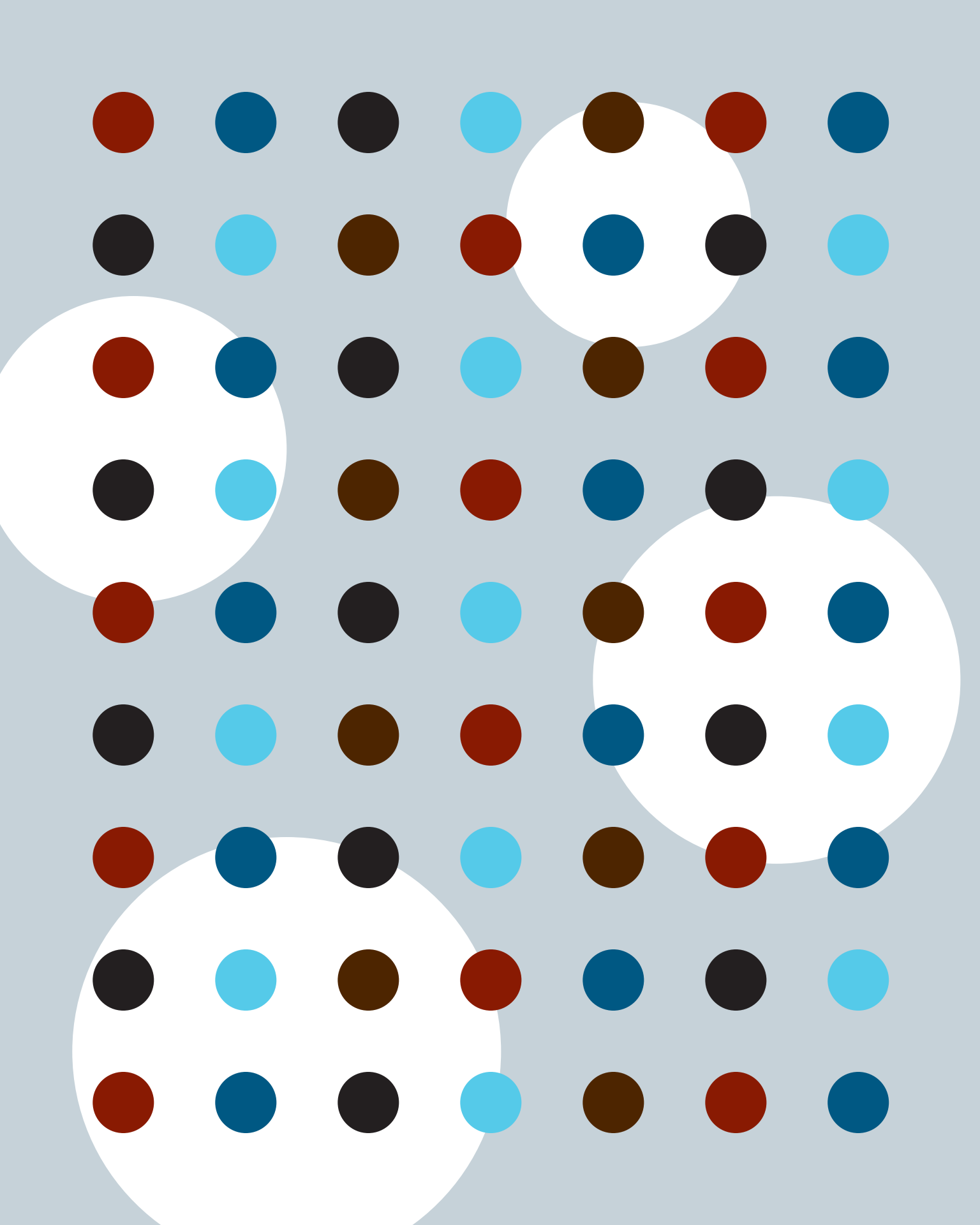


*of our
Composition*

NABORS INDUSTRIES

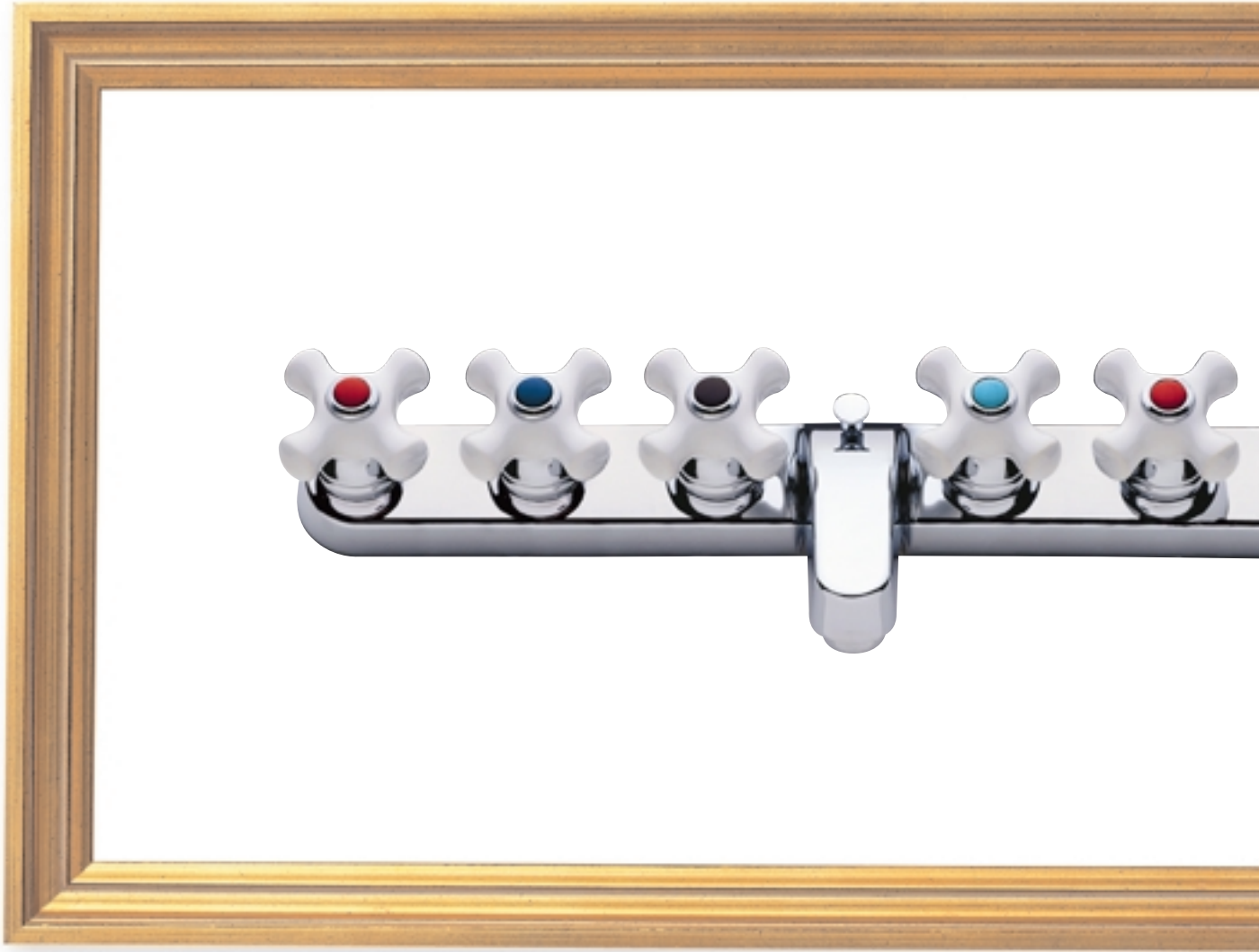
2003 ANNUAL REPORT



*our many options create
a canvas of*

opportunity

- 1 a Study of Supply on Demand
- 2 the Scale of our Footprint
- 3 a Well-Oiled Machine
- 4 a More Balanced Sheet



SU



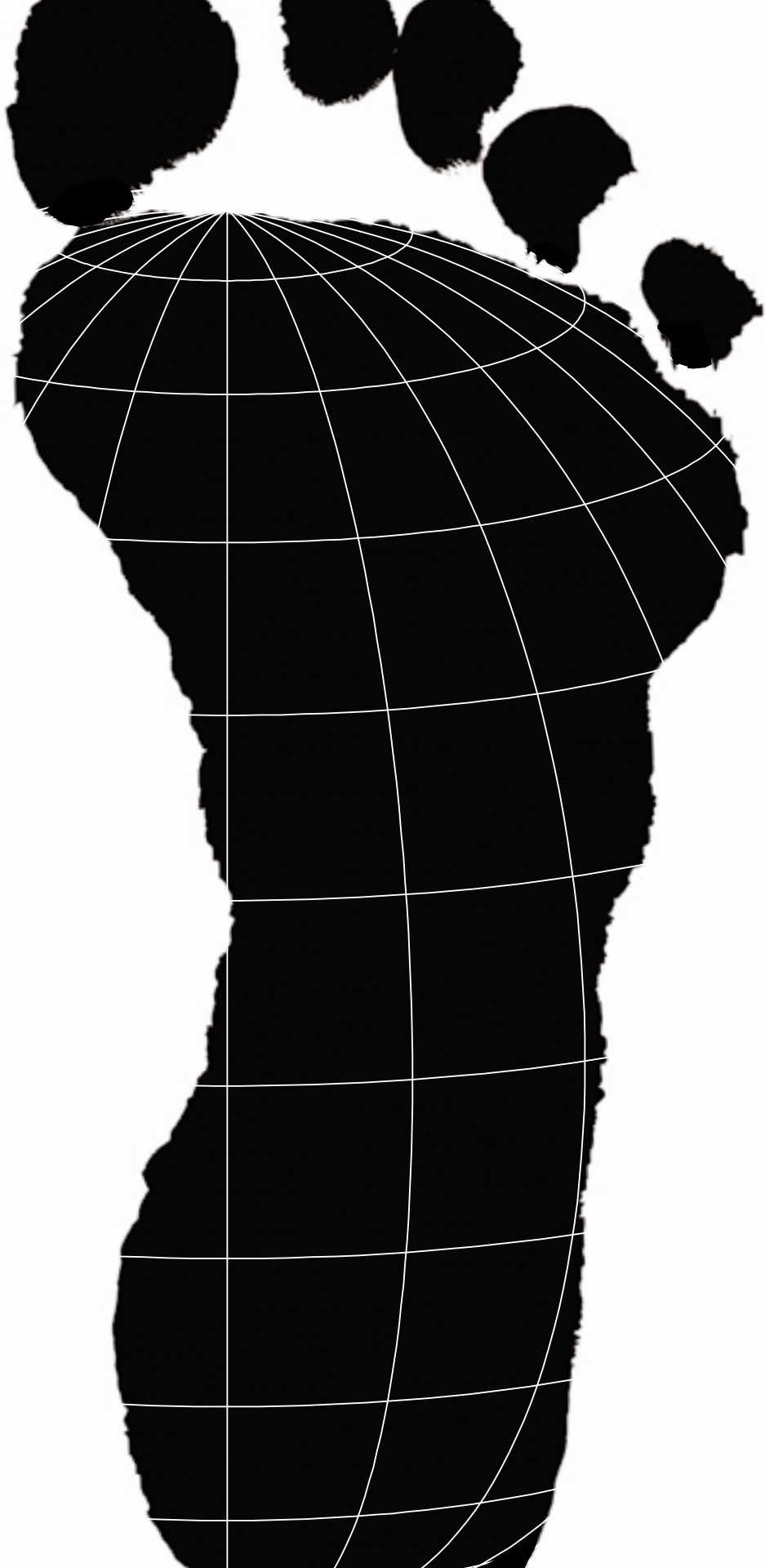
An available inventory of premium rigs in a variety of styles and sizes is readily translatable from one market to another, ensuring that Nabors can respond rapidly to customer demand at an advantageous cost.

PPPLY ON DEMAND



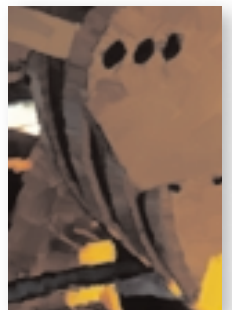
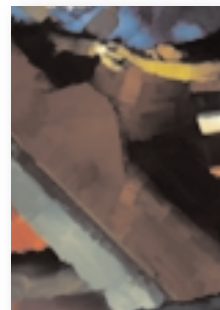
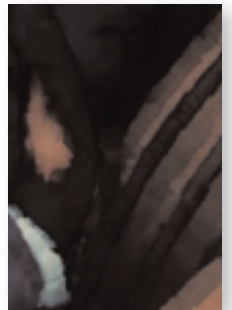
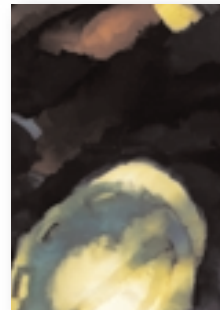
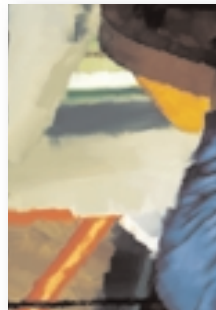
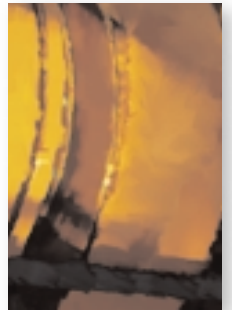
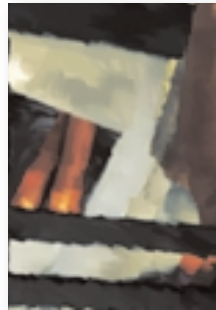
the S C A L E of our global footprint

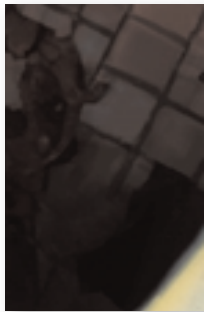
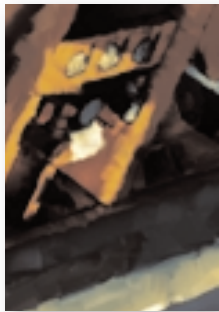
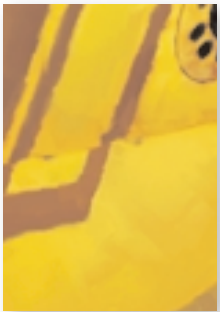
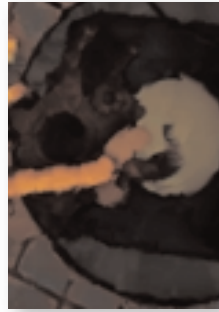
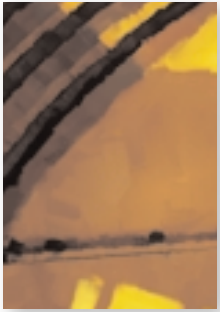
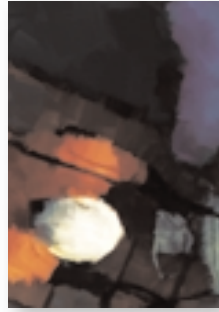
Years of operating in more than 50 countries has resulted in a global infrastructure of facilities and personnel, and a level of local know-how that makes responding to worldwide customer demand not only possible but predictable.

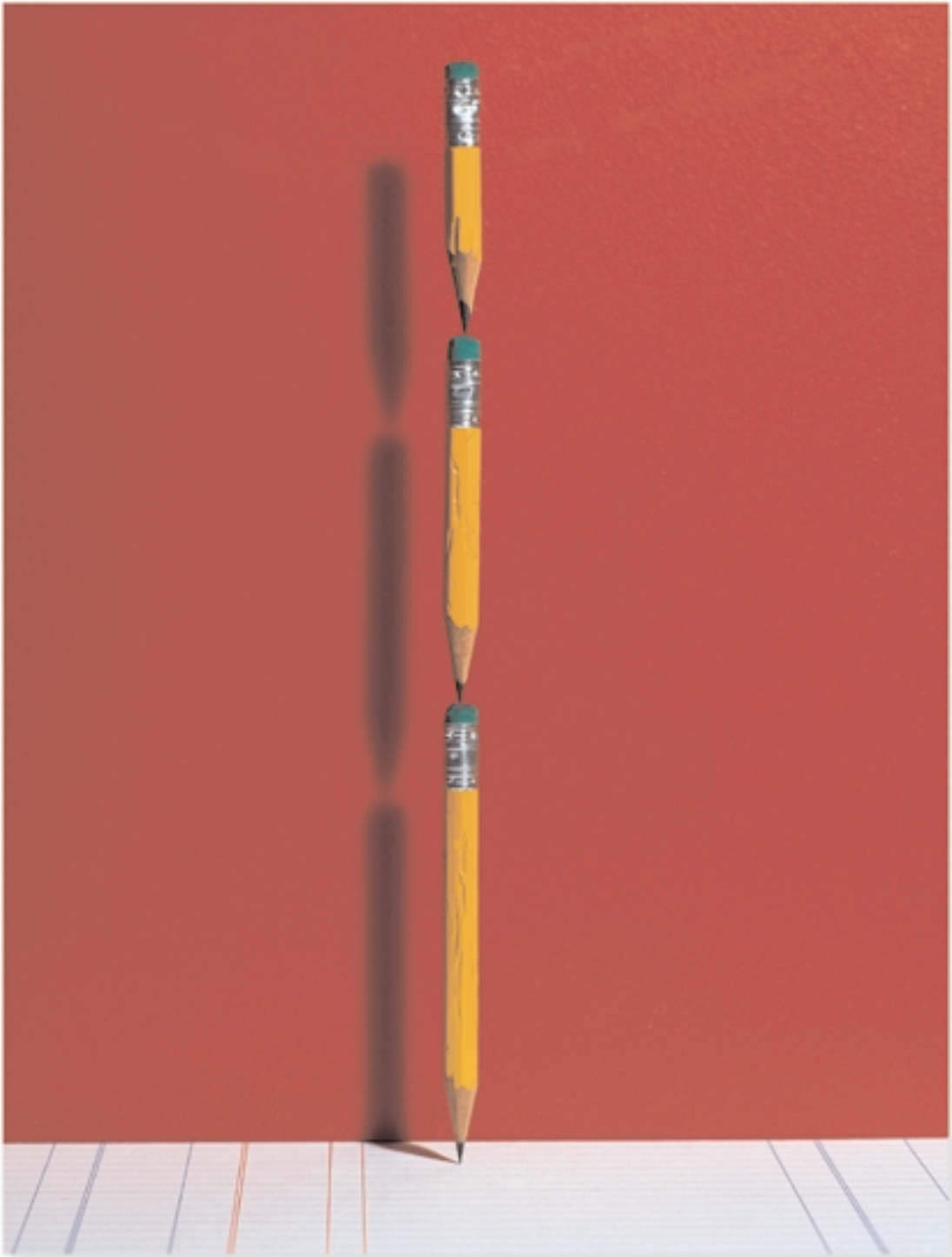


a W E L L - O I L E D machine

The breadth of our experience in every geographic area and an organization saturated with technical, operational, logistical and financial expertise gives Nabors a significant competitive advantage and provides a springboard from which to add to a growing track record of success.







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Recent growth in our Canadian and international markets along with improvements in our cost of capital, tax rate and diluted share count have given Nabors higher and more sustainable earnings potential than we previously enjoyed at significantly lower levels of U.S. activity.

FINANCIAL HIGHLIGHTS

Nabors Industries Ltd. and Subsidiaries

Operating Data

	Year Ended December 31,						Twelve Months Ended December 31, (Unaudited)	Year Ended September 30,		
	2003	2002	2001	2000	1999	1998	1997	1997	1996	1995
(In thousands, except per share amounts and ratio data)										
Operating revenues and Earnings from unconsolidated affiliates	\$ 1,890,186	\$ 1,481,218	\$ 2,228,070	\$ 1,414,943	\$ 670,186	\$ 1,007,864	\$ 1,115,032	\$ 1,029,303	\$ 719,743	\$ 572,788
Depreciation and amortization, and depletion	235,127	195,365	189,896	152,413	99,893	84,949	72,350	66,391	46,117	31,042
Net income	192,228	121,489	357,450	137,356	27,704	124,988	136,020	114,808	70,500	51,104
Earnings per diluted share	\$ 1.25	\$.81	\$ 2.24	\$.90	\$.23	\$ 1.16	\$ 1.24	\$ 1.08	\$.75	\$.57
Weighted-average number of diluted common shares outstanding	156,897	149,997	168,790	152,417	120,449	112,555	113,793	111,975	93,752	89,655
Capital expenditures and acquisitions of businesses	\$ 357,393	\$ 702,843	\$ 803,241	\$ 334,279	\$ 837,732	\$ 315,057	\$ 381,196	\$ 399,895	\$ 177,925	\$ 144,560
Interest coverage ratio	6.8 : 1	6.0 : 1	13.3 : 1	11.8 : 1	5.8 : 1	19.4 : 1	18.3 : 1	16.1 : 1	11.7 : 1	12.8 : 1

Balance Sheet Data

(In thousands, except ratio data)	As of December 31,						As of December 31, (Unaudited)	As of September 30,		
	2003	2002	2001	2000	1999	1998	1997	1997	1996	1995
Cash and cash equivalents, and short-term and long-term marketable securities	\$ 1,532,090	\$ 1,330,799	\$ 918,637	\$ 550,953	\$ 111,666	\$ 47,340	\$ 42,135	\$ 53,323	\$ 115,866	\$ 24,979
Working capital	917,274	618,454	700,816	524,437	195,817	36,822	62,571	70,872	172,091	33,892
Property, plant and equipment, net	2,990,792	2,801,067	2,451,386	1,835,039	1,678,664	1,127,154	923,402	861,393	511,203	393,464
Total assets	5,602,692	5,063,872	4,151,915	3,136,868	2,398,003	1,465,907	1,281,306	1,234,232	871,274	593,272
Long-term debt	1,985,553	1,614,656	1,567,616	854,777	482,600	217,034	226,299	229,507	229,504	51,478
Shareholders' equity	\$ 2,490,275	\$ 2,158,455	\$ 1,857,866	\$ 1,806,468	\$ 1,470,074	\$ 867,469	\$ 767,340	\$ 727,843	\$ 457,822	\$ 368,750
Funded debt to capital ratio:										
Gross	0.48 : 1	0.49 : 1	0.46 : 1	0.32 : 1	0.25 : 1	0.26 : 1	0.27 : 1	0.27 : 1	0.35 : 1	0.20 : 1
Net	0.23 : 1	0.26 : 1	0.26 : 1	0.15 : 1	0.20 : 1	0.17 : 1	0.20 : 1	0.20 : 1	0.21 : 1	0.09 : 1

Geographic Distribution of Revenues and Assets

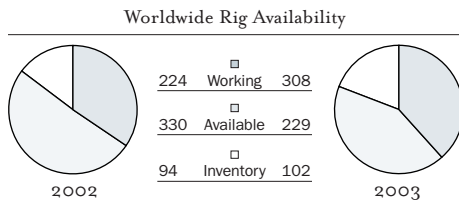
(In thousands)	Year Ended December 31,						Twelve Months Ended December 31, (Unaudited)	Year Ended September 30,		
	2003	2002	2001	2000	1999	1998	1997	1997	1996	1995
Operating revenues and Earnings from unconsolidated affiliates:										
United States	\$ 1,152,272	\$ 1,012,503	\$ 1,859,356	\$ 1,115,899	\$ 448,478	\$ 706,046	\$ 867,999	\$ 797,319	\$ 503,622	\$ 383,376
Foreign	737,914	468,715	368,714	299,044	221,708	301,818	247,033	231,984	216,121	189,412
	\$ 1,890,186	\$ 1,481,218	\$ 2,228,070	\$ 1,414,943	\$ 670,186	\$ 1,007,864	\$ 1,115,032	\$ 1,029,303	\$ 719,743	\$ 572,788

(In thousands)	As of December 31,						As of December 31, (Unaudited)	As of September 30,		
	2003	2002	2001	2000	1999	1998	1997	1997	1996	1995
Total assets:										
United States	\$ 3,641,185	\$ 3,569,657	\$ 3,282,429	\$ 2,649,923	\$ 1,917,751	\$ 1,068,193	\$ 958,026	\$ 897,453	\$ 593,014	\$ 348,248
Foreign	1,961,507	1,494,215	869,486	486,945	480,252	397,714	323,280	336,779	278,260	245,024
	\$ 5,602,692	\$ 5,063,872	\$ 4,151,915	\$ 3,136,868	\$ 2,398,003	\$ 1,465,907	\$ 1,281,306	\$ 1,234,232	\$ 871,274	\$ 593,272



S U P P L Y on demand

- Nabors has systematically assembled a fleet of premium rigs in virtually every size, depth and style, allowing the company to meet customer demand wherever it occurs.



- Nabors maintains the industry's largest inventory of major rig components, allowing the activation, modification or repair of rigs for any application quickly and at minimum incremental cost.
- Nabors has the worldwide manufacturing capability to configure rigs to customer specifications from existing inventory, delivering even highly-specialized rigs economically and in minimal time.
- A continuous upgrade program has improved the marketability of Nabors rigs, keeping them at the forefront of advancements in rig efficiency and economy.

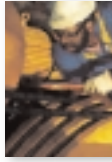


the S C A L E of our global footprint

- With an operating history in approximately 50 countries, Nabors has built a worldwide support infrastructure that facilitates the pursuit of opportunities in any market.

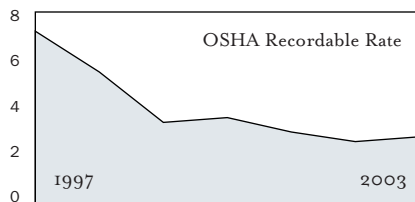
954	LAND WORKOVER RIGS
575	LAND DRILLING RIGS
45	PLATFORMS
31	MARINE VESSELS
16	JACK-UPS
3	BARGE RIGS
*	TOP DRIVE MANUFACTURING
*	DRILLING INSTRUMENTATION SYSTEMS
*	OILFIELD SERVICES

- Nabors can add, modify or upgrade rigs at multiple facilities worldwide, allowing the Company to quickly add incremental capacity in any geographic region.
- Nabors' success internationally is the result of developing a critical mass infrastructure, extensions of which can easily be added to support expansion into new markets.
- Nabors is continually recruiting and training local nationals within the countries in which we operate – in the process reducing our cost of doing business while contributing significantly to the local economy.



a WELL - OILED machine

- Nabors has always placed a high priority on recruiting and retaining qualified people at every level of the organization and in every country in which we operate.
- An emphasis on training and a commitment to safety have resulted in consistently excellent performance by Nabors rigs and crews, establishing the Company as the world's premiere drilling contractor.



- An emphasis on developing or acquiring important new technologies and applying them appropriately has kept Nabors on the cutting edge of drilling achievement.
- Nabors' financial acumen and opportunistic culture have resulted in a growth strategy that has been consistently successful in virtually any market condition.



a more BALANCED sheet

- Increased contributions from our Canadian and International operations, which collectively now approximate 65 percent of our adjusted income from operating activities, have given Nabors a more balanced operating line that was once dominated by U.S. land drilling activity.
- Timely refinancing has steadily reduced the cost of capital for Nabors, with our most recent transaction trimming 8.1 million shares from our diluted share count and funding an April 2004 redemption, which will save \$20 million in annualized interest.
- Nabors continues to benefit from our decision to reorganize as a Bermuda company, which has facilitated growth in our international businesses, improved access to foreign capital markets, lowered our effective worldwide tax rate and contributed to the employment of over 2,000 U.S. citizens.
- While Nabors' capital structure, total assets and shareholder equity continue to improve, a stronger-than-ever cash position provides the flexibility to capitalize on prospective opportunities.

*creating
a company of aesthetic and intrinsic*



value

LETTER TO SHAREHOLDERS

T

he timeliness of our recent Canadian acquisitions was emphatically demonstrated in 2003 as record contributions from this unit, combined with improved performance in several of our other operations, fueled the second best year in the Company's history. This is particularly noteworthy considering that our largest component, U.S. Land Drilling, was substantially below the level we expect to see in the near future. The breadth of the year's overall growth demonstrates the increased earnings potential the Company now enjoys and the improved balance in our income stream.

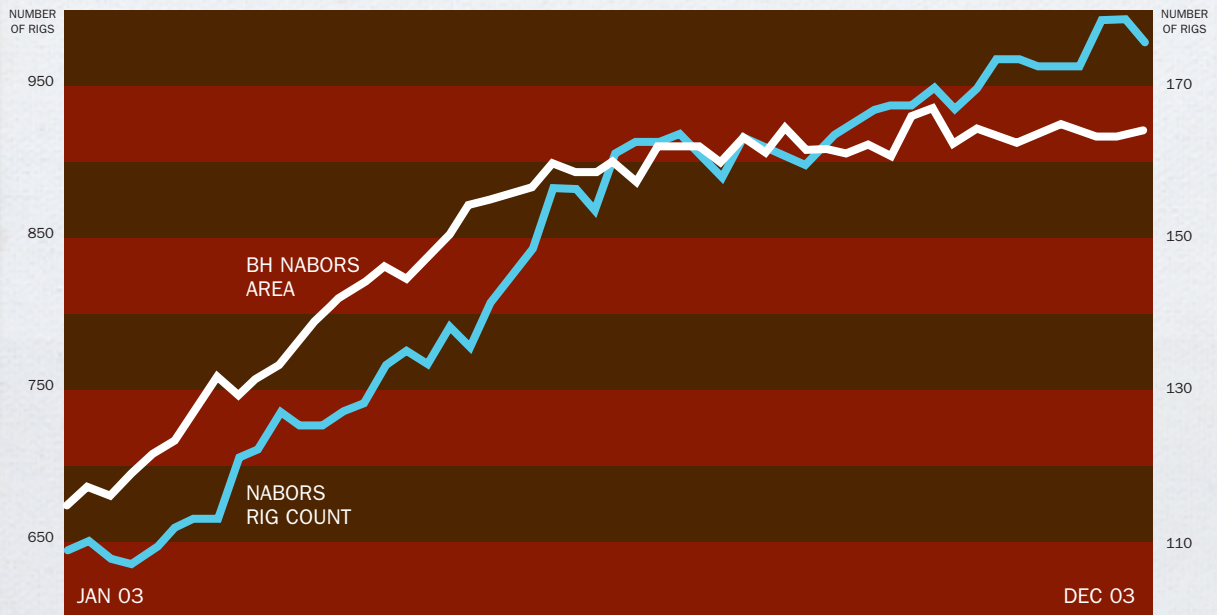
Strategic actions taken to improve the non-operational aspects of our business added materially to the Company's increased profitability in 2003. Since our reorganization, business has steadily improved contributing to the employment of an additional 2,000 U.S. citizens. In June, we effected a significant reduction in our average cost of capital and weighted-average shares with the issuance of non-interest bearing, no yield convertible debt. A portion of the proceeds of this new issue were used to redeem higher cost convertible debt, reducing by eight million our average diluted share count. In April 2004, we expect to utilize the balance of these proceeds to redeem a maturing higher cost issue, saving over \$20 million in annualized interest. Additionally, our mid-2002 reorganization as a Bermuda corporation has further improved income and diminished the competitive advantages previously enjoyed by our non-U.S. based competitors.

In addition to the inherent competitive advantages of our financial position, the Company's global infrastructure and available premium asset inventory played an even bigger role in our ability to realize a higher success rate in securing incremental work throughout our various markets in 2003. This was particularly true in our U.S. Lower 48 Land Drilling unit where we garnered 35 percent of the year-over-year increase in the Baker Hughes rig count, nearly double our 2002 market share. This was due to an increase in the number of technically complex directional and horizontal wells that our customers undertook in several regions, which spurred demand for our more sophisticated electric rigs, especially those with upgraded mud pumps and power. A second quarter surge in activity in the Rocky Mountain region caused demand for 1,000-horsepower rigs to outstrip availability, providing an opportunity for Nabors to significantly increase our market share in that area by relocating excess capacity from our mid-continent fleet. These strategic actions were accomplished with minimal incremental investment.

Nabors continued to leverage these same competitive advantages in our international markets by capitalizing on a substantial increase in demand for offshore platform drilling rigs. The Company responded to this opportunity by modifying and redeploying eight underutilized rigs from our U.S. Gulf of Mexico operation, five to Mexico and one each to India, Indonesia and the eastern Mediterranean. The Indian contract represented a new market for Nabors, as did the securing of an initial contract to provide management oversight of drilling operations for a major Russian operator, both of which have the

Baker Hughes Nabors Area vs. Nabors Rig Count

Source: Baker Hughes (excludes northeast states, California and Alaska)



potential to be strategic markets long term. The export of these rigs had the corollary benefit of balancing supply and demand for this class of rig in the U.S. Gulf of Mexico market, leading to improved utilization and pricing.

Our large rig and component inventory was also utilized to build three state-of-the-art rigs in the U.S. and two in Canada at well below the costs associated with new construction, allowing us to generate superior returns at today's market rates. Two of the U.S. rigs utilized long-idle 1,500-horsepower rigs that were remodeled and transformed into uniquely compact skidded rigs for close well center development in an environmentally sensitive area of the Rocky Mountains. The two Canadian rigs incorporated an innovative design that represented a step-change in drilling and moving efficiency.

Nabors is also upgrading our existing fleet to realize similar improvements in drilling and moving efficiency, a step that is already yielding positive results with customers as well as superior returns on these investments. As a result, our average rig moving times are steadily improving and we continue to selectively incorporate larger mud pumps and power systems to accommodate the higher hydraulic horsepower requirements of today's newer bits and drilling motors. We are also accelerating our implementation of the OptiDrill™ automatic driller system which significantly improves drilling efficiency, and have recently completed the fleet-wide implementation of rig performance and operating data transmission via the Internet.

We remain steadfast in our conviction that we are in the midst of a long-term, steady growth cycle that has been and will continue to be underpinned by the enduring supply challenges associated with global oil and, more particularly, North American natural gas. It is our opinion that while there are a number of potential alternatives for natural gas, the regulatory, economic and technical challenges associated with their development dictate that it will be at least a decade before they adversely impact the economics of more aggressive drilling as the most viable source of supply in North America. The continued growth of global oil demand, despite higher oil prices and the impending decline of many of the world's major fields, augurs for an even longer duration of additional drilling as the primary source of global oil supply.

All of this implies continued growth prospects throughout all of our global businesses, especially those most influenced by North American natural gas. The breadth of our involvement in virtually all of the world's more significant oil and gas producing markets and the quantity of premium rigs we can deploy at favorable cost put us in an excellent if not unique position to capture an increasing share of incremental work. Just as these competitive advantages have been demonstrated in 2003, they are becoming an even bigger factor in our near-term outlook as anecdotal evidence of an improving market has recently become more tangible.

Near term, the largest contribution to our growth should come from our U.S. Lower 48 Land Drilling unit, where activity levels are substantially higher than last year and improvement in pricing is beginning to

15%

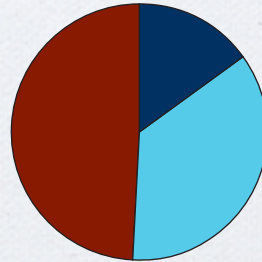
Canada and International

49%

U.S. Lower 48 Land Drilling

36%

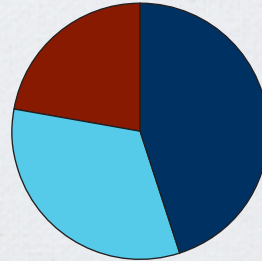
All other U.S. Businesses



Prior Best Year - 2001 Actual Distribution

45%

22%



Current Projected Distribution at 2001 EPS

33%

Distribution of adjusted income derived from operating activities

\$2.24

2001 Prior Best Earnings Per Share

improved business balance

be realized in selective markets and asset classes. Our U.S. Gulf of Mexico offshore business should also be a major component of the year's growth, with its contribution expected to approach the record level of 2001. This outlook stems from the tightening supply of platform rigs, which accompanied our export last year of several of these rigs to international markets, and a more favorable environment for our smaller workover and jack-up rigs. The deployment of three new MODS platform rigs, which we were able to construct from our available equipment at well below competitive costs, will be strongly additive to this unit's performance, a reflection of the enthusiasm with which our customers have embraced this innovative rig.

The robust Canadian market that materialized throughout 2003 should further expand with higher average pricing and utilization. Our international business should steadily improve as a full year's contribution from the offshore rig deployments of mid-2003 combine with a general increase in utilization of the established fleet.

At present, only our Alaska operation is expected to report lower results. The completion of two long-term contracts and a generally lackluster drilling environment should lead to substantially lower profitability, although this unit represents a much smaller portion of our business than in previous years.

Clearly, Nabors has reason for optimism in the coming year. Growth in our various businesses other than U.S. Lower 48 Land Drilling has produced increasingly significant contributions to our results, ensuring

Anthony G. Petrello
Deputy Chairman, President and
Chief Operating Officer

Eugene M. Isenberg
Chairman and
Chief Executive Officer



a more balanced income stream and even larger ultimate earnings potential. When this enhanced balance is combined with our improved cost of capital, diluted share count and tax position, Nabors' earnings can surpass 2001's record level with only half the contribution we previously derived from our U.S. land drilling business.

The one constant in all of this is Nabors' commitment to quality, efficiency and safety. This is reflected in our continual search for and subsequent adoption of the most cost-effective technologies and best practices, and our relentless drive to improve on what are already industry-best safety records. As we continue to incorporate these standards into our business, we will continue to meet or exceed our customers' expectations, laying the groundwork for sustained excellence in our performance and delivering the value you have come to expect from your investment in Nabors.

Sincerely,

EUGENE M. ISENBERG

Chairman and Chief Executive Officer

OFFICERS AND DIRECTORS

(Nabors Industries Ltd. and Subsidiaries)

OFFICERS

Eugene M. Isenberg

Chairman and Chief Executive Officer

Anthony G. Petrello

Deputy Chairman, President and
Chief Operating Officer

Daniel McLachlin

Vice President – Administration and
Corporate Secretary

Bruce P. Koch

Vice President and Chief Financial Officer

DIRECTORS

Eugene M. Isenberg

Chairman and Chief Executive Officer,
Nabors Industries Ltd.

Anthony G. Petrello

Deputy Chairman, President and
Chief Operating Officer
Nabors Industries Ltd.

James L. Payne

Chairman, Chief Executive Officer and President,
Nuevo Energy Company

Hans W. Schmidt

Former Director,
Deutag Drilling

Myron M. Sheinfeld

Senior Counsel,
Akin, Gump, Straus, Hauer & Feld, L.L.P.

Jack Wexler

International Business Consultant

Martin J. Whitman

Director,
Danielson Holding Corporation

Chairman,

Third Avenue Trust

PRINCIPAL OPERATING SUBSIDIARIES AND LEAD EXECUTIVES

Nabors Alaska Drilling, Inc.

Anchorage, Alaska
James H. Denney

Nabors Canada L.P.

Calgary, Alberta
Duane A. Mather

Nabors Drilling USA, LP

Peak USA Energy Services, Ltd.

Ramshorn Investments, Inc.

Houston, Texas
Larry P. Heidt

Pool Well Services Co. and

Pool Company Texas, Ltd.

Houston, Texas
James H. Denney

Ryan Energy Technologies

Calgary, Alberta
Richard T. Ryan

Nabors Management Ltd.

Nabors Drilling International Limited

Nabors Drilling International II Limited

**Sundowner Offshore International
(Bermuda) Limited**

Hamilton, Bermuda
H. Siegfried Meissner

Nabors Offshore Corporation

Houston, Texas
Jerry C. Shanklin

Canrig Drilling Technology Ltd.

Magnolia, Texas
Christopher P. Papouras

Epoch Well Services, Inc.

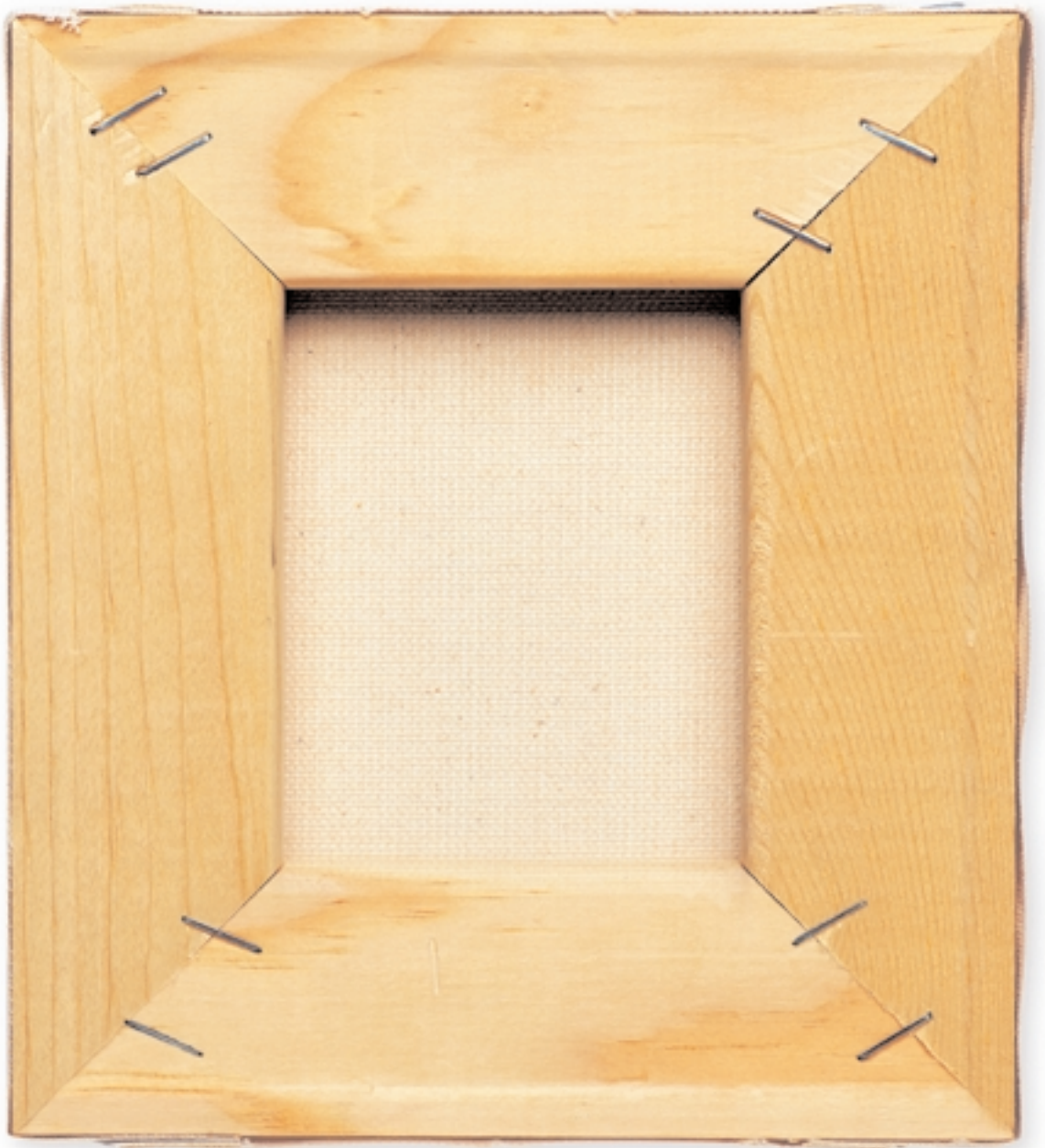
Houston, Texas
Christopher P. Papouras

Peak Oilfield Service Company

Anchorage, Alaska
Michael R. O' Connor

Sea Mar, a division of Pool Well Services Co.

Houston, Texas
Van C. Dewitt



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