2002 Annual Report

A Matter of Fact

A year of milestones for your Company

Weatherford®

Table of Contents

The Financial Section of the Annual Report to Shareholders immediately follows the Corporate Directory.

Weatherford International Ltd. (NYSE: WFT), headquartered in Houston, Texas, is one of the top oilfield service companies in the world, with approximately 15,700 employees and more than 540 sales and service locations in 100 countries. Weatherford's goal is to deliver superior financial results by providing high performance products and services that facilitate our customers' drilling, intervention, completion and production operations.

(In thousands, except per share amounts and employees)

	2002	2001
Revenues	**$ 2,328,930**	$ 2,328,715
Operating Income (before Non-recurring and Impairment Charges)	**297,880**	409,474
Non-recurring and Impairment Charges[(a)]	**232,493**	–
Operating Income	**65,387**	409,474
Net Income (before Non-recurring and Impairment Charges, net of taxes)	**150,181**	214,651
Net Income (Loss)	**(6,030)**	214,651
Diluted EPS (before Non-recurring and Impairment Charges, net of taxes)	**1.20**	1.76
Diluted EPS	**(0.05)**	1.76
Diluted Weighted Average Shares	**120,058**	133,255
Total Assets	**$ 4,494,989**	$ 4,296,362
Convertible Debentures	**942,916**	927,061
Other Debt	**935,263**	762,962
Total Debt	**1,878,179**	1,690,023
Shareholders' Equity	**1,974,496**	1,838,240
Depreciation and Amortization	**214,918**	208,129
Capital Expenditures	**268,687**	339,425
Number of Employees	**15,732**	15,056

[(a)] Non-recurring and Impairment Charges relate to a write-down in our investment in Universal and a rationalization of our businesses in light of industry conditions.

A Matter of Fact

Spans the drilling, intervention, completion and production cycles of a reservoir

Maintains leading market share in most of its businesses

Has global leverage across more than 100 countries through its worldwide infrastructure

Is a leader in the development of step-change technologies

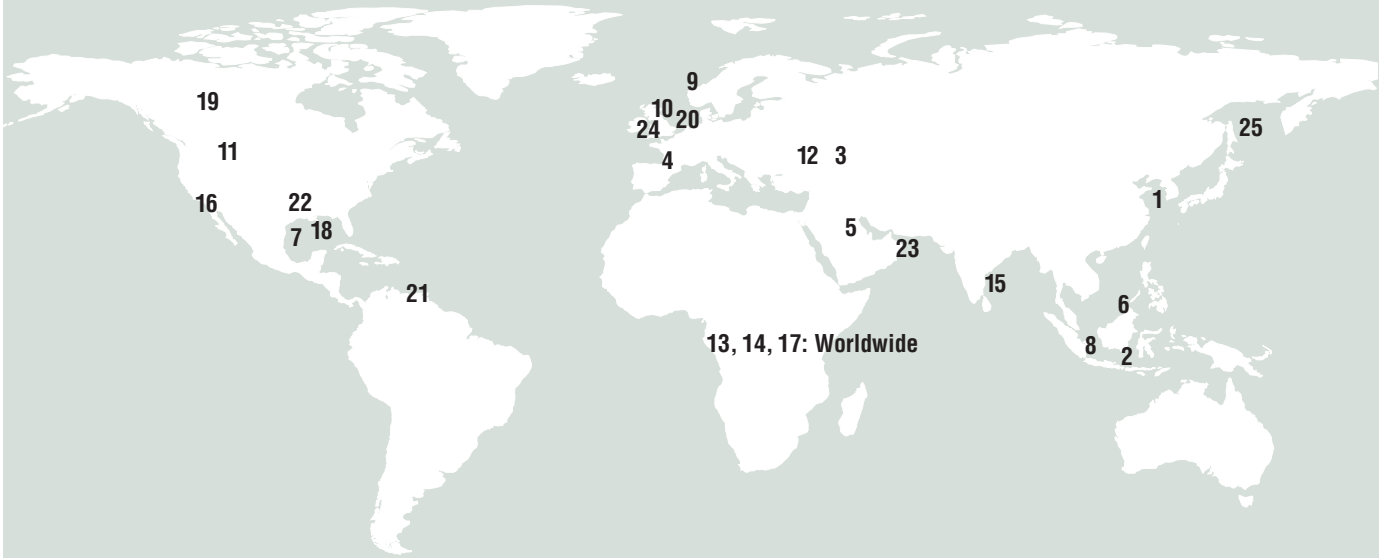
To Our Shareholders,

In 2002, political and economic uncertainty ruled, depressing financial markets and dampening demand for oilfield services, particularly in North America, in spite of high oil and natural gas prices. International markets were not immune from these behavioral forces either. Tax changes in Great Britain and shifting strategies among major oil companies sharply reduced activity in the North Sea. Political instability shut down the Venezuelan oil and gas industry late in the year. Activity in Kazakhstan came to a temporary halt as the government and producers renegotiated terms.

We did not allow a difficult context to deter us from pushing ahead with our growth initiatives. We continued to build our core business lines, leverage our international industrial infrastructure and invest in technologies that have the potential to significantly expand the horizons of both Weatherford and the industry.

Key Performance Metrics of 2002

- Despite an 18 percent decline in overall drilling activity, the Company's revenues were flat at $2.3 billion. International revenues rose 18 percent in a flat drilling environment. In North America, where the rig count fell 27 percent, revenues declined at a slower 15 percent pace. Those trends are good indicators that we grew market share and that our global infrastructure provided some stability and strength in a difficult year.
- Operating income, before non-recurring charges, fell 27 percent and net income, on the same basis, fell 30 percent. The earnings decline was due partially to the difficult operating environment, but also to a deliberate decision to keep a talented workforce largely intact. We also stepped up our commitment to technology through higher R&D spending (+57% year-on-year) and rising start-up and training expenses as we rolled out these new businesses. The success of these commitments is reflected in the fact that step-change technology revenues, like expandables, underbalanced drilling systems and intelligent completion systems, rose by nearly 30 percent in an otherwise declining market.
- We were not as successful with the compression side of our assets. In 2002's third quarter the Company took a one-time, non-recurring after-tax charge of $156.2 million. The charge consisted primarily of a $146.2 million non-cash write-down of our investment in Universal Compression Holdings, Inc. (NYSE Symbol: UCO). This non-recurring charge led to a net loss for the year of $6 million. The value of UCO had declined substantially throughout the year reflecting the impact of strained market conditions on its business. This was clearly a significantly adverse event. The only silver lining to this substantial erosion of shareholder wealth is the knowledge that UCO is operationally well run and that its long-term secular prospects, tied to natural gas drilling and exploitation, are excellent.
- At year end the Company's capitalization of shareholders' equity plus debt minus cash stood at $3.80 billion. Total debt, inclusive of $942.9 million of convertible debt, was $1.88 billion. Our after-tax cash cost of debt remained very low at 2.4 percent of total debt outstanding.
- We completed a significant step in our efforts to protect our global competitiveness in an oilfield business that over time will be increasingly conducted in international markets, where the reservoirs are younger and more plentiful. As of June 26, 2002, Weatherford, with the overwhelming support of our shareholders, reincorporated in Bermuda.



Weatherford Milestones

1 **China:** 150th installation of Expandable Sand Screen (ESS™) System in offshore well in Bohai Bay

2 **Indonesia:** First Drilling with Casing (DwC™) job from a Floating Drilling Unit in the Java Sea

3 **Kazakhstan:** Weatherford pressure management systems enabled access to previously undrillable zones

4 **France:** First installation of permanent fiber optic, multi-component, multi-station in-well 4-D seismic array

5 **Middle East:** First sales of new Weatherford designed Optimax™ subsurface safety valve line

6 **Brunei:** First installation of a four-zone intelligent completion system, including Remotely Operated Sliding Sleeve (ROSS™) and Hydraulically Controlled Addressing Unit (HCAU™) systems

7 **Gulf of Mexico:** First offshore one trip installation of the new Monobore packer for harsh H2S environment

8 **Indonesia:** Deployment of first solid Expandable Liner Hanger (ELH™) in offshore well

9 **North Sea:** LoDrag™ centralizers, LoTAD™ subs and CRS™ Completion Running String enable 15,100 foot horizontal open hole completion and sand screen deployment

10 **North Sea:** Weatherford's 8½" BBL PDC bit sets record run, drilling more than 6,800 feet through Zechstein Super group at an average ROP of 62.4 feet/hour in one run

11 **USA:** Weatherford whipstock installed at record depth of 24,289 feet in high temperature Amston formation in Wyoming

12 **Black Sea:** Weatherford performed commissioning of Blue Stream natural gas pipeline, which crosses the Black Sea from Russia to Turkey at water depths of up to 7,050 feet

13 **Worldwide:** Weatherford launches new independent intervention services group known as WellServ™

14 **Worldwide:** Weatherford expands the capabilities in critical well control services and forms the WellCat® group, an international full-service well control organization

15 **India:** 300th DwC™ application performed in India and represented the longest 20˝ diameter casing job by Weatherford

16 **USA:** First field deployment of compliantly expanded MetalSkin™ Casing Repair System

17 **Worldwide:** Weatherford extends its comprehensive line of artificial lift systems with the launch of its new Electric Submersible Pumping systems

18 **Gulf of Mexico:** First offshore application of the Weatherford RamPump™ multiphase booster pump

19 **Canada:** First commercial application of Weatherford Corod® system utilizing computer memory logging tools

20 **North Sea:** First multiple fiber optic sensing system installation, including pressure and temperature, in Norway

21 **Venezuela:** First fully integrated system installation for the automation of progressing cavity pumps (PCPs), including downhole monitoring gauges, data logging and communication software

22 **USA:** Weatherford successfully introduces and commercializes the Downhole Deployment Valve (DDV), which maintains underbalanced conditions during tripping and completion activities

23 **Oman:** Weatherford underbalanced drilling systems reduce well delivery time by up to 50 percent and accelerate and increase oil production

24 **United Kingdom:** First installation of Simply Intelligent™ surface actuated flow control system in combination with the Starburst™ multilateral system

25 **Sakhalin Island:** Weatherford provides complete automated tubular make up capabilities for drill pipe, casing and tubing, including the PowerFrame™ and TorkWinder™ systems, yielding major gains in operating efficiencies and rig floor safety

- The price of Weatherford common stock improved 7 percent during 2002 and, in doing so, outperformed the Philadelphia Oilfield Services Sector Index (OSX) and the S&P 500 as it has over the three, five and ten year investment periods (see chart comparing stock price performances for Weatherford and the two named indices). This is a record we are proud of and hope to repeat in the years ahead.

Weatherford Relative Stock Price Performance *(as of 12-31-02)*

	WFT	OSX*	S&P 500
1 year	**+7%**	-0.5%	-23%
3 years	**+50%**	+1%	-40%
5 years	**+16%**	-24%	-9%
10 years	**+1,114%**	n/a	+102%

**Philadelphia Oilfield Service Sector Index, established 1997*

- For additional description and discussion of Weatherford's businesses, markets, historical performance, and our audited financial statements, please refer to the financial section of this Annual Report to Shareholders.

The Near Term Outlook is Positive

While the political and economic uncertainty that prevailed in 2002 has not gone away, the prognosis for Weatherford and the industry from the vantage point of early March 2003 is generally positive.

The North American markets of Canada and the United States are driven primarily by natural gas activity. Low natural gas inventories reflect low drilling activity throughout 2002 and the ineluctable increases in reservoir decline rates. Sluggishness in 2002 will lead to activity in 2003.

In the first two months of 2003, the Canadian rig count is averaging more than 80 percent higher than it was in the last quarter of 2002 and 24 percent above January and February of last year. In addition to activity improvement, our Canadian businesses should also benefit from consolidations in certain segments that took place early last year. Activity in the United States is also recovering, albeit at a slower pace. The average rig count in January and February of 2003 is 4 percent higher than both January and February in the prior year and the fourth quarter of 2002. Inquiry levels and contractual bidding activity levels are continuing to improve from depressed levels of 2002. Activity increases in the United States should gain momentum as the year progresses for the same rationale as in Canada.

The outlook in international markets appears also to be positive. Venezuela and the North Sea are likely to show some gradual activity improvement. Trends in the important North African, Asia Pacific, Russian and Kazakhstan markets, as well as Mexico and Brazil, are strengthening. In the first two months of 2003, the international rig count is 2 percent higher than it was in the first two months of 2002 and slightly below the average level of the fourth quarter. In the past five years, we have grown our international business at a substantially higher rate than the underlying market. We expect that historical performance to continue in 2003. Weatherford's performance should benefit from the growing commercialization of our new technologies, which has been particularly robust in international markets, as well as from the ongoing drive to further leverage our international footprint.

The Future Favors Technology and International Exposure

A number of factors are working to shape the future of our business. Among them, the most consequential is the acceleration of decline rates (a measure of the fall in hydrocarbon production from a well over time). Decline rates today are most pronounced in North American natural gas fields, where they often exceed 20 percent. Decline rates for oil and gas worldwide have approximately doubled in last decade and a half and all evidence points to a further doubling in a shorter period of time. At the same time, reservoir recovery rates continue to stagnate.

The impact of decline rates was clear this year. In North America, the drop in drilling activity combined with accelerated decline rates contributed to a decline in production, a substantial drop in natural gas inventories and a commodity price that is in the high end of its historical range.

In addition to decline rates, new discoveries are an order-of-magnitude smaller than the giant fields of the past and most of those are in the Middle East and Caspian regions as well as technologically challenging deepwater environments like offshore Brazil, Africa and the U.S. Gulf of Mexico. The future of our industry will increasingly be played out in international markets. Fortuitously, Weatherford has an extensive industrial base and well-recognized brand in international markets. This presence will serve us well as the industry's migration continues.

Accelerating decline rates and stagnating recovery rates will require producers to make increasing levels of capital investment and operating expense. Smaller average field discoveries will reduce the scale of potential production and further hamper the traditional economic incentives of oil and natural gas production. These trends are destructive and have made the development and commercialization of new technology more imperative than at any time in the history of our industry. Thus Weatherford has an intense focus on developing and commercializing technologies that can provide step-change improvements in costs and productivity.

Embedded in this letter is a list and map of milestones that we passed this year. They include technology milestones like the 150th installation of our successful Expandable Sand Screen (ESS™) in China, the commercial development of our Downhole Deployment Valve, an enabling technology aiding successful well pressure management for underbalanced drilling activities, the first ever installation of a permanent in well fiber optic seismic monitoring system in France, and the 300th casing drilling installation utilizing our Drilling with Casing (DwC™) system in India. We are clearly making progress in our efforts to address the pressing need that our industry has for step-change technology.

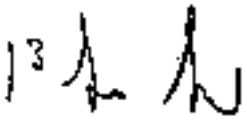
The list also highlights other firsts like the formation of WellServ™, a new global well intervention services business, the launch of a new proprietary

line of electrical submersible pumps and the installation of our first solid expandable well remediation system, MetalSkin™. Several of these milestones are celebrated in the narrative that immediately follows this letter. I hope these profiles give you a flavor of what Weatherford's technology and people can accomplish with their culture of innovation and service.

Closing Comments

We remain at heart a company dedicated to the pursuit of growth. This commitment is not open ended. It is self-constrained in four distinct ways. One, growth must be subject to the rigors of a return on capital employed discipline. Two, it must not impede gains in productivity, whether characterized by cost, quality or safety. Three, it must not imperil the tradition of service, which is the keystone of Weatherford's culture. Lastly, growth must be concurrent with the training and development of our people. In the final analysis, the most valued asset of a company, and this is particularly true of Weatherford, is its people. Equally important, we will remember that our first and foremost objective is shareholder wealth generation.

Respectfully,



Bernard J. Duroc-Danner
Chairman, President and Chief Executive Officer
March 2003

A Matter of Fact

Simple Solution, Big Potential

Global provider of drilling tools and services, fishing services, intervention services and well construction services

World's leading provider of fully integrated underbalanced drilling systems (UBS)

Only company to successfully install the Downhole Deployment Valve (DDV), a key to effectively managing pressure while drilling and completing in underbalanced mode. The DDV:

- **Operates in cased or open hole**
- **Owns deepest set record at 4536 ft and 27° inclination**
- **Has multiple shut-in capability**

Leading position in Drilling with Casing (DwC™) technology with more than 300 installations to date

The new Downhole Deployment Valve (DDV) helps unlock the full potential of underbalanced drilling, a breakthrough technology that dramatically increases well productivity

To understand the value of the Downhole Deployment Valve – which lies in making underbalanced drilling systems (UBS) simpler, safer, more efficient and consequently more cost effective – it helps to understand why UBS is so desirable.

Traditional Overbalanced Methods Create Problems

Underbalanced drilling differs from conventional overbalanced drilling in that it employs a fluid that has a hydrostatic column that is lighter than the formation pressure. Under these conditions, formation fluids (oil, gas, water) flow from the reservoir into the wellbore while drilling proceeds. Overbalanced drilling provides some operational advantage and simplicity, but it comes with a cost:

- Mud penetrates into the oil or gas bearing formation and creates "skin damage." This restricts oil or gas flow, due to the plugging of the pore throats or fractures through which formation fluids flow. This is a particularly serious problem when drilling wells in mature fields that are partially depleted, where formations are more prone to be invaded by conventional drilling fluids.
- The returns of mud can be lost completely into low pressure formations, making it cost prohibitive to continue drilling to gain access to productive intervals.
- There is negative effect on performance when operational problems arise that influence key drilling performance indicators. These would include increased drilling times due to slow penetration rates, differential sticking of drill strings when mud losses occur, and the time-consuming process of minimizing those losses.
- The operator can miss productive zones. Drilling fluid invasion sometimes displace hydrocarbons from the wellbore vicinity, making it difficult or impossible to detect productive zones by means of conventional logging tools used to evaluate the reservoirs.

UBS Adds Value

Weatherford has pioneered underbalanced drilling because UBS addresses the above problems: since there is no fluid invasion, skin damage does not occur. This provides operators assurance that the full potential of their reservoirs are delivered. Drilling performances are improved by increasing the rates of penetration and by the avoidance of non-productive time due to stuck pipe or mud losses. Wells drilled underbalanced also can eliminate the need for costly stimulation. Formation evaluation takes place as drilling progresses providing timely reservoir data. For the operator, the result is greater productivity, quicker payback, and improved return on investment.

A growing number of case histories also reveal that when UBS is applied in the right reservoir with the proper planning, well productivity can be orders of magnitude greater than with a conventional well drilled into the same formation. UBS wells have been proven to add additional years of productive field life, thus improving otherwise marginal economics.

"Now that the oil and gas industry is becoming more aware of the detrimental effect of formation damage in wells drilled conventionally, the underbalanced drilling and completion of wells is becoming more widely used and

Introducing members of the DDV team: (Pictured left to right) ***Brian Grayson****, DDV Production Champion responsible for the worldwide globalization, commercialization and implementation of the DDV;* ***Evert Jan Sibinga Mulder****, Vice President and global product line champion for Underbalanced Systems;* ***Ron McAdam****, DDV Manager for the US Region and responsible for the successful installations; (Not pictured)* ***Dave Hosie****, Product Line Engineering Manager - New Technology and UBS.*

accepted," said Evert Mulder, Vice President, Underbalanced Systems.

DDV: Enabling Technology that Simplifies UBS

In traditional underbalanced operations, the well is allowed to flow. This means that a flowing or shut-in pressure is always present in the annulus and requires that special precautions be taken during tripping operations for control purposes. Previously, these precautions were limited to killing the well or using a snubbing unit, and both methods carried certain disadvantages. Killing the well is detrimental for the reservoir. Related operational activities to displace kill fluid into and out of the well consume time and add to the high costs. Snubbing requires extra equipment to be rigged up and is an extremely slow paced operation that can significantly increase overall drilling times and costs.

As a solution, Weatherford developed the DDV, a full-opening flapper valve system that can be hydraulically operated from surface via a control line bundle. Its main function is to overcome the issue of the required time to trip pipe into or out of the hole and to install complex completion bottom hole assemblies. As a result, it eliminates the need to kill the well or use a snubbing unit.

"The ingenuity of this tool is that it is so simple," says Brian Grayson, the tool's developer and Product Champion. "We have a robust system based on proven technology."

Weatherford's DDV is the only successful application of this technology. The tool has an excellent track record that has proven the concept's viability and fully demonstrated its durability and reliability. The addition of available sizes (7in-26lb/ft, 7in-32lb/ft, and 9⅝ in-47lb/ft) into projects demonstrated that the potential operational savings could be significant, due to operational streamlining and the elimination of complicated tripping programs. In addition, the DDV significantly contributes to the safety and efficiency of underbalanced drilling and completion operations by:

- Isolating the formation and allowing for a safe and economic means of tripping in and out of the well while maintaining the underbalanced condition.
- Adding an additional well control element to conventional options.
- Eliminating the time and cost required to circulate kill fluids.
- Simplifying the deployment of long or complex bottom hole assemblies that create pressure seal problems.
- Aiding in the deployment and expansion of Weatherford's Expandable Sand Screen (ESS™) into an underbalanced well.

DDV technology increases operator options for both drilling and completion and creates opportunities for equipment utilization and installation methods that were not previously feasible.

A Matter of Fact

Moving Towards the Monobore Well

The industry's fastest growing completion company – average annual revenue growth > 50%

Global leader in expandable technologies:

- **Revolutionary Expandable Sand Screen (ESS™)**
- **Proprietary compliant expansion systems**

Leader in proprietary optical sensing technologies for Intelligent Completions

The 150th installation of the proprietary Expandable Sand Screen (ESS™) system shows how Weatherford is helping change the way oil is produced.

The 150th installation of Weatherford's proprietary *ESS* system marked another giant step forward in the commercialization of this exciting new technology. This installation took place in a project in Bohai Bay, offshore northern China, in November 2002.

As a technology leader, the customer was an early adopter of *ESS* technology for their development wells in the South China Sea. In 2002, the customer took its experience north to Bohai, with a plan to drill two dozen deviated wells to experiment with different approaches.

ESS Demonstrates Flexibility of Application

The first set of wells were drilled conventionally, with metal casing cemented inside the hole to prevent the reservoir's sandy formations from collapsing into the wellbore. The casing was then perforated to allow the oil to flow, and the *ESS* system was run inside the perforated casing to prevent the influx of sand. The installation process worked flawlessly, yet production results did not meet the customer's hopes. The oil in this reservoir does not flow easily.

Next, fracturing the near wellbore formation to give the oil more channels to flow through was performed prior to running the *ESS* system. This improved production, but it added another level of complexity and cost to an already expensive process. Fracturing in particular is always costly.

Ultimately the customer decided to risk an open-hole completion on the next well – no casing, no perforating, no fracturing, no packing. The only method of protecting and stabilizing the near wellbore formation would be the Weatherford *ESS* system. It had the potential to be a quick and low-cost solution.

This test turned out to be the perfect opportunity for Weatherford's unique compliant *ESS* technology. Other vendors sell expandable screens, but they rely on forcing a fixed metal cone through the screen to expand it. The fixed cone can only open up the screen so far (typically no more than 25%), and loose sand from the formation can still migrate into the space between the wellbore and the outside of the screen, preventing the flow of oil.

Weatherford was chosen because we utilize fixed expansion only as a first step. We then follow the initial expansion with our proprietary Axial Compliant Expansion (ACE) tool. The ACE tool has hydraulically operated rollers that press outward from a central shaft, squeezing the *ESS* screen snug against the wellbore. At the end of the process, the *ESS* system is compliant, and the wellbore has a tough sandscreen "exoskeleton" that helps stabilize the formation.

Weatherford's product and service quality was high as well. Our Expandable Sand Screens are produced at our advanced manufacturing facility in Aberdeen under exacting quality control standards. For the Bohai Bay job, the *ESS* components went to our Bohai Bay service center in Tanggu for preassembly, and then to the platform. Here our Completion Systems crew worked with the customer to manage every aspect of the installation, all of it in sub-freezing temperatures.

Introducing Weatherford's ESS Bohai Bay team: (Pictured) ***Paul Metcalfe****, Vice President responsible for worldwide globalization of ESS Systems in 2002;* ***Annabel Green****, New Technologies Engineer;* ***Steve Walduck****, Field Engineer in Bohai Bay. (Not pictured)* ***Alistair Geddes****, Region Director;* ***Mike Ravlich****, Business Development Manager in China during the project;* ***Pat Moran****, ESS Technical Manager;* ***Richard Quantrill****, District Manager;* ***Tang Ya Ming****, in charge of China Sales;* ***Mike Larter****, Operations Manager;* ***Ross Edwards****, Senior Field Engineer;* ***Xue Cheng Gang (Boots)****, Sand Control Engineer; and* ***Ali Gauld****, Operations Engineer and Technical Coordinator.*

Results Include Doubled Production

The installation went like clockwork – and the results were clear almost immediately. This well came on line with production nearly double that of most previous wells in the same area.

Alistair Geddes, Region Director for Asia Pacific, notes that to date 56 percent of all *ESS* applications have been in open holes. "We are continuing to refine zonal isolation techniques and we are working closely with our customers to continue to drive efficiencies in our systems."

Focusing on a Major Market Opportunity

Our ultimate goal at Weatherford is the monobore well and other optimized well architecture configurations. With conventional casing systems, each new section is run inside the previous casing, so wells telescope down from a surface diameter of 2-3 feet to a bottom hole diameter of only a few inches. But by expanding tubing inside the hole (by 20-35%), each run of casing can be made the same size as the previous run. Drilling proceeds faster, using smaller and less expensive rigs and with lower materials costs and fewer cuttings to dispose of. Simplified tubular inventories also offer significant savings. The Weatherford OptiWell™ System moves us toward the monobore well through the utilization of solid expandable drill liners in the operator's well plans. Every successful installation of *ESS* and solid tubular expandables like MetalSkin™ and Expandable Liner Hangers (ELH™) takes us another step closer to realizing a substantial share of the estimated multi-billion dollar market for expandables.

Reflecting on the success of the 150th installation, Mike Ravlich, District Manager for China, credits teamwork. "We worked hand in glove with our customer" he says, "starting at the conceptual stage, and working the whole way to engineer solutions fit for their challenges."

Where does the future lie for Weatherford? With extensive intellectual property rights in slotted and solid expandable tubulars, using both compliant and solid cone expandable systems, we are ideally suited to build and dominate this new market.

"We ran 90% of the expandable sand screen jobs that were done in Asia Pacific last year," says Alistair. "But that is a fraction of the total market for sand control. Our challenge is to retain our market share, continue to demonstrate productivity enhancements, and build on our technology with zonal isolation, single-trip capability and new products in expandable solid tubulars. There's an exciting future ahead."

A Matter of Fact

Capitalizing on the Billion Dollar Market for ESPs

The world's only single-source provider of artificial lift systems, including production optimization

An emerging provider of electric submersible pumps

Expanding into other production enhancing services

Average annual revenue growth of 33% since 1999

Weatherford is the market leader in five of the six forms of artificial lift – but not in electric submersible pumps (ESPs). We're planning to change that.

Despite the challenging global economic environment, Weatherford is developing a new line of electric submersible pumping systems (ESPs), an area in which we have historically had little market presence. Why?

The answer lies partly in the market itself. As hydrocarbon reservoirs mature and cease to flow under their own pressure, artificial lift is required. Most types of artificial lift are powered by surface motors that require considerable space; these lift systems are also limited in the volume of oil they can produce. In contrast, electric submersible pumps sit at the bottom of the wellbore, so little space is required on the surface. Also, ESPs can operate in highly deviated wells where other forms of lift may not work.

ESPs pump large volumes of oil very efficiently. They are the obvious solution for offshore platforms where space is limited – and the number of offshore reservoirs that require pumping is increasing as natural production pressures continue to decline. The demand for ESPs is strong and will inevitably grow stronger.

Strategy for Growth

How can Weatherford hope to capture a meaningful share of the substantial market segment that ESPs represent?

First, customers have asked us to get into this business. "They want us to provide ESPs because they trust Weatherford's reputation for reliability," says Adam Esberger, Global Business Unit Manager - ESP Systems and the driving force behind the new product line. "The pumps in the market today might run for a few months, one day, or seven years – it's impossible to know with certainty. What we can do is give customers Weatherford-manufactured equipment that we can say with the highest confidence will meet their expectations."

Existing contracts with customers pave the way for a quick ramp-up of Weatherford's ESP business. Because we already have artificial lift agreements with nearly every major producer, selling an ESP system can be as simple as an addendum to an existing contract.

The second key reason to enter the ESP market relates to the Weatherford global footprint. Our widespread supply base supports both significant local content in manufactured goods – of growing importance to many customers – plus low-cost procurement and manufacturing. We feel secure that none of our competitors will be able to lock us out of the ESP business by cutting prices.

In addition to global supply, Weatherford has infrastructure, service centers and qualified people in place around the world, while many of our competitors have trouble servicing remote locations. We now operate technologically advanced ESP manufacturing, assembly and service facilities in Shanghai, China; Alexandria, Egypt; and Edmonton, Canada. Both the Shanghai and Alexandria centers have test wells on-site and offer comprehensive training for both Weatherford and customer personnel. Producers will not have to travel around the world for service or training.

Third, we are growing this business organically, not through acquisition.

Introducing the collaborative team behind Weatherford's new ESP line: (Pictured left to right) ***Graham Anderson*** *manages global sales and marketing strategy;* ***Adam Esberger****, responsible for the worldwide globalization of ESPs; (Not pictured)* ***Neil Gardner*** *handles project management of the Shanghai facility and Asia-Pacific business development;* ***Madgy Kirolos*** *focuses on product line development (surface), field service support and project management for the new facility in Egypt;* ***Philip Fouillard****, in charge of operations for Canada, as well as rapid dismantle and inspection procedures;* ***Richard Delaloye*** *focuses on product line development (downhole) and field service support; and* ***Dr. Woon Lee****, responsible for R&D and support engineering.*

We have no aging or obsolete legacy systems to maintain, no incompatible inventories to keep track of. By building our own ESPs, we can offer reliable systems that will mesh seamlessly with other Weatherford products and services.

Another industry first: All Weatherford ESP systems will be completely integration-tested before shipping out to customers. That encompasses every part of the installation, including the new Weatherford power transformer (no other ESP provider manufactures their own transformers). Our goal is to ensure that no customer will ever be caught with expensive down-time trying to make all the pieces fit together.

Improved Technology, Better Service

The new Weatherford ESPs also offer improved technology, including a best-in-class monitoring system. Our system is able to send more data up and down the well faster than competing systems. When a downhole event occurs, it can be diagnosed and addressed more quickly, giving our customers significantly better service.

Unlike competitive systems, the Weatherford ESP system is modular. Changing out a gauge, for example, requires only that it be unscrewed and another screwed in – no need to send parts back to the plant for calibration. No other company we know of can repair or upgrade their equipment as simply and cost-effectively as we can.

There is more to providing ESPs than excellent hardware plus worldwide training and support. ESPs are very sensitive to reservoir parameters – if the pump isn't configured and installed correctly, customers can face hundreds of thousands of dollars in equipment and workover costs. The Weatherford team is long on talent in engineering, installation, commissioning and failure-analysis. We take responsibility for the entire job, concept through commissioning.

All of us at Weatherford are excited about the new offering. This business is based on relationship selling – customers depend on their ESP supplier for oil production – and we already have excellent long-term relationships as a result of our leadership in other forms of artificial lift. Now we can offer customers a complete solution over the life of a well or field, improving their overall return on investment.

Corporate Directory

Headquarters

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Houston, Texas 77027
713/693-4000

Registrar and Transfer Agent

American Stock Transfer
& Trust Company
40 Wall Street
New York, NY 10005

Auditors

Ernst & Young LLP
5 Houston Center
1401 McKinney, Suite 1200
Houston, Texas 77010

Legal Counsel

Andrews & Kurth, LLP
600 Travis, Suite 4200
Houston, Texas 77002

Stock Data

New York Stock Exchange
Symbol: WFT

Corporate Officers

Bernard J. Duroc-Danner
President, Chief Executive Officer,
Chairman and Director

E. Lee Colley, III
Senior Vice President and
President - Artificial Lift Systems

Stuart E. Ferguson
Senior Vice President and
President - Completion Systems

Gary L. Warren
Senior Vice President and
President - Drilling &
Intervention Services

Donald R. Galletly
Senior Vice President -
Corporate Marketing

Burt M. Martin
Senior Vice President,
General Counsel and Secretary

Jon R. Nicholson
Senior Vice President -
Human Resources

Lisa W. Rodriguez
Senior Vice President and
Chief Financial Officer

M. David Colley
Vice President -
Global Manufacturing and
Information Technology

James N. Parmigiano
Vice President -
Operational Controller

Directors

Philip Burguieres
Vice Chairman
The Houston Texans
(National Football League franchise)

David J. Butters
Managing Director
Lehman Brothers Inc.
(Investment banking company)

Bernard J. Duroc-Danner
Chairman of the Board, President
and Chief Executive Officer
Weatherford International Ltd.

Sheldon B. Lubar
Chairman
Lubar & Co.
(Private investment company)

William E. Macaulay
Chairman and
Chief Executive Officer
First Reserve Corporation
(Investment funds manager)

Robert B. Millard
Managing Director
Lehman Brothers Inc.
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Robert K. Moses, Jr.
Private Investor

Robert A. Rayne
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London Merchant Securities plc
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