excess are issued. Such shares are only included in the calculation of the weighted-average number of shares outstanding in our diluted earnings (losses) per share calculation, when the price of our shares exceeds $25.16 on the last trading day of the quarter, which did not occur during the six months ended June 30, 2018.

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A reconciliation of the numerators and denominators of the basic and diluted earnings (losses) per share computations is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(In thousands, except per share amounts)			
BASIC EPS:				
Net income (loss) (numerator):				
Income (loss) from continuing operations, net of tax	$ (195,215)	$ (115,476)	$ (338,802)	$ (263,104)
Less: net (income) loss attributable to noncontrolling interest	(2,953)	(1,971)	(3,492)	(2,888)
Less: preferred stock dividends	(3,680)	—	(3,680)	—
Less: accrued distribution on redeemable noncontrolling interest in subsidiary	(2,124)	—	(4,522)	—
Less: (earnings) losses allocated to unvested shareholders	4,826	3,306	8,186	7,117
Numerator for basic earnings per share:				
Adjusted income (loss) from continuing operations, net of tax - basic	$ (199,146)	$ (114,141)	$ (342,310)	$ (258,875)
Income (loss) from discontinued operations, net of tax	$ (584)	$ (15,504)	$ (659)	$ (15,943)
Weighted-average number of shares outstanding - basic	328,372	278,916	318,580	278,348
Earnings (losses) per share:				
Basic from continuing operations	$ (0.61)	$ (0.41)	$ (1.08)	$ (0.93)
Basic from discontinued operations	—	(0.05)	—	(0.06)
Total Basic	$ (0.61)	$ (0.46)	$ (1.08)	$ (0.99)
DILUTED EPS:				
Adjusted income (loss) from continuing operations, net of tax - basic	$ (199,146)	$ (114,141)	$ (342,310)	$ (258,875)
Add: effect of reallocating undistributed earnings of unvested shareholders	—	—	—	—
Adjusted income (loss) from continuing operations, net of tax - diluted	$ (199,146)	$ (114,141)	$ (342,310)	$ (258,875)
Income (loss) from discontinued operations, net of tax	$ (584)	$ (15,504)	$ (659)	$ (15,943)
Weighted-average number of shares outstanding - basic	328,372	278,916	318,580	278,348
Add: dilutive effect of potential common shares	—	—	—	—
Weighted-average number of shares outstanding - diluted	328,372	278,916	318,580	278,348

Earnings (losses) per share:				
Diluted from continuing operations	$ (0.61)	$ (0.41)	$ (1.08)	$ (0.93)
Diluted from discontinued operations	—	(0.05)	—	(0.06)
Total Diluted	$ (0.61)	$ (0.46)	$ (1.08)	$ (0.99)

For all periods presented, the computation of diluted earnings (losses) per share excludes outstanding stock options with exercise prices greater than the average market price of Nabors’ common shares, because their inclusion would be anti-dilutive and because they are not considered participating securities. For periods in which we experience a net loss from continuing operations, all potential common shares have been excluded from the calculation of weighted-average shares outstanding, because their inclusion would be anti-dilutive. The average number of options that were excluded from diluted earnings (losses) per share that would potentially dilute earnings per share in the future were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(In thousands)			
Potentially dilutive securities excluded as anti-dilutive	4,575	4,469	4,555	4,559

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In any period during which the average market price of Nabors' common shares exceeds the exercise prices of these stock options, such stock options will be included in our diluted earnings (losses) per share computation using the if-converted method of accounting. Restricted stock is included in our basic and diluted earnings (losses) per share computation using the two-class method of accounting in all periods because such stock is considered participating securities.

Additionally, we excluded 37.4 million common shares from the computation of diluted shares issuable upon the conversion of mandatory convertible preferred shares, because their effect would be anti-dilutive under the if-converted method.

Note 9 Supplemental Balance Sheet and Income Statement Information

Accrued liabilities included the following:

	June 30, 2018	December 31, 2017
	(In thousands)	
Accrued compensation	$ 115,874	$ 130,970
Deferred revenue	190,296	218,370
Other taxes payable	27,148	32,095
Workers' compensation liabilities	13,987	13,987
Interest payable	76,719	65,642
Litigation reserves	25,265	18,830
Current liability to discontinued operations	5,457	6,074
Dividends declared and payable	25,141	17,148
Other accrued liabilities	12,900	29,928
	$ 492,787	$ 533,044

Investment income (loss) includes the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(In thousands)			
Interest and dividend income	$ 1,136	$ 397	$ 2,326	$ 1,140
Gains (losses) on marketable securities	(4,246)	(1,341)	(4,967)	(1,341)

Gains (losses) on non-marketable securities	(54)	58	(58)	36
	$ (3,164)	$ (886)	$ (2,699)	$ (165)

Other, net included the following:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2018		2017	2018		2017
	(In thousands)					
Losses (gains) on sales, disposals and involuntary conversions of long-lived assets	$ 67,320	(1)	$ (2,742)	$ 69,577	(1)	$ 133
Transaction related costs (2)	5,894		1,929	12,938		1,929
Litigation expenses and reserves	4,677		789	8,277		1,610
Foreign currency transaction losses (gains)	3,758		1,614	6,280		2,490
(Gain) loss on debt buyback	—		7,348	—		15,944
Other losses (gains)	(4,048)		1,166	(5,382)		1,508
	$ 77,601		$ 10,104	$ 91,690		$ 23,614

(1) Includes a $63.7 million loss on the sale of three jackup rigs during the three and six months ended June 30, 2018.
(2) Represents transaction related costs, including professional fees, severances, facility closure costs and other cost rationalization items, primarily in connection with the acquisition of Tesco.

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The changes in accumulated other comprehensive income (loss), by component, included the following:

	Gains (losses) on cash flow hedges	Unrealized gains (losses) on available-for-sale securities	Defined benefit pension plan items	Foreign currency items	Total
	(In thousands (1))				
As of January 1, 2017	$ (1,296)	$ 14,235	$ (3,760)	$ (21,298)	$ (12,119)
Other comprehensive income (loss) before reclassifications	—	584	—	14,739	15,323
Amounts reclassified from accumulated other comprehensive income (loss)	187	1,341	62	—	1,590
Net other comprehensive income (loss)	187	1,925	62	14,739	16,913
As of June 30, 2017	$ (1,109)	$ 16,160	$ (3,698)	$ (6,559)	$ 4,794

(1) All amounts are net of tax.

	Gains (losses) on cash flow hedges	Unrealized gains (losses) on available-for-sale securities	Defined benefit pension plan items	Foreign currency items	Total
	(In thousands (1))				
As of January 1, 2018	$ (922)	$ 9,144	$ (4,111)	$ 7,074	$ 11,185
Other comprehensive income (loss) before reclassifications	—	—	—	(14,913)	(14,913)
Amounts reclassified from accumulated other comprehensive income (loss)	216	—	83	—	299
Adoption of ASU No. 2016-01	—	(9,144)	—	—	(9,144)
Net other comprehensive income (loss)	216	(9,144)	83	(14,913)	(23,758)
As of June 30, 2018	$ (706)	$ —	$ (4,028)	$ (7,839)	$ (12,573)

(1) All amounts are net of tax.

The line items that were reclassified to net income included the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(In thousands)			
Interest expense	$ 142	$ 153	$ 282	$ 306
General and administrative expenses	54	50	108	100
Other expense (income), net	—	1,341	—	1,341
Total income (loss) from continuing operations before income tax	(196)	(1,544)	(390)	(1,747)
Tax expense (benefit)	(48)	(78)	(91)	(157)
Reclassification adjustment for (gains)/ losses included in net income (loss)	$ (148)	$ (1,466)	$ (299)	$ (1,590)

Note 10 Assets Held for Sale and Discontinued Operations

Assets Held for Sale

Assets held for sale as of June 30, 2018 and December 31, 2017 was $36.0 million and $37.1 million, respectively. These assets consisted primarily of our oil and gas holdings which are mainly in the Horn River basin in western Canada of $24.8 million and $25.9 million, respectively, as of the periods noted above and the operating results have been reflected in discontinued operations. The remainder represents assets that meet the criteria to be classified as assets held for sale, but do not represent a disposal of a component of an entity or a group of components of an entity representing a strategic shift that has or will have a major effect on the entity's operations and financial results.

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The carrying value of our assets held for sale represents the lower of carrying value or fair value less costs to sell. We continue to market these properties at prices that are reasonable compared to current fair value.

We have contracts with pipeline companies to pay specified fees based on committed volumes for gas transport and processing associated with these properties held for sale. At June 30, 2018, our undiscounted contractual commitments for these contracts approximated $7.0 million and we had liabilities of $5.5 million, all of which was classified as current and included in accrued liabilities. At December 31, 2017, our undiscounted contractual commitments for these contracts approximated $11.2 million and we had liabilities of $8.5 million, $6.1 million of which were classified as current and were included in accrued liabilities.

The amounts at each balance sheet date represented our best estimate of the fair value of the excess capacity of the pipeline commitments calculated using a discounted cash flow model, when considering our disposal plan, current production levels, natural gas prices and expected utilization of the pipeline over the remaining contractual term. Decreases in actual production or natural gas prices could result in future charges related to excess pipeline commitments.

Discontinued Operations

Our condensed statements of income (loss) from discontinued operations were as follows:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017		2018	2017	
	(In thousands)					
Operating revenues (1)	$ 973	$ 2,060		$ 2,616	$ 4,094	
Income (loss) from Oil & Gas discontinued operations:						
Income (loss) from discontinued operations	$ (723)	$ 20		$ (1,175)	$ (570)	
Less: Impairment charges or other (gains) and losses on sale of wholly owned assets	115	16,539	(2)	151	16,559	(2)
Less: Income tax expense (benefit)	(254)	(1,015)		(667)	(1,186)	
Income (loss) from Oil and Gas discontinued operations, net of tax	$ (584)	$ (15,504)		$ (659)	$ (15,943)	

(1) Reflects operating revenues of our historical oil and gas operating segment.
(2) Includes a charge of $16.5 million related to the settlement of litigation associated with our previously owned Ramshorn International properties.

Note 11 Segment Information

The following table sets forth financial information with respect to our reportable operating segments:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(In thousands)			
Operating revenues:				
U.S. Drilling	$ 264,395	$ 187,344	$ 505,397	$ 349,278
Canada Drilling	17,442	17,121	49,329	44,929
International Drilling	377,986	380,338	746,831	718,561
Drilling Solutions	59,859	31,829	122,507	59,194
Rig Technologies	81,321	61,185	145,990	105,261
Other reconciling items (1)	(39,083)	(46,462)	(73,940)	(83,318)
Total	$ 761,920	$ 631,355	$ 1,496,114	$ 1,193,905

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	Three Months Ended June 30, 2018	2017	Six Months Ended June 30, 2018	2017
	(In thousands)			
Adjusted operating income (loss): (2)				
U.S. Drilling	$ (13,107)	$ (56,079)	$ (32,853)	$ (119,261)
Canada Drilling	(4,608)	(5,014)	(5,200)	(9,025)
International Drilling	24,486	36,174	49,022	48,148
Drilling Solutions	7,546	3,772	16,267	2,794
Rig Technologies	(3,433)	(5,040)	(16,409)	(13,171)
Total segment adjusted operating income (loss)	$ 10,884	$ (26,187)	$ 10,827	$ (90,515)

	Three Months Ended June 30, 2018	2017	Six Months Ended June 30, 2018	2017
	(In thousands)			
Reconciliation of segment adjusted operating income (loss) to net income (loss) from continuing operations before income taxes:				
Total segment adjusted operating income (loss) (2)	$ 10,884	$ (26,187)	$ 10,827	$ (90,515)
Other reconciling items (3)	(41,463)	(43,107)	(86,440)	(82,711)
Earnings (losses) from unconsolidated affiliates	(1)	—	1	2
Investment income (loss)	(3,164)	(886)	(2,699)	(165)
Interest expense	(60,592)	(54,688)	(121,978)	(111,206)
Other, net	(77,601)	(10,104)	(91,690)	(23,614)
Income (loss) from continuing operations before income taxes	$ (171,937)	$ (134,972)	$ (291,979)	$ (308,209)

	June 30, 2018	December 31, 2017
	(In thousands)	
Total assets:		
U.S. Drilling	$ 3,116,162	$ 3,203,560
Canada Drilling	317,872	347,773
International Drilling	3,312,637	3,540,829
Drilling Solutions	201,445	182,162
Rig Technologies	467,519	459,665
Other reconciling items (3)	884,653	667,995

Total	$ 8,300,288	$ 8,401,984

(1) Represents the elimination of inter-segment transactions.

(2) Adjusted operating income (loss) is computed by subtracting the sum of direct costs, general and administrative expenses, research and engineering expenses and depreciation and amortization from operating revenues. Management evaluates the performance of our operating segments using adjusted operating income (loss), which is a segment performance measure, because it believes that this financial measure reflects our ongoing profitability and performance. In addition, securities analysts and investors use this measure as one of the metrics on which they analyze our performance. A reconciliation to income (loss) from continuing operations before income taxes is provided in the above table.

(3) Represents the elimination of inter-segment transactions and unallocated corporate expenses, assets and capital expenditures.

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Note 12 Revenue Recognition

On January 1, 2018, we adopted Topic 606, Revenue from Contracts with Customers (ASC 606). Under ASC 606, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration we expect to receive in exchange for those goods or services. In addition, ASC 606 requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

We elected to adopt the standard using the modified retrospective method to all contracts that were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported under the accounting standards in effect for the prior period. There was no impact to our consolidated financial statements as a result of adopting ASC 606.

We recognize revenue when control of a good or service promised in a contract (i.e., performance obligation) is transferred to a customer. Control is obtained when a customer has the ability to direct the use of and obtain substantially all of the remaining benefits from that good or service. Contract drilling revenues are recorded over time utilizing the input method based on time elapsed. The measurement of progress considers the transfer of the service to the customer as we provide daily drilling services. We receive payment after the services have been performed by billing customers periodically (typically monthly). However, a portion of our revenues are recognized at a point-in-time as control is transferred at a distinct point in time such as with the sale of our top drives and other capital equipment. Within our drilling contracts, we have identified one performance obligation in which the transaction price is allocated.

Disaggregation of revenue

In the following table, revenue is disaggregated by geographical region. The table also includes a reconciliation of the disaggregated revenue with the reportable segments:

	Three Months Ended June 30, 2018						
	U.S. Drilling	Canada Drilling	International Drilling	Drilling Solutions	Rig Technologies	Other	Total
	(In thousands)						
Lower 48	$ 219,389	$ —	$ —	$ 41,418	$ 57,573	$ —	$ 318,380
U.S. Offshore	32,064	—	—	2,810	—	—	34,874

Gulf of Mexico							
Alaska	12,942	—	—	877	208	—	14,027
Canada	—	17,442	—	1,425	10,222	—	29,089
Middle East & Asia	—	—	240,508	9,007	6,503	—	256,018
Latin America	—	—	87,809	3,665	1,919	—	93,393
Europe, Africa & CIS	—	—	49,669	657	4,896	—	55,222
Eliminations & other	—	—	—	—	—	(39,083)	(39,083)
Total	$ 264,395	$ 17,442	$ 377,986	$ 59,859	$ 81,321	$ (39,083)	$ 761,920

Six Months Ended June 30, 2018

	U.S. Drilling	Canada Drilling	International Drilling	Drilling Solutions	Rig Technologies	Other	Total
	(In thousands)						
Lower 48	$ 423,981	$ —	$ —	$ 85,687	$ 108,174	$ —	$ 617,842
U.S. Offshore Gulf of Mexico	53,055	—	—	6,109	—	—	59,164
Alaska	28,361	—	—	1,443	344	—	30,148
Canada	—	49,329	—	3,716	13,611	—	66,656
Middle East & Asia	—	—	474,367	16,735	11,709	—	502,811
Latin America	—	—	171,691	7,649	3,577	—	182,917
Europe, Africa & CIS	—	—	100,773	1,168	8,575	—	110,516
Eliminations & other	—	—	—	—	—	(73,940)	(73,940)
Total	$ 505,397	$ 49,329	$ 746,831	$ 122,507	$ 145,990	$ (73,940)	$ 1,496,114

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Three Months Ended
June 30, 2017

	U.S. Drilling	Canada Drilling	International Drilling	Drilling Solutions	Rig Technologies	Other	Total
	(In thousands)						
Lower 48	$ 160,126	$ —	$ —	$ 26,509	$ 56,595	$ —	$ 243,230
U.S. Offshore Gulf of Mexico	16,361	—	—	101	—	—	16,462
Alaska	10,857	—	—	1,306	188	—	12,351
Canada	—	17,121	—	1,322	1,564	—	20,007
Middle East & Asia	—	—	222,294	1,819	2,838	—	226,951
Latin America	—	—	103,920	614	—	—	104,534
Europe, Africa & CIS	—	—	54,124	158	—	—	54,282
Eliminations & other	—	—	—	—	—	(46,462)	(46,462)
Total	$ 187,344	$ 17,121	$ 380,338	$ 31,829	$ 61,185	$ (46,462)	$ 631,355

Six Months Ended
June 30, 2017

	U.S. Drilling	Canada Drilling	International Drilling	Drilling Solutions	Rig Technologies	Other	Total
	(In thousands)						
Lower 48	$ 297,349	$ —	$ —	$ 48,829	$ 95,255	$ —	$ 441,433
U.S. Offshore Gulf of Mexico	29,667	—	—	186	—	—	29,853
Alaska	22,262	—	—	2,437	314	—	25,013
Canada	—	44,929	—	3,305	3,539	—	51,773
Middle East & Asia	—	—	418,552	3,121	6,153	—	427,826
Latin America	—	—	197,365	1,129	—	—	198,494
Europe, Africa & CIS	—	—	102,644	187	—	—	102,831
	—	—	—	—	—	(83,318)	(83,318)

Eliminations & other							
Total	$ 349,278	$ 44,929	$ 718,561	$ 59,194	$ 105,261	$ (83,318)	$ 1,193,905

Contract balances

We perform our obligations under a contract with a customer by transferring goods or services in exchange for consideration from the customer. We recognize a contract asset or liability when we transfer goods or services to a customer and bill an amount which differs from the revenue allocated to the related performance obligations.

The timing of revenue recognition may differ from the timing of invoicing to customers and these timing differences result in receivables, contract assets, or contract liabilities (deferred revenue) on our condensed consolidated balance sheet. In general, we receive payments from customers based on dayrates as stipulated in our contracts (i.e. operating rate, standby rate). The invoices billed to the customer are based on the varying rates applicable to the operating status on each rig. Accounts receivable are recorded when the right to consideration becomes unconditional.

Dayrate contracts also may contain fees charged to the customer for up-front rig modifications, mobilization and demobilization of equipment and personnel. These fees are associated with contract fulfillment activities, and the related revenue (subject to any constraint on estimates of variable consideration) is allocated to a single performance obligation and recognized ratably over the initial term of the contract. Mobilization fees are generally billable to the customer in the initial phase of a contract and generate contract liabilities until they are recognized as revenue. Demobilization fees are generally received at the end of the contract and generate contract assets when they are recognized as revenue prior to becoming receivables from the customer.

We receive reimbursements from our customers for the purchase of supplies, equipment, personnel services and other services provided at their request. Reimbursable revenues are variable and subject to uncertainty as the amounts received and timing thereof are dependent on factors outside of our influence. Accordingly, these revenues are constrained and not recognized until the uncertainty is resolved, which typically occurs when the related costs are incurred on behalf of the customer. We are generally considered a principal in these transactions and record the associated revenues at the gross amounts billed to the customer.

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The opening and closing balances of our receivables, contract assets and current and long-term contract liabilities are as follows (in millions):

	Contract	Contract	Contract	Contract
Contract	Assets	Assets		