

## CONSOLIDATED BALANCE SHEETS

(Nabors Industries Ltd. and Subsidiaries)

	December 31,	
(In thousands, except per share amounts)	2002	2001
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 414,051	\$ 198,443
Marketable securities	457,600	343,169
Accounts receivable, net	277,735	361,086
Inventory and supplies	20,524	18,515
Deferred income taxes	32,846	28,145
Prepaid expenses and other current assets	167,152	81,588
<b>Total current assets</b>	<b>1,369,908</b>	<b>1,030,946</b>
Marketable securities	459,148	377,025
Property, plant and equipment, net	2,781,050	2,433,247
Goodwill, net	306,762	199,048
Other long-term assets	147,004	111,649
<b>Total assets</b>	<b>\$ 5,063,872</b>	<b>\$ 4,151,915</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of long-term debt	\$ 492,985	\$ 2,510
Trade accounts payable	109,163	131,821
Accrued liabilities	133,406	168,022
Income taxes payable	15,900	27,777
<b>Total current liabilities</b>	<b>751,454</b>	<b>330,130</b>
Long-term debt	1,614,656	1,567,616
Other long-term liabilities	137,253	110,902
Deferred income taxes	402,054	285,401
<b>Total liabilities</b>	<b>2,905,417</b>	<b>2,294,049</b>
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Common stock, par value \$.001 and \$.10 per share, respectively:		
Authorized common shares 400,000;		
issued 144,965 and 147,711, respectively	145	14,771
Capital in excess of par value	1,233,598	1,091,536
Accumulated other comprehensive (loss) income	(3,243)	3,260
Retained earnings	927,955	1,001,079
Less treasury stock, at cost, 0 and 6,822 common shares	-	(252,780)
<b>Total stockholders' equity</b>	<b>2,158,455</b>	<b>1,857,866</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 5,063,872</b>	<b>\$ 4,151,915</b>

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)	2002	2001	2000
<b>Revenues and other income:</b>			
Operating revenues	\$ 1,466,443	\$ 2,201,736	\$ 1,388,660
Earnings from unconsolidated affiliates	14,775	26,334	26,283
Interest income	34,086	53,973	20,581
Other income, net	3,708	28,650	27,157
Total revenues and other income	1,519,012	2,310,693	1,462,681
<b>Cost and other deductions:</b>			
Direct costs	973,910	1,366,967	938,651
General and administrative expenses	141,895	135,496	106,504
Depreciation and amortization	195,365	189,896	152,413
Interest expense	67,068	60,722	35,370
Total costs and other deductions	1,378,238	1,753,081	1,232,938
Income before income taxes	140,774	557,612	229,743
<b>Income tax expense:</b>			
Current	10,185	83,718	19,594
Deferred	9,100	116,444	72,793
Total income tax expense	19,285	200,162	92,387
<b>Net income</b>	<b>\$ 121,489</b>	<b>\$ 357,450</b>	<b>\$ 137,356</b>
<b>Earnings per share:</b>			
Basic	\$ .85	\$ 2.48	\$ .95
Diluted	\$ .81	\$ 2.24	\$ .90
<b>Weighted average number of common shares outstanding:</b>			
Basic	143,655	144,430	144,344
Diluted	149,997	168,790	152,417

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## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Nabors Industries Ltd. and Subsidiaries)

(In thousands)	Year Ended December 31,		
	2002	2001	2000
<b>Cash flows from operating activities:</b>			
Net income	\$ 121,489	\$ 357,450	\$ 137,356
Adjustments to net income:			
Depreciation and amortization	195,365	189,896	152,413
Deferred income taxes	9,100	116,444	72,793
Deferred financing costs amortization	5,122	6,339	183
Discount amortization on zero coupon debentures	30,790	31,832	6,625
Amortization of loss on cash flow hedges	50	-	-
Gains on long-term assets, net	(4,570)	(10,246)	(1,713)
(Gains) losses on marketable securities and warrants	(2,877)	474	(18,800)
Loss on derivative instruments	1,983	-	-
Sales of marketable securities, trading	-	-	401
Foreign currency transaction gains	(486)	(419)	(1,441)
Loss (gain) on early extinguishment of debt	202	(15,330)	(3,036)
Equity in earnings from unconsolidated affiliates, net of dividends	(4,900)	(15,833)	(10,333)
Increase (decrease), net of effects from acquisitions, from changes in:			
Accounts receivable	114,580	3,026	(144,659)
Inventory and supplies	1,712	(791)	7,729
Prepaid expenses and other current assets	(55,490)	(13,753)	17,688
Other long-term assets	(39,034)	7,464	(31,715)
Trade accounts payable and accrued liabilities and other	(30,101)	31,033	12,998
Income taxes payable	11,725	801	10,661
Other long-term liabilities	17,785	6,698	12,298
<b>Net cash provided by operating activities</b>	<b>372,445</b>	<b>695,085</b>	<b>219,448</b>
<b>Cash flows from investing activities:</b>			
Purchases of marketable securities, available-for-sale	(745,383)	(804,067)	(325,286)
Sales of marketable securities, available-for-sale	542,133	431,498	42,450
Cash paid for acquisitions of businesses, net	(135,652)	(66,352)	-
Capital expenditures	(316,763)	(701,156)	(300,637)
Cash paid for other current assets	(8,725)	-	-
Proceeds from sales of assets and insurance claims	34,877	15,067	7,523
<b>Net cash used for investing activities</b>	<b>(629,513)</b>	<b>(1,125,010)</b>	<b>(575,950)</b>
<b>Cash flows from financing activities:</b>			
Decrease in restricted cash	210	692	1,634
Decrease in short-term borrowings, net	(844)	-	-
Proceeds from long-term debt	495,904	840,338	501,941
Reduction of long-term debt	(30,831)	(156,001)	(136,434)
Debt issuance costs	(2,945)	(12,879)	(6,810)
Payments related to cash flow hedges	(1,494)	-	-
Proceeds from issuance of common shares	12,850	8,219	112,979
Repurchase of common shares	(2,486)	(247,963)	-
<b>Net cash provided by financing activities</b>	<b>470,364</b>	<b>432,406</b>	<b>473,310</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>2,312</b>	<b>(1,350)</b>	<b>(76)</b>
<b>Net increase in cash and cash equivalents</b>	<b>215,608</b>	<b>1,131</b>	<b>116,732</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>198,443</b>	<b>197,312</b>	<b>80,580</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 414,051</b>	<b>\$ 198,443</b>	<b>\$ 197,312</b>

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

# CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Nabors Industries Ltd. and Subsidiaries)

	Common Stock		Capital in Excess of Par Value	Accumulated Other Comprehensive Income (Loss)			Retained Earnings	Treasury Stock	Total Stockholders' Equity
	Shares	Par Value		Unrealized Gains (Losses) on Marketable Securities	Unrealized Losses on Cash Flow Hedges	Cumulative Translation Adjustment			
<b>(In thousands)</b>									
<b>Balances, December 31, 1999</b>	<b>137,421</b>	<b>\$ 13,742</b>	<b>\$ 958,704</b>	<b>\$ 2,485</b>	<b>\$ -</b>	<b>\$ (6,313)</b>	<b>\$ 506,273</b>	<b>\$ (4,817)</b>	<b>\$ 1,470,074</b>
Comprehensive income:									
Net income							137,356		137,356
Translation adjustment						(2,490)			(2,490)
Unrealized gains on marketable securities, net of income taxes of \$13,771				23,448					23,448
Less: reclassification adjustment for gains included in net income, net of income taxes of \$5,894				(10,036)					(10,036)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,412</b>	<b>-</b>	<b>(2,490)</b>	<b>137,356</b>	<b>-</b>	<b>148,278</b>
Issuance of common shares for stock options exercised									
	9,664	966	110,532						111,498
Issuance of common shares in connection with the Bayard warrants exercised									
	70	7	1,636						1,643
Tax effect of stock option deductions									
			75,137						75,137
Other									
			(162)						(162)
<b>Subtotal</b>	<b>9,734</b>	<b>973</b>	<b>187,143</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>188,116</b>
<b>Balances, December 31, 2000</b>	<b>147,155</b>	<b>\$ 14,715</b>	<b>\$ 1,145,847</b>	<b>\$ 15,897</b>	<b>\$ -</b>	<b>\$ (8,803)</b>	<b>\$ 643,629</b>	<b>\$ (4,817)</b>	<b>\$ 1,806,468</b>
Comprehensive income:									
Net income							357,450		357,450
Translation adjustment						(347)			(347)
Unrealized losses on marketable securities, net of income tax benefit of \$1,560				(2,657)					(2,657)
Less: reclassification adjustment for gains included in net income, net of income taxes of \$488				(830)					(830)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,487)</b>	<b>-</b>	<b>(347)</b>	<b>357,450</b>	<b>-</b>	<b>353,616</b>
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)
<b>Subtotal</b>	<b>556</b>	<b>56</b>	<b>(54,311)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(247,963)</b>	<b>(302,218)</b>
<b>Balances, December 31, 2001</b>	<b>147,711</b>	<b>\$ 14,771</b>	<b>\$ 1,091,536</b>	<b>\$ 12,410</b>	<b>\$ -</b>	<b>\$ (9,150)</b>	<b>\$ 1,001,079</b>	<b>\$ (252,780)</b>	<b>\$ 1,857,866</b>

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

	Common Stock		Capital in Excess of Par Value	Accumulated Other Comprehensive Income (Loss)				Retained Earnings	Treasury Stock	Total Stockholders' Equity
	Shares	Par Value		Unrealized Gains (Losses) on Marketable Securities	Minimum Pension Liability Adjustment	Unrealized Losses on Cash Flow Hedges	Cumulative Translation Adjustment			
<b>Balances, December 31, 2001</b>	<b>147,711</b>	<b>\$ 14,771</b>	<b>\$ 1,091,536</b>	<b>\$ 12,410</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (9,150)</b>	<b>\$ 1,001,079</b>	<b>\$ (252,780)</b>	<b>\$ 1,857,866</b>
Comprehensive income:										
Net income								121,489		121,489
Translation adjustment							3,910			3,910
Unrealized losses on marketable securities, net of income tax benefit of \$2,786				(4,743)						(4,743)
Less: reclassification adjustment for gains included in net income, net of income taxes of \$1,187				(2,021)						(2,021)
Minimum pension liability adjustment					(2,205)					(2,205)
Unrealized losses on cash flow hedges						(1,444)				(1,444)
Total comprehensive income	-	-	-	(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
<b>Balances, December 31, 2002</b>	<b>144,965</b>	<b>\$ 145</b>	<b>\$ 1,233,598</b>	<b>\$ 5,646</b>	<b>\$ (2,205)</b>	<b>\$ (1,444)</b>	<b>\$ (5,240)</b>	<b>\$ 927,955</b>	<b>\$ -</b>	<b>\$ 2,158,455</b>

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