

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

GLENN FREEDMAN, individually and on
behalf of all others similarly situated,

Plaintiff,

v.

WEATHERFORD INTERNATIONAL LTD.,
BERNARD J. DUROC-DANNER, and
ANDREW P. BECNEL,

Defendants.

12 Civ. 2121 (LAK) (JCF)

DEFENDANTS WEATHERFORD INTERNATIONAL LTD., BERNARD J. DUROC-DANNER, AND ANDREW P. BECNEL'S ANSWER TO THE CONSOLIDATED AMENDED CLASS ACTION COMPLAINT

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and Andrew P. Becnel*

ANSWER

Defendant Weatherford International Ltd. (“Weatherford” or the “Company”) and Individual Defendants Bernard Duroc-Danner (“Duroc-Danner”) and Andrew Becnel (“Becnel”) (collectively, “Defendants”), by and through their attorneys Latham & Watkins LLP, respectfully submit Defendants’ Answer and Affirmative Defenses to the Consolidated Amended Class Action Complaint, filed by Co-Lead Plaintiffs Anchorage Police & Fire Retirement System and Sacramento City Employees’ Retirement System (collectively, “Lead Plaintiffs”), on September 14, 2012 (the “Amended Complaint”). Defendants deny that Lead Plaintiffs are entitled to judgment in their favor or to any relief whatsoever, including the relief requested in paragraphs (a) through (d) of Lead Plaintiffs’ prayer for relief. To the extent not expressly admitted, all allegations in the Amended Complaint are denied. Defendants state upon information and belief as follows:

PREAMBLE

Defendants expressly reserve the right to amend their answer, or seek leave to amend their answer, to modify and/or assert all claims, defenses, counterclaims and third-party claims permitted by law.

To the extent the headings and subheadings in the Amended Complaint are intended to constitute factual allegations, Defendants deny the allegations.

ANSWERING “NATURE OF THE ACTION”

1. To the extent the allegations in Paragraph 1 call for legal conclusions, Defendants need not respond. Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2010, filed with the U.S. Securities and Exchange Commission (“SEC”) on March 8, 2011, stated: “This Form 10-K includes restated financial information for the years ended

December 31, 2009, 2008 and 2007, and the quarterly periods ended March 31, June 30 and September 30, 2010, and all four quarters of 2009 due to errors in the Company's accounting for income taxes." Defendants admit that some of the financial results contained in the financial statements for the periods covered by the March 8, 2011 restatement were incorrect. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, stated: "This Form 10-K includes restated financial information for the years ended December 31, 2010 and 2009, and the quarterly periods ended March 31, June 30 and September 30, 2011, and all four quarters of 2010 due to errors in the Company's accounting for income taxes." Defendants admit that some of the financial results contained in the financial statements for the periods covered by the March 15, 2012 restatement were incorrect.

Defendants admit that Weatherford's Form 10-K/A for the year ended December 31, 2011, filed with the SEC on December 17, 2012, stated: "This Form 10-K/A includes restated financial information for the years ended December 31, 2011, 2010 and 2009, and the quarterly periods of 2011 and 2010 due to errors in the Company's accounting for income taxes." Defendants admit that some of the financial results contained in the financial statements for the periods covered by the December 17, 2012 restatement were incorrect. Defendants admit that the Amended Complaint purports to arise from the above-listed restated financial statements. To the extent the allegations in Paragraph 1 reference Generally Accepted Accounting Principles ("GAAP"), those principles speak for themselves, should be read as a whole, and provide only as stated therein.

Defendants deny the remaining allegations in Paragraph 1.

2. To the extent the allegations in Paragraph 2 call for legal conclusions, Defendants need not respond. To the extent the allegations in Paragraph 2 reference GAAP, those principles

speak for themselves, should be read as a whole, and provide only as stated therein. Defendants deny the remaining allegations in Paragraph 2.

3. Defendants admit that Amended Complaint states that the purported class period begins on March 2, 2011, and ends on July 24, 2012. Defendants admit that Weatherford filed a Form 8-K with the SEC on March 1, 2011, which stated: “[W]e identified the errors set forth in Item 4.02(a), the correction of which will be adjustments to our historical financial statements and our 2010 fourth quarter earnings release.” Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2010, filed with the SEC on March 8, 2011, stated: “This Form 10-K includes restated financial information for the years ended December 31, 2009, 2008 and 2007, and the quarterly periods ended March 31, June 30 and September 30, 2010, and all four quarters of 2009 due to errors in the Company’s accounting for income taxes.” Defendants admit that Weatherford filed a Form 8-K with the SEC on March 1, 2011, which stated:

As a result of identifying the material weakness, we performed additional testing to determine whether or not the material weakness failed to identify any material errors in our accounting for income taxes. We have substantially completed the testing procedures. Based on these procedures, we have identified errors, the correction of which will be adjustments to our historical financial statements and our 2010 fourth quarter earnings release, totaling approximately \$500 million for the periods from 2007 to 2010. The amount for each year is expected to range from \$100 million to \$150 million. Approximately \$460 million of these adjustments relate to an error in determining the tax consequences of intercompany amounts over multiple years.

Defendants deny the remaining allegations in Paragraph 3.

4. Defendants admit that Weatherford filed a Form 8-K with the SEC on March 1, 2011, which stated:

During management’s assessment of the effectiveness of the Company’s internal control over financial reporting as of December 31, 2010, management identified a material weakness in the Company’s internal control over financial reporting for income taxes. .

. . . The Company's processes, procedures and controls related to financial reporting were not effective to ensure that amounts related to current taxes payable, certain deferred tax assets and liabilities, reserves for uncertain tax positions, the current and deferred income tax expense and related footnote disclosures were accurate.

Defendants admit that the transcript of a conference call held on March 2, 2011, in which analysts participated, indicates that Duroc-Danner stated: "Where we had weaknesses clearly is in the process realm" Defendants admit that the transcript further indicates that Becnel stated: "The process piece is what we are talking about today, which led to the error."

Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2010, filed with the SEC on March 8, 2011, stated: "This Form 10-K includes restated financial information for the years ended December 31, 2009, 2008 and 2007, and the quarterly periods ended March 31, June 30 and September 30, 2010, and all four quarters of 2009 due to errors in the Company's accounting for income taxes." Defendants deny the remaining allegations in Paragraph 4.

5. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2010, filed with the SEC on March 8, 2011, stated, under the heading "Long-term Debt": "We have issued various senior notes, all of which rank equally with our existing and future senior unsecured indebtedness, have semi-annual interest payments and no sinking fund requirements." Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2010, filed with the SEC on March 8, 2011, listed the Company's Long-term debt for 2010 as \$6,529,998,000. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, stated that prior to July 2011, the Company "maintained a \$1.75 billion unsecured, revolving credit agreement[.]" To the extent the allegations in Paragraph 5 reference SEC regulations, those regulations speak for themselves,

should be read as a whole, and provide only as stated therein. Defendants deny the remaining allegations in Paragraph 5.

6. Defendants admit that Weatherford filed its Form 10-Q for the quarterly period ended March 31, 2011 with the SEC on May 10, 2011, its Form 10-Q for the quarterly period ended June 30, 2011 with the SEC on July 29, 2011, and its Form 10-Q for the quarterly period ended September 30, 2011 with the SEC on October 27, 2011. Defendants admit that the Company's Form 10-Q for the quarterly period ended March 31, 2011, the Company's Form 10-Q for the quarterly period ended June 30, 2011, and the Company's Form 10-Q for the quarterly period ended September 30, 2011 stated: "We prepare these financial statements in conformity with U.S. generally accepted accounting principles." Defendants admit that the Company's Form 10-Q for the quarterly period ended September 30, 2011, stated:

In light of th[e] material weakness, in preparing our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q, we performed additional reconciliations and other post-closing procedures to ensure our condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles.

Defendants deny the remaining allegations in Paragraph 6.

7. Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in the first and third sentences of Paragraph 7, and on that basis deny the allegations. Defendants admit that Societe Generale issued a report on October 25, 2011, entitled "WFT Q3 2011 – Two down, is three in the cards?," which stated: "Weatherford (WFT) reported Q3 2011 adjusted net income of \$197 million – very much in line with the consensus number of \$200 million and at the upper end of the company's guidance – marking the second quarter in a row that the company has met or exceeded expectations." Defendants deny the remaining allegations in Paragraph 7.

8. Defendants admit that Weatherford filed a Form 8-K with the SEC on February 21, 2012, which attached as an exhibit a press release stating that the Company planned to “restate prior period financial results for tax adjustments.” Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, stated: “This Form 10-K includes restated financial information for the years ended December 31, 2010 and 2009, and the quarterly periods ended March 31, June 30 and September 30, 2011, and all four quarters of 2010 due to errors in the Company’s accounting for income taxes.” Defendants admit that the Form 10-K included restated selected financial data for 2008 and 2007. Defendants admit that some of the financial results contained in the financial statements for the periods covered by the March 15, 2012 restatement were incorrect. Defendants deny the remaining allegations in Paragraph 8.

9. Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, stated: “[I]n the aggregate . . . errors resulted in an understatement of income tax expense by \$41 million and \$50 million compared to the previously restated results for 2010 and 2009, respectively. Errors attributable to 2008 and prior totaled \$165 million.” Defendants admit that the Form 10-K indicated that the adjustments to the income tax provision for the first three quarters of 2011 totaled \$118 million. Defendants admit that Weatherford filed a Form 8-K with the SEC on February 21, 2012, which attached as an exhibit a press release stating:

As a result of the continued material weakness over the accounting for income taxes, significant incremental work has been performed by Weatherford employees and external advisors during 2011 and early 2012, which management expects to result in roughly \$225 million to \$250 million of aggregate net adjustments to previously reported financial results for the years 2010 and prior relating to the correction of errors identified with respect to the company’s accounting for income taxes.

Weatherford's Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, stated that the income tax provision, as reported, was \$19 million, \$46 million and \$82 million for the first, second and third quarters of 2011, respectively. Defendants admit that the Form 10-K included an update to its Management Discussion and Analysis, which stated that the tax provision for the nine months ended September 30, 2011 was \$265 million on income before taxes. Defendants deny the remaining allegations in Paragraph 9.

10. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, stated: "This Form 10-K includes restated financial information for the years ended December 31, 2010 and 2009, and the quarterly periods ended March 31, June 30 and September 30, 2011, and all four quarters of 2010 due to errors in the Company's accounting for income taxes." Defendants admit that the Form 10-K further stated: "As a result of the remediation efforts during 2011, management identified additional errors in prior periods related to recognition of current taxes payable, certain deferred tax assets and liabilities, reserves for unrecognized tax benefits and current and deferred income tax expense." Defendants deny any remaining allegations in Paragraph 10.

11. To the extent the allegations in Paragraph 11 reference SEC regulations, those regulations speak for themselves, should be read as a whole, and provide only as stated therein. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, stated: "This Form 10-K includes restated financial information for the years ended December 31, 2010 and 2009, and the quarterly periods ended March 31, June 30 and September 30, 2011, and all four quarters of 2010 due to errors in the Company's accounting for income taxes." Defendants admit that Weatherford filed a Form 8-K with the SEC on February 21, 2012, which attached as an exhibit a press release stating that the

Company planned to “restate prior period financial results for tax adjustments.” Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2012, filed with the SEC on March 4, 2013, stated: “On April 4, 2012, we completed a \$1.3 billion long-term debt offering comprised of [Senior Notes]. The net proceeds from this offering were used to repay short-term indebtedness under our commercial paper program and for general corporate purposes.” Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, stated that the Company had used approximately \$1.06 billion of its revolving credit facility at December 31, 2011, of which approximately \$1 billion was issued in commercial paper in 2011. Defendants deny the remaining allegations in Paragraph 11.

12. Defendants admit that Weatherford filed a Form 8-K with the SEC on July 24, 2012, which attached as an exhibit a press release stating: “[T]he company expects to . . . restate its previously issued Report on Form 10-K for the year ended December 31, 2011 and previously issued Report on Form 10-Q for the quarter ended March 31, 2012 and file its Report on Form 10-Q for the quarter ended June 30, 2012.” Defendants admit that Amended Complaint states that the purported class period ends on July 24, 2012. Defendants admit that Weatherford filed a Form 8-K with the SEC on July 24, 2012, which attached as an exhibit a press release stating:

- The aggregate \$92 million of prior period expenses identified in the first two quarters of 2012 include \$34 million in 2011; \$22 million in 2010; \$20 million in 2009 and \$16 million in 2008 and before, although management’s analysis is not complete and these figures are subject to revision. Except for additional net payments made as tax returns were filed, none of the adjustments is expected to affect the company’s historically reported net debt balances.
- The company has also identified additional issues related to the accounting for income taxes in prior periods and is completing its analysis of these issues. These additional issues could result in further adjustments. The company currently estimates that these additional

tax-related issues could result in further adjustments of up to \$15 million.

Defendants admit that the press release further stated:

The company anticipates that these amended filings and its Quarterly Report on Form 10-Q for the current period will not be completed by the applicable SEC due date of August 9, 2012. The company will endeavor to make such filings and file its third quarter Form 10-Q by the SEC due date of November 9, 2012, but its ability to do so will depend on the results of ongoing accounting procedures and procedure improvements, and the company cannot provide assurances that it will be able to achieve that date.

Defendants deny the remaining allegations in Paragraph 12.

13. Defendants admit that Weatherford filed a Form 8-K with the SEC on December 10, 2008, which attached as an exhibit a press release announcing a proposed redomestication from Bermuda to Switzerland. Defendants admit that during the first quarter of 2009, Weatherford redomesticated to Switzerland. Defendants admit that Weatherford's corporate offices are located in Houston, Texas. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2009, filed with the SEC on March 1, 2010, listed the Company's effective tax rate as 6.5% in 2009. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2008, filed with the SEC on February 24, 2009, listed the Company's effective tax rate as 25.9% in 2006. Defendants lack knowledge or information sufficient to form a belief as to whether Wall Street analysts were "constantly following the effective tax rate and its effect on earnings," and on that basis deny the allegation. Defendants admit that the transcript of a February 21, 2012 earnings conference call indicates that Joe Hill of Tudor, Pickering, Holt stated:

I hate to beat a horse that's looking pretty dead here, but the tax guidance for 2012 essentially implies zero benefit for the redomestication in Switzerland. And I'm trying to comprehend mechanically why that's the case and then how we leverage the tax

structure going forward a little bit better in order to get that rate down. Because, essentially, you look like you have a U.S. tax rate right now.

Defendants deny the remaining allegations in Paragraph 13.

14. Defendants admit that the Company's stock closed at approximately \$23.52 per share on March 1, 2011, the highest closing price during the purported class period. Defendants admit that the market capitalization of the Company was approximately \$17.8 billion on March 1, 2011. Defendants admit that on July 24, 2012, the last day of the purported class period, the Company's stock closed at approximately \$12.80 per share. Defendants deny the remaining allegations in Paragraph 14.

ANSWERING "JURISDICTION AND VENUE"

15. Defendants admit that the Amended Complaint purports to assert claims for violations of Sections 10(b) and 20(a) of the Exchange Act, and Rule 10b-5 promulgated thereunder. Defendants deny the allegations in Paragraph 15 to the extent they purport to assert that there is a basis in fact or law for Lead Plaintiffs' claims. Defendants deny any remaining allegations in Paragraph 15.

16. Defendants admit that this Court has jurisdiction over this action. Defendants deny any remaining allegations in Paragraph 16.

17. Defendants admit that venue is proper in this District. Defendants deny any remaining allegations in Paragraph 17.

18. Defendants deny the allegations in Paragraph 18.

ANSWERING "PARTIES"

A. Plaintiffs

19. Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 19, and on that basis deny the allegations.

20. Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 20, and on that basis deny the allegations.

B. Weatherford

21. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2012, filed with the SEC on March 4, 2013, stated that the Company "is one of the world's leading providers of equipment and services used in the drilling, evaluation, completion, production and intervention of oil and natural gas wells." Defendants admit that the Form 10-K further stated that the Company employed approximately 70,000 employees as of December 31, 2012, and that the Company operates in more than 100 countries. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, reported approximately \$13 billion in revenues and \$278 million in net income for 2011.

22. Defendants admit that the Company moved its location of incorporation to Bermuda in 2002. Defendants admit that during the first quarter of 2009, the Company redomesticated from Bermuda to Switzerland and that its headquarters are located at 4-6 Rue Jean-Francois Bartholoni, 1204 Geneva, Switzerland. Defendants admit that Weatherford's corporate offices are located in Houston, Texas. Defendants admit that the Company's stock is traded on the New York Stock Exchange ("NYSE"), SIX Swiss Exchange, and NYSE Euronext Paris Exchange under the symbol "WFT." Defendants deny the remaining allegations in Paragraph 22.

C. Individual Defendants

23. Defendants admit the allegations in the first, second, and third sentences of Paragraph 23. Defendants deny the remaining allegations in Paragraph 23.

24. Defendants admit the allegations in the first and second sentences of Paragraph 24. Defendants admit that Weatherford filed a Form 8-K with the SEC on March 23, 2012, which stated: “Mr. Andrew P. Becnel, till now our Chief Financial Officer . . . will be leaving the company effective March 31, 2012.” Defendants deny the remaining allegations in Paragraph 24.

ANSWERING “FACTUAL ALLEGATIONS”

D. Relevant Pre-Class Period Events

1. Weatherford’s Tax Planning Strategy

25. Defendants admit that during the first quarter of 2009, Weatherford redomesticated to Switzerland. With regard to the second sentence of Paragraph 25, Defendants lack knowledge or information sufficient to form a belief as to the general perception of the Company in relation to other companies, and on that basis deny the allegation that the Company “has generally been viewed as a junior player to Halliburton, Schlumberger and Baker Hughes.” Defendants deny the remaining allegations in Paragraph 25.

26. Defendants admit that the Company’s Form 10-K for the year ended December 21, 2009, filed with the SEC on March 1, 2010, listed the Company’s effective income tax rate as 6.5% in 2009, 14.8% in 2008, and 23% in 2007. Defendants admit that the Company’s Form 10-K for the year ended December 31, 2008, filed with the SEC on February 24, 2009, listed the Company’s effective income tax rate as 17.1% for 2008, 23% for 2007, and 25.9% in 2006. With regard to the second sentence of Paragraph 26, Defendants lack knowledge or information sufficient to form a belief as to average tax rates of unnamed competitors, and on that basis deny those allegations. Defendants deny the remaining allegations in Paragraph 26.

27. Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2010, filed with the SEC on March 8, 2011, stated: “This Form 10-K includes restated financial

information for the years ended December 31, 2009, 2008 and 2007, and the quarterly periods ended March 31, June 30 and September 30, 2010, and all four quarters of 2009 due to errors in the Company's accounting for income taxes." Defendants admit that Weatherford filed a Form 8-K with the SEC on March 1, 2011, which stated:

As a result of identifying the material weakness, we performed additional testing to determine whether or not the material weakness failed to identify any material errors in our accounting for income taxes. We have substantially completed the testing procedures. Based on these procedures, we have identified errors, the correction of which will be adjustments to our historical financial statements and our 2010 fourth quarter earnings release, totaling approximately \$500 million for the periods from 2007 to 2010. The amount for each year is expected to range from \$100 million to \$150 million. Approximately \$460 million of these adjustments relate to an error in determining the tax consequences of intercompany amounts over multiple years.

Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2010, filed with the SEC on March 8, 2011, listed the effective tax rates for 2008, 2009, and 2010 as 22.4%, 30.8%, and 145.5%, respectively. With regard to the second sentence of Paragraph 26, Defendants lack knowledge or information sufficient to form a belief as to tax rates of unnamed competitors, and on that basis deny the allegation that the Company's tax rate "match[ed] those of its competitors." Defendants deny the remaining allegations in Paragraph 27.

2. Weatherford Publicly Attributed Significant Savings To Its Tax Planning Strategy

28. Defendants admit that the transcript of an April 25, 2007 First Quarter 2007 earnings conference call indicates that Becnel, in response to a question from James Crandall of Lehman Brothers regarding the decrease in the Company's tax rate from 27% to 24%, stated: "Yeah, that was good work from our tax group in terms of planning. We had some benefits that rolled in that we will recognize over the rest of the year. In terms of those planning

implementations, and also it will depend on mix.” Defendants deny the remaining allegations in Paragraph 28.

29. Defendants admit that the transcript of a January 25, 2008 Fourth Quarter 2007 earnings conference call indicates that Becnel stated that the 2008 tax rate was expected to be 22%, “but you should expect variances from quarter to quarter.” Defendants admit that the transcript of the Fourth Quarter 2007 earnings conference call further indicates that, in response to a question from William Herbert of Simmons regarding the Company’s 2008 tax rate, Becnel stated: “And on the taxes remember that those are a function of two things. Your geographic earnings mix as well as multiple structures that you have in place in order to be able to be efficient with respect to taxes. At certain times, and there [*sic*] are not always convenient, those structure [*sic*] may mature and the benefit may mature under it and it’s at that time you required [*sic*] to take the benefit.” Defendants deny the remaining allegations in Paragraph 29.

30. Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2008, filed with the SEC on February 24, 2009, stated: “The decrease in our effective tax rate during 2008 and 2007 as compared to 2007 and 2006, respectively, was due to benefits realized from the refinement of our international tax structure and changes in our geographic earnings mix. During 2007, we recorded a benefit of approximately \$100 million related to foreign taxes paid that will be used to reduce our future United States tax liability.” Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2008, filed with the SEC on February 24, 2009, reported a 2008 effective tax rate of 17.1%. Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2009, filed with the SEC on March 1, 2010, reported a 2008 effective tax rate of 14.8%. Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2008, filed with the SEC on February 24, 2009, stated:

“The decrease in our effective tax rate during 2008 was due to benefits realized from the refinement of our international tax structure and changes in our geographic earnings mix. During 2008, we recorded a benefit of approximately \$100 million related to foreign taxes paid that will be used to reduce our future United States tax liability.” Defendants deny the remaining allegations in Paragraph 30.

31. Defendants admit that the transcript of an April 20, 2009 First Quarter 2009 earnings conference call indicates that, in response to a question from Mark Brown of Pritchard Capital regarding the 15.5% tax rate, which was lower than prior guidance, both Duroc-Danner and Becnel stated: “That we can answer.” Defendants admit that the First Quarter 2009 earnings conference call transcript further indicates that Becnel stated: “If you look at distribution of earnings by geographic segment and the different rates, both what I’d call just statutory rates versus effective rates that we’ve been able to achieve, and incremental tax planning that we undertook during the quarter in connection with our move to Geneva, all of those helped.” Defendants deny the remaining allegations in Paragraph 31.

32. Defendants deny the allegations in Paragraph 32.

3. Weatherford’s Falsely Reported Tax Expense Was Material And Inflated The Company’s Share Price

33. Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in the last sentence of Paragraph 33, and on that basis deny the allegations. Defendants deny the remaining allegations in Paragraph 33.

34. Defendants admit that Credit Suisse issued a report on April 25, 2007 entitled, “Q107 MWR: Secular Growth At Work,” which stated that “owing to mix and enhanced tax planning strategies, the company lowered its effective tax rate guidance from 24% to 27% previously, which boosted our full-year 2007 EPS estimate by approximately \$0.11.”

Defendants admit that RBC Capital Markets issued a report on July 24, 2007, raising its earnings estimates for Weatherford, and stating that “higher estimates are primarily a function of lower effective tax rate, as well as the acquisitions WFT made in 2Q07.” Defendants deny any remaining allegations in Paragraph 34.

35. Defendants admit that J.P. Morgan issued a report on July 23, 2007 entitled, “Raising Est. on Acquisitions & Lower Tax Rate,” which stated “the stock rallied 3% today . . . as investors look through the Canada-driven miss to (a) the cyclical recovery in Canada and (b) better profit mix from overseas growth.” Defendants admit that the J.P. Morgan report further stated that Weatherford’s EPS increased \$0.04 due to a lower tax rate. Defendants deny any remaining allegations in Paragraph 35.

36. Defendants admit that J.P. Morgan issued a report on January 25, 2008, which stated: “WFT picked up \$0.05 from a lower tax rate, about \$0.02 of which we can explain by the mix shift in op inc (specifically, the US being lower). WFT has made a concerted effort to reduce net taxes in ’07, and look to the conf. call for clarification on where the other \$0.03 came from.” Defendants admit that RBC Capital Markets issued a report on April 21, 2008 entitled, “WFT Beats Street by a Penny, Outlook Not Likely to Disappoint,” which stated “[r]elative to our estimate, upside driven by a lower than expected tax rate.” Defendants admit that Pritchard Capital Partners, LLC issued a report on January 27, 2009, which stated “favorable taxes were better than expected (+\$0.03).” Defendants deny the remaining allegations in Paragraph 36.

37. To the extent the allegations in Paragraph 37 call for legal conclusions, Defendants need not respond. Defendants admit that RBC Capital Markets issued a report on April 20, 2009 entitled, “1Q09 \$0.02 Below Street; In-line With RBC,” which stated “[t]ax rate was 15.5% vs. our 20% estimate, effectively adding \$0.02.” Defendants admit that SIG issued a

report on October 20, 2009 entitled, “Weak 3Q International Growth and Operating Margins Illustrate Challenges to WFT Story,” that stated “the company reported 3Q09 operating EPS of \$0.11 – in-line with our estimate and below the \$0.13 consensus estimate; however, results would have been even lower if not for a \$0.05 tax benefit.” Defendants deny the remaining allegations in Paragraph 37.

38. Defendants admit that Guggenheim Securities issued a report on October 19, 2010, which listed “Favorable Tax Rate and N Amer Strength Drive Modest 3Q Beat” under a heading entitled “Key Points.” Defendants admit that the Guggenheim Securities report also stated: “Relative to WFT’s 3Q guidance (\$0.16), a lower tax rate (5% vs. guidance of 19%) and stronger N Amer conditions resulted in additional EPS of approximately \$0.03 and \$0.06, respectively.” Defendants admit that Jefferies & Company, Inc. issued a report on October 19, 2010, which stated: “3Q Beat – Driven by better operating income, margins, a lower tax rate but partially offset by higher interest costs.” Defendants deny any remaining allegations in Paragraph 38.

E. Relevant Class Period Events

1. The First Restatement

(a) Weatherford Announced The First Restatement On March 1, 2011

39. Defendants admit that Weatherford filed a Form 12b-25 with the SEC on March 1, 2011, which, according to the SEC’s Electronic Data Gathering, Analysis and Retrieval system (“EDGAR”), was accepted at 17:28:15. Defendants admit that the Form 12b-25 announced that the Company’s Form 10-K would not be filed by March 1, 2011. Defendants admit that Weatherford filed a Form 8-K with the SEC on March 1, 2011, which stated that the “previously issued financial statements for the years ended December 31, 2007, 2008, and 2009

and for the quarterly periods ended March 31, June 30 and September 30, 2010, should no longer be relied upon” and that the Company would “finalize the restatement of our financial statements for 2010 and prior years.” Defendants admit the Form 8-K stated that “[t]he reason for not filing by March 1, 2011 relates to the identification of a material weakness in internal control over financial reporting for income taxes and the amount of time required to perform additional testing on, and reconciliation of, the tax accounts.” Defendants admit that the March 1, 2011 Form 8-K further stated:

The Company’s processes, procedures and controls related to financial reporting were not effective to ensure that amounts related to current taxes payable, certain deferred tax assets and liabilities, reserves for uncertain tax positions, the current and deferred income tax expense and related footnote disclosures were accurate.

Defendants deny the remaining allegations in Paragraph 39.

40. Defendants admit that Weatherford filed a Form 8-K with the SEC on March 1, 2011, which stated that the Company’s “processes and procedures were not designed to provide for adequate and timely identification and review of various income tax calculations, reconciliations and related supporting documentation required to apply our accounting policies for income taxes in accordance with US GAAP.” Defendants admit that the Form 8-K also stated that “[t]he principal factors contributing to the material weakness were: 1) inadequate staffing and technical expertise within the company related to taxes, 2) ineffective review and approval practices relating to taxes, 3) inadequate processes to effectively reconcile income tax accounts and 4) inadequate controls over the preparation of quarterly tax provisions.”

Defendants deny the remaining allegations in Paragraph 40.

41. Defendants admit that Weatherford filed a Form 8-K with the SEC on March 1, 2011, which stated that “[a]s a result of identifying the material weakness, we performed additional testing to determine whether or not the material weakness failed to identify any

material errors in our accounting for income taxes.” Defendants admit that the Form 8-K stated that the Company had “substantially completed the testing procedures” and further stated:

Based on these procedures, we have identified errors, the correction of which will be adjustments to our historical financial statements and our 2010 fourth quarter earnings release, totaling approximately \$500 million for the periods from 2007 to 2010. The amount for each year is expected to range from \$100 million to \$150 million.

Defendants deny the remaining allegations in Paragraph 41.

42. Defendants admit that Weatherford filed a Form 8-K with the SEC on March 1, 2011, which stated: “We expect to complete our testing procedures, finalize the restatement of our financial statements for 2010 and prior years and file our Form 10-K within the time period allowed by Rule 12b-25 (15 days).”

(b) Weatherford’s March 2, 2011 Conference Call

43. Defendants admit that on March 2, 2011, Weatherford held a conference call with financial analysts regarding the identified material weakness and notification of late Form 10-K filing. Defendants admit that the transcript of the March 2, 2011 conference call indicates that Becnel stated: “Our high-level conclusion on this turn of events at this time does not change our view regarding the value of our multinational tax structure. We do believe it is the best structure for the Company to have the opportunity to remain as competitive as possible in a global marketplace where international markets are becoming ever more important.” Defendants deny the remaining allegations in Paragraph 43.

44. Defendants admit the transcript of the March 2, 2011 conference call indicates that Duroc-Danner stated: “Where we had weaknesses clearly is in the process realm and the planning and the structure were actually probably as good and sophisticated as we would have wanted. We just didn’t know how to run that structure as well as we will learn how to. That is

what is in place for the next 12 to 18 months.” Defendants deny the remaining allegations in Paragraph 44.

45. Defendants admit the transcript of the March 2, 2011 conference call indicates that Becnel stated:

The existence of the material weakness with respect to internal controls for financial reporting for income taxes led to the need to perform additional testing on and reconciliation of the tax accounts. The purpose of the testing was to determine whether or not the material weakness failed to identify any material errors in our accounting for income taxes.

Defendants admit that the filing Weatherford’s Form 10-K for the year ended December 31, 2010 was delayed, and that the transcript of the March 2, 2011 conference call indicates that Becnel stated that the remaining steps prior to the filing of the Form 10-K within the 15-day period included, “obviously finalizing the adjustments, making sure that we have tick and tied everything, make [*sic*] sure that we have provided revised schedules that support our conclusions and allowing everybody in the process, Weatherford and the outside auditors, the appropriate amount of time to finalize review of those and sign off.” Defendants deny the remaining allegations in Paragraph 45.

46. Defendants admit the transcript of the March 2, 2011 conference call indicates that Becnel stated: “[W]e have put a substantial amount of effort as one might imagine, collectively into that process, making sure that we first identified the issue, quantified it, were able to explain it and then the work starts with being able to make sure that we have gotten to the right answer. And we are, obviously, comfortable enough that we have gotten to the right answer to be able to disclose this in these amounts.” Defendants deny the remaining allegations in Paragraph 46.

47. Defendants admit the transcript of the March 2, 2011 conference call indicates that Becnel stated:

The \$500 million of errors consist of two parts. First, approximately \$460 million relates to an error in determining the tax consequences of intercompany amounts over multiple years. The error manifested itself in 2007 and went undetected in that year and each subsequent year. As a result, the error repeated itself in each year. We mistakenly tax-affected certain intercompany amounts and booked a tax asset as a result.

Defendants admit the transcript of the conference call indicates that, in response to a question from Bill Herbert, an analyst from Simmons & Co., Becnel stated: “The mechanical miscalculation [in year one] was in accounting for these intercompany amounts that instead of applying the 0% effective rate, if you will, and tax-affecting the payment at that level, it was done at 35%.”

48. Defendants admit the transcript of the March 2, 2011 conference call indicates that Becnel stated: “The \$500 million of errors . . . have no impact on our historical reported cash flow from operations as the reduction in net income is offset equally by a reduction in cash consumed by changes in working capital.” Defendants admit the conference call transcript indicates that Brad Handler, an analyst from Credit Suisse stated: “[O]ver the period, [the Company was] building deferred tax assets as it turns out inappropriately, right? So the cash tax portion was appropriate, the book tax accounting was inappropriate.” Defendants admit the transcript indicates that Duroc-Danner and Becnel both indicated their agreement with Handler’s statements. Defendants deny the remaining allegations in Paragraph 48.

49. Defendants admit the transcript of the March 2, 2011 conference call indicates that Ole Slorer, an analyst from Morgan Stanley, asked Becnel to elaborate on whether he thought Weatherford would “be in breach on any other covenants as a result of this accounting glitch.” Defendants admit the transcript indicates that Becnel stated in response:

Number two, with respect to the covenants in our revolver and our indentures, this event in terms of the write-off of these assets does not put us – does not trigger any covenants in those document [*sic*], and that’s it. We do need to be sure to file our 10-K before March 15 and at this point, we expect to do so.

Defendants deny the remaining allegations in Paragraph 49.

(c) Weatherford Issued The First Restatement On March 8, 2011

50. Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2010, filed with the SEC on March 8, 2011, stated: “This Form 10-K includes restated financial information for the years ended December 31, 2009, 2008 and 2007, and the quarterly periods ended March 31, June 30 and September 30, 2010, and all four quarters of 2009 due to errors in the Company’s accounting for income taxes.” Defendants admit that the Form 10-K further stated:

[M]anagement identified a material weakness in the Company’s internal controls over financial reporting for income taxes. The Company’s processes, procedures and controls related to financial reporting were not effective to ensure that amounts related to current taxes payable, certain deferred tax assets and liabilities, reserves for uncertain tax positions, the current and deferred income tax expense and related footnote disclosures were accurate. Specifically, our processes and procedures were not designed to provide for adequate and timely identification and review of various income tax calculations, reconciliations and related supporting documentation required to apply our accounting policies for income taxes in accordance with U.S. GAAP. This material weakness resulted in the restatement for material errors in the income tax accounts in the 2008 and 2009 consolidated financial statements and our condensed consolidated financial statements for each of the quarters within 2009 and 2010.

Defendants admit that Duroc-Danner and Becnel signed the Form 10-K. Defendants deny any remaining allegations in Paragraph 50.

51. Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2010, filed with the SEC on March 8, 2011: listed Diluted Earnings (Loss) Per Share From

Continuing Operations Attributable to Weatherford as \$1.38 for 2007, \$1.80 for 2008, \$0.24 for 2009, and (\$0.15) for 2010; listed Income (Loss) From Continuing Operations Attributable to Weatherford as \$961,926,000 for 2007, and \$170,141,000 for 2009; and listed Provision for Income Taxes as (\$372,837,000) for 2008, (\$87,183,000) for 2009, and (\$297,721,000) for 2010. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2007, filed with the SEC on February 21, 2008: listed Net Income as \$1,070,606 for 2007; and listed Provision for Income Taxes as (\$332,760,000) for 2007. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2009, filed with the SEC on March 1, 2010: listed Diluted Earnings Per Share From Continuing Operations Attributable to Weatherford as \$0.35 for 2009; listed Net Income Attributable to Weatherford as \$253,766,000 for 2009; and listed Provision for Income Taxes as (\$19,549,000) for 2009. Defendants admit that Weatherford filed a Form 8-K with the SEC on January 25, 2011, which attached as an exhibit a press release stating: that the Company's Diluted Earnings (Loss) Per Share Attributable to Weatherford were \$0.03 for 2010; that the Company's Net Income (Loss) Attributable to Weatherford was \$24,514,000 for 2010; and that the Company's Benefit (Provision) for Income Taxes was (\$172,080,000) for 2010. After reasonable investigation, Defendants lack knowledge or information sufficient to form a belief as to the truth of the remaining figures in the chart in Paragraph 51. Defendants deny the remaining allegations in Paragraph 51.

52. Defendants admit that Weatherford sent a letter to the SEC on March 11, 2011, in response to a letter from the agency dated March 4, 2011, which stated the following:

On or about February 15, 2011, the company's internal audit group concluded that there was a material weakness in the internal controls surrounding accounting for income taxes due to:

- inadequate staffing and technical expertise;
- ineffective review and approval practices;

- inadequate processes to effectively reconcile income tax accounts; and
- inadequate controls over the preparation of the company's quarterly tax provision.

Defendants admit that the letter further stated: "There were no significant changes to the procedures performed to evaluate the internal control over financial reporting as of December 31, 2010, as compared with evaluations performed in prior periods. . . . On or about February 20, our review identified a current income tax receivable balance of approximately \$308 million for which documentary support was not available. This receivable arose from a tax benefit incorrectly being applied to the elimination of intercompany dividends during 2008, 2009 and 2010." Defendants admit that the March 11, 2011 letter stated:

The adjustments described in our Form 8-K filed on March 1, 2011 were presented in three categories:

1. An estimated \$460 million related to a tax benefit incorrectly applied to the elimination of intercompany dividends during 2007 through 2010;
2. An estimated \$40 million for corrections of foreign tax assets; and
3. Approximately \$20 million of corrections related to immaterial items previously recorded in the incorrect period during the years ended December 31, 2007, 2008, 2009 and 2010.

After completion of our review, the final adjustments for these categories were determined to be approximately \$462 million, approximately \$13 million and approximately \$17 million, respectively.

Defendants admit that the letter further stated: "The Audit Committee received a report on these errors on February 28 and concluded the Company's financial statements could not be relied upon from 2009, 2008 and 2007 and the quarterly periods ended March 31, June 30 and September 30, 2010." Defendants admit the Company filed a Form 8-K with the SEC on March 1, 2011, which stated, among other things, that the Company had filed a notification of late filing

advising that its Form 10-K for the year ended December 31, 2010 would not be filed by March 1, 2011 due to the identification of a material weakness in internal control over financial reporting for income taxes. Defendants deny any remaining allegations in Paragraph 52.

53. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2010, filed with the SEC on March 8, 2011, stated: "This Form 10-K includes restated financial information for the years ended December 31, 2009, 2008 and 2007, and the quarterly periods ended March 31, June 30 and September 30, 2010, and all four quarters of 2009 due to errors in the Company's accounting for income taxes." Defendants admit Weatherford sent a letter to the SEC on March 11, 2011, which stated: "On or about February 20, our review identified a current income tax receivable balance of approximately \$308 million for which documentary support was not available." Defendants admit that the transcript of a March 2, 2011 conference call indicates that Becnel stated: "We have substantially completed the testing procedures and have identified errors, the correction of which will be adjustments to our historical financial statements and our 2010 Q4 earnings release." Defendants admit that the transcript also indicates that an analyst asked: "Where would you stand right now in finalizing the account and the review process . . . ?" and that Becnel answered: "We are substantially complete." Defendants deny the remaining allegations in Paragraph 53.

54. Defendants admit that Weatherford filed a Form 8-K with the SEC on March 1, 2011, which stated: "[W]e have identified errors, the correction of which will be adjustments to our historical financial statements and our 2010 fourth quarter earnings release, totaling approximately \$500 million for the periods from 2007 to 2010." Defendants admit that Weatherford filed a Form 8-K with the SEC on February 21, 2012, which attached as an exhibit a press release stating that management expected "roughly \$225 million to \$250 million of

aggregate net adjustments to previously reported financial results for the years 2010 and prior.”

Defendants admit that Weatherford filed a Form 8-K with the SEC on July 24, 2012, which attached as an exhibit a press release stating:

- The aggregate \$92 million of prior period expenses identified in the first two quarters of 2012 include \$34 million in 2011; \$22 million in 2010; \$20 million in 2009 and \$16 million in 2008 and before, although management’s analysis is not complete and these figures are subject to revision. Except for additional net payments made as tax returns were filed, none of the adjustments is expected to affect the company’s historically reported net debt balances.
- The company has also identified additional issues related to the accounting for income taxes in prior periods and is completing its analysis of these issues. These additional issues could result in further adjustments. The company currently estimates that these additional tax-related issues could result in further adjustments of up to \$15 million.

Defendants deny the remaining allegations in Paragraph 54.

55. Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2010, filed with the SEC on March 8, 2011, listed the Company’s Effective Tax Rate as 30.8% for 2009 and 22.4% for 2008. Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2009, filed with the SEC on March 1, 2010, listed the Company’s Effective Tax Rate as 6.5% for 2009, 14.8% for 2008, and 23.0% for 2007. After reasonable investigation, Defendants lack knowledge or information sufficient to form a belief as to the truth of the remaining figures in the first and second sentences of Paragraph 55. With regard to the last sentence of Paragraph 55, Defendants lack knowledge or information sufficient to form a belief as to average tax rates of unnamed competitors, and on that basis deny those allegations.

Defendants deny the remaining allegations in Paragraph 55.

56. Defendants deny the allegations in Paragraph 56.

2. The Second Restatement

(a) Taxes Remained A Central Focus After Weatherford Issued The First Restatement And During The Class Period

57. Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in the second sentence of Paragraph 57 regarding what was material to investors, and on that basis deny the allegations. Defendants admit that the transcript of Weatherford's April 21, 2011 First Quarter 2011 earnings conference call indicates that Becnel said, "Lower minority interests and taxes added \$0.02 as the recognition of discrete tax benefits pushed this quarter's effective tax rate down to 21.4%." Defendants deny the remaining allegations in Paragraph 57.

58. Defendants admit that the transcript of Weatherford's July 26, 2011 Second Quarter 2011 earnings conference call indicates that Becnel stated: "An 8 million improvement in below-the-line cost was offset by an increase of effective tax rate, which came in at 27.2%." Defendants deny the remaining allegations in Paragraph 58.

59. Defendants admit that the transcript of Weatherford's October 25, 2011 Third Quarter 2011 earnings conference call indicates that Becnel stated: "An increase in the effective tax rate, which came in at 29.6%, cost \$0.01 compared to the prior quarter, primarily due to a change in mix where we generated income." Defendants deny the remaining allegations in Paragraph 59.

60. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012 stated:

Although we have designed and implemented certain new internal controls in an effort to remediate the material weakness, we concluded that the material weakness was not remediated as of December 31, 2011 because our process, procedures and controls and oversight of the tax process were not effective to ensure that amounts related to current taxes payable, certain deferred tax assets and liabilities,

reserves for unrecognized tax benefits, the current and deferred income tax expense and related footnote disclosures were accurate.

Defendants admit that the quarterly and annual financial statements filed during the Class Period stated they were “prepared in accordance with U.S. generally accepted accounting principles.”

Defendants admit that Duroc-Danner and Becnel filed certifications accompanying each quarterly and annual financial statement as Exhibits 31.1 and 31.2 to the filings, which stated:

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report[.]

...

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report[.]

Defendants admit that Weatherford’s Form 10-Q for the quarterly period ended September 30, 2011, filed with the SEC on October 27, 2011, stated: “In light of this material weakness, in preparing our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q, we performed additional reconciliations and other post-closing procedures to ensure our condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles.” Defendants deny the remaining allegations in Paragraph 60.

61. To the extent the allegations in Paragraph 61 call for legal conclusions, Defendants need not respond. Defendants deny the remaining allegations in Paragraph 61.

(b) Weatherford Announced The Second Restatement On February 21, 2012

62. Defendants admit that Weatherford filed a Form 8-K with the SEC on February 21, 2012, which attached as an exhibit a press release stating:

The company intends to file restated financial statements for fiscal 2010 and 2009 in its Form 10-K for the year ended December 31, 2011 as soon as practicable . . . as well as fiscal 2008 and 2007, in the Form 10-K. In addition, the company intends to include in the Form 10-K restated quarterly financial data for each of the quarters for fiscal 2010 and for the first three quarters of fiscal 2011.

Defendants admit that the press release further stated: “[I]nvestors should no longer rely upon our previously issued financial statements. The company expects to file the restated financial statements described below due to errors relating to the company’s reporting of the provision for income taxes.” Defendants deny any remaining allegations in Paragraph 62.

63. Defendants admit that Weatherford filed a Form 8-K with the SEC on March 1, 2011, which stated: “[W]e have identified errors, the correction of which will be adjustments to our historical financial statements and our 2010 fourth quarter earnings release, totaling approximately \$500 million for the periods from 2007 to 2010.” Defendants admit that Weatherford filed a Form 8-K with the SEC on February 21, 2012, which attached as an exhibit a press release stating that management expected “roughly \$225 million to \$250 million of aggregate net adjustments to previously reported financial results for the years 2010 and prior.” Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2011, filed on March 15, 2012, stated:

We have restated quarterly periods ended March 31, June 30 and September 30, 2011, and all four quarters of 2010 due to errors noted in the Company’s recognition of current taxes payable, certain deferred tax assets and liabilities, reserves for unrecognized tax benefits and current and deferred income tax expense.

Defendants deny any remaining allegations in Paragraph 63.

64. Defendants admit that Weatherford filed a Form 8-K with the SEC on February 21, 2012, which attached as an exhibit a press release stating: “Until the restatement is completed, the company’s estimates of the expected adjustments for 2010 through 2008 and prior years, and the nine months ended September 30, 2011, as well as its expected financial results for 2011, are subject to change.” Defendants deny any remaining allegations in Paragraph 64.

65. Defendants admit that Weatherford filed a Form 8-K with the SEC on February 21, 2012, which attached as an exhibit a press release stating:

Until we have concluded work on the above-mentioned adjustments, we will not finalize the company’s tax accounts for the year ended December 31, 2011. However, we currently estimate that our income tax expense for the 2011 fiscal year will be roughly between \$490 million and \$520 million, including credits and charges.

Defendants admit that the Company stated in its Form 10-Q for the quarterly period ended September 30, 2011, filed with the SEC on October 27, 2011, that it “had a tax provision of . . . \$147 million” for the nine months ended September 30, 2011. Defendants admit that J.P. Morgan issued a report on February 21, 2012, which stated: “2011 income taxes will be \$500mm . . . *double* that in our model.” Defendants deny any remaining allegations in Paragraph 65.

66. To the extent the allegations in Paragraph 66 call for legal conclusions, Defendants need not respond. Defendants admit that Weatherford filed a Form 8-K with the SEC on February 21, 2012, which attached as an exhibit a press release stating: “Based upon additional analysis and other post-closing procedures designed to ensure that the company’s consolidated financial statements will be presented in accordance with generally accepted accounting principles, the company believes the review of the company’s historical tax accounts has been comprehensive and that the process undertaken has been thorough.” Defendants deny the remaining allegations in Paragraph 66.

67. Defendants admit that the transcript of a February 21, 2012 earnings conference call indicates that Becnel stated: “[O]ur international tax structure [] is a good structure.”

Defendants admit that the transcript indicates that Becnel further stated: “What hasn’t been good about it is our lack of understanding and fully appreciating how that structure performs through different economic cycle [*sic*] and the sensitivity of our tax expense to how we manage certain costs in that structure, and how we document our tax positions.” Defendants deny any remaining allegations in Paragraph 67.

68. Defendants admit that the transcript of a February 21, 2012 earnings conference call indicates that Duroc-Danner stated:

[I]t has always been about taxes and tax accounting. Bad enough as it is, but this is nothing more than the second or the last chapter of the dismal events of last February, except this one is a studious chapter, if you will, one that has gone through the possible understanding of what we have. And I think it’s right to call it progress. Because at the end, now, as we’re reporting something that was wrong, we are also reporting things that were wrong, but from a position of knowledge. Knowledge on the process and knowledge on the history, what we have. This goes back many, many years, [] and it is only taxes.

Defendants deny the remaining allegations in Paragraph 68.

(c) The Announcement Of The Second Restatement Caused A Substantial Drop In Weatherford’s Stock Price

69. Defendants admit that on February 17, 2012 Weatherford’s stock price closed at \$17.79, and that on February 21, 2012 it closed at \$15.36, resulting in a market capitalization loss of approximately \$1.8 billion. Defendants admit that volume on February 21, 2012 was approximately 62.6 million shares. Defendants admit that Jeffries issued a report on February 21, 2012 entitled, “Operations Tracking Better Than Expected But Tax Problems Dominate Discussion,” which stated “we believe WFT’s inability to remedy these internal tax control

issues will be a drag on the stock until the Company can clearly demonstrate that this issue is behind it.” Defendants deny the remaining allegations in Paragraph 69.

70. Defendants admit that Capital One Southcoast, Inc. issued an analyst report on February 21, 2012, authored by Luke M. Lemoine, which stated “[a]ccounting issues rearing their heads again” and “WFT poised for growth, but further restatements impact credibility” Defendants admit that Morgan Stanley issued a report on February 21, 2012 entitled, “Operations – Accounting: 1-0,” which stated: “WFT’s tax accounting issues surfaced a year ago and since assumed put to rest; resurfacing of these issues and guidance of a high 35% tax rate for 2012 (cash tax rate below 30%) were disappointing.” Defendants deny the remaining allegations in Paragraph 70.

(d) Weatherford Issued The Second Restatement On March 15, 2012

71. Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, stated: “This Form 10-K includes restated financial information for the years ended December 31, 2010 and 2009, and the quarterly periods ended March 31, June 30 and September 30, 2011, and all four quarters of 2010 due to errors in the Company’s accounting for income taxes.” Defendants deny the remaining allegations in Paragraph 71.

72. Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, stated:

This Form 10-K includes restated financial information for the years ended December 31, 2010 and 2009, and the quarterly periods ended March 31, June 30 and September 30, 2011, and all four quarters of 2010 due to errors in the Company’s accounting for income taxes. The Company’s Management identified a material weakness with respect to its internal control over financial reporting for income taxes for the year ended December 31, 2010. Management concluded that the Company has not remediated its previously disclosed material

weakness for the year ended December 31, 2011 due to errors noted in current taxes payable, certain deferred tax assets and liabilities, reserves for unrecognized tax benefits, and current and deferred income tax expense.

Defendants admit that the Form 10-K further stated: “[W]e identified additional errors across multiple jurisdictions. In the aggregate, these errors resulted in an understatement of income tax expense by \$41 million and \$50 million compared to the previously restated results for 2010 and 2009, respectively. Errors attributable to 2008 and prior totaled \$165 million.” Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2007, filed with the SEC on February 21, 2008, listed: the Company’s Net Income as \$1,070,606,000 for 2007 and the Company’s Provision for Income Taxes as (\$332,760,000) for 2007. Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2009, filed with the SEC on March 1, 2010, listed: the Company’s Diluted Earnings Per Share From Continuing Operations Attributable to Weatherford as \$0.35 for 2009, the Company’s Net Income Attributable to Weatherford as \$253,766,000 for 2009, and the Company’s Provision for Income Taxes as (\$19,549,000) for 2009. Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, listed: the Company’s restated Diluted Earnings (Loss) Per Share From Continuing Operations Attributable to Weatherford as \$1.33 for 2007, \$1.71 for 2008, \$0.17 for 2009, and (\$0.20) for 2010; the Company’s restated Income (Loss) From Continuing Operations Attributable to Weatherford as \$927 million for 2007, \$1,194 million for 2008, \$124 million for 2009, and (\$152 million) for 2010; the Company’s restated Provision for Income Tax as (\$137 million) for 2009 and (\$339 million) for 2010. After reasonable investigation, Defendants lack knowledge or information sufficient to form a belief as to the truth of the remaining figures in the chart in Paragraph 72. Defendants deny the remaining allegations in Paragraph 72.

73. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, stated: "This Form 10-K includes restated financial information for the years ended December 31, 2010 and 2009, and the quarterly periods ended March 31, June 30 and September 30, 2011, and all four quarters of 2010 due to errors in the Company's accounting for income taxes." Defendants admit that the Form 10-K indicated that adjustments to the Company's income tax provision for the first three quarters of 2011 totaled \$118 million. Defendants admit the Weatherford's Form 10-Q for the quarterly period ended March 31, 2011, filed with the SEC on May 10, 2011, listed: the Company's Basic and Diluted Earnings (Loss) Per Share Attributable to Weatherford as \$0.08 for the first quarter of 2011; the Company's Net Income (Loss) Attributable to Weatherford as \$59,201,000 for the first quarter of 2011; and the Company's Provision for Income Taxes as (\$19,277,000) for the first quarter of 2011. Defendants admit that Weatherford's Form 10-Q for the quarterly period ended June 30, 2011, filed with the SEC on July 29, 2011, listed: the Company's Basic and Diluted Earnings (Loss) Per Share Attributable to Weatherford as \$0.15 for the second quarter of 2011; the Company's Net Income (Loss) Attributable to Weatherford as \$110,098,000 for the second quarter of 2011; and the Company's Provision for Income Taxes as (\$46,128,000) for the second quarter of 2011. Defendants admit that Weatherford's Form 10-Q for the quarterly period ended September 30, 2011, filed with the SEC on October 27, 2011, listed: the Company's Basic and Diluted Earnings (Loss) Per Share Attributable to Weatherford as \$0.25 for the third quarter of 2011; the Company's Net Income (Loss) Attributable to Weatherford as \$190,360,000 for the third quarter of 2011; and the Company's Provision for Income Taxes as (\$81,856,000) for the third quarter of 2011. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, stated: "Restated results for 2011

include a reduction to net income attributable to Weatherford of approximately \$22 million, \$34 million and \$60 million for the first, second and third quarters, respectively, primarily attributable to an increase in our tax expense related to an increase in reserves for unrecognized tax benefits and withholding taxes.” Defendants admit that the Form 10-K listed the Company’s restated Income Tax Provision as \$46 million for the first quarter of 2011, \$76 million for the second quarter of 2011, and \$143 million for the third quarter of 2011. After reasonable investigation, Defendants lack knowledge or information sufficient to form a belief as to the truth of the remaining figures in the chart in Paragraph 73. Defendants deny the remaining allegations in Paragraph 73.

74. Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, stated: “We were unable to remediate the material weakness in 2011, which required us to perform additional procedures including reconciliations and analyses designed to ensure that our consolidated financial statements have been prepared in accordance with generally accepted accounting principles.” Defendants admit that the Form 10-K further stated: “Management concluded that the Company has not remediated its previously disclosed material weakness for the year ended December 31, 2011 due to errors noted in current taxes payable, certain deferred tax assets and liabilities, reserves for unrecognized tax benefits, and current and deferred income tax expense.” Defendants deny the remaining allegations in Paragraph 74.

75. Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, stated: “As a result of these procedures, we identified additional errors across multiple jurisdictions. In the aggregate, these errors resulted in an understatement of income tax expense by \$41 million and \$50 million compared to the

previously restated results for 2010 and 2009, respectively. Errors attributable to 2008 and prior totaled \$165 million.” Defendants deny the remaining allegations in Paragraph 75.

76. Defendants deny the allegations in Paragraph 76.

77. Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, stated: “[T]he SEC and Department of Justice are investigating the circumstances surrounding the material weakness in the Company’s internal controls over financial reporting for income taxes that was disclosed on Forms 8-K on March 1, 2011 and February 21, 2012 and the related restatements of historical financial statements. We are cooperating with the government investigations.” Defendants lack knowledge or information sufficient to form a belief as to the allegation regarding the reason for the Department of Justice investigation, and on that basis deny the allegation. Defendants deny any remaining allegations in Paragraph 77.

78. Defendants admit that Weatherford filed a Form 8-K with the SEC on March 23, 2012, which stated:

Weatherford International announced today that Mr. John H. Briscoe has been appointed as our Senior Vice President and Chief Financial Officer. Mr. Briscoe, age 54, joined Weatherford in August of 2011 as Vice President and Chief Accounting Officer. Prior to joining the company, Mr. Briscoe served as Vice President and Controller of Transocean Ltd. Mr. Briscoe started his career with seven years in public accounting beginning with the firm of KPMG and ending with Ernst & Young as an Audit Manager. He graduated from the University of Texas with a B.B.A. in Accounting and is a certified public accountant with over 30 years of experience.

Mr. Andrew P. Becnel, till now our Chief Financial Officer, and Mr. James M. Hudgins, till now our Vice President, Tax, will be leaving the company effective March 31, 2012. Weatherford thanks each of them for a decade or more of service.

Defendants admit that Morningstar issued an equity research note on March 26, 2012, which stated: “We believe the resignations were overdue, particularly as Weatherford was forced to issue late 10-Ks for two consecutive years because of material weaknesses in internal controls over tax matters. Eventually, the tax errors totaled almost \$750 million over 2007-10 and made it difficult for Weatherford to claim any incremental tax savings from its move to Switzerland in 2009.” Defendants deny the remaining allegations in Paragraph 78.

79. Defendants admit that Weatherford filed a Form 8-K with the SEC on July 24, 2012, which attached as an exhibit a press release announcing that prior periods would be restated for tax. Defendants deny the remaining allegations in Paragraph 79.

3. The Third Restatement

(a) Weatherford Continued To Issue False Financial Statements In Early 2012

80. Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, stated: “This Form 10-K includes restated financial information for the years ended December 31, 2010 and 2009, and the quarterly periods ended March 31, June 30 and September 30, 2011, and all four quarters of 2010 due to errors in the Company’s accounting for income taxes.” Defendants admit that Weatherford’s Form 10-Q for the quarterly period ended March 31, 2012, filed with the SEC on May 8, 2012, stated: “The discrete tax expense items for the three months ended March 31, 2012 include \$36 million related to prior periods. A significant portion of this amount relates to management estimates regarding unrecognized tax benefits, which may be subject to change as the estimates are further developed. The impact of these amounts is not material to any individual prior period.” Defendants deny the remaining allegations in Paragraph 80.

81. Defendants admit that Weatherford's Form 10-Q for the quarterly period ended March 31, 2012, filed with the SEC on May 8, 2012, stated:

In light of this material weakness, in preparing our condensed consolidated financial statements as of and for the quarter ended March 31, 2012, we performed additional procedures including reconciliations and analyses designed to ensure that our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 have been prepared in accordance with generally accepted accounting principles.

Defendants deny the remaining allegations in Paragraph 81.

(b) On July 24, 2012, Weatherford Announced The Third Restatement

82. Defendants admit that Weatherford filed a Form 8-K with the SEC on July 24, 2012, which, according to EDGAR, was accepted at 17:27:55. Defendants admit that the July 24, 2012 Form 8-K attached as an exhibit a press release announcing that the Company intended to file restated financial statements. Defendants admit the press release stated: "Management has concluded that the company has not remediated its previously disclosed material weakness in internal control over financial reporting for income taxes relating to current taxes payable, certain deferred tax assets and liabilities, reserves for uncertain tax positions, and current and deferred income tax expense." Defendants admit that the press release further stated: "[T]he Audit Committee of our Board of Directors concluded, on July 24, 2012, that investors should no longer rely upon our previously issued financial statements." Defendants deny any remaining allegations in Paragraph 82.

83. Defendants admit that Weatherford's Form 10-Q for the quarterly period ended March 31, 2012, filed with the SEC on May 8, 2012, stated:

The discrete tax expense items for the three months ended March 31, 2012 include \$36 million related to prior periods. A significant portion of this amount relates to management estimates regarding unrecognized tax benefits, which may be subject to change as the

estimates are further developed. The impact of these amounts is not material to any individual prior period.

Defendants admit that Weatherford filed a Form 8-K with the SEC on July 24, 2012, which attached as an exhibit a press release stating:

In the second quarter, the company completed and filed over 200 tax returns. These returns resulted in a net increase to tax expense of approximately \$20 million to account for the difference between actual tax paid and tax liabilities accrued for the prior periods. In the second quarter, the company's ongoing remediation work with respect to the previously announced material weakness over the accounting for income taxes and management's second quarter income tax accounting procedures have identified an additional \$41 million of tax expense primarily related to accruals for uncertain tax positions that relate to prior year operating results. These items stem from additional procedures and enhancements of existing procedures instituted as a result of the material weakness remediation process. The aggregate \$92 million of prior period expenses identified in the first two quarters of 2012 include \$34 million in 2011; \$22 million in 2010; \$20 million in 2009 and \$16 million in 2008 and before, although management's analysis is not complete and these figures are subject to revision.

Defendants deny any remaining allegations in Paragraph 83.

84. Defendants admit that Weatherford filed a Form 8-K with the SEC on July 24, 2012, which attached as an exhibit a press release stating that additional issues related to the accounting for income taxes in prior periods "could result in further adjustments of up to \$15 million." Defendants admit that the press release also stated:

Based upon the additional errors the company has identified in its reviews for the first and second quarters of 2012, the company expects that it will not issue restated financial statements for the year ended December 31, 2011 or the quarter ended March 31, 2012 or file its financial statements for the quarter ended June 30, 2012 until the completion of additional procedures and reviews of its accounting for income taxes.

Defendants admit that the press release further stated:

The company will endeavor to make such filings and file its third quarter Form 10-Q by the SEC due date of November 9, 2012, but its ability to do so will depend on the results of ongoing accounting

procedures and procedure improvements, and the company cannot provide assurances that it will be able to achieve that date.

Defendants deny any remaining allegations in Paragraph 84.

85. Defendants admit that the transcript of a July 25, 2012 earnings conference call indicates that an analyst stated: “I was surprised that [the tax rate guidance is] going to step up a little bit more to basically in line with pure [*sic*] US company. John, are you having to basically wipe the slate clean with the international substructure and rebuild?” Defendants admit that the transcript indicates that Briscoe stated in response:

I don't want to say wipe the slate clean, that's not a true characterization. When we went through the restatement last year, we did learn a lot of things that are causing our rate to be higher. Some of this is through some withholding taxes that based on how things were structured and how things were being executed, it was triggering additional withholding taxes in jurisdictions where we in some cases may generate low income, or it may even be a deemed profit jurisdiction. So that's having a negative impact on our overall rate and makes it appear that we're at a U.S. rate. So withholding taxes is an issue that we are going to focus on.

Defendants deny any remaining allegations in Paragraph 85.

86. Defendants deny the allegations in Paragraph 86.

(c) The Announcement Of The Third Restatement Caused A Substantial Drop In Weatherford's Stock Price

87. Defendants admit that J.P. Morgan issued an alert on July 24, 2012, entitled “This is Beginning to Become Taxing,” which included the statement: “The bottom line is we don't know what the bottom line is this or even the last 10 qtrs” Defendants lack knowledge or information sufficient to form a belief as to the allegation regarding the reason J.P. Morgan issued the alert, and on that basis deny the allegation. Defendants deny any remaining allegations in Paragraph 87.

88. Defendants admit that Weatherford filed a Form 8-K with the SEC on July 24, 2012, which attached as an exhibit a press release announcing that prior periods would be restated for tax. Defendants admit that Weatherford's stock price closed at \$12.80 per share on July 24, 2012. Defendants admit that Weatherford's stock price closed at \$11.67 per share on July 25, 2012. Defendants admit that the volume on July 25, 2012 was in excess of 32 million. Defendants deny the remaining allegations in Paragraph 88.

89. Defendants admit that Sterne Agee issued a report on July 25, 2012, entitled "Tax Issues Mask Progress; Maintain Buy Rating, 2012 Estimate Lowered," which stated: "While we were surprised the company announced that it had uncovered additional tax restatements, it does appear that CFO John Briscoe and his team are doing a thorough job wading through the tax problems and setting up the company for success going forward." Defendants admit that Wells Fargo Securities issued a report on July 25, 2012, which stated: "We Are Lowering Our 2012/2013 Estimates And Valuation After Slight Operational (Ops) Miss And Another Round Of Tax Problem Discoveries." Defendants admit that the Wells Fargo Securities report further stated: "Far more discouraging [than the Company's earnings performance] was WFT's report that they again found discrepancies in their quarterly tax provision process despite prior claims that the issues had been successfully remediated." Defendants deny any remaining allegations in Paragraph 89.

F. Defendants Made False And Misleading Statements With Scienter

90. Defendants deny the allegations in Paragraph 90.

1. Defendants Had Motive

91. To the extent the allegations in Paragraph 91 reference SEC regulations, those regulations speak for themselves, should be read as a whole, and provide only as stated therein. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2010, filed

with the SEC on March 8, 2011, listed the Company's Long-term debt for 2010 as \$6,529,998,000. Defendants admit that Weatherford filed a Form 8-K with the SEC on October 19, 2010, which attached as an exhibit a Credit Agreement dated October 15, 2010, for which JPMorgan Chase Bank, N.A. acted as the administrative agent. Defendants admit that the Credit Agreement stated, under the heading "Information Covenants" in Section 7.01, that each "Obligor Party shall furnish or cause to be furnished to the Administrative Agent":

(a) As soon as available, and in any event within 45 days after the end of each of the first three quarterly accounting periods in each fiscal year of WIL-Switzerland, the Quarterly Report on Form 10-Q, or its equivalent, of WIL-Switzerland for such quarter (b) As soon as available, and in any event within 90 days after the close of each fiscal year of WIL-Switzerland, the Annual Report on Form 10-K, or its equivalent, of WIL-Switzerland for such year

Defendants admit that the Credit Agreement included, under the heading "Events of Default and Remedies," if "any Obligor Party shall fail to perform or observe any other term, covenant or agreement contained in this Agreement . . . , and, in any event, such failure shall remain unremedied for 30 calendar days" after a principal financial officer receives notice or becomes otherwise aware of such failure. Defendants deny the remaining allegations in Paragraph 91.

(a) Weatherford Needed To File Financial Statements To Issue Securities And Comply With Its Debt Covenants

(i) Weatherford Could Not Issue Securities Without Filing Financial Statements

92. To the extent the allegations in Paragraph 92 call for legal conclusions, Defendants need not respond. To the extent the allegations in Paragraph 92 reference SEC regulations, those regulations speak for themselves, should be read as a whole, and provide only as stated therein. Defendants admit that Weatherford filed a Form 8-K with the SEC on April 4, 2012, which attached as an exhibit an Underwriting Agreement, dated March 30, 2012, stating: "The Company and the Guarantors have filed with the [SEC] a registration statement on Form S-

3 (Nos. 333-169400, 333-169400-01, 333-169400-02), as amended, including the related base prospectus (the “Base Prospectus”), covering the registration of the Securities under the U.S. Securities Act of 1933, as amended (the “1933 Act”).” Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2012, filed with the SEC on March 4, 2013, stated: “On April 4, 2012, we completed a \$1.3 billion long-term debt offering comprised of (1) \$750 million of 4.5% Senior Notes due 2022 and (2) \$550 million of 5.95% Senior Notes due 2042.” Defendants deny any remaining allegations in Paragraph 92.

93. To the extent the allegations in Paragraph 93 call for legal conclusions, Defendants need not respond. To the extent the allegations in Paragraph 93 reference SEC regulations, those regulations speak for themselves, should be read as a whole, and provide only as stated therein. Defendants deny any remaining allegations in Paragraph 93.

94. To the extent the allegations in Paragraph 94 call for legal conclusions, Defendants need not respond. To the extent the allegations in Paragraph 93 reference SEC regulations, those regulations speak for themselves, should be read as a whole, and provide only as stated therein. Defendants deny any remaining allegations in Paragraph 94.

(ii) Weatherford Needed To File Financial Statements to Comply With Its Debt Covenants

95. Defendants admit that Weatherford filed a Form 8-K with the SEC on October 19, 2010, which attached as an exhibit a Credit Agreement dated October 15, 2010, for which JPMorgan Chase Bank, N.A. acted as the administrative agent. Defendants admit that the Credit Agreement stated, under the heading “Information Covenants” in Section 7.01, that each “Obligor Party shall furnish or cause to be furnished to the Administrative Agent”:

- (a) As soon as available, and in any event within 45 days after the end of each of the first three quarterly accounting periods in each fiscal year of WIL-Switzerland, the Quarterly Report on Form 10-Q, or its equivalent, of WIL-Switzerland for such quarter
- (b) As soon as

available, and in any event within 90 days after the close of each fiscal year of WIL-Switzerland, the Annual Report on Form 10-K, or its equivalent, of WIL-Switzerland for such year

Defendants admit that the Credit Agreement included, under the heading “Events of Default and Remedies,” if “any Obligor Party shall fail to perform or observe any other term, covenant or agreement contained in this Agreement . . . , and, in any event, such failure shall remain unremedied for 30 calendar days” after a principal financial officer receives notice or becomes otherwise aware of such failure. Defendants deny the remaining allegations in Paragraph 95.

96. Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2010, filed with the SEC on March 8, 2011, stated, under the heading “Long-term Debt”: “We have issued various senior notes, all of which rank equally with our existing and future senior unsecured indebtedness, have semi-annual interest payments and no sinking fund requirements.” Defendants admit that the Form 10-K listed the Company’s Long-term debt for 2010 as \$6,529,998,000. Defendants admit that in 2011, long-term debt was reduced from approximately \$6.5 billion to approximately \$6.3 billion. Defendants admit that the current portion of long-term debt was \$309 million in 2011 and \$217 million in 2010. Defendants admit that Weatherford issued Senior Notes pursuant to two indenture agreements, one first issued on October 1, 2003, attached as an exhibit to the Company’s Form 8-K filed with the SEC on October 2, 2003, and another on June 18, 2007, attached as an exhibit to the Company’s Form 8-K filed with the SEC on June 18, 2007. Defendants admit that Section 7.4 of the 2007 indenture agreement stated:

The Guarantor and the Company shall: (a) file with the Trustee, within 15 days after the Guarantor or the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports . . . which the Guarantor or the Company may be required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act[.]” Defendants admit that

Section 5.1 of the 2007 indenture agreement included among its events of default “(3) default in the performance, or breach, of any covenant or warranty of the Guarantor or the Company in this Indenture . . . and continuance of such default or breach for a period of 90 days after there has been given [written notice].

Defendants admit that the 2003 indenture agreement included nearly identical language in Sections 7.4 and 5.1, except for the exclusion of references to “the Guarantor.” Defendants deny the remaining allegations in Paragraph 96.

97. Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, stated:

Prior to July 2011, we maintained a \$1.75 billion unsecured, revolving credit agreement (the “Credit Agreement”) with JPMorgan Chase Bank, N.A., as administrative agent. On July 13, 2011, we amended the Credit Agreement to increase the facility size from \$1.75 billion to \$2.25 billion, extend the scheduled maturity date from October 15, 2013 to July 13, 2016 and decrease interest rate margins under the facility. The Credit Agreement, as amended, can be used for a combination of borrowings, support for our \$1.5 billion commercial paper program and issuances of letters of credit.

Defendants admit that there were no amounts outstanding on the credit facility associated with the Credit Agreement dated October 15, 2010 (apart from \$64 million in outstanding letters of credit), or commercial paper program, as of the end of 2010. Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, listed Weatherford’s availability of commercial paper under the Credit Agreement at December 31, 2011 as \$997 million. Defendants admit that the Form 10-K further listed Weatherford’s short-term borrowings through the commercial paper program as \$997 million at December 31, 2011 and as \$0 at December 31, 2010. Defendants deny the remaining allegations in Paragraph 97.

98. Defendants admit that representations and warranties contained in the Credit Agreement dated October 15, 2010 included the following:

[Section 6.06(a)] All information heretofore furnished by the Obligors to the Administrative Agent or any Lender in connection with this Agreement, when considered together with the disclosures made herein, in the other Loan Documents and in the filings made by any Obligor with the SEC pursuant to the Exchange Act, did not as of the date thereof (or if such information related to a specific date, as of such specific date), when read together and taken as a whole, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements were made, except for such information, if any, that has been updated, corrected, supplemented, superseded or modified pursuant to a written instrument delivered to the Administrative Agent and the Lenders prior to the Effective Date.

Defendants admit that “Amendment No. 1 to the Credit Agreement,” dated July 13, 2011, stated that “the representations and warranties set forth in Article VI of the Credit Agreement and in the other Loan Documents are true and correct in all material respects as of, and as if such representations and warranties were made on, the Amendment Effective Date[.] Defendants admits that the Credit Agreement dated October 15, 2010 stated, under the heading “Information Covenants” in Section 7.01, that each “Obligor Party shall furnish or cause to be furnished to the Administrative Agent”:

(a) As soon as available, and in any event within 45 days after the end of each of the first three quarterly accounting periods in each fiscal year of WIL-Switzerland, the Quarterly Report on Form 10-Q, or its equivalent, of WIL-Switzerland for such quarter (b) As soon as available, and in any event within 90 days after the close of each fiscal year of WIL-Switzerland, the Annual Report on Form 10-K, or its equivalent, of WIL-Switzerland for such year

Defendants admit that the Credit Agreement included, under the heading “Events of Default and Remedies” in Section 9.01, if “any Obligor Party shall fail to perform or observe any other term, covenant or agreement contained in this Agreement . . . , and, in any event, such failure shall remain unremedied for 30 calendar days” after a principal financial officer receives notice or

becomes otherwise aware of such failure. Defendants deny the remaining allegations in Paragraph 98.

99. Defendants admits that the Credit Agreement dated October 15, 2010 stated, under the heading “Information Covenants” in Section 7.01, that each “Obligor Party shall furnish or cause to be furnished to the Administrative Agent”:

(a) As soon as available, and in any event within 45 days after the end of each of the first three quarterly accounting periods in each fiscal year of WIL-Switzerland, the Quarterly Report on Form 10-Q, or its equivalent, of WIL-Switzerland for such quarter (b) As soon as available, and in any event within 90 days after the close of each fiscal year of WIL-Switzerland, the Annual Report on Form 10-K, or its equivalent, of WIL-Switzerland for such year

Defendants admit that the Credit Agreement included, under the heading “Events of Default and Remedies” in Section 9.01, if “any Obligor Party shall fail to perform or observe any other term, covenant or agreement contained in this Agreement . . . , and, in any event, such failure shall remain unremedied for 30 calendar days” after a principal financial officer receives notice or becomes otherwise aware of such failure. Defendants admit that Amendment No. 1 to the Credit Agreement, dated July 13, 2011, did not alter the language in provisions 7.01(a)-(b) and 9.01 stated above. Defendants deny any remaining allegations in Paragraph 99.

100. Defendants admit that the Company had approximately \$6.5 billion and \$6.3 billion in long-term debt as of year-end 2010 and 2011, respectively. Defendants admit that the debt attributable in 2010 and 2011 to the Credit Agreement dated October 15, 2010, and the October 1, 2003 and June 18, 2007 indenture agreements, was subject to default if the Company did not file financial statements with the SEC as prescribed in the respective agreements. Defendants deny the remaining allegations in Paragraph 100.

101. Defendants admit that Moody's issued an announcement on March 3, 2011, entitled "Moody's comments that Weatherford's reported material weakness is a cause for concern," which stated:

WFT expects to file its 10-K within the 15 day extension period ending March 16, 2011. If the company is unable to file by March 16, 2011, it will be in violation of the financial reporting covenants under its bond indentures and an official 90 day cure period will begin, during which time the company must either file its 10-K or obtain a waiver to extend the filing date. If the company cannot file within the cure period, the indenture trustees will have the option to accelerate the obligations at the end of the 90 day cure period. Under WFT's revolving credit facility, the company has 90 days to file its 10-K after the fiscal year ends and then a 30 day grace period.

Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegation in the first sentence of Paragraph 101, and on that basis deny the allegation.

Defendants deny the remaining allegations in Paragraph 101.

102. Defendants admit that Wells Fargo issued a report on a March 8, 2011, which stated: "**We Are Including Low Risk of Debt Covenant Issues.** WFT expects to have its 10-K filed comfortably before the March 15 deadline its creditors require, which we think should be a positive for the stock." Defendants deny the remaining allegations in Paragraph 102.

(b) Weatherford Generated Negative Cash Flow And Could Not Survive Without Issuing Securities Or Access To The Banking Market

(i) Weatherford's Operations Historically Did Not Generate Sufficient Cash

103. Defendants admit that Weatherford issued debt from time to time during the purported class period. Defendants lack knowledge or information sufficient to form a belief as to the truth of the remaining allegations in Paragraph 103, and on that basis deny the allegations.

104. Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegation in the first sentence of Paragraph 104, and on that basis deny the

allegation. Defendants admit that Morningstar issued an analyst report on August 1, 2011, which stated: “Weatherford has spent significantly in excess of its operating cash flow during the last few years to take advantage of growth opportunities and has used debt to make up the difference We note the firm will need to be far more prudent with its expenditures going forward if it wants to avoid financial difficulties in the future.” Defendants deny any remaining allegations in Paragraph 104.

105. Defendants admit that a Morgan Stanley analyst report dated February 23, 2011 included a cash flow statement that noted, among other things, approximately the line items set forth in Paragraph 105. Defendants deny the remaining allegations in Paragraph 105.

(ii) Weatherford’s Liquidity Constraints In 2011 Were Especially Acute

106. Defendants admit that Wells Fargo issued an analyst report on March 8, 2011 entitled, “WFT: Upgrading to Outperform After 20% Selloff As Tax Issue Passes, Oil-Driven Spending Should Drive Valuation,” which stated: “We also estimate WFT will need to access capital markets again in the next two years to finance growth and repay maturing debt.” Defendants deny any remaining allegations in Paragraph 106.

107. Defendants admit that the Company’s Form 10-Q for the quarterly period ended March 31, 2011, filed with the SEC on May 10, 2011, reported the following: (\$172,987,000) for “Net Cash Provided by Operating Activities”; (\$378,501,000) for “Net Cash used by Investing Activities”; (\$4,736,000) for “Repayments of Long-term Debt, Net”; \$384,532,000 for “Borrowings of Short-term Debt, Net”; and (\$166,455,000) for “Net Decrease in Cash and Cash Equivalents.” Defendants deny the remaining allegations in Paragraph 107.

108. Defendants admit that the Company filed a Form 8-K with the SEC on July 13, 2011, which stated: “On July 13, 2011, we amended our unsecured revolving credit facility to

increase the facility size from US\$1.75 billion to US\$2.25 billion and extend the scheduled maturity date to July 13, 2016.” Defendants admit that the Credit Agreement dated October 15, 2010 stated, under the heading “Information Covenants” in Section 7.01, that each “Obligor Party shall furnish or cause to be furnished to the Administrative Agent”:

(a) As soon as available, and in any event within 45 days after the end of each of the first three quarterly accounting periods in each fiscal year of WIL-Switzerland, the Quarterly Report on Form 10-Q, or its equivalent, of WIL-Switzerland for such quarter (b) As soon as available, and in any event within 90 days after the close of each fiscal year of WIL-Switzerland, the Annual Report on Form 10-K, or its equivalent, of WIL-Switzerland for such year

Defendants admit that Amendment No. 1 to the Credit Agreement, dated July 13, 2011, did not alter the language in provisions 7.01(a)-(b) stated above. Defendants deny the remaining allegations in Paragraph 108.

109. Defendants admit that Societe Generale issued an analyst report on July 27, 2011, which stated: “We do note, however, that short-term debt (primarily bank debt) at WFT now stands at \$1,114 million and the possibility that the company will take out at least part of this via a bond deal later this year may place some pressure on its cash spreads in the interim.”

Defendants deny the remaining allegations in Paragraph 109.

110. Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, listed, in the “Consolidated Statements of Cash Flows,” the Company’s “Net Cash Provided by Operating Activities” as \$833 million; “Net Cash Used by Investing Activities” as (\$1,674 million); and “Capital Expenditures for Property, Plant and Equipment” as (\$1,524 million). Defendants admit that the “Contractual Obligations” section of the Form 10-K listed Weatherford’s “Payments Due by Period” for “Short-term debt” as \$1,011 million for 2012; and “Payments Due by Period” for “Long-term debt” as \$310 million for 2012. Defendants deny the remaining allegations in Paragraph 110.

111. Defendants admit that the “Cash Requirements” section of Weatherford’s 2011 Form 10-K, filed with the SEC on March 15, 2012, stated: “During 2012, we anticipate our cash requirement will include interest payments on our outstanding debt, the repayment of \$273 million of senior notes due in the second quarter of 2012, working capital needs and capital expenditures.” Defendants admit that the “Short-term Borrowings and Current Portion of Long-term Debt” section of Weatherford’s Form 10-Q for the quarterly period ended March 31, 2012, filed on with the SEC on May 8, 2012 listed the components of commercial paper short term borrowings as \$997 million as of December 31, 2011 and \$1,285 billion as of March 31, 2012. Defendants deny the remaining allegations in Paragraph 111.

112. Defendants admit that Moody’s issued a report on March 30, 2012, which stated: “In 2012, Moody’s expects negative free cash flow for Weatherford primarily because of a high capital budget of just under \$2 billion.” Defendants admit that Morningstar issued a report on April 10, 2012, which stated:

The capital intensity in the oil services industry is quite high, and Weatherford has outspent its operating cash flow over the past few years building out its international capabilities. On a net basis, Weatherford raised more than \$5 billion in short and long-term debt during 2006-09. We estimate the firm’s total debt/EBITDA ratio at the end of 2012 will be about 2.4 times. This makes Weatherford one of the oil services industry’s most highly leveraged companies.

Defendants deny the remaining allegations in Paragraph 112.

113. Defendants admit that Weatherford’s Form 8-K filed with the SEC on April 4, 2012, stated:

On March 30, 2012, we entered into an Underwriting Agreement [] with J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC, Citigroup Global Markets Inc. and Deutsche Bank Securities Inc., as representatives of the several underwriters named therein. . . . Pursuant to the Underwriting Agreement, Weatherford International Ltd. . . . will issue and sell to the underwriters \$750 million aggregate principal amount of 4.50% Senior Notes due 2022 (the “2022 Notes”)

and \$550 million aggregate principal amount of 5.95% Senior Notes due 2042

Defendants admit that Weatherford's Form 424B Prospectus Supplement, filed with the SEC on March 30, 2012, stated: "We expect to use the net proceeds from this offering to repay existing short-term indebtedness under our commercial paper program and for general corporate purposes." Defendants deny the remaining allegations in Paragraph 113.

114. Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in the first sentence of Paragraph 114, and on that basis deny the allegations. Defendants admit that on August 21, 2012, Standard & Poor's revised its outlook on Weatherford to negative, and stated that its ratings of Weatherford "reflect[ed] the company's high level of continued business investment (capital expenditures, working capital, and acquisitions) in excess of funds from operations that have resulted in debt increasing by an average of \$300 million per quarter since mid-2011." Defendants deny any remaining allegations in Paragraph 114.

115. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, stated that the Company has been subject to DOJ and SEC investigation regarding FCPA compliance. Defendants admit that Form 10-K stated that the Company was subject to SEC investigation regarding participation in the United Nations' oil-for-food program. Defendants admit that Form 10-K for the year ended December 31, 2007, filed with the SEC February 21, 2008 stated:

With the assistance of outside counsel and in connection with the U.S. government investigations, we are conducting internal investigations regarding the embezzlement of approximately \$175,000 at a European subsidiary and the possible improper use of these funds, including possible payments to government officials in Europe, during the period from 2000 to 2004, and the Company's compliance with the Foreign Corrupt Practices Act and other laws worldwide.

Defendants admit that the Company's Form 10-K for the year ended December 31, 2009, filed with the SEC on March 1, 2010, stated that the Bureau of Industry and Security and the DOJ "have undertaken investigations of allegations of improper sales of products and services by the Company and its subsidiaries in certain sanctioned countries." Defendants admit that J.P. Morgan issued an analyst report on August 1, 2011, which stated: "An adverse [FCPA] ruling could lead to a significant fine. With the company's weak cash flow position, limited cash on hand, and a fully levered balance sheet, an equity issuance could be needed if operating cash flow is not sufficient to pay the fine." Defendants deny the remaining allegations in Paragraph 115.

116. Defendants admit that on Weatherford completed a \$1.3 billion long-term debt offering on April 4, 2012. Defendants admit that Weatherford issued a press release, included as an exhibit to its Form 8-K filed with the SEC on July 24, 2012, stating that the Company expected to file restated financial statements to correct errors relating to the Company's historical reporting of the provision for income taxes. Defendants admit that the July 24, 2012 press release stated:

The company intends to file restated financial statements for fiscal 2011, 2010 and 2009 in a Form 10-K/A for the year ended December 31, 2011 and restated financial statements for the first quarter of 2012 in a Form 10-Q/A as soon as practicable In addition, the company intends to include in the Form 10-K/A restated quarterly financial data for each of the quarters for fiscal 2011 and 2010. . . . The company will endeavor to make such filings and file its third quarter Form 10-Q by the SEC due date of November 9, 2012

Defendants deny the remaining allegations in Paragraph 116.

(iii) Weatherford Also Needed Financing To Enable Its Growth Strategy And Remain Competitive With The Larger Industry Players

117. Defendants admit that Morningstar issued a research report on April 10, 2012, which stated:

[Weatherford] has followed Schlumberger SLB and Halliburton HAL around the world and has invested billions in intellectual property and acquisitions during the last few years to catch up with its largest competitors. . . . However, the company still faces barriers to entry in certain market, where big tenders specify experience and product portfolio requirements that Weatherford cannot yet meet. Therefore, we think larger competitors are better positioned to capture the best opportunities in the industry, and . . . forced to compete on price, Weatherford will struggle to deliver shareholder value.

Defendants deny the remaining allegations in Paragraph 117.

118. Defendants admit that Morningstar issued a research report on April 10, 2012, which stated: “[W]e do not believe the company will change its growth plans over the next few years, and it will continue to outspend its cash flow in an effort to catch up with its larger competitors.” Defendants deny the remaining allegations in Paragraph 118.

119. Defendants admit that Morningstar issued a research report on April 10, 2012, which stated: “[Weatherford] has made more than 250 acquisitions over the years” Defendants admit that Weatherford filed a Prospectus Supplement with the SEC on May 17, 2012, in connection with 3,084,096 registered shares, for which the proposed maximum aggregate offering price was \$38,890,451. Defendants admit that Weatherford filed a Prospectus Supplement with the SEC on May 25, 2011, in connection with 1,623,680 registered shares, for which the proposed maximum aggregate offering price was \$31,791,654. Defendants admit that Weatherford filed a Prospectus Supplement with the SEC on June 6, 2011, in connection with 1,466,634 registered shares, for which the proposed maximum aggregate offering price was \$28,423,367. Defendants admit that Weatherford filed a Prospectus Supplement with the SEC

on September 15, 2011, in connection with 4,653,679 registered shares, for which the proposed maximum aggregate offering price was \$73,481,592. After reasonable investigation, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in the footnote to Paragraph 119, and on that basis deny the allegations. Defendants deny the remaining allegations in Paragraph 119.

120. Defendants admit that Weatherford filed a Form 8-K with the SEC on May 25, 2011, which stated:

On May 19, 2011 we entered into a registration rights agreement [] through which we agreed to register with the [SEC] 1,623,680 of our registered shares (the “Shares”) that were issued in a non-material acquisition to facilitate the resale of the Shares by the recipients thereof. On May 25, 2011, we are filing a prospectus supplement covering the Shares under our registration statement on Form S-3 (Registration No. 333-174485) filed with the [SEC].

Defendants admit that Weatherford filed a registration statement with the SEC on May 25, 2011. Defendants admit that Weatherford filed a Prospectus Supplement with the SEC on May 25, 2011, in connection with 1,623,6800 registered shares. Defendants admit that Weatherford filed a Form 8-K with the SEC on June 6, 2011, which stated:

On June 6, 2011, we entered into a registration rights agreement [] through which we agreed to register with the [SEC] 1,466,634 of our registered shares (the “Shares”) that were issued in a non-material acquisition to facilitate the resale of the Shares by the recipients thereof. On June 6, 2011, we are filing a prospectus supplement covering the Shares under our registration statement on Form S-3 (Registration No. 333-174485) filed with the [SEC].

Defendants admit that Weatherford filed a Prospectus Supplement with the SEC on June 6, 2011, in connection with 1,466,634 registered shares. Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, attached as an exhibit a list of subsidiaries and affiliates which included Isotech Laboratories, Inc. Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2010, filed with the SEC

on March 8, 2011, stated: “This Form 10-K includes restated financial information for the years ended December 31, 2009, 2008 and 2007, and the quarterly periods ended March 31, June 30 and September 30, 2010, and all four quarters of 2009 due to errors in the Company’s accounting for income taxes.” Defendants deny the remaining allegations in Paragraph 120.

121. Defendants admit that Weatherford filed a Form 8-K with the SEC on September 15, 2011, which stated:

Effective September 15, 2011, we amended our Articles of Association to reflect changes in our outstanding share capital resulting from our issuance of 4,653,679 registered shares out of authorized capital (the “Shares”) in connection with a recent business acquisition. . . . On September 13, 2011, we entered into a registration rights agreement [] with certain shareholders of the business we acquired to register the Shares with the [SEC] to facilitate the resale of the Shares. On September 15, 2011, we are filing a prospectus supplement covering those Shares under our registration statement on Form S-3 (Registration No. 333-174485) filed with the [SEC].

Defendants admit that Exhibit 5.1 to the September 15, 2011 Form 8-K noted:

The Registered Shares were issued pursuant to that certain Share Purchase Agreement, dated June 15, 2011, by and among the Company, Weatherford Energy Services, S. de R. L. de C.V., a Mexican corporation, Global Drilling Capitales, S.A. de C.V., a Mexican corporation, and the shareholders (collectively, the “Selling Shareholders”) of Global Drilling Corporativo, S.A. de C.V., a Mexican corporation

Defendants admit that the Prospectus Supplement Weatherford filed with the SEC on September 15, 2011 calculated the proposed maximum aggregate offering price of the 4,653,679 shares at \$73,481,592. Defendants deny the remaining allegations in Paragraph 121.

122. Defendants admit that, on March 15, 2012, Weatherford filed a Form 10-K restating “financial information for the years ended December 31, 2010 and 2009, and the quarterly periods ended March 31, June 30 and September 30, 2011, and all four quarters of

2010 due to errors in the Company's accounting for income taxes." Defendants admit that Weatherford filed a Form 8-K with the SEC on May 17, 2012, which stated:

On May 17, 2012, we entered into a registration rights agreement (the "Agreement") through which we agreed to register with the [SEC] 3,084,096 of our registered shares (the "Shares") that were issued in a non-material acquisition to facilitate the resale of the Shares by the recipients thereof. On May 17, 2012, we are filing a prospectus supplement covering the Shares under our registration statement on Form S-3 (Registration No. 333-174485) filed with the [SEC].

Defendants admit that, on May 17, 2012, Weatherford filed a Prospectus Supplement with the SEC in connection with 3,084,096 registered shares, for which the proposed maximum aggregate offering price was \$38,890,451. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2012, filed with the SEC on March 4, 2013, attached as an exhibit a list of subsidiaries and affiliates which included Petrowell Limited. Defendants deny any remaining allegations in Paragraph 122.

123. Defendants deny the allegations in Paragraph 123.

(c) The Individual Defendants Had A Personal Monetary Incentive To Inflate The Stock Price And Earnings

124. Defendants admit that Weatherford's May 13, 2010 Proxy Statement stated: "As a result of [a review of Weatherford's compensation programs], the [Compensation] Committee . . . adopted a performance-based long-term incentive award program based on the ranking of the Company's total shareholder return ("TSR") relative to the TSR of certain companies in [Weatherford's] peer group" Defendants admit that the May 13, 2010 Proxy Statement defined the "TSR Peer Group" as Baker Hughes, Inc., Halliburton Company, and Schlumberger Limited. Defendants deny the remaining allegations in Paragraph 124.

125. Defendants admit that Weatherford's May 13, 2010 Proxy Statement stated: "Effective March 18, 2010, the [Compensation] Committee awarded Mr. Becnel 147, 232

performance-based restricted share units.” Defendants admit that the May 13, 2010 Proxy Statement further stated:

The performance units will be settled in registered shares . . . with the actual number of shares to be issued based on a multiple of each executive’s targeted number of performance units. The multiplier will be determined on the basis of our TSR relative to the TSR of each of Baker Hughes, Inc., Halliburton Company, and Schlumberger Limited (the “TSR Peer Group”). If we have the highest TSR of the TSR Peer Group for a given fiscal year, the payout under the new LTI [long-term incentive] program will be equal to two times the number of shares represented by the portion of the targeted number of performance units described above corresponding to the relevant fiscal year. Alternatively, an executive will receive no payout if our TSR is the lowest of the TSR Peer Group. If the Company’s TSR performance for a fiscal year is neither the highest nor the lowest among the TSR Peer Group for a fiscal year, then the performance multiplier applicable to the targeted number of performance units covered by the LTI award will be determined on the basis of the Company’s TSR percentile when compared to the TSR results of the TSR Peer Group as follows:

TSR Percentile	Performance Multiplier
75+	2.0
50-74.99	1.0
25-49.99	0.5
<25	0.0

Defendants deny the remaining allegations in Paragraph 125.

126. Defendants admit that Weatherford’s April 14, 2011 Proxy Statement noted that, on February 15, 2011, the Compensation Committee awarded Duroc-Danner 310,427 performance share units and awarded Becnel 50,906 performance share units. Defendants admit that the 2011 performance unit grant performance modifiers were modified to 2.25, 1.25, 0.5 and 0. Defendants deny the remaining allegations in Paragraph 126.

127. Defendants admit that Weatherford's April 14, 2011 Proxy Statement stated: "In February 2011, the Committee approved the Weatherford International Ltd. Non-Equity Incentive Compensation Plan (the "ICP") []. . . Awards are paid in cash in the currency in which the recipient ordinarily is paid. . . Earnings per share is the metric for determining 2011 annual incentive awards under the ICP." Defendants admit that, according to Weatherford's April 14, 2011 Proxy Statement, the goals and payment levels were as follows:

EPS Goal	Threshold \$1.00	Target \$1.24	Superior \$1.48
Dr. Duroc-Danner	40%	120%	240%
Mr. Becnel	30%	90%	180%

Defendants deny any remaining allegations in Paragraph 127.

128. Defendants admit that, pursuant to the 2011 ICP, if Weatherford's EPS for 2011 was \$1.24, Duroc-Danner and Becnel would have qualified for an award equivalent to 120% and 90% of their salaries, respectively. Defendants admit that the Company's EPS calculation is affected by the Company's tax expense. Defendants deny the remaining allegations in Paragraph 128.

2. The Defendants Knew Or Recklessly Disregarded The Truth That The Statements Were False

(a) Weatherford's Issuance Of The First Restatement Despite Identifying Material Weaknesses In Internal Controls Raises A Strong Inference Of Scienter

129. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2010, filed with the SEC on March 8, 2011, stated: "This Form 10-K includes restated financial information for the years ended December 31, 2009, 2008 and 2007, and the quarterly periods ended March 31, June 30 and September 30, 2010, and all four quarters of 2009 due to errors in the Company's accounting for income taxes." Defendants admit that the Company stated in a

March 11, 2011 letter to the SEC that “[o]n or about February 20” the Company “identified a current income tax receivable balance of approximately \$308 million for which documentary support was not available.” Defendants admit that in the March 11, 2011 letter to the SEC the Company stated that it had “identified the same type of error that had given rise to an additional tax receivable of approximately \$154 million in 2007,” and that “the final adjustments for [the three] categories were determined to be approximately \$462 million, approximately \$13 million and approximately \$17 million, respectively” and affected “previously issued financial statements for the years ended December 31, 2007, 2008 and 2009 and for the quarterly periods ended March 31, June 30 and September 30, 2010.” Defendants deny the remaining allegations in Paragraph 129.

130. Defendants admit that Morgan Stanley issued a report on March 2, 2011, entitled “Lowering Our Estimates on Upward Tax Rate Adjustment,” which stated: “WFT accounted for ~\$700 million in taxes between 2007–2010, which should have been \$1.2 billion, and represents 12.5% of cumulative pretax income of ~\$4 billion over the period. The historical tax rate should have been ~30% instead of the reported 17.5%.” Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in the last sentence of Paragraph 130, and on that basis deny the allegations. Defendants deny the remaining allegations in Paragraph 130.

131. Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2010, filed with the SEC on March 8, 2011, stated that “management identified a material weakness in the Company’s internal controls over financial reporting for income taxes” and that “[t]he Company’s processes, procedures and controls related to financial reporting were not effective to ensure that amounts related to current taxes payable, certain deferred tax assets and

liabilities, reserves for uncertain tax positions, the current and deferred income tax expense and related footnote disclosures were accurate.” Defendants deny the remaining allegations in Paragraph 131.

132. Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2010, filed with the SEC on March 8, 2011, stated that “our processes and procedures were not designed to provide for adequate and timely identification and review of various income tax calculations, reconciliations and related supporting documentation required to apply our accounting policies for income taxes in accordance with U.S. GAAP.” Defendants deny the remaining allegations in Paragraph 132.

133. Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2010, filed with the SEC on March 8, 2011, stated that “[t]he principal factors contributing to the material weakness were: 1) inadequate staffing and technical expertise within the company related to taxes, 2) ineffective review and approval practices relating to taxes, 3) inadequate processes to effectively reconcile income tax accounts and 4) inadequate controls over the preparation of the quarterly tax provision.” Defendants deny the remaining allegations in Paragraph 133.

134. Defendants admit that Weatherford filed a Form 8-K with the SEC on March 1, 2011, which stated: “During management’s assessment of the effectiveness of the Company’s internal control over financial reporting as of December 31, 2010, management identified a material weakness in the Company’s internal control over financial reporting for income taxes.” Defendants admit that the Form 8-K further stated: “[W]e have identified errors, the correction of which will be adjustments to our historical financial statements and our 2010 fourth quarter earnings release, totaling approximately \$500 million for the periods from 2007 to 2010.”

Defendants admit that the Company stated in a March 11, 2011 letter to the SEC that “[o]n or about February 20” the Company “identified a current income tax receivable balance of approximately \$308 million for which documentary support was not available.” Defendants admit the transcript of the March 2, 2011 conference call indicates that Becnel stated that “[t]he existence of the material weakness with respect to internal controls for financial reporting for income taxes led to the need to perform additional testing on and reconciliation of the tax accounts,” and that the Company had “substantially completed the testing procedures” Defendants deny the remaining allegations in Paragraph 134.

135. Defendants lack knowledge or information sufficient to form a belief as to the allegations in the first sentence of Paragraph 135, and on that basis deny the allegations.

Defendants admit that RBC Capital Markets issued a report on March 1, 2011, entitled “Weatherford International (NYSE: WFT; 23.52): 10-K Filing Delayed,” which stated: “The company expects restatements to be finalized and a 10-K to be filed within 15 days.”

Defendants admit that J.P. Morgan issued a report on March 2, 2011, after the investor conference call held that morning, entitled “Weatherford International: New Set of Problems as Taxes Restated – ALERT,” which stated: “the company is in the final stages of auditing restated results, which will be filed with the SEC within 15 days.” Defendants deny the remaining allegations in Paragraph 135.

136. Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2010, filed with the SEC on March 8, 2011, stated: “This Form 10-K includes restated financial information for the years ended December 31, 2009, 2008 and 2007, and the quarterly periods ended March 31, June 30 and September 30, 2010, and all four quarters of 2009 due to errors in the Company’s accounting for income taxes.” Defendants admit that the Form 10-K stated that

the Company prepared its consolidated financial statements “in conformity with U.S. generally accepted accounting principles.” Defendants admit that Duroc-Danner and Becnel issued certifications pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002, certifying that, among other things, “[b]ased on [their] knowledge, th[e] report d[id] not contain any untrue statement of material fact or omit to state a material fact,” “[b]ased on [their] knowledge, the financial statements, and other financial information included in th[e] report, fairly present[ed] in all material respects the financial condition, results of operations and cash flows,” the certifying officers had “designed such internal control over financial reporting . . . to provide reasonable assurance regarding . . . the preparation of financial statements for external purposes in accordance with generally accepted accounting principles,” and “[t]he [r]eport fully complie[d] with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934.”

Defendants deny the remaining allegations in Paragraph 136.

137. To the extent the allegations in Paragraph 137 call for legal conclusions, Defendants need not respond. Defendants lack knowledge or information sufficient to form a belief as to the allegations in the first sentence of Paragraph 137, and on that basis deny the allegations. Defendants admit that Wells Fargo issued a report March 8, 2011, entitled “WFT: Upgrading to Outperform After 20% Selloff As Tax Issue Passes, Oil-Driven Spending Should Drive Valuation,” which stated: “WFT expects to have its 10-K filed comfortably before the March 15 deadline its creditors require, which we think should be a positive for the stock.”

Defendants deny the remaining allegations in Paragraph 137.

138. Defendants admit that Wells Fargo issued a report on a March 8, 2011, entitled “WFT: Upgrading to Outperform After 20% Selloff As Tax Issue Passes, Oil-Driven Spending Should Drive Valuation,” which stated: “By the company’s account, which we believe, the tax

errors seem like a simple bust in internal tax accounting models, without any nefarious or premeditated goal of improperly inflating reported earnings or assets.” Defendants lack knowledge or information sufficient to form a belief as to the allegation regarding what Wells Fargo relied on, and on that basis deny the allegation. Defendants deny the remaining allegations in Paragraph 138.

139. To the extent the allegations in Paragraph 139 call for legal conclusions, Defendants need not respond. Defendants deny the allegations in Paragraph 139.

140. Defendants admit that Weatherford’s Form 10-Q for the quarterly period ended September 30, 2011, filed with the SEC on October 27, 2011, stated:

In light of this material weakness, in preparing our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q, we performed additional reconciliations and other post-closing procedures to ensure our condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles. Accordingly, management believes the condensed consolidated financial statements included in the Quarterly Report on Form 10-Q fairly present, in all material respects, our financial condition, results of operations and cash flows as of and for each of the periods presented [which included the first nine months of 2011].

Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, stated: “This Form 10-K includes restated financial information for the years ended December 31, 2010 and 2009, and the quarterly periods ended March 31, June 30 and September 30, 2011, and all four quarters of 2010 due to errors in the Company’s accounting for income taxes.” Defendants deny the remaining allegations in Paragraph 140.

141. Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, stated:

We were unable to remediate the material weakness in 2011, which required us to perform additional procedures including reconciliations and analyses designed to ensure that our consolidated financial statements have been prepared in accordance with generally accepted accounting principles. . . . As a result of these procedures, we identified additional errors across multiple jurisdictions. In the aggregate, these errors resulted in an understatement of income tax expense by \$41 million and \$50 million compared to the previously restated results for 2010 and 2009, respectively. Errors attributable to 2008 and prior totaled \$165 million.

Defendants deny the remaining allegations in Paragraph 141.

(b) The Magnitude And Scope Of The First Two Restatements Raise A Strong Inference of Scienter

142. To the extent the allegations in Paragraph 142 call for legal conclusions, Defendants need not respond. Defendants deny the allegations in Paragraph 142.

143. Defendants admit that Weatherford filed a Form 8-K with the SEC on March 1, 2011, which stated: “[W]e have identified errors, the correction of which will be adjustments to our historical financial statements and our 2010 fourth quarter earnings release, totaling approximately \$500 million for the periods from 2007 to 2010.” Defendants lack knowledge or information sufficient to form a belief as to the allegations in the last sentence of Paragraph 143, and as to the allegation that “\$500 million in higher taxes represent[ed] a tax expense more than 40% greater than initially reported between 2007 and 2010,” and on that basis deny those allegations. Defendants deny the remaining allegations in Paragraph 143.

144. Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, stated: “[I]n the aggregate . . . errors resulted in an understatement of income tax expense of \$41 million and \$50 million compared to the previously restated results for 2010 and 2009, respectively. Errors attributable to 2008 and prior totaled \$165 million.” Defendants admit that the Form 10-K indicated that the adjustments to the income tax provision for the first three quarters of 2011 totaled \$118 million. Defendants admit

that the Form 10-K further indicated that the income tax provision, as reported, was \$19 million, \$46 million and \$82 million for the first, second and third quarters of 2011, respectively.

Defendants admit that the Form 10-K included an update to its Management Discussion and Analysis, which stated that the tax provision for the nine months ended September 30, 2011 was \$265 million on income before taxes. Defendants admit that the Form 10-K stated that “[r]estated quarterly results for 2011 include a reduction to net income of approximately \$22 million, \$35 million and \$60 million for the first, second and third quarters, respectively, primarily attributable to additional unrecognized tax benefits and withholding taxes.”

Defendants admit the Form 10-K stated that Weatherford previously reported that net income attributable to Weatherford for the first three quarters of 2011 totaled \$359 million, and that basic earnings for the first three quarters of 2011 totaled \$0.48 per share and that the restated amounts totaled \$243 million, and \$0.32 per share, respectively. Defendants admit that the Form 10-K stated that total restatement adjustments to net income (loss) attributable to Weatherford for the first three quarters of 2011 totaled losses of \$116 million, and that basic earnings (loss) per share for the first three quarters of 2011 totaled losses of \$0.16 per share. After reasonable investigation, Defendants lack knowledge or information sufficient to form a belief as to the truth of the remaining figures in the chart in Paragraph 144. Defendants deny the remaining allegations in Paragraph 144.

145. Defendants deny the allegation in Paragraph 145.

146. Defendants admit that Weatherford filed a Form 8-K with the SEC on July 24, 2012, which attached as an exhibit a press release stating that the company was reporting results on a pre-tax basis because of, among other factors, an aggregate of \$92 million in prior period expenses identified in the first two quarters of 2012, including \$34 million in 2011, \$22 million

in 2010, \$20 million in 2009, and \$16 million in 2008 and before. Defendants admit that Weatherford filed a Form 10-K with the SEC on March 15, 2012, which stated that the income tax provision, as reported, was \$19 million, \$46 million and \$82 million for the first, second and third quarters of 2011, respectively. Defendants admit that the Form 10-K included an update to its Management Discussion and Analysis, which stated that the restated income tax provision was \$46 million, \$76 million, and \$143 million (a total of \$265 million) for the first, second, and third quarters of 2011, respectively. Defendants deny any remaining allegations in Paragraph 146.

(c) Weatherford's Issuance Of The Second Restatement Despite The Massive Effect On The 2011 Bottom Line Raises A Strong Inference of Scienter

147. Defendants admit that Weatherford filed a Form 8-K with the SEC on February 21, 2012, which attached as an exhibit a press release stating that the Company expected to file restated financial statements. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, stated: "This Form 10-K includes restated financial information for the years ended December 31, 2010 and 2009, and the quarterly periods ended March 31, June 30 and September 30, 2011, and all four quarters of 2010 due to errors in the Company's accounting for income taxes." Defendants deny the remaining allegations in Paragraph 147.

148. To the extent the allegations in Paragraph 148 call for legal conclusions, Defendants need not respond. Defendants admit Weatherford filed a Form 8-K with the SEC on March 1, 2011, which stated:

As a result of identifying the material weakness, we performed additional testing to determine whether or not the material weakness failed to identify any material errors in our accounting for income taxes. We have substantially completed the testing procedures. Based on these procedures, we have identified errors, the correction of which

will be adjustments to our historical financial statements and our 2010 fourth quarter earnings release, totaling approximately \$500 million for the periods from 2007 to 2010. The amount for each year is expected to range from \$100 million to \$150 million. Approximately \$460 million of these adjustments relate to an error in determining the tax consequences of intercompany amounts over multiple years.

Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, stated:

This Form 10-K includes restated financial information for the years ended December 31, 2010 and 2009, and the quarterly periods ended March 31, June 30 and September 30, 2011, and all four quarters of 2010 due to errors in the Company's accounting for income taxes. . . . Management concluded that the Company has not remediated its previously disclosed material weakness for the year ended December 31, 2011 due to errors noted in current taxes payable, certain deferred tax assets and liabilities, reserves for unrecognized tax benefits, and current and deferred income tax expense.

Defendants admit that the Form 10-K further stated: "Restated results for 2011 include a reduction to net income attributable to Weatherford of approximately \$22 million, \$34 million and \$60 million for the first, second and third quarters, respectively, primarily attributable to an increase in our tax expense related to an increase in reserves for unrecognized tax benefits and withholding taxes." Defendants deny the remaining allegations in Paragraph 148.

149. Defendants deny the allegations in Paragraph 149.

150. Defendants admit that Weatherford filed a Form 8-K with the SEC on July 24, 2012, which attached as an exhibit a press release stating that prior periods would be restated for tax. Defendants admit that the press release listed, under Net Debt (Unaudited), Short-term Borrowings and Current Portion of Long-Term Debt as (\$1,263,000,000) for the period ended June 30, 2012. Defendants admit that the press release further stated that equity investments for the same period totaled \$833 million. Defendants admit that the press release further stated that the Company anticipated that its amended filings and quarterly report for the current period

would not be completed by the SEC due date of August 9, 2012 and that it would endeavor to make such filings by November 9, 2012, although it could not provide any assurances.

Defendants deny the remaining allegations in Paragraph 150.

(d) Becnel's Departure Raises A Strong Inference Of Scienter

151. Defendants admit that Weatherford filed a Form 8-K with the SEC on March 23, 2012, which attached as an exhibit a press release stating: "Mr. Andrew P. Becnel, till now our Chief Financial Officer, and Mr. James M. Hudgins, till now our Vice President, Tax, will be leaving the company effective March 31, 2012. Weatherford thanks each of them for a decade or more of service." Defendants admit that Morningstar issued a report on March 26, 2012 entitled, "CFO, Tax Vice President Leave Weatherford After Repeated Tax Issues," which stated: "We believe the resignations [of Becnel and Hudgins] were overdue, particularly as Weatherford was forced to issue late 10-Ks for two consecutive years" Defendants deny the remaining allegations in Paragraph 151.

152. Defendants admit that the Company filed a Form 8-K with the SEC on July 24, 2012, which attached as an exhibit a press release stating that it would be filing "restated financial statements for fiscal 2011, 2010 and 2009 in a Form 10-K/A for the year ended December 31, 2011 and restated financial statements for the first quarter of 2012 in a Form 10-Q/A as soon as practicable, but not before it has completed additional procedures and reviews of its accounting for income taxes," as well as additional restated selected financial data for certain periods. Defendants admit that the press release further stated:

The company anticipates that these amended filings and its Quarterly Report on Form 10-Q for the current period will not be completed by the applicable SEC due date of August 9, 2012. The company will endeavor to make such filings and file its third quarter Form 10-Q by the SEC due date of November 9, 2012, but its ability to do so will depend on the results of ongoing accounting procedures and procedure improvements, and the company cannot provide assurances that it will

be able to achieve that date. The company currently expects that all such filings, together with subsequent quarterly filings and its full-year 2012 financial statements, will be filed no later than March 1, 2013, the due date established by SEC regulation for our 2012 Report on Form 10-K.

Defendants deny the remaining allegations in Paragraph 152.

(e) Tax Reporting And The First Restatement Constituted Core Operations During The Class Period

153. Defendants admit that the Company's Form 10-K for the year ended December 31, 2008, filed with the SEC on February 24, 2009, listed the Company's effective income tax rate as 25.9% in 2006. Defendants admit that the Company's Form 10-K for the year ended December 31, 2009, filed with the SEC on March 1, 2010, listed the Company's effective income tax rate as 6.5% in 2009. With regard to the third sentence of Paragraph 153, Defendants lack knowledge or information sufficient to form a belief as to tax rates of unnamed peers, and on that basis deny those allegations. Defendants deny the remaining allegations in Paragraph 153.

154. Defendants admit that the transcript of an April 20, 2009 earnings conference call indicates that an analyst asked about Weatherford's tax rate, and Becnel responded by stating: "if you look at distribution of earnings by geographic segment and the different rates, both what I'd call just statutory rates versus effective rates that we've been able to achieve, and incremental tax planning that we undertook during the quarter in connection with our move to Geneva, all of those helped." Defendants admit that Jefferies & Company issued a report on October 19, 2010, which stated: "3Q Beat – [d]riven by better operating income, margins, [and] a lower tax rate but partially offset by higher interest costs." Defendants deny any remaining allegations in Paragraph 154.

155. Defendants admit that Wells Fargo issued a report on March 8, 2011, which stated “Tax Errors Are Another Blemish On Management/Controls” and “Black Eye For Management Will Need Some Time To Heal.” Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2010, filed with the SEC on March 8, 2011 stated that the Company’s restated effective tax rate was 30.8% for the year ended December 31, 2009 and 22.4% for the year ended December 31, 2008. Defendants deny the remaining allegations in Paragraph 155.

156. To the extent the allegations in Paragraph 156 call for legal conclusions, Defendants need not respond. Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2010, filed with the SEC on March 8, 2011, stated: “Management assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2010. In connection with this assessment, management identified a material weakness in the Company’s internal controls over financial reporting for income taxes.” Defendants admit that the Form 10-K further stated, under the heading “Remediation Plan”:

In an effort to remediate the material weakness, the company plans to undertake the following:

- Redesign the tax accounting processes to improve the flow of information to provide for more timely generation of account reconciliations and supporting documentation that will facilitate supervision and review of the resulting account analyses;
- Hire experienced personnel within the tax and financial reporting process to ensure effective preparation and review of account reconciliations and analyses and enhance training programs for local finance and corporate personnel;
- Increase the frequency of the preparation of a formal tax basis balance sheet and reconciliations of the all tax accounts to enable more timely detection of potential errors; and
- Implement a quarterly process to highlight significant matters requiring the attention of both local finance and corporate personnel.

Defendants deny the remaining allegations in Paragraph 156.

G. Relevant Generally Accepted Accounting Principles

157. To the extent the allegations in Paragraph 157 reference GAAP, those principles speak for themselves, should be read as a whole, and provide only as stated therein. To the extent the allegations in Paragraph 157 reference SEC regulations, those regulations speak for themselves, should be read as a whole, and provide only as stated therein. Defendants deny any remaining allegations in Paragraph 157.

158. To the extent the allegations in Paragraph 158 reference GAAP, those principles speak for themselves, should be read as a whole, and provide only as stated therein.

159. To the extent the allegations in Paragraph 159 reference GAAP, those principles speak for themselves, should be read as a whole, and provide only as stated therein. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2010, filed with the SEC on March 8, 2011, stated: "This Form 10-K includes restated financial information for the years ended December 31, 2009, 2008 and 2007, and the quarterly periods ended March 31, June 30 and September 30, 2010, and all four quarters of 2009 due to errors in the Company's accounting for income taxes." Defendants admit that some of the financial results contained in the financial statements for the periods covered by the March 8, 2011 restatement were incorrect, and that management and the Audit Committee determined in 2011 that the errors identified in the financial statements for the periods covered by the March 8, 2011 restatement were material, as that term is used in Staff Accounting Bulletins 99 and 108, and related guidance, to those periods. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, stated: "This Form 10-K includes restated financial information for the years ended December 31, 2010 and 2009, and the quarterly periods ended March 31, June 30 and September 30, 2011, and all four quarters of 2010 due to errors in the

Company's accounting for income taxes." Defendants admit that some of the financial results contained in the financial statements for the periods covered by the March 15, 2012 restatement were incorrect, and that management and the Audit Committee determined in 2012 that the errors identified in the financial statements for the periods covered by the March 15, 2012 restatement were material, as that term is used in Staff Accounting Bulletins 99 and 108, and related guidance, to those periods. Defendants admit that Weatherford's Form 10-K/A for the year ended December 31, 2011, filed with the SEC on December 17, 2012, stated: "This Form 10-K/A includes restated financial information for the years ended December 31, 2011, 2010 and 2009, and the quarterly periods of 2011 and 2010 due to errors in the Company's accounting for income taxes." Defendants admit that some of the financial results contained in the financial statements for the periods covered by the December 17, 2012 restatement were incorrect, and that management and the Audit Committee determined in 2012 that the errors identified in the financial statements for the periods covered by the December 17, 2012 restatement were material, as that term is used in Staff Accounting Bulletins 99 and 108, and related guidance, to those periods. Defendants deny the remaining allegations in Paragraph 159.

160. Defendants admit that Weatherford filed a Form 8-K with the SEC on July 24, which attached as an exhibit a press release stating that the Company "ha[d] not remediated its previously disclosed material weakness in internal control over financial reporting for income taxes relating to current taxes payable, certain deferred tax assets and liabilities, reserves for uncertain tax positions, and current and deferred income tax expense." Defendants admit that the press release further stated that the Company "expect[ed] to file [] restated financial statements . . . to correct errors relating to the company's historical reporting of the provision for income taxes." To the extent the allegations in Paragraph 160 reference GAAP, those principles speak

for themselves, should be read as a whole, and provide only as stated therein. Defendants deny the remaining allegations in Paragraph 160.

161. To the extent the allegations in Paragraph 161 reference GAAP, those principles speak for themselves, should be read as a whole, and provide only as stated therein. Defendants deny the remaining allegations in Paragraph 161.

162. To the extent the allegations in Paragraph 162 reference GAAP, those principles speak for themselves, should be read as a whole, and provide only as stated therein. Defendants deny any remaining allegations in Paragraph 162.

163. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2010, filed with the SEC on March 8, 2011, stated: "The most significant adjustment for the errors identified relates to the correction of our accounting for the income tax consequences of certain intercompany transactions that were inappropriately tax-effected over multiple years." Defendants admit that Weatherford filed a Form 8-K filed with the SEC on March 1, 2011, which stated that such correction resulted in approximately \$460 million in adjustments. To the extent the allegations in Paragraph 163 reference GAAP, those principles speak for themselves, should be read as a whole, and provide only as stated therein. Defendants deny the remaining allegations in Paragraph 163.

164. To the extent the allegations in Paragraph 164 reference GAAP, those principles speak for themselves, should be read as a whole, and provide only as stated therein. Defendants admit that Weatherford filed a Form 8-K filed with the SEC on March 1, 2011, which stated that "management identified a material weakness in the Company's internal control over financial reporting for income taxes" and defined "material weakness" as "a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility

that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.” Defendants deny the remaining allegations in Paragraph 164.

ANSWERING “LOSS CAUSATION”

165. Defendants deny the allegations in Paragraph 165.

H. Weatherford’s Corrective Disclosure Of February 21, 2012

166. Defendants admit that Weatherford filed a Form 8-K with the SEC on February 21, 2012, which, according to EDGAR, was accepted at 7:09:06. Defendants admit that the Form 8-K attached as an exhibit a press release which stated that Weatherford expected to restate prior period financial results. Defendants admit that on February 17, 2012, the Company’s stock price closed at \$17.79 per share on volume of approximately 12.8 million shares. Defendants admit that on February 21, 2012, Weatherford’s stock closed at \$15.36 per share on volume of approximately 62.6 million shares. Defendants deny any remaining allegations in Paragraph 166.

167. Defendants admit that Societe Generale issued a report on February 21, 2012, entitled “Q4’11 EBIT in line but tax accounting issues linger,” which stated “tax matters had been thought resolved, and WFT shares had been showing some strength recently . . . WFT shares will likely go back in the penalty box.” Defendants admit that Societe Generale issued a report on February 21, 2012 entitled, “WFT – testing investor patience . . . again!” which stated: “WFT debt and equity securities . . . took hits directly as a result of the uncertainty related to the tax situation. The company’s stock price ended the day down 13%.” Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations regarding what analysts thought in the first sentence of Paragraph 167, and therefore deny the allegations. Defendants deny any remaining allegations in paragraph 167.

168. Defendants admit that RBC Capital Markets issued a report on February 21, 2012 entitled “Operations Fine, Tax Uncertainty Dominates,” which stated:

WFT shares were a consensus long heading into the quarter and had handily outperformed the OSX YTD. Tuesday’s selloff saw a reversal of this on heavy volume (62 mn shares traded), as solid 4Q11 segment operating results and 2012 outlook were offset by GAAP income tax uncertainty, both retroactively and going forward. Our take is that 2012 guidance points appear reasonable, though have been overwhelmed by lack of clarity on the tax outlook.

Defendants deny any remaining allegations in Paragraph 168.

169. Defendants admit that the Associated Press published an article on February 21, 2012 entitled, “Weatherford’s shares tumble on accounting issues,” which stated that “[s]hares of oil and gas company Weatherford International Ltd. tumbled Tuesday, a day after the oilfield services company disclosed that investors should not rely on previously issued financial statements until it can resolve problems with internal controls on financial reporting.”

Defendants admit that The Wall Street Journal published an article on February 22, 2012 entitled, “Weatherford Financials Unreliable,” which stated that Weatherford’s announcement that “investors should no longer rely upon its previously issued financial statements, sen[t] the oil-field-services-company’s share price plummeting despite fourth-quarter revenue rising more than expected.” Defendants deny any remaining allegations in Paragraph 169.

170. Defendants admit that FreshBrewed Media published an article on February 21, 2012 entitled, “Weatherford International (WFT) Loses 12.1% As Accounting Situation Lingers, Restatement Amount Increases,” which stated “Weatherford International (NYSE: WFT) opened lower Tuesday after the company said it has yet to fix a situation with the company’s internal controls and will still need to restate certain financial results for prior periods.” Defendants admit that the Houston Chronicle’s Business section published an article on February 22, 2012 entitled, “Accounting,” which stated that Weatherford’s “shares fell 14 percent to \$15.36” after

the Company announced that “continuing tax accounting problems [would] force it to restate earnings again.” Defendants deny any remaining allegations in Paragraph 170.

171. Defendants deny the allegations in Paragraph 171.

I. Weatherford’s Corrective Disclosure Of July 24, 2012

172. Defendants admit that Weatherford filed a Form 8-K with the SEC on July 24, 2012 which, according to EDGAR, was accepted at 17:27:55. Defendants admit that Form 8-K attached as an exhibit a press release stating that the Company expected to restate its financial statements, and noted that the Company was reporting results on a pre-tax basis in part because the aggregate \$92 million of prior period expenses identified in the first two quarters was subject to revision. Defendants admit that the press release stated the Company also identified additional tax-related issues that could lead to adjustments of up to \$15 million. Defendants admit that the press release further stated:

The company will endeavor to make such filings and file its third quarter Form 10-Q by the SEC due date of November 9, 2012, but its ability to do so will depend on the results of ongoing accounting procedures and procedure improvements, and the company cannot provide assurances that it will be able to achieve that date.

Defendants deny the remaining allegations in Paragraph 172.

173. Defendants admit that on July 24, 2012, Weatherford’s stock closed at \$12.80 per share on volume of approximately 11.9 million shares. Defendants admit that on July 25, 2012, Weatherford’s stock closed at \$11.67 per share on volume of approximately 32.8 million shares. Defendants deny any remaining allegations in Paragraph 173.

174. Defendants admit that Bloomberg published an article on July 25, 2012 which stated:

Weatherford International Ltd., an oilfield-services provider, fell the most in five months after failing to report post-tax second-quarter earnings because of investigations into the company’s financial

reporting. The shares slid 8.8 percent to \$11.67 at the close in New York, the largest drop since February 21. . . . Scott Gruber, an analyst at Sanford C. Bernstein & Co. in New York, wrote . . . in a note to investors[] “Management’s inability to complete its financials and provide guidance on the company’s future tax rate will continue to weigh significantly on the stock[.]

Defendants admit that Standard & Poor’s published a report on July 25, 2012 entitled, “S&P Maintains Hold Opinion On Shares Of Weatherford International.” Defendants admit that the Washington Post published an article on July 25, 2012, which stated: “Weatherford International Ltd., an oilfield-services provider, fell the most in five months after failing to report post-tax second-quarter earnings because of investigations into the company’s financial reporting.”

Defendants deny any remaining allegations in Paragraph 174.

175. Defendants deny the allegations in Paragraph 175.

ANSWERING “DEFENDANTS’ MATERIALLY FALSE AND MISLEADING STATEMENTS”

176. To the extent the allegations in Paragraph 176 call for legal conclusions, Defendants need not respond. Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2010, filed with the SEC on March 8, 2011, stated: “This Form 10-K includes restated financial information for the years ended December 31, 2009, 2008 and 2007, and the quarterly periods ended March 31, June 30 and September 30, 2010, and all four quarters of 2009 due to errors in the Company’s accounting for income taxes.” Defendants admit that some of the financial results contained in the financial statements for the periods covered by the March 8, 2011 restatement were incorrect, and that management and the Audit Committee determined in 2011 that the errors identified in the financial statements for the periods covered by the March 8, 2011 restatement were material, as that term is used in Staff Accounting Bulletins 99 and 108, and related guidance, to those periods. Defendants admit that

Weatherford's Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, stated: "This Form 10-K includes restated financial information for the years ended December 31, 2010 and 2009, and the quarterly periods ended March 31, June 30 and September 30, 2011, and all four quarters of 2010 due to errors in the Company's accounting for income taxes." Defendants admit that some of the financial results contained in the financial statements for the periods covered by the March 15, 2012 restatement were incorrect, and that management and the Audit Committee determined in 2012 that the errors identified in the financial statements for the periods covered by the March 15, 2012 restatement were material, as that term is used in Staff Accounting Bulletins 99 and 108, and related guidance, to those periods. Defendants admit that Weatherford's Form 10-K/A for the year ended December 31, 2011, filed with the SEC on December 17, 2012, stated: "This Form 10-K/A includes restated financial information for the years ended December 31, 2011, 2010 and 2009, and the quarterly periods of 2011 and 2010 due to errors in the Company's accounting for income taxes." Defendants admit that some of the financial results contained in the financial statements for the periods covered by the December 17, 2012 restatement were incorrect, and that management and the Audit Committee determined in 2012 that the errors identified in the financial statements for the periods covered by the December 17, 2012 restatement were material, as that term is used in Staff Accounting Bulletins 99 and 108, and related guidance, to those periods. To the extent the allegations in Paragraph 176 reference GAAP, those principles speak for themselves, should be read as a whole, and provide only as stated therein. To the extent the allegations in Paragraph 176 reference SEC regulations, those regulations speak for themselves, should be read as a whole, and provide only as stated therein. Defendants deny the remaining allegations in Paragraph 176.

J. False And Misleading Statements Issued In The First Quarter 2011

1. The Form 8-K Filed With The SEC On March 1, 2011 Was False And Misleading

177. Defendants admit that Weatherford filed a Form 8-K with the SEC on March 1, 2011, signed by Becnel, which stated the Company expected to finalize the restatement of its financial statements for 2010 and prior years within 15 days. Defendants admit that the Form 8-K also stated:

[W]e have identified errors, the correction of which will be adjustments to our historical financial statements and our 2010 fourth quarter earnings release, totaling approximately \$500 million for the periods from 2007 to 2010. The amount for each year is expected to range from \$100 million to \$150 million.

Approximately \$460 million of these adjustments relate to an error in determining the tax consequences of intercompany amounts over multiple years. These errors have no impact on previously reported operating cash flow.

In addition to the above items, we expect to make adjustments to correct for immaterial items that had been recorded in the incorrect period, which we expect to decrease net income by approximately \$20 million in the aggregate for the years 2007 to 2010.

Defendants deny any remaining allegations in Paragraph 177.

178. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, stated: "This Form 10-K includes restated financial information for the years ended December 31, 2010 and 2009, and the quarterly periods ended March 31, June 30 and September 30, 2011, and all four quarters of 2010 due to errors in the Company's accounting for income taxes." Defendants admit that some of the financial results contained in the financial statements for the periods covered by the March 15, 2012 restatement were incorrect. Defendants admit that Weatherford's Form 10-K/A for the year ended December 31, 2011, filed with the SEC on December 17, 2012, stated: "This Form 10-K/A includes

restated financial information for the years ended December 31, 2011, 2010 and 2009, and the quarterly periods of 2011 and 2010 due to errors in the Company's accounting for income taxes.” Defendants admit that some of the financial results contained in the financial statements for the periods covered by the December 17, 2012 restatement were incorrect. Defendants admit that Weatherford filed a Form 8-K with the SEC on February 21, 2012, which stated that “roughly \$225 million to \$250 million of aggregate net adjustments to previously reported financial results for the years 2010 and prior relating to the correction of errors identified with respect to the company’s accounting for income taxes.” Defendants admit that the Form 8-K further stated: “As a result of the foregoing adjustments, the Audit Committee of our Board of Directors concluded, on February 20, 2012, that investors should no longer rely upon our previously issued financial statements.” Defendants admit the 8-K further stated: “The company intends to file restated financial statements for fiscal 2010 and 2009 in its Form 10-K for the year ended December 31, 2011 as soon as practicable.” Defendants admit that Weatherford filed a Form 8-K with the SEC on July 24, 2012, which stated: “The aggregate \$92 million of prior period expenses identified in the first two quarters of 2012 include \$34 million in 2011; \$22 million in 2010; \$20 million in 2009 and \$16 million in 2008 and before, although management’s analysis is not complete and these figures are subject to revision.” Defendants admit the Form 8-K further stated: “The company has also identified additional issues related to the accounting for income taxes in prior periods and is completing its analysis of these issues. These additional issues could result in further adjustments. The company currently estimates that these additional tax-related issues could result in further adjustments of up to \$15 million.” Defendants admit the Form 8-K further stated: “As a result of the foregoing adjustments, the Audit Committee of our Board of Directors concluded, on July 24, 2012, that investors should no

longer rely upon our previously issued financial statements.” Defendants admit the Form 8-K further stated: “The company intends to file restated financial statements for fiscal 2011, 2010 and 2009 in a Form 10-K/A for the year ended December 31, 2011 and restated financial statements for the first quarter of 2012 in a Form 10-Q/A as soon as practicable.” Defendants deny the remaining allegations in Paragraph 178.

2. The Form 10-K Filed With The SEC On March 8, 2011, Which Included The First Restatement, Was False And Misleading

(a) The Second Restatement Is An Admission That The Financial Results Reported On March 8, 2011 Were False And Misleading

179. Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2010, filed with the SEC on March 8, 2011, stated: “This Form 10-K includes restated financial information for the years ended December 31, 2009, 2008 and 2007, and the quarterly periods ended March 31, June 30 and September 30, 2010, and all four quarters of 2009 due to errors in the Company’s accounting for income taxes.” Defendants admit that the Form 10-K was signed by Duroc-Danner and Becnel. Defendants admit that the Form 10-K stated: “Our discussion and analysis of our financial condition and results of operation is based upon our consolidated financial statements. We prepare these financial statements in conformity with U.S. generally accepted accounting principles.” Defendants deny any remaining allegations in Paragraph 179.

180. Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2010, filed with the SEC on March 8, 2011, stated: “This Form 10-K includes restated financial information for the years ended December 31, 2009, 2008 and 2007, and the quarterly periods ended March 31, June 30 and September 30, 2010, and all four quarters of 2009 due to errors in the Company’s accounting for income taxes.” Defendants admit that some of the financial results contained in the financial statements for the periods covered by the March 8, 2011

restatement were incorrect. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, stated: "This Form 10-K includes restated financial information for the years ended December 31, 2010 and 2009, and the quarterly periods ended March 31, June 30 and September 30, 2011, and all four quarters of 2010 due to errors in the Company's accounting for income taxes." Defendants admit that some of the financial results contained in the financial statements for the periods covered by the March 15, 2012 restatement were incorrect. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2010, filed with the SEC on March 8, 2011, listed the Company's: Income Taxes Payable as \$43,167,000 for 2010 and \$201,647,000 for 2009; Retained Earnings as \$4,348,845,000 for 2010 and \$4,456,770,000 for 2009; Provision for Income Taxes as (\$297,721,000) for 2010 and (\$87,183,000) for 2009; Net Income (Loss) as (\$93,132,000) for 2010 and (\$196,300,000) for 2009; Net Income (Loss) Attributable to Weatherford as (\$107,925,000) for 2010 and \$170,141,000 for 2009; Basic Earnings (Loss) Per Share From Continuing Operations Attributable to Weatherford as (\$0.15) for 2010 and \$0.24 for 2009; and Diluted Earnings (Loss) Per Share From Continuing Operations Attributable to Weatherford as (\$0.15) for 2010 and \$0.24 for 2009. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, listed the Company's: Income Taxes Payable as \$91 million for 2010 and \$279 million for 2009; Retained Earnings as \$4,094 million for 2010 and \$4,246 million for 2009; Provision for Income Taxes as (\$339 million) for 2010 and (\$137 million) for 2009; Net Income (Loss) as (\$134 million) for 2010 and \$150 million for 2009; Net Income (Loss) Attributable to Weatherford as (\$152 million) for 2010 and \$124 million for 2009; Basic Earnings (Loss) Per Share From Continuing Operations Attributable to Weatherford as (\$0.20) for 2010 and \$0.17 for 2009; and Diluted Earnings (Loss)

Per Share From Continuing Operations Attributable to Weatherford as (\$0.20) for 2010 and \$0.17 for 2009. Defendants deny the remaining allegations in Paragraph 180.

181. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, stated:

Errors attributable to 2008 and prior totaling \$165 million are largely attributable to additional reserves for unrecognized tax benefits, the recognition of withholding taxes payable, valuation allowances on deferred tax assets and other adjustments to our current and deferred tax accounts that were identified through the additional reconciliations and analyses. Restatement adjustments for unrecognized tax benefits were \$60 million and primarily related to increases in reserves in jurisdictions outside the United States. Withholding tax and valuation allowance adjustments totaled \$51 million and \$2 million, respectively, while other adjustments to our current and deferred tax accounts totaled \$52 million, principally from the reconciliation of our deferred tax balances with the tax bases of assets and liabilities in several jurisdictions.

Defendants deny the remaining allegations in Paragraph 181.

182. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, stated: "This Form 10-K includes restated financial information for the years ended December 31, 2010 and 2009, and the quarterly periods ended March 31, June 30 and September 30, 2011, and all four quarters of 2010 due to errors in the Company's accounting for income taxes." Defendants admit that some of the financial results contained in the financial statements for the periods covered by the March 15, 2012 restatement were incorrect. Defendants deny the remaining allegations in Paragraph 182.

(b) The Announced Third Restatement Is An Admission That The Financial Results Reported On March 8, 2011 Were False And Misleading

183. Defendants admit that Weatherford filed a Form 8-K with the SEC on July 24, 2012, which attached as an exhibit a press release stating that prior periods would be restated for tax. Defendants admit that the press release further stated:

- The aggregate \$92 million of prior period expenses identified in the first two quarters of 2012 include \$34 million in 2011; \$22 million in 2010; \$20 million in 2009 and \$16 million in 2008 and before, although management's analysis is not complete and these figures are subject to revision.
- The company has also identified additional issues related to the accounting for income taxes in prior periods and is completing its analysis of these issues. These additional issues could result in further adjustments. The company currently estimates that these additional tax-related issues could result in further adjustments of up to \$15 million.

Defendants admit the press release further stated: "As a result of the foregoing adjustments, the Audit Committee of our Board of Directors concluded, on July 24, 2012, that investors should no longer rely upon our previously issued financial statements." Defendants admit that the press release further stated: "The company intends to file restated financial statements for fiscal 2011, 2010 and 2009 in a Form 10-K/A for the year ended December 31, 2011 and restated financial statements for the first quarter of 2012 in a Form 10-Q/A as soon as practicable." Defendants deny the remaining allegations in Paragraph 183.

3. The Individual Defendants' Certifications That The Financial Results Reported On March 8, 2011 Were True And Accurate Were False And Misleading

184. Defendants admit that Duroc-Danner and Becnel signed certifications, attached as exhibits to Weatherford's Form 10-K for the year ended December 31, 2010, filed with the SEC on March 8, 2011, which stated:

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report[.]

...

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material

respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report[.]

Defendants deny any remaining allegations in Paragraph 184.

185. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, stated: "This Form 10-K includes restated financial information for the years ended December 31, 2010 and 2009, and the quarterly periods ended March 31, June 30 and September 30, 2011, and all four quarters of 2010 due to errors in the Company's accounting for income taxes." Defendants admit that some of the financial results contained in the financial statements for the periods covered by the March 15, 2012 restatement were incorrect. Defendants admit that Weatherford's Form 10-K/A for the year ended December 31, 2011, filed with the SEC on December 17, 2012, stated: "This Form 10-K/A includes restated financial information for the years ended December 31, 2011, 2010 and 2009, and the quarterly periods of 2011 and 2010 due to errors in the Company's accounting for income taxes." Defendants admit that some of the financial results contained in the financial statements for the periods covered by the December 17, 2012 restatement were incorrect. Defendants deny the remaining allegations in Paragraph 185.

K. Weatherford's Financial Results For The First Three Quarters Of 2011 Were False and Misleading

1. Weatherford's First Quarter 2011 Financial Results Were False And Misleading

186. Defendants admit that Weatherford filed a Form 8-K with the SEC on April 21, 2011, which attached as an exhibit a press release announcing the Company's financial results for the First Quarter 2011 ended March 31, 2011. Defendants admit that the press release was signed by Becnel. Defendants admit that the press release contained First Quarter consolidated statements of income and selected income statement information, and stated that the figures

reflected Weatherford's financial performance in accordance with GAAP, including, (i) Provision For Income Taxes of approximately \$19 million, (ii) Net Income of approximately \$62 million, (iii) Net Income Attributable to Weatherford of approximately \$59 million, (iv) Basic EPS of \$0.08, and (v) Diluted EPS of \$0.08. Defendants deny any remaining allegations in Paragraph 186.

187. Defendants admit that Weatherford's Form 10-Q for the quarterly period ended March 31, 2011, filed with the SEC on May 10, 2011, was signed by Duroc-Danner and Becnel. Defendants admit that the Form 10-Q stated: "The accompanying unaudited condensed consolidated financial statements of Weatherford International Ltd. and all majority-owned subsidiaries (the "Company") are prepared in accordance with U.S. generally accepted accounting principles" Defendants admit that certifications signed by Duroc-Danner and Becnel were attached as exhibits to the Form 10-Q, and stated:

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report[.]

. . .

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report[.]

Defendants deny any remaining allegations in Paragraph 187.

188. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, stated: "This Form 10-K includes restated financial information for the years ended December 31, 2010 and 2009, and the quarterly periods ended March 31, June 30 and September 30, 2011, and all four quarters of 2010 due to errors in the

Company's accounting for income taxes." Defendants admit that some of the financial results contained in the financial statements for the periods covered by the March 15, 2012 restatement were incorrect, and that management and the Audit Committee determined in 2012 that the errors identified in the financial statements for the periods covered by the March 15, 2012 restatement were material, as that term is used in Staff Accounting Bulletins 99 and 108, and related guidance, to those periods. Defendants admit that Weatherford's 10-Q for the quarterly period ended March 31, 2011, filed with the SEC on May 10, 2011, listed the Company's: Provision for Income Taxes as (\$19,277,000) for the first quarter of 2011; Net Income (Loss) as \$61,539,000 for the first quarter of 2011; Net Income (Loss) Attributable to Weatherford as \$59,201,000 for the first quarter of 2011; Basic Earnings (Loss) Per Share Attributable to Weatherford as \$0.08 for the first quarter of 2011; and Diluted Earnings (Loss) Per Share Attributable to Weatherford as \$0.08 for the first quarter of 2011. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, listed the Company's: restated Income Tax Provision as \$46 million for the first quarter of 2011; restated Net Income (Loss) as \$39 million for the first quarter of 2011; restated Net Income (Loss) Attributable to Weatherford as \$37 million for the first quarter of 2011; restated Basic Earnings (Loss) Per Share as \$0.05 for the first quarter of 2011; and restated Diluted Earnings (Loss) Per Share as \$0.05 for the first quarter of 2011. Defendants deny the remaining allegations in Paragraph 188.

189. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, stated: "This Form 10-K includes restated financial information for the years ended December 31, 2010 and 2009, and the quarterly periods ended March 31, June 30 and September 30, 2011, and all four quarters of 2010 due to errors in the

Company's accounting for income taxes." Defendants admit that some of the financial results contained in the financial statements for the periods covered by the March 15, 2012 restatement were incorrect. Defendants deny the remaining allegations in Paragraph 189.

2. Weatherford's Second Quarter 2011 Financial Results Were False And Misleading

190. Defendants admit that Weatherford issued a press release on July 26, 2011, announcing its financial results for the Second Quarter 2011 ended June 30, 2011. Defendants admit that the press release was filed with the SEC as an exhibit to a Form 8-K signed by Becnel. Defendants admit that the press release contained Second Quarter consolidated statements of income and selected income statement information, and stated the figures reflected Weatherford's financial performance in accordance with GAAP, including (i) Provision For Income Taxes of approximately \$46 million, (ii) Net Income (Loss) of approximately \$115 million, (iii) Net Income Attributable to Weatherford of approximately \$110 million, (iv) Basic EPS of \$0.15, and (v) Diluted EPS of \$0.15. Defendants deny any remaining allegations in Paragraph 190.

191. Defendants admit that Weatherford's Form 10-Q for the quarterly period ended June 30, 2011, filed with the SEC on July 29, 2011, was signed by Duroc-Danner and Becnel. Defendants admit that the Form 10-Q stated, among other things: "The accompanying unaudited condensed consolidated financial statements of Weatherford International Ltd. and all majority-owned subsidiaries (the "Company") are prepared in accordance with U.S. generally accepted accounting principles" Defendants admit that certifications signed by Duroc-Danner and Becnel were attached as exhibits to the Form 10-Q, and stated:

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which

such statements were made, not misleading with respect to the period covered by this report[.]

...

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report[.]

Defendants deny any remaining allegations in Paragraph 191.

192. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, stated: "This Form 10-K includes restated financial information for the years ended December 31, 2010 and 2009, and the quarterly periods ended March 31, June 30 and September 30, 2011, and all four quarters of 2010 due to errors in the Company's accounting for income taxes." Defendants admit that some of the financial results contained in the financial statements for the periods covered by the March 15, 2012 restatement were incorrect, and that management and the Audit Committee determined in 2012 that the errors identified in the financial statements for the periods covered by the March 15, 2012 restatement were material, as that term is used in Staff Accounting Bulletins 99 and 108, and related guidance, to those periods. Defendants admit that Weatherford's Form 10-Q for the quarterly period ended June 30, 2011, filed with the SEC on July 29, 2011, listed the Company's: Provision for Income Taxes as (\$46,128,000) for the second quarter of 2011; Net Income (Loss) as \$115,036,000 for the second quarter of 2011; Net Income (Loss) Attributable to Weatherford as \$110,098,000 for the second quarter of 2011; Basic Earnings (Loss) Per Share Attributable to Weatherford as \$0.15 for the second quarter of 2011; and Diluted Earnings (Loss) Per Share Attributable to Weatherford as \$0.15 for the second quarter of 2011. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, listed the Company's: restated Income Tax Provision as \$76 million for the second

quarter of 2011; restated Net Income (Loss) as \$80 million for the second quarter of 2011; restated Net Income (Loss) Attributable to Weatherford as \$76 million for the second quarter of 2011; restated Basic Earnings (Loss) Per Share Attributable to Weatherford as \$0.10 for the second quarter of 2011; and restated Diluted Earnings (Loss) Per Share Attributable to Weatherford as \$0.10 for the second quarter of 2011. Defendants deny the remaining allegations in Paragraph 192.

193. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, stated: "This Form 10-K includes restated financial information for the years ended December 31, 2010 and 2009, and the quarterly periods ended March 31, June 30 and September 30, 2011, and all four quarters of 2010 due to errors in the Company's accounting for income taxes." Defendants admit that some of the financial results contained in the financial statements for the periods covered by the March 15, 2012 restatement were incorrect. Defendants deny the remaining allegations in Paragraph 193.

3. Weatherford's Third Quarter 2011 Financial Results Were False And Misleading

194. Defendants admit that Weatherford issued a press release on October 25, 2011, announcing its financial results for the Third Quarter 2011 ended September 30, 2011. Defendants admit that the press release was filed with the SEC as an exhibit to a Form 8-K signed by Becnel. Defendants admit that the press release contained Third Quarter consolidated statements of income and selected income statement information, and stated the figures reflected Weatherford's financial performance in accordance with GAAP, including (i) Provision For Income Taxes of approximately \$82 million, (ii) Net Income of approximately \$193 million, (iii) Net Income Attributable to Weatherford of approximately \$190 million, (iv) Basic EPS of \$0.25, and (v) diluted EPS of \$0.25. Defendants deny any remaining allegations in Paragraph 194.

195. Defendants admit that Weatherford's Form 10-Q for the quarterly period ended September 30, 2011, filed with the SEC on October 27, 2011, was signed by Duroc-Danner and Becnel. Defendants admit that the Form 10-Q stated, among other things: "The accompanying unaudited condensed consolidated financial statements of Weatherford International Ltd. (the "Company") are prepared in accordance with U.S. generally accepted accounting principles" Defendants admit that certifications signed by Duroc-Danner and Becnel were attached as exhibits to the Form 10-Q, and stated:

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report[.]

...

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report[.]

Defendants deny any remaining allegations in Paragraph 195.

196. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, stated: "This Form 10-K includes restated financial information for the years ended December 31, 2010 and 2009, and the quarterly periods ended March 31, June 30 and September 30, 2011, and all four quarters of 2010 due to errors in the Company's accounting for income taxes." Defendants admit that some of the financial results contained in the financial statements for the periods covered by the March 15, 2012 restatement were incorrect, and that management and the Audit Committee determined in 2012 that the errors identified in the financial statements for the periods covered by the March 15, 2012 restatement were material, as that term is used in Staff Accounting Bulletins 99 and 108, and

related guidance, to those periods. Defendants admit that Weatherford's Form 10-Q for the quarterly period ended September 30, 2011, filed with the SEC on October 27, 2011, listed the Company's: Provision for Income Taxes as (\$81,856,000) for the third quarter of 2011; Net Income (Loss) as \$193,141,000 for the third quarter of 2011; Net Income (Loss) Attributable to Weatherford as \$190,360,000 for the third quarter of 2011; Basic Earnings (Loss) Per Share Attributable to Weatherford as \$0.25 for the second quarter of 2011; and Diluted Earnings (Loss) Per Share Attributable to Weatherford as \$0.25 for the second quarter of 2011. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, listed the Company's: restated Income Tax Provision as \$143 million for the third quarter of 2011; restated Net Income (Loss) as \$133 million for the third quarter of 2011; restated Net Income (Loss) Attributable to Weatherford as \$130 million for the third quarter of 2011; restated Basic Earnings (Loss) Per Share Attributable to Weatherford as \$0.17 for the third quarter of 2011; and restated Diluted Earnings (Loss) Per Share Attributable to Weatherford as \$0.17 for the third quarter of 2011. Defendants deny the remaining allegations in Paragraph 196.

197. Defendants admit that Weatherford's Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, stated: "This Form 10-K includes restated financial information for the years ended December 31, 2010 and 2009, and the quarterly periods ended March 31, June 30 and September 30, 2011, and all four quarters of 2010 due to errors in the Company's accounting for income taxes." Defendants admit that some of the financial results contained in the financial statements for the periods covered by the March 15, 2012 restatement were incorrect. Defendants deny the remaining allegations in Paragraph 197.

198. Defendants admit that Weatherford's Form 10-Q for the quarterly period ended September 30, 2011, filed with the SEC on October 27, 2011, stated:

In light of this material weakness, in preparing our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q, we performed additional reconciliations and other post-closing procedures to ensure our condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles. Accordingly, management believes the condensed consolidated financial statements included in the Quarterly Report on Form 10-Q fairly present, in all material respects, our financial condition, results of operations and cash flows as of and for each of the periods presented.

Defendants deny the remaining allegations in Paragraph 198.

199. Defendants admit that Weatherford's Form 10-Q for the quarterly period ended September 30, 2011, filed with the SEC on October 27, 2011, stated "we performed additional reconciliations and other post-closing procedures to ensure our condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles," Defendants deny the remaining allegations in Paragraph 199.

L. False And Misleading Statements Issued In The First Quarter 2012

1. The Form 8-K Filed With The SEC On February 21, 2012 Was False And Misleading

200. Defendants admit that Weatherford filed a Form 8-K with the SEC on February 21, 2012, which attached as an exhibit a press release announcing that the Company would restate prior period financial results for tax adjustments and preliminary financial results for the fourth fiscal quarter and year ended December 31, 2011. Defendants admit that the press release was filed with the SEC as an exhibit to a Form 8-K signed by Becnel. Defendants admit that the press release reported the Company's Fourth Quarter and year-end results on a pre-tax basis, and stated: "Management has concluded that the company has not remediated its previously disclosed material weakness in internal controls over financial reporting for income taxes" Defendants admit that the press release announced the Second Restatement and stated: "[T]he Audit Committee of our Board of Directors concluded, on February 20, 2012, that investors

should no longer rely upon our previously issued financial statements.” Defendants deny any remaining allegations in Paragraph 200.

201. Defendants admit that Weatherford filed a Form 8-K with the SEC on February 21, 2012, which attached as an exhibit a press release stating:

As a result of the continued material weakness over the accounting for income taxes, significant incremental work has been performed by Weatherford employees and external advisors during 2011 and early 2012, which management expects to result in roughly \$225 million to \$250 million of aggregate net adjustments to previously reported financial results for the years 2010 and prior relating to the correction of errors identified with respect to the company’s accounting for income taxes. Of this total amount, we currently estimate that roughly two-thirds is attributable to fiscal years ending on or prior to December 31, 2008, although management’s analysis is not complete.

Defendants admit that the press release referred to pre-tax results and stated, among other things:

“We report our financial results in accordance with generally accepted accounting principles (GAAP).” Defendants deny any remaining allegations in Paragraph 201.

202. Defendants admit that Weatherford’s Form 10-K/A for the year ended December 31, 2011, filed with the SEC on December 17, 2012, stated: “This Form 10-K/A includes restated financial information for the years ended December 31, 2011, 2010 and 2009, and the quarterly periods of 2011 and 2010 due to errors in the Company's accounting for income taxes.” Defendants admit that some of the financial results contained in the financial statements for the periods covered by the December 17, 2012 restatement were incorrect. Defendants admit that Weatherford filed a Form 8-K with the SEC on July 24, 2012, which attached as an exhibit a press release stating: “The aggregate \$92 million of prior period expenses identified in the first two quarters of 2012 include \$34 million in 2011; \$22 million in 2010; \$20 million in 2009 and \$16 million in 2008 and before, although management’s analysis is not complete and these figures are subject to revision.” Defendants admit the press release further stated: “The

company has also identified additional issues related to the accounting for income taxes in prior periods and is completing its analysis of these issues. These additional issues could result in further adjustments. The company currently estimates that these additional tax-related issues could result in further adjustments of up to \$15 million.” Defendants admit the press release further stated: “As a result of the foregoing adjustments, the Audit Committee of our Board of Directors concluded, on July 24, 2012, that investors should no longer rely upon our previously issued financial statements.” Defendants admit the press release further stated: “The company intends to file restated financial statements for fiscal 2011, 2010 and 2009 in a Form 10-K/A for the year ended December 31, 2011 and restated financial statements for the first quarter of 2012 in a Form 10-Q/A as soon as practicable.” Defendants deny the remaining allegations in Paragraph 202.

2. The Form 10-K Filed With The SEC On March 15, 2012, Which Included The Second Restatement, Was False And Misleading

203. Defendants admit that Weatherford’s Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012, was signed by Duroc-Danner and Becnel. Defendants admit that the Form 10-K stated: “This Form 10-K includes restated financial information for the years ended December 31, 2010 and 2009, and the quarterly periods ended March 31, June 30 and September 30, 2011, and all four quarters of 2010 due to errors in the Company’s accounting for income taxes.” Defendants admit the Form 10-K further stated that “errors attributable to 2008 and prior...are largely attributable to additional reserves for unrecognized tax benefits.” Defendants admit that certifications signed by Duroc-Danner and Becnel were attached as exhibits to the Form 10-K and stated:

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which

such statements were made, not misleading with respect to the period covered by this report[.]

...

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report[.]

Defendants deny any remaining allegations in Paragraph 203.

204. Defendants admit that Weatherford filed a Form 8-K with the SEC on July 24, 2012, which attached as an exhibit a press release stating:

The company intends to file restated financial statements for fiscal 2011, 2010 and 2009 in a Form 10-K/A for the year ended December 31, 2011 and restated financial statements for the first quarter of 2012 in a Form 10-Q/A as soon as practicable, but not before it has completed additional procedures and reviews of its accounting for income taxes. The company will also include restated selected financial data for fiscal 2007 through 2011 in its Form 10-K/A. In addition, the company intends to include in the Form 10-K/A restated quarterly financial data for each of the quarters for fiscal 2011 and 2010. Based on the information regarding prior years that the company intends to include in its Form 10-K/A, the company does not intend to file amendments to any of its previously filed Form 10-Qs for years prior to 2012.

Defendants admit that the press release further stated:

- The aggregate \$92 million of prior period expenses identified in the first two quarters of 2012 include \$34 million in 2011; \$22 million in 2010; \$20 million in 2009 and \$16 million in 2008 and before, although management's analysis is not complete and these figures are subject to revision. Except for additional net payments made as tax returns were filed, none of the adjustments is expected to affect the company's historically reported net debt balances.
- The company has also identified additional issues related to the accounting for income taxes in prior periods and is completing its analysis of these issues. These additional issues could result in further adjustments. The company currently estimates that these additional tax-related issues could result in further adjustments of up to \$15 million.

Defendants deny the remaining allegations in Paragraph 204.

M. Defendants' False And Misleading Statements Concerning The Financial Results For The First Quarter 2012

205. Defendants admit that Weatherford issued a press release on April 24, 2012, announcing its financial results for the First Quarter ended March 31, 2012. Defendants admit that the press release was filed with the SEC as an exhibit to a Form 8-K signed by the Chief Financial Officer, John Briscoe. Defendants admit that the press release contained First Quarter consolidated statements of income and selected income statement information, and stated, among other things: "We report our financial results in accordance with generally accepted accounting principles (GAAP)." Defendants deny any remaining allegations in Paragraph 205.

206. Defendants admit that Weatherford's Form 10-Q for the quarterly period ended March 31, 2012, filed with the SEC on May 8, 2012, was signed by Duroc-Danner and Briscoe. Defendants admit that the Form 10-Q stated: "The accompanying unaudited condensed consolidated financial statements of Weatherford International Ltd. (the "Company") are prepared in accordance with U.S. generally accepted accounting principles" Defendants admit that certifications signed by Duroc-Danner and Briscoe were attached as exhibits to the Form 10-Q, and stated:

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report[.]

. . .

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report[.]

Defendants deny any remaining allegations in Paragraph 206.

207. To the extent the allegations in Paragraph 207 call for legal conclusions, Defendants need not respond. Defendants admit that Weatherford's Form 10-K/A for the year ended December 31, 2011, filed with the SEC on December 17, 2012, stated: "This Form 10-K/A includes restated financial information for the years ended December 31, 2011, 2010 and 2009, and the quarterly periods of 2011 and 2010 due to errors in the Company's accounting for income taxes." Defendants admit that some of the financial results contained in the financial statements for the periods covered by the December 17, 2012 restatement were incorrect, and that management and the Audit Committee determined in 2012 that the errors identified in the financial statements for the periods covered by the December 17, 2012 restatement were material, as that term is used in Staff Accounting Bulletins 99 and 108, and related guidance, to those periods. Defendants deny the remaining allegations in Paragraph 207.

208. Defendants admit that Weatherford's Form 10-K/A for the year ended December 31, 2011, filed with the SEC on December 17, 2012, stated: "This Form 10-K/A includes restated financial information for the years ended December 31, 2011, 2010 and 2009, and the quarterly periods of 2011 and 2010 due to errors in the Company's accounting for income taxes." Defendants admit that some of the financial results contained in the financial statements for the periods covered by the December 17, 2012 restatement were incorrect. Defendants admit that Weatherford filed a Form 8-K with the SEC on July 24, 2012, which attached as an exhibit a press release stating: "The company expects to file the restated financial statements described below to correct errors relating to the company's historical reporting of the provision for income taxes." Defendants admit that the press release further stated:

The company has also identified additional issues related to the accounting for income taxes in prior periods and is completing its analysis of these issues. These additional issues could result in further adjustments. The company currently estimates that these additional

tax-related issues could result in further adjustments of up to \$15 million. . . . The review of the income tax accounts is ongoing among the company, its advisors and the company's auditors. Once finalized, the company expects to record the adjustments in the proper historical periods and restate its previously issued Report on Form 10-K for the year ended December 31, 2011 and previously issued Report on Form 10-Q for the quarter ended March 31, 2012 and file its Report on Form 10-Q for the quarter ended June 30, 2012.

Defendants deny any remaining allegations in Paragraph 208.

ANSWERING "CLASS ACTION ALLEGATIONS"

209. Defendants admit that Lead Plaintiffs purport to bring this action as a class action pursuant to Federal Rules of Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all persons and entities that purchased or acquired Weatherford common stock in the United States between March 2, 2011 and July 24, 2012, inclusive. Defendants deny the remaining allegations in Paragraph 209.

210. Defendants admit that the following are excluded from the purported class as alleged by Lead Plaintiffs: (i) Defendants; (ii) members of the immediate family of any Defendant; (iii) any person who was an officer or director of Weatherford during the purported class period; (iv) any firm, trust, corporation, officer, or other entity in which any Defendant as or had a controlling interest; (v) Defendants' directors' and officers' liability insurance carriers, and any affiliates or subsidiaries thereof; (vi) the Company's employee retirement and benefit plan(s); and (vi) the legal representatives, agents, affiliates, heirs, successors-in-interest, or assigns of any such excluded party. Defendants deny the remaining allegations in Paragraph 210.

211. Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in the first sentence of Paragraph 211, and therefore deny the allegations. Defendants admit that the average daily volume of Weatherford common stock throughout the

purported class period was approximately 13 million shares. Defendants deny the remaining allegations in Paragraph 211.

212. To the extent the allegations in Paragraph 212 call for legal conclusions, Defendants need not respond. Defendants admit that the class as alleged in the Amended Complaint is so numerous that joinder of all members of the purported class would be impracticable. Defendants lack knowledge or information sufficient to form a belief as to the truth of the remaining allegations in Paragraph 212, and on that basis deny the allegations.

213. To the extent the allegations in Paragraph 213 call for legal conclusions, Defendants need not respond. Defendants lack knowledge or information sufficient to form a belief as to whether Lead Plaintiffs' claims are typical of the claims of the other members of the purported class, and therefore deny those allegations. Defendants deny the remaining allegations in Paragraph 213.

214. To the extent the allegations in Paragraph 214 call for legal conclusions, Defendants need not respond. Defendants deny the remaining allegations in Paragraph 214.

215. To the extent the allegations in Paragraph 215 call for legal conclusions, Defendants need not respond. Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 215 and therefore deny those allegations.

ANSWERING "PRESUMPTION OF RELIANCE"

216. To the extent the allegations in Paragraph 216 call for legal conclusions, Defendants need not respond. Defendants admit that Weatherford met the requirements for listing, and was listed and traded on the New York Stock Exchange during the purported class period. Defendants admit that Weatherford filed periodic public reports with the SEC and NYSE during the purported class period, that it filed a registration statement with the SEC on Form S-3

during the purported class period, that it communicated with public investors via established market communication mechanisms such as periodic earnings conference calls and press releases during the purported class period, and that it was the subject of reports by analysts during the purported class period. Defendants lack knowledge or information sufficient to form a belief as to the accuracy of the remaining allegations in Paragraph 216, and on that basis deny the allegations.

217. Defendants deny the allegations in Paragraph 217.

ANSWERING “NO SAFE HARBOR”

218. Defendants deny the allegations in Paragraph 218.

219. Defendants deny the allegations in Paragraph 219.

220. Defendants deny the allegations in Paragraph 220.

221. Defendants deny the allegations in Paragraph 221.

222. Defendants deny the allegations in Paragraph 222.

ANSWERING “CAUSES OF ACTION”

COUNT I

**FOR VIOLATIONS OF SECTION 10(b) OF THE EXCHANGE ACT AND RULE 10b-5
PROMULGATED THEREUNDER AGAINST ALL DEFENDANTS**

223. Defendants incorporate their responses to Paragraphs 1-222. Defendants admit that Lead Plaintiffs purport to bring Count I against Defendants for violations of Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b) and Rule 10b-5 promulgated thereunder, 17 C.F.R. § 240.10b-5.

224. Defendants deny the allegations in Paragraph 224.

225. Defendants deny the allegations in Paragraph 225.

226. Defendants deny the allegations in Paragraph 226.

- 227. Defendants deny the allegations in Paragraph 227.
- 228. Defendants deny the allegations in Paragraph 228.
- 229. Defendants deny the allegations in Paragraph 229.
- 230. Defendants deny the allegations in Paragraph 230.
- 231. Defendants deny the allegations in Paragraph 231.
- 232. Defendants deny the allegations in Paragraph 232.
- 233. Defendants deny the allegations in Paragraph 233.

COUNT II

FOR VIOLATIONS OF SECTION 20(a) OF THE EXCHANGE ACT AGAINST THE INDIVIDUAL DEFENDANTS

234. Defendants incorporate their responses to Paragraphs 1-233. Defendants admit that Lead Plaintiffs purport to bring Count II against Defendants for violations of Section 20(a) of the Exchange Act, 15 U.S.C. § 78t(a).

235. Defendants admit that the Individual Defendants were able to obtain and review certain of the Company's SEC Filings, press releases, and public statements during the purported class period. Defendants admit that each Individual Defendant did obtain, review and approve the SEC filings he signed during the purported class period. Defendants deny the remaining allegations in Paragraph 235.

236. Defendants admit that each of the Individual Defendants had management authority within the Company consistent with their positions during the purported class period for the time period they were employed by the Company. Defendants deny the remaining allegations in Paragraph 236.

237. Defendants admit that Duroc-Danner and Becnel signed certain of the Company's SEC filings during the purported Class Period. Defendants deny the remaining allegations in Paragraph 237.

238. To the extent the allegations in Paragraph 238 call for legal conclusions, Defendants need not respond. Defendants deny the remaining allegations in Paragraph 238.

239. Defendants deny the allegations in Paragraph 239.

240. Defendants deny the allegations in Paragraph 240.

ANSWERING "PRAYER FOR RELIEF"

241. Defendants admit that Lead Plaintiffs purport to pray for the relief in Paragraph 241.

ANSWERING "JURY TRIAL DEMANDED"

242. Defendants admit that Lead Plaintiffs purport to demand a jury trial.

AFFIRMATIVE DEFENSES

Defendants assert the following affirmative defenses to the Amended Complaint without assuming the burden of proof or any other burden if such burdens would otherwise be on the Lead Plaintiffs.¹

FIRST AFFIRMATIVE DEFENSE

Lead Plaintiffs and members of the purported class would have acquired Weatherford common stock even if, when acquired, plaintiff class members had known of the allegedly untrue statements of material fact, omissions of material fact, or misleading statements or other wrongful conduct upon which Defendants' purported liability rests.

¹ Defendants do not intend to suggest that matters designated herein as defenses are not elements of Lead Plaintiffs' prima facie case on any of Lead Plaintiffs' purported claims, or are not matters as to which Lead Plaintiffs bear the burden of proof.

SECOND AFFIRMATIVE DEFENSE

Defendants acted at all times in good faith and did not directly or indirectly induce any act or acts alleged to constitute a violation of law, and every act or omission alleged in the Amended Complaint was done or omitted in good faith conformity with the rules and regulations of the Securities and Exchange Commission, and therefore, pursuant to Section 23(a) of the Securities Exchange Act of 1934, there is no liability for any act or omission so alleged.

THIRD AFFIRMATIVE DEFENSE

Lead Plaintiffs' damages, if any, resulted from the acts or omissions of other persons or entities over which Defendants had no control. The acts of such persons or entities constitute intervening or superseding causes of harm, if any, suffered by plaintiff class members, and Defendants are not responsible, in law or fact, for any alleged misstatements or omissions issued by those persons or entities.

FOURTH AFFIRMATIVE DEFENSE

Any damage, loss or liability sustained by Lead Plaintiffs and members of the purported class must be reduced, diminished, and/or barred in proportion to the wrongful or negligent conduct of persons or entities other than Defendants under the principles of equitable allocation, recoupment, set-off, proportionate responsibility, and comparative fault.

FIFTH AFFIRMATIVE DEFENSE

Lead Plaintiffs' claims are barred, in whole or in part, because awarding Lead Plaintiffs' requested damages would result in unjust enrichment to Lead Plaintiffs.

SIXTH AFFIRMATIVE DEFENSE

Each of the members of the purported plaintiff class knew or should have known the financial condition of Weatherford and the risks associated with Weatherford's business, and in

failing to consider these risks, each such purported plaintiff class member assumed the risk that he or she might be damaged by acquiring Weatherford stock.

SEVENTH AFFIRMATIVE DEFENSE

The claims alleged in the Amended Complaint are not actionable to the extent that the alleged untrue statements of material fact, omissions of material fact, misleading statements, and/or other challenged statements made by Defendants fall within the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995, contained in Section 27A of the Securities Act, as codified at 15 U.S.C. § 77z-2(c).

EIGHTH AFFIRMATIVE DEFENSE

Any recovery for damages allegedly incurred by Lead Plaintiffs and members of the putative class, if any, is subject to offset in an amount including, but not limited to, any tax benefits actually received by plaintiff class members throughout their investments.

NINTH AFFIRMATIVE DEFENSE

Plaintiff's claims against Defendants are barred, in whole or in part, because the purported misstatements or omissions alleged in the Amended Complaint that are attributed to Defendants did not affect the market price of Weatherford securities.

TENTH AFFIRMATIVE DEFENSE

Lead Plaintiffs' claims against Defendants are barred, in whole or in part, because Lead Plaintiffs lack standing to assert their claims against Defendants.

ELEVENTH AFFIRMATIVE DEFENSE

Lead Plaintiffs are precluded from recovering attorneys' fees or experts' fees from Defendants under applicable provisions of law.

TWELFTH AFFIRMATIVE DEFENSE

Under the principles of contribution and indemnity, persons or entities other than Defendants are wholly or partially responsible for the purported damages, if any, plaintiff class members may have sustained.

THIRTEENTH AFFIRMATIVE DEFENSE

Under any theory of liability, Lead Plaintiffs and the members of the putative class may not recover damages based on depreciation in the value of Weatherford securities that resulted from factors other than the alleged material devices, schemes, or artifices to defraud, misstatements or omissions, acts, practices, or courses of business which are cited in the Amended Complaint.

FOURTEENTH AFFIRMATIVE DEFENSE

This action is not properly maintainable as a class action.

FIFTEENTH AFFIRMATIVE DEFENSE

Lead Plaintiffs' claims and/or the claims of any members of the purported class are barred, in whole or in part, to the extent that the damages sought exceed those permitted under the Securities Exchange Act of 1934, the Private Securities Litigation Reform Act, common law, or any other applicable statute, rule or regulation.

SIXTEENTH AFFIRMATIVE DEFENSE

Each and every one of Defendants alleged to be a control person under Section 20(a) of the Section 23(a) of the Securities Exchange Act of 1934, acted in good faith and did not directly or indirectly induce and acts constituting the alleged violations and causes of action.

Defendants have insufficient knowledge or information upon which to form a belief as to whether there may be additional affirmative defenses available to them, and therefore reserve the right to assert such additional defenses.

WHEREFORE, Defendants respectfully seek judgment as follows:

- A. That Lead Plaintiffs take nothing by virtue of the Amended Complaint;
- B. That Lead Plaintiffs' claims against Defendants are dismissed with prejudice;
- C. That Defendants be awarded the costs of defending this action, including reasonable attorneys' fees, costs and disbursements; and
- D. For such other and further relief as this Court may deem just and proper.

DEMAND FOR A JURY TRIAL

Defendants hereby demand a jury trial.

Date: October 30, 2013

Respectfully submitted,

LATHAM & WATKINS LLP

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