

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K/A

Current report filing [amend]

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FILER

SMITH INTERNATIONAL INC

CIK: **721083** | IRS No.: **953822631** | State of Incorpor.: **DE** | Fiscal Year End: **1231**
Type: **8-K/A** | Act: **34** | File No.: **001-08514** | Film No.: **96620823**
SIC: **2890** Miscellaneous chemical products

Mailing Address
16740 HARDY ST
HOUSTON TX 77032

Business Address
16740 HARDY ST
HOUSTON TX 77032
7134433370

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

June 11, 1996
Date of Report
(Date of earliest event reported)

SMITH INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	1-8514 (Commission File Number)	95-3822631 (I.R.S. Employer Identification No.)
---	---------------------------------------	---

16740 Hardy Street
Houston, Texas
(Address of principal executive offices)

77032
(Zip Code)

(713) 443-3370
(Registrant's telephone number, including area code)

ITEM 2: ACQUISITION OR DISPOSITION OF ASSETS

On June 11, 1996, M-I Drilling Fluids L.L.C. ("M-I"), a 64% owned affiliate of Smith International Inc. (the "Registrant"), purchased Anchor Drilling Fluids A.S. ("Anchor") from Transocean A.S. ("Seller").

M-I acquired the assets of Anchor in exchange for cash and the assumption of certain liabilities totaling 695.75 million Norwegian kroner. The principal source of the Registrant's portion of the purchase price was a loan made in the ordinary course of business. The Company entered into a five year term loan for 320.00 million Norwegian kroner with a bank group consisting of Texas Commerce Bank, ABN-Amro Bank, Den Norske Bank, Bank of America, First Interstate Bank, the Bank of New York, CORESTATES and Union Bank of California. The remainder of the funds came from a private placement made in the ordinary course of business through Principal Mutual and John Hancock. The terms of the purchase, including the purchase price, were negotiated on an arms-length basis between M-I and Seller.

Anchor's assets include plant, equipment and property used, and which will continue to be used, in connection with manufacturing and marketing oil field drilling fluids and drilling fluid systems.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

- (a) Financial Statements of Businesses Acquired.
The following financial statements of Anchor Drilling Fluids A.S. are attached as part of this report.

Audited Financial Statements of Anchor Drilling Fluids, A.S.
Report of Independent Accountants

Directors Report 1995

Consolidated Statements of Operations for the Years Ended
December 31, 1995 and 1994

Consolidated Balance Sheets as of December 31, 1995 and 1994

Consolidated Statements of Cash Flows for the Years Ended
December 31, 1995 and 1994

Comments to the Accounts

Notes to Consolidated Financial Statements

Unaudited Financial Statements of Anchor Drilling Fluids, A.S.

Consolidated Statements of Operations for the Three Months Ended
March 31, 1996 and 1995

Consolidated Balance Sheets as of March 31, 1996 and December
31, 1995

Consolidated Statements of Cash Flows for the Three Months Ended
March 31, 1996 and 1995

Notes to Consolidated Financial Statements

(b) Pro Forma Financial Information.

The following Pro Forma financial information of Smith
International, Inc. is attached as part of this report.

Pro Forma Condensed Statement of Operations for the Year Ended
December 31, 1995

Pro Forma Condensed Statement of Operations for the Three Months
Ended March 31, 1996

Pro Forma Condensed Balance Sheet as of March 31, 1996

Notes to Pro Forma Condensed Financial Statements

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(c) Exhibits.

Exhibit number and description

(2) Plan of Acquisition, Reorganization, Arrangement or
Succession.

2.1 Purchase and Sale Agreement By and Between M-I Drilling
Fluids L.L.C. and Anchor Drilling Fluids A.S.*

(23) Consents of Experts and Counsel.

23.1 Consent of Coopers & Lybrand ANS

* Previously filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934,
the Registrant has duly caused this report to be signed on its behalf by the
undersigned hereunto duly authorized.

SMITH INTERNATIONAL, INC.

By: /s/ NEAL S. SUTTON

Neal S. Sutton
Senior Vice President - Administration,
General Counsel and Secretary

To The Annual General Meeting
Anchor Drilling Fluids AS

AUDIT REPORT FOR 1995 (TRANSLATION FROM NORWEGIAN)

We have audited the financial statements for Anchor Drilling Fluids AS for 1995, showing a profit for the year of NOK 18.664.000 for the parent company and an annual profit of NOK 23.385.000 for the group. The financial statements, consisting of the Board of Directors' report, profit and loss account, balance sheet, cash flow statement, notes and consolidated financial statements, have been presented by the company's Board of Directors and its managing director.

Our responsibility is to examine the company's financial statements, the accounts and accounting records and other related matters.

We have performed the audit in accordance with the relevant laws, regulations and generally accepted auditing standards. We have performed the audit procedures which we have considered necessary in order to confirm that the annual report and accounts do not contain material errors or misstatements. We have examined on a sample basis the evidence supporting the accounting items and assessed the accounting principles applied, the estimates made by management and the overall financial statements' content and presentation. To the extent it is required by generally accepted auditing standards we have reviewed the company's management routines and internal control.

The Board's proposed disposition of the net profit and equity transfers is in accordance with the requirements of the Joint Stock Companies' Act.

In our opinion the financial statements are prepared in accordance with the Joint Stock Companies' Act and present fairly the financial position of the company and the group pr. December 31, 1995 and the result of the operations in the accounting year in compliance with generally accepted accounting principles.

Oslo, 1. April 1996
COOPERS & LYBRAND ANS

/s/ Jorgen O. Kjorsvik

Jorgen O. Kjorsvik
Statsautorisert revisor
(State Authorized Public Accountant)

DIRECTORS REPORT 1995

Anchor Drilling Fluids (Anchor) has throughout 1995 maintained its position as one of the leading service companies within the petroleum industry.

Staying close to the core business has allowed the necessary focus on research and development with respect to technical performance and environmental considerations.

To safeguard and simplify the total operation of the company, Anchor has reviewed its internal procedures and certified its operation in accordance to the ISO - 9001 quality assurance standard.

SALES AND CONTRIBUTION

As a consequence of the re-structuring of the group, turnover and contribution

have been reduced from NOK 974.4 mill in 1994 to NOK 908.2 mill in 1995. Profit margins have been maintained at approximately 1994 levels, but a larger proportion of the contribution has been spent on new area development. Total profit for the year is NOK 33.6 mill compared to NOK 90.7 mill in 1994.

COST EFFICIENCIES AND ENVIRONMENTAL CONSIDERATIONS

Customer focus on reduced drilling cost has continued in 1995 within the framework of environmental considerations. Governmental bodies world wide have focused on the possible negative impact of drilling fluids discharged to the marine environment and issued directives to minimize this potential. Anchor welcomes this development as this coincides with Anchor's objectives to produce novel technology from non-toxic and biodegradable components. In line with targeting Anchor as the "green-alternative", extensive testing has been performed to replace existing components with more environmental products on a continued basis.

OPERATIONS

Anchor is continuing its integration with its customers in all geographical areas. Novel technology has been applied in both Vietnam and Malaysia, securing and maintaining a high market share in South East Asia. The Vietnamese company has concluded its 50th well and supplied drilling fluids and engineering services to a higher temperature well (203 Degrees C) with good results. During the second half of 1995, Anchor was awarded contracts in Bangladesh and Thailand has throughout 1995 worked for more than 20 different operating companies.

The board has not been satisfied with the results in the United States and Anchor has reorganized its activities. Alternative solutions will be used to monitor progress and evaluated in the near future. In Canada, the specialized novel Glycol system for onshore wells. Anco 4000 has passed environmental regulations and proved successful under field conditions.

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Anchor's operations in the North Sea have been affected by reduced drilling activity in the Norwegian Sector. In Norway, Anchor serviced all exploration wells drilled and has been the preferred alternative for high temperature/pressure wells.

In the UK market, Anchor has conducted several successful operations on complex wells using novel drilling fluid technology. The company has also serviced offshore wells from Holland using their base facilities in Great Yarmouth.

During the latter part of the year, Anchor established a separate fully integrated drilling fluid company in Nigeria.

TECHNICAL ACHIEVEMENTS

Anchor has throughout the year concentrated its efforts within the research and development part of the company. Along with the company's long term objectives, selected vendors have been invited to participate in long term research and development projects to identify promising and specialized chemicals for novel drilling fluids. The capacity at the head office at Forus has been increased to encompass the anticipated future increased emphasis on environmental considerations. The continuous focus on improved efficiency has led to the development of a Linear Alpha Olefin (LAO) based synthetic drilling fluid Anco Tec. This system aims at the European market, whereas an isometized Olefin (IAO) has been developed for the U.S. market.

WORKING ENVIRONMENT

Anchor has continued its close cooperation with established trade unions to safeguard completion of complex projects without industrial disputes. Anchor can once again review a satisfactory year with respect to health and safety. The absenteeism has been maintained below the targeted 2% and no accidents or near misses have been recorded.

Attention has also been paid to the working environment for the offshore workers. Anchor's new oil based drilling fluid, Ancovert, has been developed with the specific objective reducing negative impact on human beings. Field tests confirmed the anticipated results and were well received by drilling contractor employees.

ORGANIZATION AND ALLOCATION OF PROFITS

In total, the Anchor Group employs 474 people. Remuneration to the President, auditors and directors are listed as notes in the Annual Report of the parent

company, Anchor Drilling Fluids A/S. From the total turnover of NOK 908.2 mill, the net result before tax was NOK 33.6 mill for the Group. For the holding company, the turnover was NOK 411.4 mill, generating a profit before tax of NOK 20.0 mill. The board of directors recommend the profit of the holding company, Anchor Drilling fluids A/S to be distributed as follows: (NOK 1,000).

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<TABLE>	
<S>	
Profit for the year	18,664
Group contribution	(28,988)
Transferred from reallocation fund	5,757
At disposal	(4,567)

Recommended disposed as follows:

To legal reserve	1,866
From retained earnings	(6,433)
Total disposed	(4,567)

Finally, the board of directors would like to express their thanks to all employees for their dedicated and loyal efforts throughout 1995 and look forward to a continuation of the cooperation in the years to come.

Stavanger, 22.03.1996

<TABLE>		
<S>		
/s/ REIDAR LUND	/s/ JAN ERIK TVETERAAS	/s/ BENGT HAVNEGJERDE
-----	-----	-----
Reidar Lund Chairman	Jan Erik Tveteraas Board member	Bengt Havnegjerde Employee elected board member
/s/ LEON TVEIT		/s/ STEINAR OLSEN
-----		-----
Leon Tveit Employee elected board member		Steinar Olsen President

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ANCHOR DRILLING FLUIDS, A.S.
CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>		<CAPTION>	
		YEAR ENDED DECEMBER 31,	

	NOTE	1995	1994
	-----	-----	-----
		(NOK in thousands)	
<S>	<C>	<C>	<C>
TURNOVER		908,159	974,385
Costs of goods		(553,385)	(584,216)
Salaries and personnel expenses		(158,262)	(153,309)
Other operating expenses	1	(122,882)	(113,518)
Depreciation	10	(32,409)	(24,042)
TOTAL OPERATING EXPENSES		(866,938)	(875,085)
		-----	-----
OPERATING PROFIT		41,221	99,301

Interest income	2	8,005	7,434
Interest expense	2	(16,119)	(15,015)
Other financial expenses	2	(1,557)	(4,318)
Earnings from partnerships		2,097	3,336
NET FINANCIAL ITEMS		(7,574)	(8,562)
		-----	-----
PROFIT BEFORE TAX		33,647	90,738
Taxes payable	3,4	(7,528)	(5,573)
Deferred tax	4	(1,191)	(1,338)
		-----	-----
PROFIT BEFORE MINORITY INTEREST		24,928	83,827
Minority interest	14	(1,543)	(1,902)
		-----	-----
NET INCOME		23,385	81,925
		=====	=====

</TABLE>

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ANCHOR DRILLING FLUIDS, A.S.
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

ASSETS	NOTE	DECEMBER 31,	
		1995	1994
		(NOK in thousands)	
<S>	<C>	<C>	<C>
CURRENT ASSETS:			

Cash and bank deposits	6	39,663	17,038
Receivables	7	232,821	198,969
Inventory	8	135,448	150,596
		-----	-----
TOTAL CURRENT ASSETS		407,932	366,603
		-----	-----
NON CURRENT ASSETS:			

Long term receivables		5,590	5,727
Shares	9	369	369
Partnership holdings	9	7,899	7,358
Fixed assets	10	106,174	112,267
		-----	-----
TOTAL NON CURRENT ASSETS		120,032	125,721
		-----	-----
TOTAL ASSETS		527,964	492,324
		=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities	11	222,427	179,085
LONG TERM LIABILITIES:			
Long term liabilities	12	58,321	65,995
Deferred tax	4	5,668	4,473
Subordinated loan	13	216,044	171,451
		-----	-----
TOTAL LONG TERM LIABILITIES		280,032	241,919
		-----	-----
Minority interest	14	14,049	13,546
SHAREHOLDERS' EQUITY:			
Share capital (16,612 shares @ NOK 1.0)		16,612	16,612
Other equity	15	(5,156)	41,162
		-----	-----
TOTAL SHAREHOLDERS' EQUITY		11,456	57,774
		-----	-----
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		527,964	492,324

/s/ JAN ERIK TVETERAAS	/s/ REIDAR LUND	/s/ STEINAR OLSEN
-----	-----	-----
Jan Erik Tveteraas	Reidar Lund Chairman	Steinar Olsen President
/s/ BENGT HAVNEGJERDET		/s/ LEON TVEIT
-----		-----
Bengt Havnegjerdet		Leon Tveit

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ANCHOR DRILLING FLUIDS, A.S.
CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,	
	1995	1994
	-----	-----
<S>	<C>	<C>
	(NOK in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before tax	33,647	90,738
Gain on sale of fixed assets	1,523	214
Depreciation	32,409	24,042
Taxes	(7,528)	(5,573)
Deferred tax	(1,191)	(1,338)
Payable group contribution	(17,621)	(25,932)
Minority interest	(1,543)	(1,902)
	-----	-----
GROSS CASH PROVIDED BY OPERATING ACTIVITIES	39,696	80,249
	-----	-----
Change in current assets, except cash	(18,704)	7,301
Change in current liabilities	43,342	(23,299)
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	64,334	64,251
	-----	-----
CASH FLOW FROM INVESTING ACTIVITIES:		
Investment in fixed assets (net)	(27,839)	(30,311)
Change in long term receivables	(404)	2,759
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(28,243)	(27,552)
	-----	-----
CASH FLOW FROM FINANCING ACTIVITIES:		
Change in long term liabilities	(7,197)	(42,897)
Change in minority interest	503	1,396
Change in equity	(6,772)	(8,977)
	-----	-----
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(13,466)	(50,478)
	-----	-----
NET INCREASE (DECREASE) IN CASH DURING THE YEAR	22,625	(13,779)
CASH AT THE BEGINNING OF THE YEAR	17,038	30,817
	-----	-----
CASH AT THE END OF THE YEAR	39,663	17,038
	=====	=====

</TABLE>

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ANCHOR DRILLING FLUIDS, A.S.
COMMENTS TO THE ACCOUNTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CLASSIFICATION OF INCOME AND EXPENSES

The annual accounts have been compiled using the historic cost principle. Income is recognized when goods are delivered and services when performed. Expenses are recognized when they are incurred.

CLASSIFICATION OF BALANCE SHEET ITEMS

Receivables and debts are classified as current assets/current liabilities if they fall due within one year following the balance sheet date. First year installments on long term loans are included in current liabilities. Other assets are classified as fixed assets and other liabilities as long term liabilities.

CONSOLIDATED ACCOUNTING PRINCIPLES

Companies, in which Anchor Drilling Fluids owns more than 50% of the shares and has a controlling interest, have been included as subsidiaries in the consolidated accounts. The consolidated accounts show the Group's financial position and result after all intra-group transactions and balances have been eliminated.

Companies in which Anchor Drilling Fluids owns less than 50% of the shares have been included in the consolidated accounts if Anchor, through agreements, exercises full control or has a significant influence on all financial and operational decisions, including the distribution of profits and dividends.

When consolidating foreign companies, the income statement is translated to NOK using the average exchange rate for the year, while the balance sheet is translated using the exchange rate valid on the balance sheet date. The resulting exchange rate difference on the translation is offset directly against the Group's equity.

Affiliated companies are included in the consolidated accounts using the net equity method. Affiliated companies (20 - 50% owned) are those companies in which Anchor Drilling Fluids has a significant and strategic, but not controlling interest. In accordance with the accounting principles of this method, Anchor's part of profit after tax is included as other financial income in the income statement. The interest in the respective company is included in the consolidated balance sheet at cost price, adjusted for Anchor's share of changes in the respective company's equity since the acquisition.

ANCHOR DRILLING FLUIDS, A.S. COMMENTS TO THE ACCOUNTS

ASSETS AND LIABILITIES IN FOREIGN CURRENCY

Current assets and liabilities in foreign currency are translated to NOK using the exchange rate valid at the balance sheet date. Long term receivables in foreign currency are translated at the lower of the exchange rate on the balance sheet date and the historical rate. Long term liabilities in foreign currency are translated using the higher of the exchange rate on the balance sheet date and the historical rate. Unrealized losses are charged as expense, except when unrealized losses can be netted against unrealized profits in the same currency.

LEASING

The Group differentiates between operational and financial leasing. Agreements that transfer the majority of commitments and benefits connected to the ownership of an asset to the lessee have been classified as financial leases. Assets acquired through financial leasing have been included in fixed assets classified as leased assets and are depreciated over the remaining useful lifetime of the asset. The remaining lease commitments under the contract have been posted as current or long term liabilities in accordance with general classification principles.

Leasing agreements that do not meet the above criteria have been classified as operational leases and the lease payments as ordinary operating expenses.

ACCOUNTS RECEIVABLE AND INVENTORY

Accounts receivable are derived from normal business activities and are stated at book value less provision for bad debts where appropriate.

Inventory represents goods held for resale and is stated at the lower of cost or estimated net realizable value. Cost is arrived at on the first-in first-out basis. Provision is made for obsolete or slow moving items where appropriate. Provision has also been made for the environmentally safe destruction of unsalable products where appropriate.

FIXED ASSETS AND DEPRECIATION

Property, plant, machinery and equipment are stated in the balance sheet at historical cost less accumulated depreciation. Depreciation is calculated on a straight line basis based on an assessment of the remaining useful life of the asset. The depreciation rates are shown in Note 11. The difference between the book value and the tax related value is treated as a temporary timing difference.

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ANCHOR DRILLING FLUIDS, A.S. COMMENTS TO THE ACCOUNTS

GOODWILL

The difference between the purchase price and net book equity of a company at the time of purchase is classified as excess value. Goodwill represents the portion of the above excess value that could not be allocated to specific assets at the time of purchase.

Goodwill is depreciated on a straight line basis in accordance with Norwegian GAAP and based on an assessment of the expected lifetime of the goodwill.

DEFERRED TAX

Deferred tax is incurred through the Group's activity in the accounting year, but will not become payable until later periods. Deferred tax has been computed based on current prevailing tax rates and temporary differences between values for accounting and tax purpose, and is shown as long term debt in the balance sheet. Such tax liabilities that may fall due after a substantial period of time has not been discounted.

The tax expense in the income statement consists of two components. Change in deferred tax liabilities during the year, and taxes payable on the accounting year's taxable profits.

Goodwill is shown net of deferred tax. In the consolidated accounts, net tax assets of group companies are set off against other companies' tax liabilities where this is in accordance with local tax regulations.

EMPLOYEE PENSION RETIREMENT PLANS

Anchor has adopted the recommendations for treatment of accrued pensions under Norwegian GAAP for the Group accounts with effect 1st of January 1994. (The new accounting standard closely resembles USGAAP, FAS87.)

Contribution is made in accordance with the individual level premium actuarial cost method for employees with defined benefit retirement plans, based on years of service and estimated final salary level. The Norwegian Group companies have defined benefit plans while the international subsidiaries and affiliates have defined contribution plans under local laws and regulations.

This year's pension cost is included as cost in "salary and personnel expenses" in the income statement. Plans with accumulated benefit obligations less than plan assets are shown as long term assets in the balance sheet, while plans with obligations exceeding plan assets are treated as long term liabilities. When calculating the plan assets and the

ANCHOR DRILLING FLUIDS, A.S.
COMMENTS TO THE ACCOUNTS

pension obligations, estimated amounts based on the actuarial calculation and the market value of the plan assets have been used.

The accrued pension rights of the Group's Norwegian employees are secured through a collective insurance scheme arranged with an insurance company.

Employees in the Group's foreign subsidiaries are covered locally by various defined contribution plans.

ANCHOR DRILLING FLUIDS, A.S.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(AMOUNTS IN NOK 000 UNLESS OTHERWISE SPECIFIED)

1. OTHER OPERATING EXPENSES

Included in other operating expenses is office rental for the Groups headquarters in Norway held under an operational lease contract. The contract expires in 2011 but with an option for Anchor to exit the agreement every 5 years. The annual rental amount is in USD and total approximately NOK 1,310.

2. FINANCIAL ITEMS

The financial income consists of interest income on the Group's deposits and placement. Financial expenses consist primarily of interest expenses on loans in NOK and USD. Other financial expenses includes both realized gain/loss on currency and unrealized losses on currency.

3. TAXES

Income taxes have been provided on taxable profits in subsidiaries at current rates. Deferred taxation is provided at the tax rate expected to apply to differences arising from the inclusion of income and expenditures in tax computations in periods different from those in which they are included in the accounts. The tax liabilities of the Norwegian entities of the Group have been reduced wholly or in part by the surrender of group contribution to the parent company, Transocean AS. Provision has not been made for withholding taxes which would be payable if retained profits of overseas subsidiaries were remitted to Norway. Withholding tax has been provided for where applicable on interest, dividends and fees charged between group companies.

4. DEFERRED TAX

In accordance with the Norwegian standard for tax accounting, deferred tax assets and liabilities resulting from temporary differences that may be reversed within the same period of time are shown net. Any net tax benefit will however not be included as an asset.

In the consolidated statements the Groups net tax assets have been set off against tax liabilities in other group companies, where tax regulations make this possible. Such regulations for instance include Norwegian group contributions.

ANCHOR DRILLING FLUIDS, A.S.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(AMOUNTS IN NOK 000 UNLESS OTHERWISE SPECIFIED)

In accordance with current regulations, no deferred tax has been computed on retained earnings elements from the Groups subsidiaries. Below is a specification of temporary differences for the Group. Negative amounts represent future tax benefit reserves.

<TABLE>
<CAPTION>

DECEMBER 31,

<S>	<C>	<C>
TEMPORARY DIFFERENCES RELATED TO:	1995	1994
Inventory	595	595
Other current assets	305	305
Other current items	- 6	- 6
Fixed assets	243	- 30
Unrealized currency exchange gain/loss	- 188	- 188
Other items	9,830	7,070
TOTAL RESERVE	10,779	7,746
	=====	=====
TOTAL DEFERRED TAX ON ABOVE DIFFERENCES	5,668	4,473
	=====	=====

</TABLE>

The split of the tax expense for the Group is shown below. The payable taxes in Norway have been eliminated through the surrender of group contribution to the Group's ultimate parent company, Transocean AS. Current tax reported for Norway represent foreign withholding tax on fees and interest received.

<TABLE>
<CAPTION>

	DECEMBER 31,	
<S>	<C>	<C>
CURRENT TAX EXPENSE:	1995	1994
Norway	1,330	536
Foreign group companies	6,198	5,037
TOTAL TAXES PAYABLE	7,528	5,573
	-----	-----

</TABLE>

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ANCHOR DRILLING FLUIDS, A.S.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(AMOUNTS IN NOK 000 UNLESS OTHERWISE SPECIFIED)

<TABLE>

<S>	<C>	<C>
DEFERRED TAX EXPENSE:		
Norway	0	0
Foreign group companies	1,191	1,338
TOTAL DEFERRED TAX EXPENSE	1,191	1,338
TOTAL TAX EXPENSE	8,719	6,911
	=====	=====

</TABLE>

5. GROUP CONTRIBUTION

The taxable profit in the Norwegian entities of the Group has been surrendered to the ultimate parent company Transocean AS as group contribution. The payable portion of the group contribution has been included under short term liabilities in the balance sheet. The remainder is included as a subordinate loan.

6. CASH AND BANK DEPOSITS

Included in cash and bank deposits is NOK 5,585 in restricted/locked-up funds for the payment of personnel income tax and other taxes for the period up to the balance sheet date.

7. RECEIVABLES

<TABLE>
<CAPTION>

	DECEMBER 31,	
<S>	1995	1994
<C>	<C>	<C>
	-----	-----

Gross trade receivables	204,662	158,356
Other receivables	28,159	40,614
	-----	-----
TOTAL RECEIVABLES	232,821	198,970
	=====	=====

</TABLE>

8. INVENTORY

<TABLE>

<CAPTION>

	DECEMBER 31,	
	-----	-----
	1995	1994
	-----	-----
<S>	<C>	<C>
Raw materials	13,872	14,173
Finished goods/goods held for resale	121,576	136,423
	-----	-----
TOTAL INVENTORY	135,448	150,596
	=====	=====

</TABLE>

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ANCHOR DRILLING FLUIDS, A.S.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(AMOUNTS IN NOK 000 UNLESS OTHERWISE SPECIFIED)

9. SHARES

<TABLE>

<CAPTION>

Name of company	Curr	Share capital (1.000)	Percentage owned	Number of issued shares	Par value	Value in bal. Sheet of parent co.
	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Shares in Subsidiaries						

Sun-Tek A/S	NOK	51	100%	51	1,000	428
Norbar Minerals A/S	NOK	16,000	100%	16,000	1,000	16,000
Anchor Drilling Fluids Aps DK	DKK	80	100%	80,000	1	558
Anchor Drilling Fluids Ltd UK	GBP	1,363	100%	325,000	4	4,344
PT Mudcoindo Pratama Indonesia	RPI	200,000	0%			0
BW Promud Sdn Bhd Malaysia	MYR	200	40%	200,000	1	11,114
Anchor Drilling Fluids Inc USA	USD	1,751	100%	2,006,958	1	41,243
Anchor Drilling Fluids Inc Canada	CAD	200	100%	200,000	1	19,560
Anchor Drilling Fluids Hong Kong	USD	1	100%	2	705	8
Anchor Nigeria	USD	61	100%	1	61	381

Total shares in subsidiaries						93,636
						=====
Shares in affiliated companies						

Anchor Italia	ITL	20,000	99%	100	200,000	350
Other						19

Total shares in affiliated companies						369
Holdings in Partnerships and Joint Ventures						

Anchor Vietnam	USD	800	50%		400	3,043
Accumulated share of result in affiliated companies						4,856

Booked value						7,899

</TABLE>

All shares in subsidiaries have been eliminated and other companies have been included in the consolidated accounts in accordance with Norwegian GAAP and applicable accounting standards.

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ANCHOR DRILLING FLUIDS, A.S.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(AMOUNTS IN NOK 000 UNLESS OTHERWISE SPECIFIED)

10. FIXED ASSETS

<TABLE>

<CAPTION>

	MACHINERY AND EQUIPMENT	BUILDINGS	SITE	GOODWILL	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>
Cost at January 1, 1995	157,572	75,684	2,836	45,724	281,816
Currency transl. at January 1, 1995	(2,931)	(1,160)	(55)	(29)	(4,175)
Additions in 1995	36,675	8,719	0	0	45,394
Disposals	(11,763)	(10,352)	(794)	0	(22,909)
COST AT DECEMBER 31, 1995	179,553	72,891	1,987	45,695	300,126
Acc. deprec. at December 31, 1995	(121,112)	(40,284)	0	(40,562)	(201,958)
Currency transl. acc. depr.	2,331	(509)	55	(17)	1,860
Acc. depr. disposals	5,435	711			6,146
BOOK VALUE AT DECEMBER 31, 1995	66,207	32,809	2,042	5,116	106,174
Depr. for the year	17,059	3,083		12,268	32,410
Depr. percentage used	10-25%	5%	0%	10-20%	

</TABLE>

The Group differentiates between operational and financial leasing. Assets covered by financial leasing agreements constitute an insignificant share of the total assets in the Group.

Goodwill represents the difference between the purchase price and the net book equity of the subsidiaries at the time of purchase.

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ANCHOR DRILLING FLUIDS, A.S.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(AMOUNTS IN NOK 000 UNLESS OTHERWISE SPECIFIED)

INVESTMENT/DISPOSALS OF FIXED ASSETS

<TABLE>

<CAPTION>

<S>	Machinery & Equipment		Buildings		Site		Goodwill	
	INVESTMENT <C>	DISPOSAL <C>	INVESTMENT <C>	DISPOSAL <C>	INVESTMENT <C>	DISPOSAL <C>	INVESTMENT <C>	DISPOSAL <C>
1995	36,675	11,763	8,719	10,352	0	794	0	0
1994	28,671	3,607	4,454	0	1,845			
1993	23,948	3,283	2,939	936	6			
1992	48,253	4,105	18,753		172		2,976	
1991	31,014	9,276	1,134	4,738	513	1,003	27,782	

</TABLE>

11. CURRENT LIABILITIES

<TABLE>

<CAPTION>

DECEMBER 31,	
1995	1994

<S>	<C>	<C>
Trade payable	111,214	104,827
Overdraft facility	41,671	31,438
Current taxes	7,451	3,793
Employee taxes, Holiday allowance, etc.	7,059	8,530
Other current liabilities	55,032	30,496
	-----	-----
CURRENT LIABILITIES	222,427	179,085
	=====	=====

</TABLE>

Included in Other current liabilities is NOK 17,621 representing this years payable portion of group contribution.

12. LONG TERM LIABILITIES

<TABLE>

<CAPTION>

	DECEMBER 31,	
	1995	1994
	-----	-----
<S>	<C>	<C>
Loan in NOK	1,967	2,000
Loan in USD	50,552	54,080
Loan in other currencies	0	5,148
Net pension liabilities	5,802	4,767
	-----	-----
LONG TERM LIABILITIES	58,321	65,995
	=====	=====

</TABLE>

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ANCHOR DRILLING FLUIDS, A.S.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(AMOUNTS IN NOK 000 UNLESS OTHERWISE SPECIFIED)

The loan agreement Anchor has entered into with Den norske Bank contains various covenants relating to the profitability and balance sheet of the Group. At year end, the Group was within the set targets.

NET PENSION LIABILITIES (EMPLOYEE PENSION RETIREMENT PLANS)

The defined benefit plans are administrated by independent insurance companies. Within the Group there are four different arrangements for defined benefit plans, covering individual plans for 92 employees as of December 31, 1995. The last external actuarial calculation was made in December 1995.

NET PERIODIC PENSION COST FOR DEFINED BENEFIT PLAN ARRANGEMENTS

<TABLE>

<CAPTION>

	YEAR ENDED DECEMBER 31,	
	1995	1994
	-----	-----
<S>	<C>	<C>
Benefit earned during the year		
including social security tax	(2,922)	(2,039)
Interest on prior period benefit obligation	(808)	(840)
Estimated (earnings) loss on plan assets	713	713
Amortized (profit) loss on estimates	(49)	0
	-----	-----
NET PENSION COST	(3,066)	(2,166)
	=====	=====

</TABLE>

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ANCHOR DRILLING FLUIDS, A.S.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(AMOUNTS IN NOK 000 UNLESS OTHERWISE SPECIFIED)

STATUS OF DEFINED BENEFIT PLANS RECONCILED TO THE BALANCE SHEET
ABO=Accumulated benefit obligations

<TABLE>
<CAPTION>

	PLAN ASSETS EXCEED ABO		ABO EXCEEDS PLAN ASSETS	
	12/31/95	1/1/95	12/31/95	1/1/95
<S>	<C>	<C>	<C>	<C>
Accumulated benefit obligations (ABO)	(887)	(1,071)	(15,752)	(13,781)
Plan assets at estimated fair value	552	1,454	11,027	9,610
Social security tax on accrued pension liability			(527)	(596)
NET PENSION (OBLIGATIONS) ASSETS	(335)	383	(5,252)	(4,767)
Amortized (profit) loss on estim.	785		(550)	
Accum. estimation (profit) loss	(49)			
TOTAL PREPAID PENSION (ACCRUED PENSION LIABILITY) ON BALANCE SH.	401	383	(5,802)	(4,767)

Assumptions in determination of projected accumulated benefit obligations

Discount rate	7%	6%	7%	6%
Assumed rate of return plan assets	8%	7%	8%	7%
Assumed salary increase	3,5%	3%	3,5%	3%
Assumed pension increase	3%	3%	3%	3%
Assumed turnover	2%	2%	2%	2%

</TABLE>

13. SUBORDINATED LOAN

The Group has subordinated loans totaling NOK 216,044 composed of the non-payable portion of group contributions and a small loan from SND.

14. MINORITY INTEREST

Minority interest relates to Comabar and is composed as follows:

<TABLE>

<S>	<C>
Value at January 1, 1995	13,546
Minority interest in profit after tax on ordinary activity	1,543
Exchange adjustment	(1,040)

VALUE AT DECEMBER 31, 1995	14,049
	=====

</TABLE>

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ANCHOR DRILLING FLUIDS, A.S.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(AMOUNTS IN NOK 000 UNLESS OTHERWISE SPECIFIED)

15. EQUITY

<TABLE>

<CAPTION>

	SHARE CAPITAL	OTHER EQUITY	TOTAL EQUITY
<S>	<C>	<C>	<C>
Shareholders' equity at January 1, 1995	16,612	41,162	57,774
Net income 1995		23,385	23,385
Group contribution		(62,931)	(62,931)
Currency translation differences		(6,772)	(6,772)
		-----	-----
SHAREHOLDERS' EQUITY AT DECEMBER 31, 1995	16,612	(5,156)	11,456
	=====	=====	=====

</TABLE>

16. OFF BALANCE SHEET ITEMS

Anchor has provided guarantees totaling NOK 4,472. All the guarantees have been provided by the parent company. As security for the Groups long term loans, the Parent Company has mortgaged trade receivables and inventory for all the Norwegian and the US entities. In addition, selected machinery and equipment and an office building in the UK has been mortgaged. At year end, these assets had a total book value of NOK 269,137.

ANCHOR DRILLING FLUIDS, A.S.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

<TABLE>

<CAPTION>

	THREE MONTHS ENDED MARCH 31,	
	1996	1995

	NOK in thousands)	
<S>	<C>	<C>
Revenue	245,938	188,049
Costs of revenue	(161,998)	(110,752)
Salaries and personnel expenses	(39,246)	(33,358)
Other operating expenses	(30,836)	(26,210)
Depreciation	(5,333)	(6,377)
	-----	-----
Total operating expenses	(237,414)	(176,697)
	-----	-----
OPERATING INCOME	8,524	11,352
Interest income	2,967	1,703
Interest expense	(3,895)	(3,715)
Other financial expenses	1,002	(2,289)
Earnings from partnerships	207	98
	-----	-----
NET FINANCIAL ITEMS	281	(4,203)
	-----	-----
INCOME BEFORE TAXES AND MINORITY INTEREST	8,805	7,149
Current taxes	(1,044)	(4,070)
	-----	-----
INCOME BEFORE MINORITY INTEREST	7,761	3,079
Minority interest	(7,278)	(423)
	-----	-----
NET INCOME	782	2,656
	=====	=====

</TABLE>

ANCHOR DRILLING FLUIDS, A.S.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

<TABLE>

<CAPTION>

	March 31,	December 31,
	1996	1995
	-----	-----
	(NOK in thousands)	
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS:		
	-----	-----
Cash and bank deposits	30,853	39,663
Receivables	243,672	232,821
Inventory	144,185	135,448
	-----	-----
TOTAL CURRENT ASSETS	418,710	407,932
	-----	-----
NON CURRENT ASSETS:		
	-----	-----
Long term receivables	6,818	5,590
Shares	354	369

Partnership holdings	7,846	7,899
Fixed assets	107,820	106,174
	-----	-----
TOTAL NON CURRENT ASSETS	122,838	120,032
	-----	-----
TOTAL ASSETS	541,548	527,964
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	231,258	222,427
LONG TERM LIABILITIES:		

Long term liabilities	61,362	58,321
Deferred tax	5,576	5,668
Subordinated loan	216,044	216,044
	-----	-----
TOTAL LONG TERM LIABILITIES	282,983	280,032
	-----	-----
Minority interest	14,532	14,049
SHAREHOLDERS' EQUITY:		

Share capital (16,612 shares @ NOK 1.0)	16,612	16,612
Other equity	(3,836)	(5,156)
	-----	-----
TOTAL SHAREHOLDERS' EQUITY	12,776	11,456
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	541,548	527,964
	=====	=====

</TABLE>

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ANCHOR DRILLING FLUIDS, A.S.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<TABLE>

<CAPTION>

	THREE MONTHS ENDED MARCH 31,	
	1996	1995
	-----	-----
	(NOK in thousands)	
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before tax	8,805	7,149
Depreciation	5,333	6,377
Taxes and group contribution	(1,044)	(4,070)
Minority interest	(483)	(423)
	-----	-----
GROSS CASH PROVIDED BY OPERATING ACTIVITIES	12,611	9,033
Change in current assets, except cash	(19,588)	29,686
Change in current liabilities	8,831	(21,411)
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	(1,854)	17,309
	-----	-----
CASH FLOW FROM INVESTING ACTIVITIES:		
Investment in fixed assets (net)	(6,979)	(4,850)
Change in long term receivables	(1,160)	(2,217)
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(8,139)	(7,067)
	-----	-----
CASH FLOW FROM FINANCING ACTIVITIES:		
Change in long term liabilities	2,951	(6,391)
Change in minority interest	483	423
Change in equity	(5,959)	(5,924)
	-----	-----
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(2,525)	(11,892)
	-----	-----

NET INCREASE (DECREASE) IN CASH DURING THE YEAR	(8,810)	(1,650)
CASH AT THE BEGINNING OF THE YEAR	39,663	17,038
	-----	-----
CASH AT THE END OF THE YEAR	30,853	15,388
	=====	=====

</TABLE>

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ANCHOR DRILLING FLUIDS, A.S.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(AMOUNTS IN NOK 000 UNLESS OTHERWISE SPECIFIED)

1. GENERAL COMMENT

The consolidated financial statements for the three months ended March 31, 1996 and 1995 included herein are unaudited. Reference is hereby made to the Comments to the Accounts contained in the financial statements included in the Anchor Drilling Fluids AS annual report for the year ended December 31, 1995. The unaudited financial statements have been prepared using the same accounting principles and there are no significant changes in the content of these notes except as discussed below.

2. INVENTORY

<TABLE>
<CAPTION>

	MARCH 31, 1996

<S>	<C>
Raw materials	13,196
Finished goods/goods held for resale	130,989

TOTAL INVENTORY	144,185
	=====

</TABLE>

3. CURRENT LIABILITIES

<TABLE>
<CAPTION>

	MARCH 31, 1996

<S>	<C>
Trade payable	84,949
Overdraft facility	64,215
Current taxes	6,572
Employee taxes, Holiday allowance, etc.	7,830
Other current liabilities	67,692

CURRENT LIABILITIES	231,258
	=====

</TABLE>

Included in Other current liabilities is NOK 27,050 representing accrued payable group contribution.

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ANCHOR DRILLING FLUIDS, A.S.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(AMOUNTS IN NOK 000 UNLESS OTHERWISE SPECIFIED)

4. LONG TERM LIABILITIES

<TABLE>
<CAPTION>

	MARCH 31, 1996

<S>	<C>
Loan in NOK	1,719
Loan in USD	51,552
Other long term liabilities	1,635
Net pension liabilities	6,456

</TABLE>

The loan agreement Anchor has entered into with Den norske Bank contains various covenants relating to the profitability and balance sheet of the Group. At the Balance Sheet Date, the Group was within the set targets.

5. EQUITY

<TABLE>

<CAPTION>

	SHARE CAPITAL	OTHER EQUITY	TOTAL EQUITY
	-----	-----	-----
<S>	<C>	<C>	<C>
Shareholders' equity at January 1, 1996	16,612	(5,156)	11,456
Net income 1 quarter 1996		7,278	7,278
Group contribution		(6,496)	(6,496)
Currency translation differences		538	538
	-----	-----	-----
SHAREHOLDERS' EQUITY AT MARCH 31, 1996	16,612	(3,836)	12,776
	=====	=====	=====

</TABLE>

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PROF FORMA CONDENSED FINANCIAL STATEMENTS

The following Pro Forma Condensed Balance Sheet as of March 31, 1996 and the Pro Forma Condensed Statements of Operations for the year ended December 31, 1995 and the three months ended March 31, 1996 have been prepared to give effect to the acquisition of Anchor Drilling Fluids, A.S. ("Anchor"). On June 11, 1996, M-I Drilling Fluids L.L.C. ("M-I Drilling Fluids"), a majority owned subsidiary of Smith International, Inc. (the "Registrant"), acquired the assets of Anchor, a Norwegian company.

The assets were acquired in exchange for cash and the assumption of certain liabilities totaling \$114.7 million in a transaction accounted for as a purchase. The accompanying Pro Forma Condensed Balance Sheet and Statements of Operations assume the transaction occurred on March 31, 1996 and January 1, 1995, respectively. The Pro Forma information is based upon the historical financial statements, giving effect to the acquisition under the purchase method of accounting and the assumptions included in the accompanying notes to Pro Forma Condensed Financial Statements.

In connection with finalizing the transaction, M-I Drilling Fluids reached an agreement with the U.S. Department of Justice to modify a 1994 judgment issued by the U.S. District Court for the District of Columbia. M-I Drilling Fluids agreed to hold the acquired assets of Anchor Drilling Fluids USA, Inc. ("Anchor USA") separate until a sale of those assets can be made to an acceptable purchaser.

These pro forma results have been prepared for comparative purposes only and include certain adjustments such as additional depreciation expense as a result of a step-up in the basis of property, plant and equipment, additional amortization expense as a result of goodwill and other intangible assets and increased interest expense on the acquisition-related debt. The pro forma results do not include estimated consolidation savings; therefore, they do not purport to be indicative of the results of operations which actually would have resulted had the combination been in effect on January 1, 1995 or of future results of operations for the consolidated entities.

The pro forma financial statements should be read in conjunction with the Consolidated Financial Statements and notes thereto of the Registrant in the Registrant's 1995 Annual Report on Form 10-K.

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SMITH INTERNATIONAL, INC.

PRO FORMA CONDENSED STATEMENT OF OPERATIONS
 FOR THE YEAR ENDED DECEMBER 31, 1995
 (IN U.S. DOLLAR THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>
 <CAPTION>

	UNAUDITED			
	HISTORICAL		PRO FORMA	
	SMITH	ANCHOR	ADJUSTMENTS	COMBINED
<S>	<C>	<C>	<C>	<C>
Revenues	\$874,544	\$143,492	\$(36,043) (f)	\$981,993
Costs and expenses:				
Costs of revenues	582,004	87,436	(20,846) (f)	648,594
Selling expenses	158,300	25,252	(9,166) (f) 140 (b)	174,526
General and administrative expenses	47,992	24,206	(9,200) (f) 1,940 (a) 276 (b)	65,214
Total costs and expenses	788,296	136,894	(36,856)	888,334
Income from continuing operations before interest and taxes	86,248	6,598	813	93,659
Interest expense, net	12,238	1,282	3,467 (c)	16,987
Income from continuing operations before income taxes and minority interests	74,010	5,316	(2,654)	76,672
Income tax provision	12,609	1,377	(743) (d)	13,243
Income from continuing operations before minority interests	61,401	3,939	(1,911)	63,429
Minority interests	15,809	244	1,890 (e)	17,943
Net Income	\$ 45,592	\$ 3,695	\$(3,801)	\$ 45,486
Average common and common equivalent shares outstanding	39,383			39,383
Earnings per share operations per common share	\$ 1.16			\$ 1.16

</TABLE>

See accompanying unaudited notes to pro forma financial statements.

SMITH INTERNATIONAL, INC.
 PRO FORMA CONDENSED STATEMENT OF OPERATIONS
 FOR THE THREE MONTHS ENDED MARCH 31, 1996
 (IN U.S. DOLLAR THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>
 <CAPTION>

UNAUDITED

	HISTORICAL		PRO FORMA	
	SMITH	ANCHOR (j)	ADJUSTMENTS	COMBINED
<S>	<C>	<C>	<C>	<C>
Revenues	\$238,820	\$38,165	(6,900) (f)	\$270,085
Costs and expenses:				
Costs of revenues	157,911	23,791	(4,419) (f)	177,283
Selling expenses	41,826	4,241	(2,106) (f) 35 (b)	43,996
General and administrative expenses	14,033	8,623	(2,316) (f) 485 (a) 69 (b)	20,894
Total costs and expenses	213,770	36,655	(8,252)	242,173
Income from continuing operations before interest and taxes	25,050	1,510	1,352	27,912
Interest expense, net	3,039	144	867 (c)	4,050
Income from continuing operations before income taxes and minority interests	22,011	1,366	485	23,862
Income tax provision	5,015	162	136 (d)	5,313
Income (loss) from continuing operations before minority interests	16,996	1,204	349	18,549
Minority interests	4,048	75	438	4,561
Net income	\$ 12,948	\$ 1,129	\$ (89)	\$ 13,988
Average common and equivalent shares outstanding	39,719			39,719
Earnings per share	\$ 0.33			\$ 0.35

</TABLE>

See accompanying notes to pro forma financial statements.

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SMITH INTERNATIONAL, INC.
PRO FORMA CONDENSED BALANCE SHEET
AS OF MARCH 31, 1996
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	UNAUDITED			
	HISTORICAL		PRO FORMA	
	SMITH	ANCHOR	ADJUSTMENTS	COMBINED
<S>	<C>	<C>	<C>	<C>
ASSETS				

Current Assets:				
Cash and cash equivalents	\$ 13,314	\$ 4,811	\$ (813) (a)	\$ 17,312
Receivables	237,229	37,457	(7,721) (a)	266,965
Inventories, net	234,390	22,483	(5,935) (a)	251,270
			332 (b)	
Deferred tax assets, net	3,925	-		3,925
Prepaid expenses and other	17,721	540	(235) (a)	18,026
Assets held for sale	-	-	14,327 (a)	14,327
	-----	-----	-----	-----
Total Current Assets	506,579	65,291	(45)	571,825
	-----	-----	-----	-----
PROPERTY, PLANT AND EQUIPMENT, net	139,508	16,068	(2,091) (a)	155,480
			1,995 (b)	
OTHER ASSETS	41,515	2,342	(1,000) (h)	43,357
			500 (d)	
Goodwill, net	43,977	744	76,857 (c)	121,578
	-----	-----	-----	-----
TOTAL ASSETS	\$731,579	\$84,445	\$76,216	\$892,240
	=====	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities:				
Accounts payable	\$ 73,300	\$18,988	\$ (2,154) (a)	\$ 90,134
Short-term borrowings and current portion of long-term debt	15,768	10,613	(314) (a)	28,601
			2,534 (e)	
Accrued payroll costs	27,972	1,216		29,188
Income taxes payable	13,701	2,038		15,739
Other	48,901	3,205	6,936 (h)	59,042
	-----	-----	-----	-----
Total current liabilities	179,642	36,060	7,002	222,704
	-----	-----	-----	-----
Long-Term Debt	132,701	-	63,612 (e)	196,313
Other Long-Term Liabilities	16,232	10,438		26,670
Minority Interests	87,714	2,266	41,283 (f)	131,263
	-----	-----	-----	-----
Shareholders' Equity	315,290	35,681	(35,681) (g)	315,290
	-----	-----	-----	-----
Total Liabilities and Shareholders' Equity	\$731,579	\$84,445	\$ 76,216	\$892,240
	=====	=====	=====	=====

</TABLE>

See accompanying unaudited notes to pro forma financial statements.

SMITH INTERNATIONAL, INC.

NOTES TO PRO FORMA CONDENSED FINANCIAL STATEMENTS
(IN U.S. DOLLAR THOUSANDS)

STATEMENT OF OPERATIONS -

- (a) To record goodwill amortization resulting from the Anchor purchase over expected life of 40 years.
- (b) To record depreciation expense on the step-up of Anchor property and equipment from book value to estimated fair value and the amortization of the covenant-not-to compete. The property and equipment and covenant will be depreciated over the average estimated remaining useful life of eight and three years, respectively.
- (c) To record interest expense on the net increase in acquisition-related debt assuming no principal reduction.
- (d) To record a reduction in income tax expense at the Norwegian statutory rate for the impact of the Pro Forma adjustments.
- (e) To record minority interest expense related to the minority partner's ownership in M-I.
- (f) A judgment issued by the U.S. Department of Justice requires Smith to divest the Anchor US operations. To remove the impact of the Anchor U.S. Operations.

BALANCE SHEET -

- (a) To reclassify the assets and liabilities of the Anchor U.S. operations to the current asset line item "Assets held for Sale".
- (b) To record the step-up of fixed assets and inventory from book value to the estimated fair market value.
- (c) To record the purchase price in excess of the estimated fair market value of Anchor's net assets as goodwill.
- (d) To record the estimated fair market value of the covenant-not-to-compete with Seller Group.
- (e) To record the current and long-term portions of the Registrant's \$73.4 million of acquisition-related borrowings, net of the payoff of certain Anchor borrowings which were assumed in connection with the acquisition.
- (f) To record the minority interest partner's ownership in the net assets of Anchor.
- (g) To eliminate the historical equity of Anchor.
- (h) To record the accrual of transaction costs, including the estimated losses on continuing operations and disposal of Anchor's U.S. operations.

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EXHIBIT INDEX

23.1 Consent of Independent Auditors

CONSENT OF INDEPENDENT AUDITORS

We consent to the inclusion in the Form 8-K/A of Smith International, Inc. of our report dated April 1, 1996 issued on the financial statements of Anchor Drilling Fluids A.S. for the year ended December 31, 1995.

We make no representation as to whether the form and content of our report, or of the financial statements in accordance with accounting principles generally accepted in Norway, meet the requirements of the filing of the Form 8-K of Smith International, Inc.

/s/ COOPERS & LYBRAND ANS

COOPERS & LYBRAND ANS

Oslo, Norway
August 22, 1996