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Title: <h2 style="text-align: center;">CODE OF BUSINESS CONDUCT AND ETHICS</h2>		

Smith International, Inc. is a worldwide leader in supplying products and services to oil and gas exploration and production companies. We have a reputation of providing leading-edge technology, innovative problem-solving and environmental stewardship. We have built our reputation, in part, through our commitment to integrity. This commitment enables us to earn the respect, confidence and loyalty of our customers and employees. Each day we renew this commitment through our words and actions. By working together we strive to constantly improve customer satisfaction, employee opportunity and stockholder value.

The Code of Business Conduct and Ethics helps us understand what it means to “live” our value of integrity. It provides guidance to help us maintain the respect of our customers, competitors, suppliers and fellow employees through our ethical business practices.

I ask each of you to take your time and carefully review our Code. Please join me in committing to live up to its principles. Let’s all be better citizens in our communities and our countries.

If you should have any questions regarding the Code or the principles it represents, do not hesitate to contact your manager, the Legal Department, Internal Audit or senior management.

Thank you.



John Yearwood
 President, Chief Executive Officer and
 Chief Operating Officer
 Smith International, Inc.



Introduction

This Code of Business Conduct and Ethics covers a wide range of business practices and procedures. It is applicable to all employees, officers and directors of Smith International, Inc. and all of its affiliated companies, which includes its subsidiaries and joint ventures that it owns, controls or manages including the M-I SWACO group of companies (all of which are collectively referred to as the Company). It does not cover every issue that may arise or provide full details of specific Company policies, but it sets out basic principles to guide all employees of the Company. All of our employees, officers and directors must conduct themselves accordingly and seek to avoid even the appearance of improper behavior. This Code also applies to the Company's use of agents and representatives, including consultants. Those who violate the standards in this Code will be subject to disciplinary action up to, and including, termination. You may obtain the policies that are referenced in this Code on the Corporate Legal Department website or upon request to the Legal Department.

1. Compliance with Laws, Rules and Regulations

In conducting the Company's affairs, and in your private affairs outside the Company which in any way can affect the Company, the Company expects you to exercise good judgment, maintain the highest ethical business standards and obey applicable law, both in letter and in spirit. You must respect and obey the laws of the cities, states and countries in which we operate. Although you are not expected to know the details of these laws, it is important to know enough to determine when to seek advice from supervisors, managers or other appropriate personnel. In some instances, the applicable laws in multiple countries may conflict. When you encounter such a conflict, consult the Legal Department to determine how to resolve the conflict properly.

2. Conflicts of Interest

A "conflict of interest" exists when a person's private interest interferes in any way with the interests of the Company or interferes with a person's duty to serve the Company to the best of the person's ability. A conflict situation can arise when you take actions or have interests that may make it difficult to perform your Company work objectively and effectively.

It is a conflict of interest for you to work simultaneously for a competitor, customer or supplier or to have a direct or indirect financial interest in, or receive compensation for, any transaction between the Company and any company with whom we do business. Accordingly, you may not have a direct or indirect financial interest in, or receive any compensation or other benefits as a result of, transactions between the Company and any individual or business firm:

- a. Which sells any supplies, materials or property to the Company;
- b. Which provides any service to the Company;
- c. Which enters into leases or assignments to or from the Company;
- d. Which purchases any products, materials, facilities or properties from the Company;
- e. Which has any other contractual relations or business dealings with the Company;

except with the prior written approval of the Chief Ethics Officer upon complete disclosure of the facts and pursuant to Company procedures. You are also not allowed to work for a competitor as a consultant or board member and you may not have any outside interest that materially interferes with the time or attention you should devote to the Company.

If you or a family member has or is about to assume an interest or other outside relationship that might result in a conflict of interest, you must immediately give all the pertinent information to the Chief Ethics Officer

pursuant to Company procedures. For these purposes, a “family member” is defined as your spouse, and each parent, step-parent, child, step-child, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, and anyone (other than a tenant or employee) who resides in your home. This includes your family members whether they are minors or adults, and whether or not adopted.

The financial interests mentioned above do not include interests in corporations listed on a stock exchange or traded over the counter, provided that the financial interest is one percent or less of such corporation's outstanding shares.

Conflicts of interest may not always be clear-cut, so if you have a question, you should consult with your management, the Chief Ethics Officer or the Legal Department. The best policy is to avoid any direct or indirect business connection with our customers, suppliers or competitors, except on our behalf.

If you become aware of an existing conflict or potential conflict, bring it to the attention of a supervisor, manager or other appropriate personnel or consult the procedures described in the section of this Code titled *Compliance Procedures – Reporting Illegal or Unethical Behavior*. The Company maintains a separate Related Party Transactions policy for directors and executive officers.

3. Insider Trading

You may not use or share confidential information for trading in the Company's stock or for any purpose, except the conduct of Company business. All non-public information about the Company should be considered confidential information. To use non-public information for personal financial benefit or to “tip” others who might make an investment decision on the basis of this information is not only unethical but also illegal. If you have any questions, consult the Legal Department. The Company maintains separate Insider Trading policies for its directors and its senior officers.

4. Corporate Opportunities

You may not, for your personal gain or any other person's gain, deprive the Company of any opportunity for benefit which could be construed as related to any existing or reasonably anticipated future activity of the Company.

5. Antitrust, Competition and Fair Dealing

We seek to outperform our competition fairly and honestly. We seek competitive advantages through superior products and performance, never through unethical or illegal business practices. Stealing proprietary information, possessing trade secret information that was obtained without the owner's consent, or inducing such disclosures by past or present employees of other companies is prohibited. You should respect the rights of and deal fairly with the Company's customers, suppliers, competitors and employees. You may not make misleading, false or exaggerated claims regarding our products or services or those of our competitors.

We do not tolerate any business activity that violates antitrust or competition laws. Understandings, agreements, plans or schemes, no matter how informal and whether successful or not, with any competitor regarding prices, terms or conditions of sale or service, production, distribution, territories or customers may constitute an illegal restraint on competition. In addition, competitor exchanges or discussions concerning prices, terms or conditions of sale or service, or exchange of any other competitive information may also violate applicable antitrust and competition laws. These laws are complex and often difficult to understand. If you have responsibility for business conduct that might be subject to these laws, consult with the Legal Department. Refer any questions

concerning antitrust or competition implications to the Legal Department before taking any action. The Company maintains a separate Antitrust and Competition policy.

6. Gifts and Entertainment

The purpose of business gifts and entertainment in a commercial setting is to create good will and sound working relationships, not to gain unfair advantage with customers. You may not accept gifts of more than nominal value, or entertainment which goes beyond common courtesies usually associated with accepted business practice, from any company which might be seeking our business. Likewise, you may not give gifts of more than nominal value, or entertainment which goes beyond common courtesies usually associated with accepted business practice, to any employee of a customer or potential customer. It is particularly important that we respect our customers' internal rules regarding gifts and entertainment, and avoid any inappropriate gifts to or entertainment of government officials. Avoid even the appearance of impropriety. Discuss with your supervisor any gifts, proposed gifts or entertainment which you are not certain are appropriate. The Company maintains a separate Gifts and Entertainment policy.

7. Discrimination and Harassment

The diversity of the Company's employees is a tremendous asset. We are firmly committed to providing equal opportunity in all aspects of employment and will not tolerate any illegal discrimination or harassment of any kind. The Company maintains a separate Discrimination and Harassment policy.

8. Health and Safety

The Company strives to provide each employee with a safe and healthful work environment. Each employee has responsibility for maintaining a safe and healthy workplace for all employees by following safety and health rules and practices and reporting accidents, injuries and unsafe equipment, practices or conditions.

Violence and threatening behavior are not permitted. During your time at work or at any work-related function, you should remain in a condition to perform your duties, free from the influence of alcohol or illegal drugs, as defined from time to time by the Company. The Company maintains a separate Alcohol, Drugs and Contraband policy.

9. Environmental

The Company recognizes that it is the responsibility of each of its worldwide operations to comply with the laws and regulations designed to protect the vital natural resources of clean air, water and land. Environmental protection and prevention of pollution are the responsibility of every employee. You must comply with all environmental laws, environmental regulations and Company environmental practices applicable to your workplace. The Company maintains separate Environmental policies.

10. Record-Keeping

Company policy and applicable law require honest and accurate recording and reporting of information in order to make responsible business decisions. All of the Company's books, records, accounts and financial statements must be maintained in reasonable detail, must appropriately reflect the Company's transactions and must conform both to applicable legal requirements and to the Company's system of internal controls.

You may not establish any undisclosed, unrecorded or “off the books” fund or asset of the Company for any purpose. You may not enter false or artificial entries on the books and records of the Company for any reason, intentionally omit any necessary entry, or engage in any arrangement that results in such prohibited act. You may not approve, or seek approval for, any payment on behalf of the Company with the intention or understanding that any part of such payment is to be used for purposes other than those described by the documents supporting the payment. If you have information or knowledge of any unrecorded fund or asset or any prohibited act, you must promptly report such matters to the Chief Ethics Officer.

You should always retain or destroy records according to the Company's record retention policies. In accordance with those policies, in the event of litigation or governmental investigation please consult the Legal Department.

11. Confidentiality and Proprietary Information

You must maintain the confidentiality of all confidential and proprietary information entrusted to you by the Company or its customers, except when disclosure is required by law and/or authorized by the Legal Department. You may not use or disclose confidential or proprietary information learned as a result of your employment with the Company for personal or non-Company related purposes. Confidential information includes all non-public information. It also includes information that suppliers and customers have entrusted to us. Proprietary information includes, without limitation, intellectual property, such as trade secrets, patents, trademarks, and copyrights, as well as business, marketing and service plans, engineering and manufacturing ideas, designs, databases, records, salary information and any unpublished financial data and reports. The obligation to preserve confidentiality continues after employment ends. Unauthorized use or distribution of this information violates Company policy and could also be illegal. The Company maintains a separate Confidential and Proprietary Information policy.

12. Protection and Proper Use of Company Assets; Fraud

It is your obligation to protect the Company's assets and ensure their efficient use. Immediately report any suspected incident of fraud or theft to your supervisor, Internal Audit or the Legal Department. Fraudulent transactions violate Company policy and could also be illegal. Fraud includes, but is not limited to:

- Theft or misappropriation of Company, employee, customer, partner or supplier assets;
- Embezzlement;
- Forgery or alternation of Company documents or records, including negotiable instruments such as checks and drafts;
- Conversion to personal use of cash, securities, supplies or other Company assets;
- Unauthorized handling or reporting of Company transactions;
- Falsification of Company records or financial statements for personal or other reasons, including seeking reimbursement for unauthorized or personal expenses.

You should not use Company equipment for non-Company business, though incidental personal use may be permitted. You may not use Company or subsidiary funds or assets (including computer equipment) for any unlawful or improper purpose. In case of any doubt regarding the legality of any such use of funds or assets, consult the Legal Department.

13. Improper Payments

Company policy prohibits the payment or transfer of Company funds or assets to suppliers or customers in the form of bribes, kickbacks or other payoffs and prohibits your participation in any such scheme. In addition, the U.S. Foreign Corrupt Practices Act and the laws of many other countries prohibit giving anything of value, directly or indirectly, to officials of foreign governments or foreign political candidates in an attempt to influence the action or inaction of the government official. You may not make any payments to public officials to obtain or retain business or gain an unfair advantage. This prohibition extends to payments to consultants, agents or any other intermediary when you know or have reason to believe that some part of the payment or “fee” will be used to bribe or otherwise influence a public official. Under our Gifts and Entertainment policy, you are not prohibited from spending nominal amounts for meals and entertainment of suppliers and customers which are ordinary and customary business expenses, if they are otherwise lawful, comply with Company policy and are properly documented. The law also requires that the Company’s books and records be kept in reasonable detail to reflect accurately and fairly all transactions. The Company maintains a separate Foreign Corrupt Practices Act policy.

14. Trade Control

As a global company, we are subject to various laws and regulations regarding trade control of the countries in which we operate. You must comply with applicable laws and regulations of such countries, except to the extent prohibited by U.S. law. Trade control laws are complex and laws of different countries may conflict. If you have any questions regarding these laws, contact the Legal Department.

The U.S. antiboycott laws prohibit our participation in boycotts against certain countries and nationalities, chiefly the Arab boycott of Israel. In addition, U.S. law prohibits compliance with requests for information or other actions that further boycotts and requires that we report to the U.S. government, in certain instances, both legal and illegal boycott requests. Boycott requests may be difficult to recognize and the regulations may be difficult to understand. If you are involved in international transactions, you should become familiar with the antiboycott laws. The Company maintains a separate Antiboycott policy.

The U.S. maintains complex export control laws and regulations. The definition of export is quite extensive. For example, a conversation of a technical nature with a citizen of another country may be an export even if the conversation occurs within the U.S. If you are involved in any export transaction, you must comply with applicable laws and regulations. All information you furnish in connection with the exports must be accurate and truthful and a regulation or specific export license must cover the export in question. In addition, you must comply with the laws of the country to which you are exporting. The Company maintains a separate Export Control policy.

From time to time, the U.S. imposes economic sanctions on certain foreign countries. The sanctions prohibit or restrict trade with those countries, including their residents and citizens. Restrictions on those countries vary both in scope and complexity and the countries subject to sanctions change periodically. You must adhere to the letter and spirit of all restrictions and prohibitions. The Company maintains a separate Sanctioned Country policy.

15. Chief Executive Officer and Senior Financial Officers Provisions

In addition to complying with the terms of this Code, the Company’s Chief Executive Officer (CEO), Chief Financial Officer (CFO) and senior financial officers are subject to the following additional specific policies:

- a) The CEO, CFO and all senior financial officers are responsible for full, fair, accurate, timely and understandable disclosure in the reports and documents that the Company files with, or submits to, the Securities and Exchange Commission and in other public communications made by the Company.
- b) The CEO, CFO and each senior financial officer shall promptly bring to the attention of the Audit Committee any information he or she may have concerning (i) significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data or (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's financial reporting, disclosures or internal controls.
- c) The CEO, CFO and each senior financial officer shall promptly bring to the attention of the General Counsel and to the Audit Committee any information he or she may have concerning any violation of the Company's Code of Business Conduct and Ethics, including any actual or apparent conflicts of interest between personal and professional relationships, involving any management or other employees who have a significant role in the Company's financial reporting, disclosures or internal controls.
- d) The CEO, CFO and each senior financial officer shall promptly bring to the attention of the General Counsel and to the Audit Committee any information he or she may have concerning evidence of a material violation of the securities or other laws, rules or regulations applicable to the Company and the operation of its business, by the Company or any agent thereof.

16. Waivers of the Code of Business Conduct and Ethics

Any waiver of this Code for executive officers or directors may be made only by the Smith International, Inc. Board of Directors or an appropriate committee thereof, and will be promptly disclosed as required by law or stock exchange regulation.

17. Administration of the Code of Business Conduct and Ethics

The Audit Committee of the Board of Directors shall have oversight in the administration of this Code and, in consultation with the Chief Ethics Officer and General Counsel, shall establish necessary or desirable procedures in order to discharge this responsibility. The Chief Ethics Officer and General Counsel shall review this Code no less than annually and shall recommend revisions to the Audit Committee as appropriate.

The Company's independent and internal auditors are specifically directed to make specific inquiries into the Company's policies in the course of their audit of the Company's financial records.

You may not delegate substantial discretionary authority for any portion of your job to anyone whom you know, or through the exercise of due diligence should know, has engaged in illegal activities or other conduct inconsistent with this Code.

18. Investigations

Pursuant to Company procedures, the Chief Ethics Officer shall determine the manner in which all investigations shall be conducted. Based on the nature of alleged violations, the Chief Ethics Officer will consult with the General Counsel, the Chief Financial Officer or the Senior VP of Human Resources, as necessary. In the

event a matter involves the alleged breach of a law that may give rise to criminal fines or penalties to the company, the General Counsel shall determine the manner of and direct any related investigation. If you suspect wrongdoing, you may not conduct your own investigation. The Company may disclose the results of investigations to law enforcement agencies when appropriate.

19. Compliance Procedures - Reporting Illegal or Unethical Behavior

We expect all employees to comply with the letter and spirit of this Code. All managers are responsible for the enforcement of, and compliance with, this policy, including the necessary distribution of this policy to ensure knowledge and compliance of our employees and of our agents and consultants, as appropriate. Periodically, employees will be required to certify compliance with this Code. On an annual basis, Internal Audit will circulate a questionnaire and certification regarding compliance with this Code to appropriate employees. Additionally, all employees will be required to attend training regarding this Code as prescribed by the Company. Except where expressly prohibited by law, certification and training are a condition to employment. Nothing contained in this Code, or the related Company policies, is intended to be, nor shall it be construed as, an employment agreement.

You are encouraged to talk to supervisors, managers, Internal Audit or the Legal Department about observed violations of this Code and when in doubt about the best course of action in a particular situation. For issues related to general labor, harassment or employment, you are encouraged to talk to the Human Resources department. The Company will not permit retaliation of any kind against employees who in good faith report misconduct by others. In addition, you are expected to cooperate in any internal investigations of misconduct.

You may also file reports of violations of this Code through an on-line service, *EthicsLine*, via the internet: www.reportlineweb.com/smith. All reports are sent to a private Internal Audit mailbox. You may also call the *EthicsLine* within the U.S. and Canada: 877-571-9753 (toll free) or outside the U.S.: 678-250-7591 (collect). *EthicsLine* is managed by an independent company and is staffed 24 hours a day, 365 days a year. Although you do not have to identify yourself to describe your concern, without your identity, the Company might not have sufficient information to conduct a proper investigation. A report of your suspected problem will be confidentially submitted to Internal Audit within one business day. In accordance with the Company's investigation procedures, the Company will make every effort to maintain your confidentiality, subject to applicable law, rules, regulations or legal proceedings. You may be subject to disciplinary action for knowingly reporting false or misleading information.