

KEY ENERGY Q1 2003 EARNINGS CONFERENCE CALL - RECONCILIATIONS OF NON-GAAP TO GAAP MEASURES

(in thousands)	For the Three Months ended				
	March 31, 2003	December 31, 2002	September 30, 2002	June 30, 2002	March 31, 2002
Reconciliation of EBITDA, as adjusted, to Net Cash Flows from Operating Activities:					
Net cash provided by operating activities	\$8,061	\$49,717	\$7,877	\$46,013	\$29,886
Interest expense, net of amortization of deferred costs	10,272	10,294	10,295	8,672	9,598
Current income tax expense (benefit)	60	33	-	(2,439)	(5,510)
Loss on sales of fixed assets	(56)	(332)	(145)	(16)	(146)
Increase (decrease) in accounts receivable, net of bad debt expense	10,351	4,364	2,247	(1,676)	(24,159)
Increase (decrease) in other current assets	(50)	(2,620)	(5,035)	1,982	(69)
(Increase) decrease in current liabilities, excluding current portion of long-term debt and capital lease obligations	10,189	(17,684)	21,246	(22,249)	14,963
Other assets and liabilities	(4,551)	(4,056)	(2,727)	(9,882)	6,298
EBITDA, as adjusted (1)	\$34,276	\$39,716	\$33,758	\$20,405	\$30,861
Reconciliation of EBITDA, as adjusted, to Net Income (Loss):					
Net income (loss)	(\$1,774)	\$1,134	(\$5,510)	(\$5,863)	(\$4,626)
Interest	11,048	11,481	11,262	10,411	9,875
Income tax expense (benefit)	(835)	1,097	(1,616)	(4,686)	(2,434)
Depreciation, depletion and amortization	25,601	25,309	25,802	20,783	19,889
Bad debt expense	238	703	957	172	(311)
(Gain) loss on retirement of debt	(2)	(8)	(10)	(11)	8,468
Foreign currency transaction (gain) loss, Argentina	-	-	-	(401)	-
Cumulative effect on prior years of a change in accounting principle, net of tax	-	-	2,873	-	-
EBITDA, as adjusted (1)	\$34,276	\$39,716	\$33,758	\$20,405	\$30,861

(1) EBITDA, as adjusted, as discussed in the Company's Q1 2003 earnings conference call, is a non-GAAP measure that represents the Company's earnings before interest expense, taxes, depreciation, depletion, and amortization, bad debt expense, gains/losses on retirement of debt, foreign currency transaction (gains) losses and cumulative effect for the period indicated. Management considers its EBITDA, as adjusted, to be a measure of both performance and liquidity. In addition, management believes that EBITDA, as adjusted, is sometimes useful to compare the operating results of companies within an industry due to the fact that it eliminates the effects of certain financing decisions. However, EBITDA, as adjusted, should not be considered as an alternative to GAAP measures of performance, such as net income or cash flow. The term "GAAP" refers to generally accepted accounting principles.

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Other assets and liabilities	(4,551)	(4,056)	(2,727)	(9,882)	6,298
Severance and consolidation costs, pressure pumping operations	1,100	-	-	-	-
EBITDA, as adjusted (1)	\$35,376	\$39,716	\$33,758	\$20,405	\$30,861
Reconciliation of EBITDA, as adjusted, to Net Income (Loss):					
Net income (loss)	(\$1,774)	\$1,134	(\$5,510)	(\$5,863)	(\$4,626)
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