

CONSOLIDATED BALANCE SHEETS

(Nabors Industries Ltd. and Subsidiaries)

December 31,

(In thousands, except per share amounts)	2003	2002
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 579,737	\$ 414,051
Marketable securities	339,936	457,600
Accounts receivable, net	410,487	320,299
Inventory and supplies	23,289	20,524
Deferred income taxes	36,442	32,846
Other current assets	125,756	124,588
Total current assets	1,515,647	1,369,908
Marketable securities	612,417	459,148
Property, plant and equipment, net	2,990,792	2,801,067
Goodwill, net	336,027	306,762
Other long-term assets	147,809	126,987
Total assets	\$ 5,602,692	\$ 5,063,872
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 299,385	\$ 492,985
Trade accounts payable	128,840	109,163
Accrued liabilities	160,745	133,406
Income taxes payable	9,403	15,900
Total current liabilities	598,373	751,454
Long-term debt	1,985,553	1,614,656
Other long-term liabilities	155,667	161,753
Deferred income taxes	372,824	377,554
Total liabilities	3,112,417	2,905,417
Commitments and contingencies (Note 13)		
Shareholders' equity:		
Common shares, par value \$.001 per share:		
Authorized common shares 400,000;		
issued and outstanding 146,656 and 144,965, respectively	147	145
Capital in excess of par value	1,270,362	1,233,598
Accumulated other comprehensive income (loss)	99,583	(3,243)
Retained earnings	1,120,183	927,955
Total shareholders' equity	2,490,275	2,158,455
Total liabilities and shareholders' equity	\$ 5,602,692	\$ 5,063,872

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

(Nabors Industries Ltd. and Subsidiaries)

	Year Ended December 31,		
(In thousands, except per share amounts)	2003	2002	2001
Revenues and other income:			
Operating revenues	\$ 1,880,003	\$ 1,466,443	\$ 2,201,736
Earnings from unconsolidated affiliates	10,183	14,775	26,334
Interest income	27,752	34,086	53,973
Other income, net	4,908	3,708	28,650
Total revenues and other income	1,922,846	1,519,012	2,310,693
Costs and other deductions:			
Direct costs	1,276,953	973,910	1,366,967
General and administrative expenses	165,403	141,895	135,496
Depreciation and amortization	226,528	187,665	184,119
Depletion	8,599	7,700	5,777
Interest expense	70,740	67,068	60,722
Total costs and other deductions	1,748,223	1,378,238	1,753,081
Income before income taxes	174,623	140,774	557,612
Income tax (benefit) expense:			
Current	8,494	10,185	83,718
Deferred	(26,099)	9,100	116,444
Total income tax (benefit) expense	(17,605)	19,285	200,162
Net income	\$ 192,228	\$ 121,489	\$ 357,450
Earnings per share:			
Basic	\$ 1.31	\$.85	\$ 2.48
Diluted	\$ 1.25	\$.81	\$ 2.24
Weighted-average number of common shares outstanding:			
Basic	146,495	143,655	144,430
Diluted	156,897	149,997	168,790

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Nabors Industries Ltd. and Subsidiaries)

Year Ended December 31,

(In thousands, except per share amounts)	2003	2002	2001
Cash flows from operating activities:			
Net income	\$ 192,228	\$ 121,489	\$ 357,450
Adjustments to net income:			
Depreciation and amortization	226,528	187,665	184,119
Depletion	8,599	7,700	5,777
Deferred income tax (benefit) expense	(26,099)	9,100	116,444
Deferred financing costs amortization	5,464	5,122	6,339
Discount amortization on long-term debt	25,521	30,790	31,832
Amortization of loss on cash flow hedges	152	50	-
Gains on long-term assets, net	(2,476)	(4,570)	(10,246)
(Gains) losses on marketable and non-marketable securities, net	(6,145)	(2,877)	474
Losses on derivative instruments	1,140	1,983	-
Sales of marketable securities, trading	4,484	-	-
Foreign currency transaction gains	(830)	(486)	(419)
Loss (gain) on early extinguishment of debt	908	202	(15,330)
Equity in earnings from unconsolidated affiliates, net of dividends	(919)	(4,900)	(15,833)
Increase (decrease), net of effects from acquisitions, from changes in:			
Accounts receivable	(30,660)	90,401	(8,454)
Inventory and supplies	(5,695)	1,712	(791)
Other current assets	(61)	(15,855)	(2,273)
Other long-term assets	(9,342)	(29,717)	18,913
Trade accounts payable and accrued liabilities	22,584	(26,443)	28,638
Income taxes payable	1,454	11,725	801
Other long-term liabilities	(11,004)	17,785	6,698
Net cash provided by operating activities	395,831	400,876	704,139
Cash flows from investing activities:			
Purchases of marketable securities, available-for-sale	(1,429,545)	(745,383)	(804,067)
Sales and maturities of marketable securities, available-for-sale	1,393,638	542,133	431,498
Purchases of non-marketable securities, net	(29,496)	(15,000)	-
Cash paid for acquisitions of businesses, net	-	(135,652)	(66,352)
Capital expenditures	(353,406)	(326,536)	(712,605)
Cash paid for other current assets	-	(8,725)	-
Proceeds from sales of assets and insurance claims	10,476	34,877	15,067
Net cash used for investing activities	(408,333)	(654,286)	(1,136,459)
Cash flows from financing activities:			
(Decrease) increase in cash overdrafts	(778)	(3,658)	2,395
Decrease in restricted cash	1,925	210	692
Decrease in short-term borrowings, net	-	(844)	-
Proceeds from long-term debt	700,000	495,904	840,338
Reduction of long-term debt	(544,479)	(30,831)	(156,001)
Debt issuance costs	(11,525)	(2,945)	(12,879)
Proceeds from issuance of common shares	26,341	12,850	8,219
Repurchase of common shares	-	(2,486)	(247,963)
Payments related to cash flow hedges	-	(1,494)	-
Net cash provided by financing activities	171,484	466,706	434,801
Effect of exchange rate changes on cash and cash equivalents	6,704	2,312	(1,350)
Net increase in cash and cash equivalents	165,686	215,608	1,131
Cash and cash equivalents, beginning of period	414,051	198,443	197,312
Cash and cash equivalents, end of period	\$ 579,737	\$ 414,051	\$ 198,443

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Nabors Industries Ltd. and Subsidiaries)

	Common Shares		Capital in Excess of Par Value	Accumulated Other Comprehensive Income (Loss)				Retained Earnings	Treasury Stock	Total Shareholders' Equity
	Shares	Par Value		Unrealized Gains (Losses) on Marketable Securities	Minimum Pension Liability Adjustment	Unrealized Loss on Cash Flow Hedges	Cumulative Translation Adjustment			
(In thousands)										
Balances, December 31, 2000	147,155	\$ 14,715	\$ 1,145,847	\$ 15,897	\$ -	\$ -	\$ (8,803)	\$ 643,629	\$ (4,817)	\$ 1,806,468
Comprehensive income (loss):										
Net income								357,450		357,450
Translation adjustment							(347)			(347)
Unrealized losses on marketable securities, net of income tax benefit of \$1,974				(3,361)						(3,361)
Less: reclassification adjustment for gains included in net income, net of income taxes of \$74				(126)						(126)
Total comprehensive income (loss)	-	-	-	(3,487)	-	-	(347)	357,450	-	353,616
Issuance of common shares for stock options exercised	556	56	8,163							8,219
Tax effect of stock option deductions			(62,474)							(62,474)
Repurchase of common shares								(247,963)		(247,963)
Subtotal	556	56	(54,311)	-	-	-	-	-	(247,963)	(302,218)
Balances, December 31, 2001	147,711	\$ 14,771	\$ 1,091,536	\$ 12,410	\$ -	\$ -	\$ (9,150)	\$ 1,001,079	\$ (252,780)	\$ 1,857,866

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Nabors Industries Ltd. and Subsidiaries)

	Common Shares		Capital in Excess of Par Value	Accumulated Other Comprehensive Income (Loss)						Retained Earnings	Treasury Stock	Total Shareholders' Equity
	Shares	Par Value		Unrealized Gains (Losses) on Marketable Securities	Minimum Pension Liability Adjustment	Unrealized Loss on Cash Flow Hedges	Cumulative Translation Adjustment					
(In thousands)												
Balances, December 31, 2001	147,711	\$ 14,771	\$ 1,091,536	\$ 12,410	\$ -	\$ -	\$ (9,150)	\$ 1,001,079	\$ (252,780)	\$ 1,857,866		
Comprehensive income (loss):												
Net income								121,489			121,489	
Translation adjustment							3,910			3,910		
Unrealized losses on marketable securities, net of income tax benefit of \$3,118				(5,309)						(5,309)		
Less: reclassification adjustment for gains included in net income, net of income taxes of \$855				(1,455)						(1,455)		
Minimum pension liability adjustment, net of income taxes of \$1,295					(2,205)					(2,205)		
Unrealized loss on cash flow hedges, net of income taxes of \$848						(1,444)				(1,444)		
Total comprehensive income (loss)	-	-	-	(6,764)	(2,205)	(1,444)	3,910	121,489	-	114,986		
Issuance of common shares for stock options exercised	806	64	10,210							10,274		
Issuance of common shares in connection with the Bayard warrants exercised	18	2	(2)							-		
Issuance of common shares in connection with the Enserco acquisition	2,638	264	162,497							162,761		
Issuance of common shares in connection with the Ryan acquisition	220		11,636							11,636		
Nabors Exchangeco shares exchanged	485	19	(19)							-		
Tax effect of stock option deductions			842							842		
Repurchase of common shares	(91)		(799)					(1,687)		(2,486)		
Put option on common shares			2,576							2,576		
Retirement of treasury stock	(6,822)	(682)	(59,172)					(192,926)	252,780	-		
Change in par value		(14,293)	14,293							-		
Subtotal	(2,746)	(14,626)	142,062	-	-	-	-	(194,613)	252,780	185,603		
Balances, December 31, 2002	144,965	\$ 145	\$ 1,233,598	\$ 5,646	\$ (2,205)	\$ (1,444)	\$ (5,240)	\$ 927,955	\$ -	\$ 2,158,455		

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Nabors Industries Ltd. and Subsidiaries)

	Common Shares		Accumulated Other Comprehensive Income (Loss)							Treasury Stock	Total Shareholders' Equity
	Shares	Par Value	Excess of Par Value	Unrealized Capital in on Marketable Securities	Minimum Gains (Losses) Liability Adjustment	Unrealized Pension Cash Flow Hedges	Loss on Translation Adjustment	Cumulative Retained Earnings			
(In thousands)											
Balances, December 31, 2002	144,965	\$ 145	\$ 1,233,598	\$ 5,646	\$ (2,205)	\$ (1,444)	\$ (5,240)	\$ 927,955	\$ -	\$ 2,158,455	
Comprehensive income (loss):											
Net income								192,228		192,228	
Translation adjustment							103,963			103,963	
Unrealized gains on marketable securities, net of income taxes of \$867				1,476						1,476	
Less: reclassification adjustment for gains included in net income, net of income taxes of \$1,264				(2,153)						(2,153)	
Minimum pension liability adjustment, net of income taxes \$358							(610)			(610)	
Amortization of loss on cash flow hedges, net of income taxes of \$88								150		150	
Total comprehensive income (loss)	-	-	-	(677)	(610)	150	103,963	192,228	-	295,054	
Issuance of common shares for stock options exercised	1,234	2	20,339							20,341	
Issuance of common shares in connection with the New Prospect warrants exercised	200		6,000							6,000	
Issuance of common shares in connection with the Enserco warrants exercised	49									-	
Nabors Exchangeco shares exchanged	208									-	
Tax effect of stock option deductions			10,425							10,425	
Subtotal	1,691	2	36,764	-	-	-	-	-	-	36,766	
Balances, December 31, 2003	146,656	\$ 147	\$ 1,270,362	\$ 4,969	\$ (2,815)	\$ (1,294)	\$ 98,723	\$ 1,120,183	\$ -	\$ 2,490,275	

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