

# Letter TO OUR SHAREHOLDERS

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



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## DEAR FELLOW SHAREHOLDERS,

**The year 2014 was keystone in our turnaround, and we made tremendous progress. With a highly committed management team and an intensely dedicated organization, we effectively implemented a disciplined strategy and delivered on our objectives. Our direction focused on our core business segments, and we lowered our cost structure, while firmly embedding cash in our Company's culture. Cash is now a part of who we are. With a clear and disciplined strategy, we successfully monetized several of our non-core businesses, and we reached our goal of annualized cost savings. We showed progression in all key operating and financial metrics and have emerged a stronger and leaner company. We clearly understand our direction and the culture that drives us.**

Building on our achievements, we have both the momentum and headroom to align and prioritize our actions to react to a quickly changing industrial landscape. We are taking swift measures and view the current market as a challenge as well as an opportunity. We will focus on what we can control and will adjust ourselves to a new reality by intensifying and heightening our cost and cash initiatives. Our strategic priority will be to ensure our entire organization is fully committed to an external focus. This is what we need to do, and this is what we will execute.

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## AGGRESSIVELY ADDRESSING COST

We will aggressively address direct and indirect costs company-wide in reaction to the current market and our long-term transformation. Our actions will center on improving both cyclical and structural costs. There are major gains to be had from both. We will actively lower direct costs to match quickly changing market volumes. We will de-layer the organization to operate in a flatter, leaner and faster manner. Such an efficient structure enables quicker decision-making, enhanced transparency in communication and will drive standardization as well as simplification across work streams. We plan to rationalize support functions, eliminate staff duplication and move as many direct responsibilities as possible to regions. In a simplistic and meaningful way, we want to minimize the number of handshakes from field to CEO. We have a clear view of the additional levers we can use to preserve and grow our Company. We will prioritize and focus on crucial actions across key areas of our business that will drive us forward.



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## A DISCIPLINED APPROACH TO CASH

We will continue to build on our past progress. This is a multi-year progression. With an unencumbered focus on our core businesses, our inherent capital intensity will decline, as the capital attributes of our core businesses emerge. Over the last year, our free cash flow from operations improved, and the trend is encouraging. We remain single minded to turn this corner, and we are committed to be free cash flow positive in 2015. Everyone in our organization is aware of this directive, and we are working together to make it happen. For us going forward, cash generation will be consistent and perennial. During 2014, we de-levered our balance sheet and de-risked the Company. We generated non-core divestiture proceeds, which significantly exceeded our target and thereby substantially reduced our net debt ahead of a cyclical challenged year.



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## A FOCUS ON OUR CLIENTS

After several years of necessary introspection in order to overcome our legacy issues in administrative inefficiencies, we can now shift our attention to an external focus. Of all our 2015 objectives, this will be our most strategic priority. Clients will drive Weatherford's time and attention. Priorities will be set and metrics and compensation further aligned. Agenda and time spent will be reoriented. Everything at Weatherford will begin with our clients. We will be highly responsive, immerse ourselves in our clients' business and leverage our knowledge and expertise to exceed their expectations. The conversion from internal focus to what we need to be, which is entirely dedicated to our clients, will yield a high net gain.



# DRIVING BUSINESS THROUGH TECHNOLOGY INNOVATION AND LEADERSHIP

With the breadth of our toolbox and our technology depth, our core is a powerful and attractive suite of product lines, including Artificial Lift, Formation Evaluation, Well Construction including Completion and Stimulation, all of which have an outstanding future with exceptional profit margins and strong capital attributes.

As pioneers in Artificial Lift Systems, we are relentless in our mission to make the best even better by delivering greater production capabilities with improved reliability and efficiency. In 2014, we continued to capitalize on our dominant position by introducing the industry's most effective Sand Tolerant Pump, integrating advanced sand screen technology to extend run life, reduce interventions, lower operating expenses and increase production.

We continue to set the highest industry standard in Production Optimization with more than 480,000 wells in our dominant and growing portfolio. As production activities become more complex, the stakes become higher, making key production information even more critical. Having consistently proven our value, operators turn to Weatherford to improve well economics and to meet and exceed demanding production goals.

In Formation Evaluation, our differentiated methodology leverages cross-product line technologies and advanced reservoir expertise. Our award-winning Revolution Rotary Steerable (RSS) and record-setting Logging-while-Drilling (LWD) are just two of our cutting-edge product portfolios using the latest sensor technologies to access previously unattainable reservoirs.

Our leadership position in the Well Construction segment is undeniable. Embedded at the core of our success, is our committed understanding and delivery of wellbore integrity. From the industry's most comprehensive Tubular Running Service (TRS) portfolio to our fully integrated Well Abandonment and Intervention Services, we address client challenges, risks and opportunities faster, more safely and more economically than ever before. With a new drilling convention, Managed Pressure Drilling (MPD) is maximizing performance while assuring the highest levels of safety and well integrity.

In Completion and Stimulation, we leverage our unconventional market expertise to enable operators to increase their investment in lower cost completion solutions maximizing recovery. Our newest technology, the TerraForm® open hole packer system, has the ability to fundamentally change offshore completion philosophy by eliminating the need to case and cement the wellbore across the reservoir. By moving to open hole completion, we can help operators save \$20-\$30 million per well in equipment and operating costs.

When asked if we have the product lines and technological capabilities commensurate with our ambitions, the answer is a resounding yes. Our formidable suite of highly engineered and innovative technologies empowers our clients to make strategic adjustments in real-time to achieve greater productivity and efficiency throughout the lifecycle of the well.

Our clients inspire and provide us with the industry challenges that are the seeds of our innovation, and we continuously challenge ourselves to bring unique technology solutions to the industry. Anchoring us in opportunity, our technology offerings and product integration, combined with reliability, efficiency and service quality, will deliver wells in a faster time, more efficiently and cost effectively than ever before.



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## COMMITMENT TO SAFETY AND SERVICE QUALITY

With a commitment to peak safety performance as well as to continually elevate our service quality, our employees remain dedicated to meeting the highest metrics. We understand that being responsible stewards and adhering to the strictest safety and service quality standards is a critical factor in our Company's success. During 2014, we are especially proud to have achieved the best safety record in our history. This impressive level of safety and service quality performance was realized by leveraging our expansive global infrastructure together with our extensive technical training to ensure our client's expectations are fully met at the well site.

**OUTSTANDING  
SAFETY  
PERFORMANCE  
IN 2014**

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## INTEGRATING SUSTAINABILITY

Sustainability adds value to all aspects of our business. Our sustainability program is positioned to meet future opportunities and challenges as well as manage business drivers such as capital efficiency, growth, profitability and risk.

One of many steps in our sustainability program was to define and develop a platform to consistently report environmental and social initiatives leading to cost savings and revenue generation. We are gaining momentum, and the adoption and implementation of sustainability measures is becoming of increasing importance in the ways we address our daily business. We will pursue not only the simple aggregation of our sustainability initiatives, but we will prioritize their integration into our Company's corporate culture.

OUR SUSTAINABILITY FOCUS:

- \\ \\ \\ **ETHICS AND COMPLIANCE**
- \\ \\ \\ **ENVIRONMENTAL PROTECTION**
- \\ \\ \\ **ON-THE-JOB INNOVATION**
- \\ \\ \\ **COMMUNITY RELATIONS**

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## AN ENGAGED AND EMPOWERED WORKFORCE

Through our entrepreneurial spirit and culture of innovation, we create new answers to our clients' toughest challenges around the world. Our people develop new and efficient ways to meet the needs of an evolving industry. With the drive and caring that characterizes Weatherford's family, our Company has successfully delivered on many of the objectives we set for ourselves a year ago. Through decisive action and hard work, our employees have made this happen. Thank you for your dedication and your achievements, and I add my personal appreciation and gratitude to each of you for all you have done, and for all you do for Weatherford.

The correct balance of skills, experience and qualifications is critical to ensuring Weatherford's Board oversees the Company effectively for our shareholders. We are pleased to welcome Mr. Mohamed A. Awad as a new member of our Board, whose deep industry experience and vast Middle East expertise will add valuable perspective in effectively helping shape and guide our Company's future goals and strategies.



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## THE DIRECTION THAT DRIVES US

Our progress has been remarkable, and our Company is in a much stronger position today than we were a year ago. Weatherford has clearly shown drive, speed and fighting spirit. The drop in commodity prices is a harsh reality, and we realize the implications. Nevertheless, the long-term fundamentals of our business remain intact. The emergence of unconventional resources and the unrelenting acceleration of production decline rates all add up to strong secular increases for more oilfield service and equipment applications and technology advancements.

Near-term, we are confronted with an unusually severe market contraction in North America. Given the challenging industrial context, there is a silver lining. It is easier to make efficiency leaps in this kind of market, and we can make fast and deep progress. Long-term, we are in the best of industries, and there is significant room to prosper.

We clearly understand the culture that drives us. During 2015, our direction is clear and simple. We will focus on further cost efficiencies, both cyclical and structural, perennially generating free cash flow and engaging in the closest client collaboration. Quality and safety in execution will continue to be paramount. By year-end, Weatherford will be the most effective the Company has ever been.

Respectfully,

A handwritten signature in black ink, consisting of a stylized 'B' followed by a series of loops and a final flourish.

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