

Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q/A

NABORS INDUSTRIES LTD
Form 10-Q/A
October 11, 2002

=====

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A
AMENDMENT NO. 1
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2002
COMMISSION FILE NUMBER: 000-49887

NABORS INDUSTRIES LTD.
(Exact name of registrant as specified in its charter)

BERMUDA
(State or other jurisdiction of
incorporation or organization)

98-0363970
(IRS Employer
Identification No.)

2ND FL. INTERNATIONAL TRADING CENTRE
WARRENS
PO BOX 905E
ST. MICHAEL, BARBADOS
(Address of principal executive offices)

N/A
(Zip Code)

(246) 421-9471
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

The number of common shares par value \$.001 per share, outstanding as of September 30, 2002 was 144,417,743. In addition, our subsidiary, Nabors Exchangeco (Canada) Inc., has 599,220 exchangeable shares outstanding as of September 30, 2002 that are exchangeable for Nabors common shares on a one-for-one basis.

Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q/A

NABORS INDUSTRIES LTD. AND SUBSIDIARIES

INDEX

	PAGE NO. -----
Explanatory Note.....	1
Part I Financial Information	
Item 1. Financial Statements (Unaudited)	
Consolidated Balance Sheets as of June 30, 2002 and December 31, 2001.....	2
Consolidated Statements of Income for the Three months and Six months ended June 30, 2002 and 2001.....	3
Consolidated Statements of Cash Flows for the Six months ended June 30, 2002 and 2001.....	4
Consolidated Statements of Changes in Stockholders' Equity for the Six months ended June 30, 2002 and 2001.....	5
Notes to Consolidated Financial Statements.....	6
Report of Independent Accountants.....	20
Item 4. Controls and Procedures.....	21
Part II Other Information	
Item 6. Exhibits and Reports on Form 8-K.....	21
Signatures.....	24
Certifications.....	25

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-Q/A to the Quarterly Report on Form 10-Q of Nabors Industries Ltd., a Bermuda exempted company, for the quarterly period ended June 30, 2002 is filed to amend Part I, Item 1 and, in particular, to amend the consolidated balance sheet as of June 30, 2002 and the condensed consolidated financial information presented in Note 10 of the Notes to the Consolidated Financial Statements. We refer to Nabors Industries Ltd. as Nabors or the Company in this report.

Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q/A

The amendment to the consolidated balance sheet as of June 30, 2002 revises the classification of \$483.1 million of the Company's long-term obligations to short-term. This revision is necessary since the Company's zero coupon convertible senior debentures due 2020 can be put back to the Company on June 20, 2003 and as such should be classified as current liabilities on June 30, 2002. We had previously disclosed the existence of the June 20, 2003 put in our Annual Report on Form 10-K for the year ended December 31, 2001, in both the contractual cash obligations table of Management's Discussion and Analysis of Financial Condition and Results of Operations and in Note 7 to the Consolidated Financial Statements, including the maturity of long-term obligations table. See Note 4 of the Notes to the Consolidated Financial Statements.

The amendment to the condensed consolidating financial information contained in Note 10 has no impact on the Company's consolidated balance sheets, consolidated statements of income, consolidated statements of cash flows or statements of changes in stockholders' equity. These adjustments relate to intercompany transactions within our consolidated group of companies that were eliminated in consolidation.

Although several adjustments were made, the significant majority of the adjustment amount reflects two entries that reduce Nabors Delaware's investment in consolidated affiliates and Nabors Delaware's stockholders' equity by \$1.1 billion and \$1.2 billion, respectively. These balances were ultimately eliminated in consolidation, with no impact on the Company's consolidated balance sheets.

The first adjustment reflects the retirement of Nabors Delaware's common stock that was exchanged for Nabors' common stock in connection with the Company's recent corporate reorganization (see Note 1 of the Notes to the Consolidated Financial Statements). This adjustment resulted in a reduction in Nabors Delaware's investment in consolidated affiliates and stockholders' equity of \$1.98 billion. The second adjustment increased Nabors Delaware's investment in consolidated affiliates and stockholders' equity by \$.87 billion to record Nabors Delaware's equity in the earnings of its subsidiaries for periods prior to December 31, 2001.

This Amendment also includes a new Item 4 to Part I, as required by the transition provisions of SEC Release Nos. 33-8124 and 34-46427 adopted effective August 29, 2002, and the rules adopted under such releases.

1

PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

NABORS INDUSTRIES LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

JUNE 30,
2002
(Restated,
Note 4)

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
ASSETS
Current assets:

Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q/A

Cash and cash equivalents	\$ 143,033
Marketable securities	409,550
Accounts receivable, net	297,261
Inventory and supplies	16,592
Deferred income taxes	27,456
Prepaid expenses and other current assets	93,431

Total current assets	987,323
Marketable securities	236,915
Property, plant and equipment, net	2,787,503
Goodwill, net	304,377
Other long-term assets	116,660

Total assets	\$ 4,432,778

LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Current portion of long-term debt	\$ 486,652
Trade accounts payable	107,628
Accrued liabilities	136,950
Income taxes payable	31,447

Total current liabilities	762,677
Long-term debt	1,099,096
Other long-term liabilities	100,731
Deferred income taxes	306,431

Total liabilities	2,268,935

Commitments and contingencies (Note 6)	
Stockholders' equity:	
Common shares par value \$.001 and \$.10, respectively per share:	
Authorized common shares 400,000;	
issued 144,368 and 147,711, respectively	144
Capital in excess of par value	1,265,901
Accumulated other comprehensive income	22,283
Retained earnings	875,515
Less treasury stock, at cost, 0 and 6,822 common shares	--

Total stockholders' equity	2,163,843

Total liabilities and stockholders' equity	\$ 4,432,778

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

Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q/A

	THREE MONTHS ENDED JUNE 30, 2002	2001
	-----	-----
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)		
Revenues and other income:		
Operating revenues	\$ 346,088	\$ 601,484
Earnings from unconsolidated affiliates	10,430	9,996
Interest income	8,142	15,676
Other income, net	2,649	3,056
	-----	-----
Total revenues and other income	367,309	630,212
	-----	-----
Costs and other deductions:		
Direct costs	238,190	366,034
General and administrative expenses	32,824	33,814
Depreciation and amortization	47,984	50,746
Interest expense	14,418	14,513
	-----	-----
Total costs and other deductions	333,416	465,107
	-----	-----
Income before income taxes	33,893	165,105
	-----	-----
Income taxes:		
Current	2,514	11,388
Deferred	5,959	49,702
	-----	-----
Total income taxes	8,473	61,090
	-----	-----
Net income	\$ 25,420	\$ 104,015
	-----	-----
Earnings per share:		
Basic	\$.18	\$.71
Diluted	\$.17	\$.63
Weighted average number of common shares outstanding:		
Basic	143,188	146,539
	-----	-----
Diluted	150,451	173,309
	-----	-----

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

Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q/A

SIX MONTHS END
2002

(IN THOUSANDS)

Cash flows from operating activities:	
Net income	\$ 67,362
Adjustments to net income:	
Depreciation and amortization	91,665
Deferred income taxes	15,764
Deferred financing costs amortization	2,196
Discount amortization on zero coupon debentures	15,270
Losses (gains) on disposition of long-term assets	828
Gains on marketable securities	(2,950)
Foreign currency transaction gains	(2,307)
Equity in earnings from unconsolidated affiliates, net of dividends	(13,511)
Loss on early extinguishment of debt	202
Other	(15)
Increase (decrease), net of effects from acquisitions, from changes in:	
Accounts receivable	86,883
Inventory and supplies	1,940
Prepaid expenses and other current assets	(10,882)
Other long-term assets	5,565
Trade accounts payable and accrued liabilities	(52,059)
Income taxes payable	(1,281)
Other long-term liabilities	(9,985)
Net cash provided by operating activities	194,685
Cash flows from investing activities:	
Purchases of marketable securities, available-for-sale	(24,253)
Sales of marketable securities, available-for-sale	94,526
Cash received from dispositions of long-term assets	4,923
Cash paid for acquisitions of businesses, net	(116,668)
Capital expenditures	(198,072)
Net cash used for investing activities	(239,544)
Cash flows from financing activities:	
Decrease (increase) in restricted cash	867
Proceeds from long-term borrowings	--
Reduction of long-term borrowings	(21,462)
Debt issuance costs	--
Common stock transactions	8,328
Treasury stock transactions	--
Net cash (used for) provided by financing activities	(12,267)
Effect of exchange rate changes on cash and cash equivalents	1,716
Net (decrease) increase in cash and cash equivalents	(55,410)
Cash and cash equivalents, beginning of period	198,443
Cash and cash equivalents, end of period	\$ 143,033

Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q/A

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

4

NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

(IN THOUSANDS)	COMMON SHARES		CAPITAL IN EXCESS OF PAR VALUE	UNREALIZED GAINS (LOSSES) ON MARKETABLE SECURITIES	ACCUMULATED OTHER COMPREHENSIVE INCOME	CUMULATIVE TRANSLATION ADJUSTMENT	\$
	SHARES	PAR VALUE	PAR VALUE	SECURITIES		ADJUSTMENT	\$
Balances, December 31, 2000	147,155	\$ 14,715	\$1,145,847	\$ 15,897		\$ (8,803)	\$
Comprehensive income:							
Net income							
Translation adjustment						559	
Unrealized losses on marketable securities, net of income taxes:							
Unrealized holding losses arising during the period, net of income tax benefit of \$1,097				(1,868)			
Less: reclassification adjustment for gains included in net income, net of income taxes of \$1,848				(3,146)			
Total comprehensive income	-	-	-	(5,014)		559	
Issuance of common shares for stock options exercised	521	52	7,672				
Tax effect of stock option deductions			(20,398)				
Repurchase of common shares			(42,311)				
Subtotal	521	52	(55,037)	-		-	
Balances, June 30, 2001	147,676	\$ 14,767	\$1,090,810	\$ 10,883		\$ (8,244)	\$
Balances, December 31, 2001	147,711	\$ 14,771	\$1,091,536	\$ 12,410		\$ (9,150)	\$1
Comprehensive income:							
Net income							
Translation adjustment						23,866	

Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q/A

Unrealized losses on marketable securities, net of income taxes: Unrealized holding losses arising during the period, net of income tax benefit of \$2,410				(4,103)	
Less: reclassification adjustment for gains included in net income, net of income taxes of \$434				(740)	
Total comprehensive income	-	-	-	(4,843)	23,866
Issuance of common shares for stock options exercised	641	64	8,264		
Issuance of common shares in connection with the Bayard warrants exercised	18	2	(2)		
Issuance of common shares in connection with Enserco acquisition	2,638	264	162,497		
Nabors Exchangeco shares exchanged	182	18	(18)		
Tax effect of stock option deductions			48,503		
Retirement of treasury stock	(6,822)	(682)	(59,172)		
Change in par value		(14,293)	14,293		
Subtotal	(3,343)	(14,627)	174,365	-	-
Balances, June 30, 2002	144,368	\$ 144	\$1,265,901	\$ 7,567	\$ 14,716

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

5

NABORS INDUSTRIES LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 RECENT CORPORATE REORGANIZATION

Effective June 24, 2002, Nabors Industries Ltd., a Bermuda exempted company (Nabors), became the successor to Nabors Industries, Inc., a Delaware corporation (Nabors Delaware), following a corporate reorganization. The reorganization was accomplished through the merger of an indirect, newly formed Delaware subsidiary owned by Nabors into Nabors Delaware. Nabors Delaware was the surviving company in the merger and became a wholly-owned, indirect subsidiary of Nabors. Upon consummation of the merger, all outstanding shares of Nabors Delaware common stock automatically converted into the right to receive Nabors common shares, with the result that the shareholders of Nabors Delaware on the date of the merger became the shareholders of Nabors. Nabors and its

Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q/A

subsidiaries continue to conduct the businesses previously conducted by Nabors Delaware and its subsidiaries. The reorganization has been accounted for as a reorganization of entities under common control and accordingly, it did not result in any changes to the consolidated amounts of assets, liabilities and stockholders' equity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interim Financial Information

The unaudited consolidated financial statements of Nabors are prepared in conformity with accounting principles generally accepted in the United States of America, or US GAAP. Nabors is the successor to Nabors Delaware following a corporate reorganization, as described in Note 1. Pursuant to the rules and regulations of the US Securities and Exchange Commission, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with US GAAP have been omitted. Therefore, these financial statements should be read along with our Annual Report on Form 10-K and Current Report on Form 8-K dated as of August 20, 2002 for the year ended December 31, 2001. In our management's opinion, the consolidated financial statements contain all adjustments necessary to present fairly our financial position as of June 30, 2002, and the results of our operations, for each of the three-month and six-month periods ended June 30, 2002 and 2001 and our consolidated statements of changes in stockholders' equity and of cash flows for each of the six-month periods ended June 30, 2002 and 2001, in accordance with US GAAP. Interim results for the six months ended June 30, 2002 may not be indicative of results that will be realized for the full year ending December 31, 2002.

Our independent accountants have performed a review of, and issued a report on, these consolidated interim financial statements in accordance with standards established by the American Institute of Certified Public Accountants. Pursuant to Rule 436(c) under the US Securities Act of 1933, this report should not be considered a part of any registration statement prepared or certified within the meanings of Sections 7 and 11 of the Securities Act.

Principles of Consolidation

Our consolidated financial statements include the accounts of Nabors and all majority-owned subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation.

Investments in entities where we have the ability to exert significant influence, but where we do not control their operating and financial policies, are accounted for using the equity method. Our share of the net income of these entities is recorded as earnings from unconsolidated affiliates in the consolidated statements of income, and our investment in these entities is carried as a single amount in the consolidated balance sheets. Investments in net assets of affiliated entities accounted for using the equity method totaled \$58.9 million and \$55.1 million as of June 30, 2002 and December 31, 2001, respectively, and are included in other long-term assets in the consolidated balance sheets.

Reclassifications

Certain immaterial reclassifications have been made to prior periods to conform to the current period presentation, with no effect on our consolidated financial position, results of operations or cash flows (See Recent Accounting Pronouncements).

Property, Plant and Equipment

Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q/A

Effective October 1, 2001, we changed the depreciable lives of our drilling and workover rigs from 4,200 to 4,900 active days, our jackup rigs from 4,200 to 8,030 active days and certain other drilling equipment to better reflect the estimated useful lives of these assets. The effect of this change in accounting estimate was accounted for on a prospective

6

basis beginning October 1, 2001 and increased net income by approximately \$5.1 million (\$.03 per diluted share) for the current quarter and approximately \$10.7 million (\$.07 per diluted share) for the six months ended June 30, 2002.

Foreign Currency Risk

We operate in a number of international areas and are involved in transactions denominated in currencies other than US dollars, which exposes us to foreign exchange rate risk. The most significant exposures arise in connection with our operations in Canada and Saudi Arabia, which usually are substantially unhedged. In Saudi Arabia, upon renewal of our contracts, we have been converting riyal-denominated contracts to US dollar-denominated contracts in order to reduce our exposure to the Saudi riyal even though that currency has been pegged to the US dollar at a rate of 3.745 Saudi riyal to 1.00 US dollar since 1986. We cannot guarantee that we will be able to convert future riyal-denominated contracts to US dollar-denominated contracts or that the riyal exchange rate will continue in effect as in the past.

At various times, we utilize local currency borrowings (foreign currency denominated debt), the payment structure of customer contracts and foreign exchange contracts to selectively hedge our exposure to exchange rate fluctuations in connection with monetary assets, liabilities, cash flows and commitments denominated in certain foreign currencies. A foreign exchange contract is a foreign currency transaction, defined as an agreement to exchange different currencies at a given future date and at a specified rate.

On March 26, 2002, in anticipation of closing the Enserco acquisition discussed in Note 3, we entered into two foreign exchange contracts with a total notional value of Cdn. \$115.9 million and maturity dates of April 29, 2002. Additionally, on April 9, 2002, we entered into a third foreign exchange contract with a notional value of Cdn. \$50.0 million maturing April 29, 2002. The notional amounts of these contracts were used to fund the cash portion of the Enserco acquisition purchase price. The notional amounts of these contracts represented the amount of foreign currency purchased at maturity and did not represent our exposure on these contracts. Although such contracts served as an economic hedge against our foreign currency risk related to the cash portion of the acquisition cost, we accounted for these contracts as speculative as required by Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities" and therefore marked them to market as of March 31, 2002. We recorded a US \$.17 million loss in our statement of income as of March 31, 2002. Upon maturity of these foreign exchange contracts on April 29, 2002, we recognized a gain of approximately US \$1.95 million in our statement of income for the three months ended June 30, 2002.

Recent Accounting Pronouncements

SFAS No. 142, "Goodwill and Other Intangible Assets", addresses the accounting for goodwill and other intangible assets after an acquisition. The most significant changes made by SFAS 142 are: (1) goodwill and intangible assets with indefinite lives no longer will be amortized; (2) goodwill and intangible assets with indefinite lives must be tested for impairment at least annually; and (3) the amortization period for those intangible assets with

Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q/A

finite lives no longer will be limited to 40 years. The effect of no longer amortizing goodwill would have increased net income by approximately \$1.1 million (\$.01 per diluted share) for the prior year quarter and approximately \$2.3 million (\$.01 per diluted share) for the six months ended June 30, 2001.

We adopted SFAS 142 effective January 1, 2002 and during the current quarter, we performed our initial goodwill impairment assessment as required. As part of that assessment, we determined that our 11 business units represent our reporting units as defined by SFAS 142. We determined the aggregate carrying values and fair values of all such reporting units, both of which were measured as of the January 1, 2002 adoption date. We calculated the fair value of each reporting unit based on discounted cash flows and determined there was no goodwill impairment.

We adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", effective January 1, 2002, as required. This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. Due to the nature of our business, this new accounting pronouncement had no impact on our reported results of operations or financial position.

We adopted SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections", effective April 1, 2002. Due to the nature of our business, Financial Accounting Standards Board (FASB) 44, 64 and Amendment of FASB 13 are not applicable. SFAS 145 eliminates SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt", and states that gains and losses from the extinguishment of debt should be classified as extraordinary items only if they meet the criteria in Accounting Principles Board (APB) Opinion No. 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions". APB 30 defines extraordinary items as events and transactions that are distinguished by their unusual nature and by the infrequency of their occurrence. Accordingly, we no longer classify gains and losses from extinguishment of debt that are usual and frequent as extraordinary items and we reclassified to other income any similar debt extinguishment items that had been reported as extraordinary items in prior accounting periods. In conjunction with adopting SFAS 145 we reclassified an extraordinary loss recorded during the first quarter of the year totaling \$.13 million, net of taxes of \$.08 million, to other income with the related income tax component

7

reclassified to income tax expense.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". This statement will require us to recognize costs associated with exit or disposal activities when they are incurred rather than when we commit to an exit or disposal plan. Examples of costs covered by this guidance include lease termination costs, employee severance costs that are associated with a restructuring, discontinued operations, plant closings or other exit or disposal activities. The provisions of this statement are effective for fiscal years beginning after December 31, 2002 and will impact any exit or disposal activities initiated after January 1, 2003. This statement does not currently impact Nabors.

We adopted Emerging Issues Task Force (EITF) No. 01-14, "Income Statement Characterization of Reimbursements Received for Out-of-Pocket Expenses Incurred", in the current quarter. Previously, we recognized reimbursements received as a reduction to the related direct costs. EITF 01-14 requires that reimbursements received be included in operating revenues and "out-of-pocket" expenses be included in direct costs. Accordingly, reimbursements received from

Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q/A

our customers have been reclassified to revenues for all periods presented. The effect of adopting EITF 01-14 increased operating revenues and direct costs from previously reported amounts by \$12.9 million and \$16.7 million for the three months ended June 30, 2002 and 2001, and \$28.0 million and \$33.8 million for the six months ended June 30, 2002 and 2001, respectively.

NOTE 3 ACQUISITIONS

On March 18, 2002, we acquired, for cash, 20.5% of the issued and outstanding shares of Enserco Energy Service Company, Inc., a Canadian publicly-held corporation, for Cdn. \$15.50 per share for a total price of Cdn. \$83.2 million (US \$52.6 million). At March 31, 2002, our investment in Enserco was accounted for using the equity method of accounting.

On April 26, 2002, we completed our acquisition of Enserco by purchasing their remaining outstanding shares for Cdn. \$15.65 per share by paying cash of Cdn. \$100.1 million (US \$64.1 million) and by issuing 2,638,526 shares of Nabors Delaware common stock and 910,556 shares of exchangeable stock of Nabors Exchangeco (Canada) Inc., an indirect wholly-owned Canadian subsidiary of Nabors Delaware. The Nabors Exchangeco shares are exchangeable for Nabors common shares on a one-for-one basis. Additionally, these exchangeable shares have essentially identical rights as Nabors common shares, including but not limited to voting rights and the right to receive dividends, if any. The value of the Nabors Delaware and Nabors Exchangeco shares issued totaled Cdn. \$254.2 million, or US \$162.8 million. Enserco's results of operations were consolidated into ours commencing on April 26, 2002. In addition, we assumed Enserco debt totaling Cdn. \$33.4 million (US \$21.3 million). The Enserco purchase price has been allocated based on preliminary estimates of the fair market value of assets acquired and liabilities assumed as of the acquisition date and resulted in goodwill of approximately US \$100 million. The purchase price allocation for the Enserco acquisition is subject to adjustment as additional information becomes available and will be finalized by December 31, 2002.

Enserco provided land drilling, well-servicing and workover services in Canada and operated a fleet of 193 well-servicing rigs and 30 drilling rigs on the acquisition date. The Enserco acquisition increases our position in Canada with assets that are relatively new and in excellent condition, allowing us to provide services to many of our key US customers who have increased their presence in Canada as it has become even more strategic to the North American gas supply market.

In late June 2002, Nabors acquired the RBF 209 for approximately \$21 million. This 200 foot, mat support, cantilever jackup has been renamed Nabors Rig 659. It is being upgraded at a cost of approximately \$4.5 million for work on a 4.5 year contract in Mexico for PEMEX commencing September 2002.

NOTE 4 LONG-TERM DEBT - REVISED

During the six months ended June 30, 2002, we purchased \$.6 million face value of our 8-5/8% senior subordinated notes due April 2008 in the open market at a price of 108%. In addition, we purchased \$4.7 million face value of our 6.8% senior unsecured notes due April 2004 in the open market at a price of 104%. Upon settlement of these transactions, we paid \$5.7 million and recognized a pretax loss of approximately \$.2 million, resulting from the repurchases of these notes at prices higher than the amounts recorded on our books. Additionally, we paid off Cdn. \$21.0 million (US \$13.2 million) of the debt assumed in the Enserco acquisition. In the first quarter of 2002, we made a \$2.5 million scheduled principal payment relating to our medium-term notes.

As a result of the reorganization, discussed in Note 1, we may have failed to comply with a covenant contained in our \$200 million credit facility agreement and a related \$30 million letter of credit facility. At the time of

Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q/A

the default, there were no outstanding borrowings on the \$200 million unsecured revolving credit facility and approximately \$23 million outstanding on the related letter of credit facility. Since the \$200 million credit facility was scheduled to mature on September 5, 2002 and we had cash, short-term and long-term marketable securities balances as of July 31, 2002 totaling \$814.3 million, we have notified the bank that we are terminating the facility. We plan on replacing this credit facility with a similar facility during the fourth quarter of 2002. The bank has provided a waiver on the letter of credit facility.

During June 2000, we completed a private placement of zero coupon convertible senior debentures due 2020. On issuance, the aggregate principal amount of the debentures at maturity totaled \$825 million. The debentures were issued at a discount with net proceeds to Nabors, after expenses, totaling approximately \$495.0 million. The debentures can be put to us on June 20, 2003, June 20, 2008 and June 20, 2013 for a purchase price equal to the issue price plus accrued original issue discount to the date of repurchase. Based on the ability of the debenture holders to exercise their put option on June 20, 2003, we have revised the classification of the outstanding principal amount of the debentures of \$483.1 million as of June 30, 2002 from long-term obligations to current liabilities in the consolidated balance sheet as of June 30, 2002.

NOTE 5 COMMON SHARES

In conjunction with our acquisition of Enserco during April, Nabors Delaware issued 2,638,526 shares of Nabors Delaware common stock and 910,556 shares of exchangeable stock of Nabors Exchangeco (Canada) Inc. that are now exchangeable for our common shares on a one-for-one basis (Note 3). The exchangeable stock has been recorded as an increase in capital in excess of par value. Subsequent to the acquisition 181,789 Exchangeco shares have been exchanged, resulting in approximately 728,767 exchangeable shares outstanding as of June 30, 2002.

As a result of the corporate reorganization (Note 1), the authorized share capital of Nabors consists of 400 million common shares, par value \$.001 per share, and 25 million preferred shares, par value \$.001 per share. Common shares issued were 144,368,390 at \$.001 par value at June 30, 2002 compared to 144,368,390 at \$.10 par value immediately preceding the reorganization. The decrease in par value of common stock from \$.10 to \$.001 is recorded as an increase to capital in excess of par value and a decrease in common shares in our Consolidated Financial Statements.

In conjunction with the reorganization, 6.8 million shares of treasury stock outstanding were retired, as Bermuda law does not recognize the concept of treasury stock. The effect of this retirement reduced common shares by \$.7 million, capital in excess of par value by \$59.2 million and retained earnings by \$192.9 million.

NOTE 6 COMMITMENTS AND CONTINGENCIES

Capital Expenditures

As of June 30, 2002, we had outstanding capital expenditure purchase commitments of approximately \$36.0 million primarily for rig-related enhancing and sustaining capital expenditures.

Contingencies

Self Insurance Accruals. Nabors is self-insured for certain losses relating to workers' compensation, general liability, property damage and employee medical benefits. Effective April 1, 2002, our exposure (that is our deductible) per occurrence ranges from \$1.0 million for workers' compensation to

Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q/A

between \$2.0 million and \$5.0 million for employer liability, Jones Act and general liability and \$10.0 million for rig physical damage. Therefore, we are self-insured for rigs with replacement values less than \$10.0 million. As a result, if a Nabors' rig with a net book value of \$9.0 million were destroyed, we would record a \$9.0 million loss in the period in which the loss event occurred. In previous years, we had physical damage insurance for essentially all of our rigs, with a substantially lower deductible of \$.25 million per occurrence. Thus, historically we have not recorded material losses in our financial statements related to the destruction of one of our rigs. We have purchased stop-loss coverage in order to limit our aggregate exposure to certain physical damage claims for insured rigs, that is those rigs with replacement values in excess of \$10.0 million. The effect of this coverage is that our maximum physical damage loss on insured rigs would be \$20.0 million plus \$1.0 million per occurrence. There is no assurance that such coverage will adequately protect Nabors against liability from all potential consequences.

Litigation. In *Verdin v. R&B Falcon Drilling USA, Inc., et al.*, Civil Action No. G-00-488, in the United States District Court for the Southern District of Texas, Galveston Division, the class action lawsuit against our offshore drilling subsidiaries alleging, among other things, conspiracy to depress wages and benefits paid to our offshore employees, we have reached a settlement, which was approved by the court on April 22, 2002. The settlement payment was made in the second quarter, and the amount paid by Nabors' subsidiaries was not material to Nabors.

8

On May 23, 2002, Steve Rosenberg, an individual shareholder of the company, filed a complaint against the company and its directors in the United States District Court for the Southern District of Texas (Civil Action No. 02-1942), alleging that Nabors' May 10, 2002 proxy statement/prospectus contained certain material misstatements and omissions in violation of federal securities laws and state law. Nabors' May 10, 2002 proxy statement/prospectus was sent to shareholders in connection with the special meeting to consider and vote on Nabors' proposed reorganization and effective reincorporation in Bermuda. The AFL-CIO moved to intervene in Civil Action No. 02-1942 and filed a complaint containing similar allegations. On June 5, 2002, Marilyn Irely, an individual shareholder of the company, filed a complaint in the United States District Court for the Southern District of Texas (Civil Action No. 02-2108) that is nearly identical to Steve Rosenberg's complaint. The three shareholders requested that the Court either enjoin the closing of the shareholder vote on the scheduled date or the effectuation of the reorganization. In addition, two of the shareholders (Steve Rosenberg and Marilyn Irely) purported to bring a class action on behalf of all shareholders, alleging that Nabors and its directors violated their state law fiduciary duties by making these alleged misstatements and omissions. These two shareholders, on behalf of their purported class, seek monetary damages for their state law claims. Since the beginning of the litigation, two of the shareholders (Steve Rosenberg and the AFL-CIO) have amended their complaints, but have not added any substantive allegations.

On June 13, 2002, the Court granted the AFL-CIO's motion to intervene. On June 15, 2002, the Court denied a motion for temporary restraining order brought by two of the shareholders (Steve Rosenberg and the AFL-CIO) in their attempts to prevent the closing of Nabors' reorganization and its effective reincorporation in Bermuda. On July 2, 2002, the Court granted an agreed motion to consolidate Civil Action No. 02-2108 into Civil Action No. 02-1942. Nabors and its directors have moved to dismiss the lawsuits of all three shareholders, and that motion is currently pending. Nabors and its directors believe that the allegations in this lawsuit are without merit, and Nabors and its directors will defend vigorously the claims brought against them. We are unable, however, to predict the outcome of this action or the costs to be incurred in connection

Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q/A

with its defense and there can be no assurance that this litigation will be resolved in our favor.

Nabors and its subsidiaries are defendants or otherwise involved in a number of other lawsuits in the ordinary course of their business. In the opinion of management, Nabors' ultimate liability with respect to these pending lawsuits is not expected to have a significant or material adverse effect on Nabors' consolidated financial position, cash flows or results of operations.

NOTE 7 EARNINGS PER SHARE

A reconciliation of the numerators and denominators of the basic and diluted earnings per share computations is as follows:

	THREE MONTHS ENDED JUNE 30, 2002	2001
	-----	-----
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)		
Net income (numerator):		
Net income - basic	\$ 25,420	\$104,015
Add interest expense on assumed conversion of our zero coupon convertible senior debentures, net of tax (1):		
\$825 million due 2020	--	2,009
\$1.381 billion due 2021	--	3,311
	-----	-----
Adjusted net income - diluted	\$ 25,420	\$109,335
	-----	-----
Earnings per share:		
Basic	\$.18	\$.71
Diluted	\$.17	\$.63
Shares (denominator):		
Weighted average number of shares outstanding-basic (1)	143,188	146,539
Net effect of dilutive stock options and warrants based on the treasury stock method	7,263	8,140
Assumed conversion of our zero coupon convertible senior debentures (2):		
\$825 million due 2020	--	8,859
\$1.381 billion due 2021	--	9,771
	-----	-----
Weighted average number of shares outstanding-diluted	150,451	173,309
	-----	-----

(1) Includes the weighted average number of common shares of Nabors and the weighted average number of exchangeable shares of Nabors Exchangeco (Canada) Inc. issued as part of the Enserco acquisition.

(2) Diluted earnings per share for the three months and six months ended June 30, 2001 reflects the assumed conversion of our \$825 million and \$1.381 billion zero coupon convertible senior debentures, as the conversion in those periods would have been dilutive. Diluted earnings per share for the three months and six months ended June 30, 2002 does not reflect the assumed conversion of our \$825 million and \$1.381 billion zero coupon convertible senior debentures, as the conversion in those periods would have been anti-dilutive.

Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q/A

NOTE 8 SUPPLEMENTAL INCOME STATEMENT INFORMATION

Other income, net includes the following:

	THREE MONTHS ENDED 2002	JUNE 30, 2001	SIX MON 2002
	-----	-----	-----
(IN THOUSANDS)			
Gains on marketable securities	\$ 475	\$ 3,354	\$ 2,950
(Losses) gains on disposition of long-term assets	(722)	(189)	(828)
Foreign currency transaction gains (losses)	2,524	(185)	2,307
Corporate reorganization expense	(1,316)	--	(3,358)
Other	1,688	76	2,075
	-----	-----	-----
	\$ 2,649	\$ 3,056	\$ 3,146
	-----	-----	-----

NOTE 9 SEGMENT INFORMATION

The following table sets forth financial information with respect to our reportable segments:

	THREE MONTHS ENDED 2002	JUNE 30, 2001	S 200
	-----	-----	-----
(IN THOUSANDS)			
Operating revenues and Earnings from unconsolidated affiliates:			
Contract drilling(1)	\$ 326,173	\$ 572,687	\$ 6
Manufacturing and logistics(2)	40,214	74,168	
Other(3)	(9,869)	(35,375)	(
	-----	-----	-----
Total	\$ 356,518	\$ 611,480	\$ 7
	-----	-----	-----
Income derived from operating activities:(4)			
Contract drilling(1)	\$ 39,719	\$ 145,846	\$ 1
Manufacturing and logistics(2)	7,235	27,769	
Other(5)	(9,434)	(12,729)	(
	-----	-----	-----
Total	\$ 37,520	\$ 160,886	\$
Interest expense	(14,418)	(14,513)	(
Interest income	8,142	15,676	
Other income, net	2,649	3,056	
	-----	-----	-----
Income before income taxes	\$ 33,893	\$ 165,105	\$
	-----	-----	-----

JUNE 30,
2002

DECEMBER 31
2001

Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q/A

Total assets:		
Contract drilling (6)	\$ 3,271,637	\$ 2,872,534
Manufacturing and logistics (7)	310,448	311,629
Other (5)	850,693	967,752
	-----	-----
Total	\$ 4,432,778	\$ 4,151,915
	-----	-----

- (1) Includes Earnings from unconsolidated affiliates, accounted for by the equity method, of \$7.1 million and \$4.2 million for the three-month periods ended June 30, 2002 and 2001, and \$13.5 million and \$8.4 million for the six-month periods ended June 30, 2002 and 2001, respectively.
- (2) Includes Earnings from unconsolidated affiliates, accounted for by the equity method, of \$3.3 million and \$5.8 million for the three-month periods ended June 30, 2002 and 2001, and \$7.9 million and \$11.8 million for the six-month periods ended June 30, 2002 and 2001, respectively.
- (3) Includes the elimination of inter-segment manufacturing and logistics sales.
- (4) Income derived from operating activities is computed by: subtracting direct costs, general and administrative expenses, and depreciation and amortization expense from Operating revenues and then adding Earnings from unconsolidated affiliates. Such amounts should not be used as a substitute to those amounts reported under accounting principles generally accepted in the United States of America. However, management does evaluate the performance of its business units and the consolidated company based on income derived from operating activities because it believes that this financial measure is an accurate reflection of the ongoing profitability of our company.
- (5) Includes the elimination of inter-segment transactions and unallocated corporate expenses, assets and capital expenditures.
- (6) Includes \$26.5 million and \$22.3 million of investments in unconsolidated affiliates, accounted for by the equity method, at June 30, 2002 and December 31, 2001, respectively.
- (7) Includes \$32.4 million and \$32.8 million of investments in unconsolidated affiliates, accounted for by the equity method, at June 30, 2002 and December 31, 2001, respectively.

10

NOTE 10 CONDENSED CONSOLIDATING FINANCIAL INFORMATION - REVISED

In connection with the corporate reorganization on June 24, 2002 as discussed in Note 1, Nabors fully and unconditionally guaranteed all of the issued public debt securities of Nabors Delaware at the effective time of the merger. The following condensed consolidating financial information is included so that separate financial statements of Nabors Delaware are not required to be filed with the U.S. Securities and Exchange Commission. The condensed consolidating financial statements present Nabors' and Nabors Delaware's investments in their subsidiaries using the equity method of accounting. Nabors was formed on December 11, 2001 and as such is not presented for the three and six months ended June 30, 2001.

The following condensed consolidating financial information presents: condensed consolidating balance sheets as of June 30, 2002 and December 31, 2001 and the related income statements for the three and six months ended June 30, 2002 and 2001 and cash flow statements for the six months ended June 30, 2002 and 2001 of (a) Nabors, Parent-Guarantor after June 24, 2002 and Non-Parent/Non-Guarantor prior to June 24, 2002, (b) Nabors Delaware, issuer of existing debt, (c) the non-guarantor subsidiaries, (d) consolidating adjustments

Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q/A

necessary to consolidate Nabors and its subsidiaries and (e) Nabors on a consolidated basis.

The following information has been revised from that previously filed to reflect certain adjustments. This revision has no impact on the Company's consolidated balance sheets, consolidated statements of income, consolidated statements of cash flows or statements of changes in stockholders' equity. These adjustments relate to intercompany transactions within our consolidated group of companies that were eliminated in consolidation.

Although several adjustments were made, the significant majority of the adjustment amount reflects two entries that reduce Nabors Delaware's investment in consolidated affiliates and Nabors Delaware's stockholders' equity by \$1.1 billion and \$1.2 billion, respectively. These balances were ultimately eliminated in consolidation, with no impact on the Company's consolidated balance sheets.

The first adjustment reflects the retirement of Nabors Delaware's common stock that was exchanged for Nabors' common stock in connection with the Company's recent corporate reorganization (see Note 1 of the Notes to the Consolidated Financial Statements). This adjustment resulted in a reduction in Nabors Delaware's investment in consolidated affiliates and stockholders' equity of \$1.98 billion. The second adjustment increased Nabors Delaware's investment in consolidated affiliates and stockholders' equity by \$.87 billion to record Nabors Delaware's equity in the earnings of its subsidiaries for periods prior to December 31, 2001.

Condensed Consolidating Balance Sheets

	June 30, 2002			
	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer)	Other Subsidiaries (Non-Guarantor)	Consoli Adjust
	-----	-----	-----	-----
(IN THOUSANDS)				
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 25	\$ 12	\$ 142,996	\$
Marketable securities	--	--	409,550	
Accounts receivable, net	--	--	297,261	
Inventory and supplies	--	--	16,592	
Prepaid expenses and other current assets	--	25	120,862	
	-----	-----	-----	-----
Total current assets	25	37	987,261	
Marketable securities	--	--	236,915	
Investments in affiliates	176,910	1,764,777	2,226,001	(4,108)
Property, plant and equipment, net	--	--	2,787,503	
Goodwill, net	--	--	304,377	
Intercompany receivables	1,986,957	1,953,133	--	(3,940)
Other long-term assets	--	11,042	46,721	
	-----	-----	-----	-----
Total assets	\$2,163,892	\$3,728,989	\$6,588,778	\$ (8,048)
	=====	=====	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q/A

Current portion of long-term debt	--	483,087	3,565	
Trade accounts payable	--	20	107,608	
Accrued liabilities	--	2,564	134,386	
Income taxes payable	--	(189)	31,636	
		-----	-----	-----
Total current liabilities	--	485,482	277,195	
Long-term debt	--	1,051,373	47,723	
Other long-term liabilities	--	--	100,731	
Deferred income taxes	--	28,291	278,140	
Intercompany payables	49	--	3,940,041	(3,940)
		-----	-----	-----
Total liabilities	49	1,565,146	4,643,830	(3,940)
Stockholders' equity	2,163,843	2,163,843	1,944,948	(4,108)
		-----	-----	-----
Total liabilities and stockholders' equity	\$2,163,892	\$3,728,989	\$6,558,778	\$ (8,048)
	=====	=====	=====	=====

11

	December 31, 2001			
	Nabors (Non-Parent/ Non-Guarantor)	Nabors Delaware (Issuer)	Other Subsidiaries (Non-Guarantor)	Consolidated Adjustments
	-----	-----	-----	-----
(IN THOUSANDS)				
ASSETS				
Current assets:				
Cash and cash equivalents	\$ --	\$ 2,201	\$ 196,242	\$ --
Marketable securities	--	--	343,169	
Accounts receivable, net	--	--	361,086	
Inventory and supplies	--	--	18,515	
Prepaid expenses and other current assets	--	417	109,316	
	-----	-----	-----	-----
Total current assets	--	2,618	1,028,328	
Marketable securities	--	--	377,025	
Investments in affiliates	13	1,467,127	55,141	(1,467)
Property, plant and equipment, net	--	--	2,433,247	
Goodwill, net	--	--	199,048	
Intercompany receivables	--	1,931,893	--	(1,932)
Other long-term assets	--	13,574	42,934	
	-----	-----	-----	-----
Total assets	\$ 13	\$3,415,212	\$4,135,723	\$ (3,398)
	=====	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Current portion of long-term debt	--	--	2,510	
Trade accounts payable	--	23	131,798	
Accrued liabilities	--	4,372	163,650	

Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q/A

Income taxes payable	--	(189)	27,966	
	-----	-----	-----	-----
Total current liabilities	--	4,206	325,924	
Long-term debt	--	1,523,915	43,701	
Other long-term liabilities	--	--	110,902	
Deferred income taxes	--	29,225	256,176	
Intercompany payables	1	--	1,931,892	(1,931,892)
	-----	-----	-----	-----
Total liabilities	1	1,557,346	2,668,595	(1,931,892)
Stockholders' equity	12	1,857,866	1,467,128	(1,467,128)
	-----	-----	-----	-----
Total liabilities and stockholders' equity	\$ 13	\$3,415,212	\$4,135,723	\$ (3,398,892)
	=====	=====	=====	=====

12

Condensed Consolidating Income Statements

	Three months ended June 30,			
	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer)	Other Subsidiaries (Non-Guarantor)	Conso Adju
	-----	-----	-----	-----
(IN THOUSANDS)				
Revenues and other income:				
Operating revenues	\$ --	\$ --	\$ 346,088	\$ --
Earnings from unconsolidated affiliates	--	--	10,430	--
Earnings from consolidated affiliates	22,166	25,396	25,436	(1,931,892)
Interest income	--	(5)	8,147	--
Intercompany interest income	3,261	13,516	--	(1,931,892)
Other income, net	--	633	2,016	--
	-----	-----	-----	-----
Total revenues and other income	25,427	39,540	392,117	(1,931,892)
	-----	-----	-----	-----
Costs and other deductions:				
Direct costs	--	--	238,190	--
General and administrative expenses	7	126	32,691	--
Depreciation and amortization	--	--	47,984	--
Interest expense	--	13,954	464	--
Intercompany interest expense	--	--	16,777	(1,931,892)
	-----	-----	-----	-----
Total costs and other deductions	7	14,080	336,106	(1,931,892)
	-----	-----	-----	-----
Income before income taxes	25,420	25,460	56,011	(1,931,892)
	-----	-----	-----	-----
Income taxes:				
Current	--	--	2,514	--
Deferred	--	24	5,935	--
	-----	-----	-----	-----
Total income taxes	--	24	8,449	--

Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q/A

Net income	\$ 25,420	\$ 25,436	\$ 47,562	\$ (
	=====	=====	=====	=====

13

	Three months ended June 30, 2001			
	Nabors Delaware (Issuer)	Other Subsidiaries (Non-Guarantor)	Consolidating Adjustments	T
	-----	-----	-----	-----
(IN THOUSANDS)				
Revenues and other income:				
Operating revenues	\$ --	\$ 601,484	\$ --	\$ 6
Earnings from unconsolidated affiliates	--	9,996	--	
Earnings from consolidated affiliates	100,066	--	(100,066)	
Interest income	16	15,660	--	
Intercompany interest income	20,581	--	(20,581)	
Other income, net	(280)	3,336	--	
	-----	-----	-----	-----
Total revenues and other income	120,383	630,476	(120,647)	6
	-----	-----	-----	-----
Costs and other deductions:				
Direct costs	--	366,034	--	3
General and administrative expenses	73	33,741	--	
Depreciation and amortization	--	50,746	--	
Interest expense	13,976	537	--	
Intercompany interest expense	--	20,581	(20,581)	
	-----	-----	-----	-----
Total costs and other deductions	14,049	471,639	(20,581)	4
	-----	-----	-----	-----
Income before income taxes	106,334	158,837	(100,066)	1
	-----	-----	-----	-----
Income taxes:				
Current	--	11,388	--	
Deferred	2,319	47,383	--	
	-----	-----	-----	-----
Total income taxes	2,319	58,771	--	
	-----	-----	-----	-----
Net income	\$ 104,015	\$ 100,066	\$ (100,066)	\$ 1
	=====	=====	=====	=====

14

	Six months ended June 30, 2001			
	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer)	Other Subsidiaries (Non- Guarantor)	Cons Adj
	-----	-----	-----	-----
(IN THOUSANDS)				

Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q/A

Revenues and other income:				
Operating revenues	\$ --	\$ --	\$ 721,959	\$
Earnings from unconsolidated affiliates	--	--	21,396	
Earnings from consolidated affiliates	64,113	68,972	67,383	(20)
Interest income	--	15	17,378	
Intercompany interest income	3,261	27,464	--	(3)
Other income, net	--	(1,780)	4,926	
	-----	-----	-----	-----
Total revenues and other income	67,374	94,671	833,042	(23)
	-----	-----	-----	-----
Costs and other deductions:				
Direct costs	--	--	487,623	
General and administrative expenses	12	268	65,210	
Depreciation and amortization	--	--	91,665	
Interest expense	--	27,954	1,079	
Intercompany interest expense	--	--	30,725	(3)
	-----	-----	-----	-----
Total costs and other deductions	12	28,222	676,302	(3)
	-----	-----	-----	-----
Income before income taxes	67,362	66,449	156,740	(20)
	-----	-----	-----	-----
Income taxes:				
Current	--	--	6,957	
Deferred	--	(934)	16,698	
	-----	-----	-----	-----
Total income taxes	--	(934)	23,655	
	-----	-----	-----	-----
Net income	\$ 67,362	\$ 67,383	\$ 133,085	\$ (20)
	=====	=====	=====	=====

15

Six months ended June 30, 2001

	Nabors Delaware (Issuer)	Other Subsidiaries (Non- Guarantor)	Consolidating Adjustments
	-----	-----	-----
(IN THOUSANDS)			
Revenues and other income:			
Operating revenues	\$ --	\$1,132,404	\$ --
Earnings from unconsolidated affiliates	--	20,243	--
Earnings from consolidated affiliates	178,940	--	(178,940)
Interest income	33	28,903	--
Intercompany interest income	39,944	--	(39,944)
Other income, net	(969)	13,293	--
	-----	-----	-----
Total revenues and other income	217,948	1,194,843	(218,884)
	-----	-----	-----
Costs and other deductions:			
Direct costs	--	706,356	--
General and administrative expenses	191	66,709	--

Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q/A

Depreciation and amortization	--	94,476	--
Interest expense	25,781	1,196	--
Intercompany interest expense	--	39,944	(39,944)
	-----	-----	-----
Total costs and other deductions	25,972	908,681	(39,944)
	-----	-----	-----
Income before income taxes	191,976	286,162	(178,940)
	-----	-----	-----
Income taxes:			
Current	--	26,323	--
Deferred	4,823	80,899	--
	-----	-----	-----
Total income taxes	4,823	107,222	--
	-----	-----	-----
Net income	\$ 187,153	\$ 178,940	\$ (178,940)
	=====	=====	=====

16

Condensed Consolidating Cash Flow Statements

	Six months ended June 30, 20			
	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer)	Other Subsidiaries (Non- Guarantor)	Conso Adj
	-----	-----	-----	-----
(IN THOUSANDS)				
Net cash provided by (used for) operating activities	\$ 25	\$ (5,469)	\$ 200,129	\$
	-----	-----	-----	-----
Cash flows from investing activities:				
Purchases of marketable securities, available-for-sale	--	--	(24,253)	
Sales of marketable securities, available-for-sale	--	--	94,526	
Cash received from disposition of long-term assets	--	--	4,923	
Cash paid for acquisitions of businesses, net	--	--	(116,668)	
Capital expenditures	--	--	(198,072)	
	-----	-----	-----	-----
Net cash used for investing activities	--	--	(239,544)	
	-----	-----	-----	-----
Cash flows from financing activities:				
Decrease in restricted cash	--	--	867	
Reduction of long-term borrowings	--	(5,048)	(16,414)	

Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q/A

Common stock transactions	--	8,328	--	
	-----	-----	-----	-----
Net cash provided by (used for) financing activities	--	3,280	(15,547)	
	-----	-----	-----	-----
Effect of exchange rate changes on cash and cash equivalents	--	--	1,716	
	-----	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	25	(2,189)	(53,246)	
Cash and cash equivalents, beginning of period	--	2,201	196,242	
	-----	-----	-----	-----
Cash and cash equivalents, end of period	\$ 25	\$ 12	\$ 142,996	\$
	=====	=====	=====	=====

17

	Six months ended June 30		
	Nabors Delaware (Issuer)	Other Subsidiaries (Non- Guarantor)	Consolidated Adjustments
	-----	-----	-----
(IN THOUSANDS)			
Net cash (used for) provided by operating activities	\$ (723,551)	\$ 964,508	\$
	-----	-----	-----
Cash flows from investing activities:			
Purchases of marketable securities, available-for-sale	--	(441,279)	
Sales of marketable securities, available-for-sale	--	28,193	
Cash received from disposition of long-term assets	--	7,486	
Capital expenditures	--	(319,797)	
	-----	-----	-----
Net cash used for investing activities	--	(725,397)	
	-----	-----	-----
Cash flows from financing activities:			
Increase in restricted cash	--	(33)	
Proceeds from long-term borrowings	840,338	--	
Reduction of long-term borrowings	--	(3,556)	
Debt issuance costs	(12,879)	--	
Common stock transactions	7,724	--	
Treasury stock transactions	(111,580)	--	
	-----	-----	-----
Net cash provided by (used for) financing activities	723,603	(3,589)	
	-----	-----	-----
Effect of exchange rate changes on cash and cash equivalents	--	6	
	-----	-----	-----
Net increase in cash and cash equivalents	52	235,528	

Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q/A

Cash and cash equivalents, beginning of period	2,118	195,194	
	-----	-----	
Cash and cash equivalents, end of period	\$ 2,170	\$ 430,722	\$
	=====	=====	=====

NOTE 11 SUBSEQUENT EVENTS

Share and Debt Repurchase Programs

On July 17, 2002, the Board of Directors of Nabors authorized the continuation of the share repurchase program that had begun under Nabors Delaware, and provided that the amount of Nabors common shares authorized for purchase by Nabors going forward was up to \$400 million. Under the Nabors Delaware program, Nabors Delaware had acquired an aggregate of approximately \$248.0 million of Nabors Delaware common stock, or 6.2 million shares. Pursuant to Bermuda law, any shares, when purchased, will be treated as cancelled, the amount of Nabors' issued capital will be diminished by the nominal value of those shares repurchased and retained earnings will be reduced by the incremental difference between the cost of issuance and the cost of the shares repurchased. A repurchase of shares will not have the effect of reducing the amount of Nabors' authorized share capital. Additionally, the Board approved the repurchase of up to \$400 million of outstanding debt securities of Nabors and its subsidiaries. These amounts may be increased or decreased at the discretion of the Board, depending upon market conditions and consideration of the best interest of shareholder value. Repurchases may be conducted either on the open market, negotiated transactions, or by other means, from time to time, depending upon market conditions and other factors.

On July 23, 2002, we entered into a private transaction with a counterparty in which we sold 1.0 million European-style put options for \$2.6 million with a maturity date of October 23, 2002. If the price of our common shares is below \$26.5698 on the maturity date, we anticipate that the counterparty will exercise the put option which will result in, at our option (1) our purchase of 1.0 million of our common shares at a price of \$26.5698 per share or (2) our payment, in cash or Nabors common shares, of an amount equal to the difference between \$26.5698 and our stock price on October 23, 2002 multiplied by 1.0 million. If the price of our common shares is above \$26.5698 on the maturity date, we anticipate that the counterparty will let the option expire. In either case, we retain the \$2.6 million in proceeds which was recorded as an increase in capital in excess of par value in July 2002.

On August 2, 2002, Nabors acquired, through a subsidiary, 91,000 of its common shares in the open market for \$27.30 per share for an aggregate price, including commissions, of \$2.5 million. The shares will be recorded by the subsidiary as an investment in Nabors, and will be eliminated in consolidation. So long as the Nabors common shares are held by a subsidiary, they will be issued and outstanding and will have the same rights as other outstanding shares.

18

Interest Rate Hedge Transaction

On July 24, 2002, we entered into an interest rate hedge transaction with a third party financial institution to manage and mitigate interest rate risk exposure relative to a contemplated debt financing transaction of an indeterminate amount. Under the agreement, we agreed to receive (pay) cash from (to) the counterparty based on the difference between 4.43% and the 10-year

Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q/A

Treasury rate on August 23, 2002, based on a \$100.0 million notional amount with semi-annual interest payments over a 10-year maturity. In accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended, we will account for this transaction as a cash flow hedge.

Proposed Acquisition of Ryan Energy Technologies, Inc.

On August 12, 2002, Nabors entered into an arrangement agreement with Ryan Energy Technologies, Inc., Canadian corporation that provides drilling technology and services and data management solutions for the energy industry. Pursuant to the agreement, Nabors, through a Canadian subsidiary, will offer Cdn. \$1.85 for each Ryan common share. Ryan shareholders will have the option to elect to receive Cdn. \$1.85 in cash or the equivalent value in exchangeable shares of Nabors Exchangeco (Canada) Inc., which shares will be exchangeable for Nabors common shares. The exchangeable shares will have the same voting rights, dividend entitlements and other attributes as Nabors common shares, will be exchangeable, at each shareholder's option, on a one-for-one basis, into Nabors common shares and will be listed on the Toronto Stock Exchange. The exchangeable shares will be automatically exchanged upon the occurrence of certain events. The transaction is to be effected by way of a Plan of Arrangement.

The arrangement agreement has been unanimously approved by the Board of Directors of Ryan and the Plan of Arrangement will require the approval of the Court of Queen's Bench of Alberta and the approval of at least 66 2/3% of the Ryan shareholders and optionholders, voting as a single class, at a meeting to be held for that purpose. The Board of Directors of Ryan has received an opinion from its financial advisor, Peters & Co. Limited, that the consideration under the arrangement is fair, from a financial point of view, to the Ryan shareholders. The arrangement agreement contains certain closing conditions, including Nabors being satisfied regarding certain due diligence reviews of Ryan's technology, customary non-solicitation provisions and a termination fee payable by Ryan of Cdn. \$1.75 million under certain circumstances. Nabors retains the right to match competing proposals should they arise.

Certain shareholders and optionholders of Ryan who own or control an aggregate of 4,454,058 Ryan common shares and 450,000 options to acquire Ryan common shares, which constitute approximately 21% of the outstanding common shares of Ryan (diluted for in-the-money options), have agreed, subject to the terms and conditions of those agreements, to vote their Ryan common shares and options in favor of the arrangement. As a result of such agreements, Nabors may be considered to have acquired ownership, control or direction over such shares. Nabors did not previously own or exercise control or direction over any securities of Ryan.

19

REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and Board of Directors
of Nabors Industries Ltd.:

We have reviewed the accompanying consolidated balance sheet of Nabors Industries Ltd. and its subsidiaries as of June 30, 2002, after the revisions discussed in Notes 4 and 10, and the related consolidated statements of income for each of the three-month and six-month periods ended June 30, 2002 and 2001 and the consolidated statements of changes in stockholders' equity and of cash flows for the six-month periods ended June 30, 2002 and 2001. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American

Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q/A

Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet as of December 31, 2001, and the related consolidated statements of income, changes in stockholders' equity and of cash flows for the year then ended (not presented herein), and in our report dated January 23, 2002, except for Note 16, as to which the date is March 18, 2002, and Notes 1, 2, 7, 12 and 15, as to which the date is August 20, 2002, we expressed an unqualified opinion on those consolidated financial statements.

/s/ PricewaterhouseCoopers LLP
Houston, Texas
July 17, 2002, except for Note 11, as to which the
date is August 13, 2002, and Notes 4 and 10, as
to which the date is October 10, 2002

20

ITEM 4. CONTROLS AND PROCEDURES

There have not been any significant changes in Nabors' internal controls or in other factors that could significantly affect Nabors' internal controls subsequent to our previous evaluation of internal controls.

PART II OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- 2.1 Agreement and Plan of Merger among Nabors Industries, Inc., Nabors Acquisition Corp. VIII, Nabors Industries Ltd. and Nabors US Holdings Inc. (incorporated by reference to Annex I to the proxy statement/prospectus included in Nabors Industries Ltd.'s Registration Statement on Form S-4 (Registration No. 333-76198) filed with the SEC on May 10, 2002).
- 2.2 Amended and Restated Acquisition Agreement, dated as of March 18, 2002, by and between Nabors Industries, Inc. and Enserco Energy Service Company Inc. (incorporated by reference to Exhibit 2.1 to Nabors Industries, Inc. Registration Statement No. 333-85228).
- 2.3 Form of Plan of Arrangement Under Section 192 of the Canada Business Corporations Act Involving and Affecting Enserco

Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q/A

Energy Service Company Inc. and its Securityholders (included in Schedule B to Exhibit 2.2).

- 3.1 Memorandum of Association of Nabors Industries Ltd. (incorporated by reference to Annex II to the proxy statement/prospectus included in Nabors Industries Ltd.'s Registration Statement on Form S-4 (Registration No. 333-76198) filed with the SEC on May 10, 2002).
- 3.2 Amended and Restated Bye-laws of Nabors Industries Ltd. (incorporated by reference to Annex III to the proxy statement/prospectus included in Nabors Industries Ltd.'s Registration Statement on Form S-4 (Registration No. 333-76198) filed with the SEC on May 10, 2002).
- 3.3 Form of Resolutions of the Board of Directors of Nabors Industries Ltd. authorizing the issue of the Special Voting Preferred Share (incorporated by reference to Exhibit 3.3 to Nabors Industries Ltd. Registration Statement No. 333-85228-99).
- 4.1 Form of Provisions Attaching to the Exchangeable Shares of Nabors Exchangeco (Canada) Inc. (included as Appendix 1 to Exhibit 2.3).
- 4.2 Form of Support Agreement between Nabors Industries, Inc., 3064297 Nova Scotia Company and Nabors Exchangeco (Canada) Inc. (included as Schedule E to Exhibit 2.2).

21

- +4.3 Form of Acknowledgement of Novation to Nabors Industries, Inc., Nabors Exchangeco (Canada) Inc., Computershare Trust Company of Canada and 3064297 Nova Scotia Company executed by Nabors Industries Ltd. (incorporated by reference to Exhibit 4.3 to Nabors Industries Ltd. Registration Statement No. 333-85228-99).
- +4.4 Fourth Supplemental Indenture dated as of June 21, 2002 among Nabors Holding Company as issuer, Nabors Industries, Inc. as guarantor, Nabors Industries Ltd. as guarantor, and HSBC Bank USA, as trustee, with respect to Nabors Holding Company's 8-5/8% senior subordinated notes due 2008.
- +4.5 First Supplemental Indenture, dated as of June 21, 2002, among Nabors Industries, Inc. as issuer, Nabors Industries Ltd. as guarantor, and Bank One, N.A., as trustee, with respect to Nabors Industries, Inc.'s zero coupon convertible senior debentures due 2020.
- +4.6 Second Supplemental Indenture, dated as of June 21, 2002 among Nabors Industries, Inc., as issuer, Nabors Industries Ltd. as guarantor, and Bank One, N.A. as trustee, with respect to Nabors Industries, Inc.'s zero coupon convertible senior debentures due 2021.
- +4.7 Supplemental Indenture No. 2, dated as of June 21, 2002, between Nabors Industries, Inc., Nabors Industries Ltd. and Wells Fargo Bank Minnesota, National Association, with respect

Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q/A

to Nabors Industries Inc.'s 6.8% notes due 2004.

- +10.1 First Amendment to Amended and Restated Employment Agreement between Nabors Industries, Inc., Nabors Industries Ltd. and Eugene M. Isenberg dated as of June 24, 2002.
- +10.2 Second Amendment to Employment Agreement between Nabors Industries, Inc., Nabors Industries Ltd. and Eugene M. Isenberg dated as of July 17, 2002.
- +10.3 First Amendment to Amended and Restated Employment Agreement between Nabors Industries, Inc., Nabors Industries Ltd. and Anthony G. Petrello dated as of June 24, 2002.
- +10.4 Second Amendment to Employment Agreement between Nabors Industries, Inc., Nabors Industries Ltd. and Anthony G. Petrello dated as of June 17, 2002.
- +10.5 First Amendment to Employment Agreement between Nabors Industries, Inc., Nabors Industries Ltd. and Richard A. Stratton dated as of June 24, 2002.

22

- +10.6 Second Amendment to Employment Agreement between Nabors Industries, Inc., Nabors Industries Ltd. and Richard A. Stratton dated as of July 17, 2002.
- 15.1 Awareness Letter of Independent Accountants
- +99.1 Nabors Industries Ltd. Corporate Governance Principles adopted July 17, 2002.
- 99.2 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 USC Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

+ Previously filed with Nabors Industries Ltd.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, filed with the U.S. Securities and Exchange Commission on August 14, 2002 (File No. 000-49887)

(b) Reports on Form 8-K

- o Report by Nabors Industries, Inc. on Form 8-K filed with the Securities and Exchange Commission on April 18, 2002, with respect to Nabors Delaware's press release announcing the results of its first quarter 2002.
- o Report by Nabors Industries, Inc. on Form 8-K filed with the Securities and Exchange Commission on June 14, 2002, with respect to Nabors Delaware's press release announcing the results of its special meeting of stockholders.
- o Report by Nabors Industries, Inc. on Form 8-K filed with the Securities and Exchange Commission on June 25, 2002, with respect to Nabors Delaware's reorganization as a Bermuda company.

Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q/A

- o Report by Nabors Industries Ltd. on Form 8-K filed with the Securities and Exchange Commission on June 25, 2002 with respect to the completion of Nabors' corporate reorganization, and the related press release.
- o Report by Nabors Industries Ltd. on Form 8-K filed with the Securities and Exchange Commission on June 26, 2002 with respect to the registration of Nabors Bermuda's common shares under Section 12(b) of the Securities Exchange Act of 1934, as amended.
- o Report by Nabors Industries Ltd. on Form 8-K filed with the Securities and Exchange Commission on July 18, 2002, with respect to Nabors' press release announcing results for the three months and six months ended June 30, 2002.
- o Report by Nabors Industries Ltd. on Form 8-K filed with the Securities and Exchange Commission on August 20, 2002, with respect to the amendment of the Annual Report on Form 10-K filed by Nabors Delaware as of December 31, 2001.

23

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 thereunto duly authorized.

NABORS INDUSTRIES LTD.

/s/ Anthony G. Petrello

Anthony G. Petrello
President & Chief Operating Officer

/s/ Bruce P. Koch

Bruce P. Koch
Vice President - Finance (principal
financial and accounting officer)

Dated: October 10, 2002

24

CERTIFICATIONS

I, Eugene M. Isenberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of Nabors Industries Ltd.;

Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q/A

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

Date: October 10, 2002

/s/ Eugene M. Isenberg

Eugene M. Isenberg
Chairman & Chief Executive Officer

I, Bruce P. Koch, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of Nabors Industries Ltd.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

Date: October 10, 2002

/s/ Bruce P. Koch

Bruce P. Koch
Vice President - Finance (principal financial and accounting officer)

INDEX TO EXHIBITS

EXHIBIT NUMBER -----	DESCRIPTION -----
2.1	Agreement and Plan of Merger among Nabors Industries, Inc., Nabors Acquisition Corp. VIII, Nabors Industries Ltd. and Nabors US

Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q/A

Holdings Inc. (incorporated by reference to Annex I to the proxy statement/prospectus included in Nabors Industries Ltd.'s Registration Statement on Form S-4 (Registration No. 333-76198) filed with the SEC on May 10, 2002).

- 2.2 Amended and Restated Acquisition Agreement, dated as of March 18, 2002, by and between Nabors Industries, Inc. and Enserco Energy Service Company Inc. (incorporated by reference to Exhibit 2.1 to Nabors Industries, Inc. Registration Statement No. 333-85228).
- 2.3 Form of Plan of Arrangement Under Section 192 of the Canada Business Corporations Act Involving and Affecting Enserco Energy Service Company Inc. and its Securityholders (included in Schedule B to Exhibit 2.2).
- 3.1 Memorandum of Association of Nabors Industries Ltd. (incorporated by reference to Annex II to the proxy statement/prospectus included in Nabors Industries Ltd.'s Registration Statement on Form S-4 (Registration No. 333-76198) filed with the SEC on May 10, 2002).
- 3.2 Amended and Restated Bye-laws of Nabors Industries Ltd. (incorporated by reference to Annex III to the proxy statement/prospectus included in Nabors Industries Ltd.'s Registration Statement on Form S-4 (Registration No. 333-76198) filed with the SEC on May 10, 2002).
- 3.3 Form of Resolutions of the Board of Directors of Nabors Industries Ltd. authorizing the issue of the Special Voting Preferred Share (incorporated by reference to Exhibit 3.3 to Nabors Industries Ltd. Registration Statement No. 333-85228-99).
- 4.1 Form of Provisions Attaching to the Exchangeable Shares of Nabors Exchangeco (Canada) Inc. (included as Appendix 1 to Exhibit 2.3).
- 4.2 Form of Support Agreement between Nabors Industries, Inc., 3064297 Nova Scotia Company and Nabors Exchangeco (Canada) Inc. (included as Schedule E to Exhibit 2.2).
- 4.3 Form of Acknowledgement of Novation to Nabors Industries, Inc., Nabors Exchangeco (Canada) Inc., Computershare Trust Company of Canada and 3064297 Nova Scotia Company executed by Nabors Industries Ltd. (incorporated by reference to Exhibit 4.3 to Nabors Industries Ltd. Registration Statement No. 333-85228-99).
- +4.4 Fourth Supplemental Indenture dated as of June 21, 2002 among Nabors Holding Company as issuer, Nabors Industries, Inc. as guarantor, Nabors Industries Ltd. as guarantor, and HSBC Bank USA, as trustee, with respect to Nabors Holding Company's 8-5/8% senior subordinated notes due 2008.
- +4.5 First Supplemental Indenture, dated as of June 21, 2002, among Nabors Industries, Inc. as issuer, Nabors Industries Ltd. as guarantor, and Bank One, N.A., as trustee, with respect to Nabors Industries, Inc.'s zero coupon convertible senior debentures due 2020.
- +4.6 Second Supplemental Indenture, dated as of June 21, 2002 among Nabors Industries, Inc., as issuer, Nabors Industries Ltd. as

