

NABORS INDUSTRIES LTD

Form 10-Q

May 11, 2009

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

Form 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2009

Commission File Number: 001-32657

NABORS INDUSTRIES LTD.

**Incorporated in Bermuda
Mintflower Place
8 Par-La-Ville Road
Hamilton, HM08
Bermuda
(441) 292-1510**

98-0363970

(I.R.S. Employer Identification No.)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

The number of common shares, par value \$.001 per share, outstanding as of May 4, 2009 was 283,041,152. In addition, our subsidiary, Nabors Exchangeco (Canada) Inc., had 101,392 exchangeable shares outstanding as of

May 4, 2009 that are exchangeable for Nabors common shares on a one-for-one basis, and have essentially identical rights as Nabors Industries Ltd. common shares, including but not limited to voting rights and the right to receive dividends, if any.

NABORS INDUSTRIES LTD. AND SUBSIDIARIES

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Table of Contents**NABORS INDUSTRIES LTD. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****(Unaudited)**

(In thousands, except per share amounts)	March 31, 2009	December 31, 2008 (As adjusted)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 981,916	\$ 442,087
Short-term investments	126,672	142,158
Accounts receivable, net	975,797	1,160,768
Inventory	143,160	150,118
Deferred income taxes	23,093	28,083
Other current assets	229,209	243,379
Total current assets	2,479,847	2,166,593
Long-term investments and other receivables	254,714	239,952
Property, plant and equipment, net	7,488,679	7,331,959
Goodwill	174,806	175,749
Investment in unconsolidated affiliates	405,393	411,727
Other long-term assets	191,052	191,919
Total assets	\$ 10,994,491	\$ 10,517,899
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 168,682	\$ 225,030
Trade accounts payable	342,847	424,908
Accrued liabilities	354,242	367,393
Income taxes payable	119,222	111,528
Total current liabilities	984,993	1,128,859
Long-term debt	4,158,331	3,600,533
Other long-term liabilities	246,203	261,878
Deferred income taxes	591,768	622,523
Total liabilities	5,981,295	5,613,793
Commitments and contingencies (Note 8)		
Shareholders' equity:		
Common shares, par value \$.001 per share:		
Authorized common shares 800,000; issued 312,462 and 312,343, respectively	312	312
Capital in excess of par value	2,081,145	2,058,319
Accumulated other comprehensive income	14,614	53,520

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Retained earnings	3,894,998	3,769,828
Less: treasury shares, at cost, 29,414 common shares	(977,873)	(977,873)
Total shareholders' equity	5,013,196	4,904,106
Total liabilities and shareholders' equity	\$ 10,994,491	\$ 10,517,899

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

Table of Contents**NABORS INDUSTRIES LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME****(Unaudited)**

(In thousands, except per share amounts)	Three Months Ended	
	2009	2008
		March 31,
		(As adjusted)
Revenues and other income:		
Operating revenues	\$ 1,198,045	\$ 1,299,858
Losses from unconsolidated affiliates	(64,427)	(4,451)
Investment income	9,141	26,182
Total revenues and other income	1,142,759	1,321,589
Costs and other deductions:		
Direct costs	665,287	747,770
General and administrative expenses	107,343	111,321
Depreciation and amortization	159,152	136,200
Depletion	2,753	13,685
Interest expense	67,078	46,692
Losses (gains) on sales, retirements and impairments of long-lived assets and other expense (income), net	(17,297)	8,097
Total costs and other deductions	984,316	1,063,765
Income before income taxes	158,443	257,824
Income tax expense (benefit):		
Current	49,457	99,293
Deferred	(16,184)	(53,513)
Total income tax expense	33,273	45,780
Net income	\$ 125,170	\$ 212,044
Earnings per share:		
Basic	\$.44	\$.76
Diluted	\$.44	\$.74
Weighted-average number of common shares outstanding:		
Basic	283,098	280,166
Diluted	283,119	285,780

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

Table of Contents**NABORS INDUSTRIES LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

(In thousands)	Three Months Ended	
	2009	2008
		(As adjusted)
Cash flows from operating activities:		
Net income	\$ 125,170	\$ 212,044
Adjustments to net income:		
Depreciation and amortization	159,152	136,200
Depletion	2,753	13,685
Deferred income tax (benefit) expense	(16,184)	(53,513)
Deferred financing costs amortization	1,788	2,148
Pension liability amortization and adjustments	49	70
Discount amortization on long-term debt	24,988	29,085
Amortization of loss on hedges	144	134
Losses on long-lived assets, net	4,306	4,451
Gains on investments, net	(3,282)	(14,763)
Gains on debt retirement, net	(15,687)	
Losses (gains) on derivative instruments	(2,494)	1,390
Share-based compensation	23,328	9,021
Foreign currency transaction losses (gains), net	(1,019)	307
Equity in losses of unconsolidated affiliates, net of dividends	66,427	6,606
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	181,054	(86,969)
Inventory	5,910	2,075
Other current assets	15,256	6,359
Other long-term assets	(5,150)	1,141
Trade accounts payable and accrued liabilities	(53,998)	(45,486)
Income taxes payable	1,033	52,951
Other long-term liabilities	(10,680)	3,455
Net cash provided by operating activities	502,864	280,391
Cash flows from investing activities:		
Purchases of investments	(16,893)	(105,725)
Sales and maturities of investments	22,252	151,725
Investment in unconsolidated affiliates	(62,106)	(15,567)
Capital expenditures	(390,515)	(327,931)
Proceeds from sales of assets and insurance claims	6,881	12,270
Net cash used for investing activities	(440,381)	(285,228)
Cash flows from financing activities:		

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Increase (decrease) in cash overdrafts	(8,341)	4,515
Proceeds from long-term debt	1,124,978	575,219
Debt issuance costs	(8,277)	(3,818)
Proceeds from issuance of common shares	526	6,769
Reduction in long-term debt	(629,802)	
Repurchase of equity component of convertible debt	(231)	
Repurchase of common shares		(4,166)
Purchase of restricted stock	(900)	(9,662)
Tax benefit related to the exercise of stock options	103	828
Net cash provided by financing activities	478,056	569,685
Effect of exchange rate changes on cash and cash equivalents	(710)	(1,828)
Net increase in cash and cash equivalents	539,829	563,020
Cash and cash equivalents, beginning of period	442,087	531,306
Cash and cash equivalents, end of period	\$ 981,916	\$ 1,094,326

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

Table of Contents**NABORS INDUSTRIES LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CHANGES
IN SHAREHOLDERS' EQUITY
(Unaudited)**

	Common		Accumulated Comprehensive Income (Loss)				Retained Earnings	Treasury Shares	Total Shareh Equ
	Shares	Par Value	Capital in Excess of Par Value	Unrealized Gains (Losses) on Marketable Securities	Cumulative Translation Adjustment	Other			
(in thousands)	Shares	Par Value	Par Value	Securities	Adjustment	Other	Earnings	Shares	Equ
As of December 31, 2008, as reported	312,343	\$ 312	\$ 2,058,319	\$ (36,960)	\$ 95,782	\$ (5,302)	\$ 3,769,828	\$ (977,873)	\$ 4,900,000
Comprehensive income									
Income							125,170		125,170
Translation adjustment					(35,843)				(35,843)
Unrealized gains on marketable securities, net of tax benefit of				(3,192)					(3,192)
Reclassification adjustment for losses included in net income, net of tax benefit of				54					54
Liability for uncertain tax position, net of taxes of \$19 million						31			31
Realization of losses on cash derivatives, net of tax benefit of						44			44
Comprehensive (loss)				(3,138)	(35,843)	75	125,170		(3,138)