

## Section 1: 10-Q (10-Q)

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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 September 30, 2020

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

Commission File Number: 001-32657

### NABORS INDUSTRIES LTD.

(Exact name of registrant as specified in its charter)

**Bermuda**

(State or other jurisdiction of incorporation or organization)

**98-0363970**

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

**Crown House  
Second Floor  
4 Par-la-Ville Road  
Hamilton, HM08  
Bermuda**

(Address of principal executive office)

**(441) 292-1510**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common shares, \$.05 par value per share	NBR	NYSE
Preferred shares, 6.00% Mandatory Convertible Preferred Shares, Series A, \$.001 par value per share	NBR.PRA	NYSE

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 every Interactive Data File required to be submitted 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 such files). Yes  No

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

Large Accelerated Filer

Accelerated Filer

Non-accelerated Filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 \$.05 per share, outstanding as of October 31, 2020 was 7,294,015, excluding 1,090,003 common shares held by our subsidiaries, or 8,384,018 in the aggregate.

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### NABORS INDUSTRIES LTD. AND SUBSIDIARIES

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**NABORS INDUSTRIES LTD. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

	September 30, 2020	December 31, 2019
	(In thousands, except per share amounts)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 504,985	\$ 435,990
Short-term investments	8,840	16,506
Accounts receivable, net	347,212	453,042
Inventory, net	164,029	176,341
Assets held for sale	562	2,530
Other current assets	137,384	164,257
Total current assets	1,163,012	1,248,666
Property, plant and equipment, net	4,225,034	4,930,549
Goodwill	—	28,380
Deferred income taxes	277,897	305,844
Other long-term assets	151,365	247,219
Total assets (1)	\$ 5,817,308	\$ 6,760,658
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Trade accounts payable	\$ 216,495	\$ 295,159
Accrued liabilities	247,181	333,282
Income taxes payable	12,872	14,628
Current lease liabilities	9,470	13,479
Total current liabilities	486,018	656,548
Long-term debt	3,290,303	3,333,220
Other long-term liabilities	239,684	292,184
Deferred income taxes	3,053	3,149
Total liabilities (1)	4,019,058	4,285,101
Commitments and contingencies (Note 8)		
Redeemable noncontrolling interest in subsidiary (Note 3)	438,486	425,392
Shareholders' equity:		

Preferred shares, par value \$0.001 per share:		
Series A 6% Cumulative Mandatory Convertible; \$50 per share liquidation preference; outstanding 4,870 and 5,613, respectively	5	6
Common shares, par value \$0.05 per share:		
Authorized common shares 32,000; issued 8,385 and 8,324, respectively	419	416
Capital in excess of par value	3,419,467	3,412,972
Accumulated other comprehensive income (loss)	(18,630)	(11,788)
Retained earnings (accumulated deficit)	(829,862)	(104,775)
Less: treasury shares, at cost, 1,090 and 1,056 common shares, respectively	(1,315,751)	(1,314,020)
Total shareholders' equity	1,255,648	1,982,811
Noncontrolling interest	104,116	67,354
Total equity	1,359,764	2,050,165
Total liabilities and equity	\$ 5,817,308	\$ 6,760,658

(1) The condensed consolidated balance sheet as of September 30, 2020 and December 31, 2019 include assets and liabilities of variable interest entities. See Note 3—Joint Ventures for additional information. The accompanying notes are an integral part of these condensed consolidated financial statements.

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**NABORS INDUSTRIES LTD. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)**  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In thousands, except per share amounts)			
Revenues and other income:				
Operating revenues	\$ 438,352	\$ 758,076	\$ 1,690,647	\$ 2,329,122
Earnings (losses) from unconsolidated affiliates	—	—	—	(5)
Investment income (loss)	(742)	(1,437)	(1,904)	8,709
Total revenues and other income	437,610	756,639	1,688,743	2,337,826
Costs and other deductions:				
Direct costs	270,397	475,461	1,058,794	1,493,082
General and administrative expenses	46,168	63,577	149,796	196,159
Research and engineering	7,565	12,004	26,279	37,444
Depreciation and amortization	206,862	221,557	645,045	650,267
Interest expense	52,403	51,291	158,331	155,134
Impairments and other charges	5,017	3,629	339,303	106,007
Other, net	(425)	5,005	(48,330)	30,598
Total costs and other deductions	587,987	832,524	2,329,218	2,668,691
Income (loss) from continuing operations before income taxes	(150,377)	(75,885)	(640,475)	(330,865)
Income tax expense (benefit):				
Current	1,450	18,117	(6,089)	50,483
Deferred	(5,145)	5,786	24,533	14,617
Total income tax expense (benefit)	(3,695)	23,903	18,444	65,100
Income (loss) from continuing operations, net of tax	(146,682)	(99,788)	(658,919)	(395,965)
Income (loss) from discontinued operations, net of tax	22	157	(48)	(34)
Net income (loss)	(146,660)	(99,631)	(658,967)	(395,999)
Less: Net (income) loss attributable to noncontrolling interest	(10,805)	(19,297)	(38,437)	(44,202)
Net income (loss) attributable to Nabors	(157,465)	(118,928)	(697,404)	(440,201)
Less: Preferred stock dividend	(3,653)	(4,310)	(10,958)	(12,935)
Net income (loss) attributable to Nabors common shareholders	\$ (161,118)	\$ (123,238)	\$ (708,362)	\$ (453,136)
Amounts attributable to Nabors common shareholders:				
Net income (loss) from continuing operations	\$ (161,140)	\$ (123,395)	\$ (708,314)	\$ (453,102)
Net income (loss) from discontinued operations	22	157	(48)	(34)
Net income (loss) attributable to Nabors common shareholders	\$ (161,118)	\$ (123,238)	\$ (708,362)	\$ (453,136)

## Earnings (losses) per share:

Basic from continuing operations	\$	(23.42)	\$	(18.27)	\$	(102.25)	\$	(66.70)
Basic from discontinued operations		—		0.02		(0.01)		—
<b>Total Basic</b>	<b>\$</b>	<b>(23.42)</b>	<b>\$</b>	<b>(18.25)</b>	<b>\$</b>	<b>(102.26)</b>	<b>\$</b>	<b>(66.70)</b>
Diluted from continuing operations	\$	(23.42)	\$	(18.27)	\$	(102.25)	\$	(66.70)
Diluted from discontinued operations		—		0.02		(0.01)		—
<b>Total Diluted</b>	<b>\$</b>	<b>(23.42)</b>	<b>\$</b>	<b>(18.25)</b>	<b>\$</b>	<b>(102.26)</b>	<b>\$</b>	<b>(66.70)</b>
Weighted-average number of common shares outstanding:								
Basic		7,064		7,041		7,056		7,029
Diluted		7,064		7,041		7,056		7,029

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

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**NABORS INDUSTRIES LTD. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,					
	2020	2019	2020	2019				
	(In thousands)							
Net income (loss) attributable to Nabors	\$	(157,465)	\$	(118,928)	\$	(697,404)	\$	(440,201)
Other comprehensive income (loss), before tax:								
Translation adjustment attributable to Nabors		3,665		(3,225)		(7,029)		12,314
Pension liability amortization and adjustment		52		54		156		162
Unrealized gains (losses) and amortization on cash flow hedges		(124)		142		160		424
Other comprehensive income (loss), before tax		3,593		(3,029)		(6,713)		12,900
Income tax expense (benefit) related to items of other comprehensive income (loss)		35		48		129		142
Other comprehensive income (loss), net of tax		3,558		(3,077)		(6,842)		12,758
Comprehensive income (loss) attributable to Nabors		(153,907)		(122,005)		(704,246)		(427,443)
Net income (loss) attributable to noncontrolling interest		10,805		19,297		38,437		44,202
Translation adjustment attributable to noncontrolling interest		—		(4)		—		55
Comprehensive income (loss) attributable to noncontrolling interest		10,805		19,293		38,437		44,257
Comprehensive income (loss)	\$	(143,102)	\$	(102,712)	\$	(665,809)	\$	(383,186)

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

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**NABORS INDUSTRIES LTD. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	Nine Months Ended September 30,			
	2020	2019		
	(In thousands)			
Cash flows from operating activities:				
Net income (loss)	\$	(658,967)	\$	(395,999)
Adjustments to net income (loss):				
Depreciation and amortization		645,045		650,280
Deferred income tax expense (benefit)		24,535		14,565
Impairments and other charges		301,619		98,869
Amortization of debt discount and deferred financing costs		24,347		23,197
Losses (gains) on debt buyback		(65,848)		1,752
Losses (gains) on long-lived assets, net		5,754		8,410
Losses (gains) on investments, net		5,653		(2,400)
Provision (recovery) of bad debt		9,729		379
Share-based compensation		20,170		19,489
Foreign currency transaction losses (gains), net		11,404		18,681

Noncontrolling interest	(38,437)	(44,202)
Other	257	511
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	90,757	136,266
Inventory	11,111	(21,500)
Other current assets	12,510	18,085
Other long-term assets	22,907	(37,977)
Trade accounts payable and accrued liabilities	(159,621)	(129,375)
Income taxes payable	2,393	3,459
Other long-term liabilities	(17,412)	68,338
Net cash provided by (used for) operating activities	247,906	430,828
Cash flows from investing activities:		
Purchases of investments	(30)	(5,008)
Sales and maturities of investments	2,043	14,466
Cash paid for acquisition of businesses, net of cash acquired	—	(2,929)
Capital expenditures	(153,128)	(366,594)
Proceeds from sales of assets and insurance claims	21,773	26,365
Net cash (used for) provided by investing activities	(129,342)	(333,700)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	1,000,000	—
Reduction in long-term debt	(1,390,236)	(379,193)
Debt issuance costs	(19,149)	(48)
Proceeds from revolving credit facilities	1,522,265	975,000
Reduction in revolving credit facilities	(1,125,000)	(690,000)
Proceeds from (payments for) short-term borrowings	—	497
Repurchase of common and preferred shares	(13,858)	(79)
Dividends to common and preferred shareholders	(18,885)	(41,643)
Distributions to noncontrolling interest	(2,033)	(4,552)
Other	(1,576)	(1,741)
Net cash (used for) provided by financing activities	(48,472)	(141,759)
Effect of exchange rate changes on cash and cash equivalents	(3,987)	(4,421)
Net increase (decrease) in cash and cash equivalents and restricted cash	66,105	(49,052)
Cash and cash equivalents and restricted cash, beginning of period	442,038	451,080
Cash and cash equivalents and restricted cash, end of period	\$ 508,143	\$ 402,028
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH</b>		
Cash and cash equivalents, beginning of period	435,990	447,766
Restricted cash, beginning of period	6,048	3,314
Cash and cash equivalents and restricted cash, beginning of period	\$ 442,038	\$ 451,080
Cash and cash equivalents, end of period	504,985	396,937
Restricted cash, end of period	3,158	5,091
Cash and cash equivalents and restricted cash, end of period	\$ 508,143	\$ 402,028

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

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**NABORS INDUSTRIES LTD. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(Unaudited)

(In thousands, except per share amounts)	Mandatory Convertible Preferred Shares		Common Shares		Capital in Excess of Par Value	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Shares	Non-controlling Interest	Total Equity
	Shares	Par Value	Shares	Par Value						
As of June 30, 2019	5,746	\$ 6	416,282	\$ 416	\$ 3,405,421	\$ (13,490)	\$ 303,181	\$ (1,314,020)	\$ 73,627	\$ 2,455,141
Net income (loss)	—	—	—	—	—	—	(118,928)	—	19,297	(99,631)
Dividends to common shareholders (\$0.01 per share)	—	—	—	—	—	—	(3,628)	—	—	(3,628)
Dividends to preferred shareholders (\$0.75 per share)	—	—	—	—	—	—	(4,310)	—	—	(4,310)
Other comprehensive income (loss), net of tax	—	—	—	—	—	(3,077)	—	—	(4)	(3,081)
Share-based compensation	—	—	—	—	5,325	—	—	—	—	5,325
Noncontrolling interest contributions (distributions)	—	—	—	—	—	—	—	—	(3,738)	(3,738)
Accrued distribution on redeemable noncontrolling interest in subsidiary	—	—	—	—	—	—	(5,176)	—	—	(5,176)
Other	—	—	(73)	—	(15)	—	—	—	—	(15)
As of September 30, 2019	5,746	\$ 6	416,209	\$ 416	\$ 3,410,731	\$ (16,567)	\$ 171,139	\$ (1,314,020)	\$ 89,182	\$ 2,340,887
As of June 30, 2020	4,870	\$ 5	8,389	\$ 419	\$ 3,415,053	\$ (22,188)	\$ (664,391)	\$ (1,315,751)	\$ 94,339	\$ 1,507,486
Net income (loss)	—	—	—	—	—	—	(157,465)	—	10,805	(146,660)
Dividends to preferred shareholders (\$0.75 per share)	—	—	—	—	—	—	(3,653)	—	—	(3,653)
Other comprehensive income (loss), net of tax	—	—	—	—	—	3,558	—	—	—	3,558
Accrued distribution on redeemable noncontrolling interest in subsidiary	—	—	—	—	—	—	(4,353)	—	—	(4,353)
Other	—	—	(4)	—	4,414	—	—	—	(1,028)	3,386

As of September 30, 2020

4,870
\$ 5
8,385
\$ 419
\$ 3,419,467
\$ (18,630)
\$ (829,862)
\$ (1,315,751)
\$ 104,116
\$ 1,359,764

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(In thousands, except per share amounts)	Mandatory Convertible Preferred Shares		Common Shares		Capital in Excess of Par Value	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Shares	Non-controlling Interest	Total Equity
	Shares	Par Value	Shares	Par Value						
As of December 31, 2018	5,750	\$ 6	409,652	\$ 410	\$ 3,392,937	\$ (29,325)	\$ 650,842	\$ (1,314,020)	\$ 49,476	\$ 2,750,326
Net income (loss)	—	—	—	—	—	—	(440,201)	—	44,202	(395,999)
Dividends to common shareholders (\$0.03 per share)	—	—	—	—	—	—	(11,209)	—	—	(11,209)
Dividends to preferred shareholders (\$2.25 per share)	—	—	—	—	—	—	(12,935)	—	—	(12,935)
Other comprehensive income (loss), net of tax	—	—	—	—	—	12,758	—	—	55	12,813
Issuance of common shares for stock options exercised, net of surrender of unexercised stock options	(4)	—	—	—	(79)	—	—	—	—	(79)
Share-based compensation	—	—	—	—	19,489	—	—	—	—	19,489
Noncontrolling interest contributions (distributions)	—	—	—	—	—	—	—	—	(4,551)	(4,551)
Accrued distribution on redeemable noncontrolling interest in subsidiary	—	—	—	—	—	—	(15,358)	—	—	(15,358)
Other	—	—	6,557	6	(1,616)	—	—	—	—	(1,610)
As of September 30, 2019	5,746	\$ 6	416,209	\$ 416	\$ 3,410,731	\$ (16,567)	\$ 171,139	\$ (1,314,020)	\$ 89,182	\$ 2,340,887
As of December 31, 2019	5,613	\$ 6	416,198	\$ 416	\$ 3,412,972	\$ (11,788)	\$ (104,775)	\$ (1,314,020)	\$ 67,354	\$ 2,050,165
Net income (loss)	—	—	—	—	—	—	(697,404)	—	38,437	(658,967)
Dividends to common shareholders (\$0.01 per share)	—	—	—	—	—	—	(3,633)	—	—	(3,633)
Dividends to preferred shareholders (\$2.25 per share)	—	—	—	—	—	—	(10,958)	—	—	(10,958)
Repurchase of preferred shares	(743)	(1)	—	—	(12,126)	—	—	(1,731)	—	(13,858)
Other comprehensive income (loss), net of tax	—	—	—	—	—	(6,842)	—	—	—	(6,842)
Share-based compensation	—	—	—	—	20,170	—	—	—	—	20,170
Noncontrolling interest contributions (distributions)	—	—	—	—	—	—	—	—	(2,032)	(2,032)
Accrued distribution on redeemable noncontrolling interest in subsidiary	—	—	—	—	—	—	(13,092)	—	—	(13,092)
Other	—	—	(407,813)	3	(1,549)	—	—	—	357	(1,189)
As of September 30, 2020	4,870	\$ 5	8,385	\$ 419	\$ 3,419,467	\$ (18,630)	\$ (829,862)	\$ (1,315,751)	\$ 104,116	\$ 1,359,764

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

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**Nabors Industries Ltd. and Subsidiaries**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1 General**

Unless the context requires otherwise, references in this report to “we,” “us,” “our,” “the Company,” or “Nabors” mean Nabors Industries Ltd., together with our subsidiaries where the context requires. References in this report to “Nabors Delaware” mean Nabors Industries, Inc., a wholly owned subsidiary of Nabors.

Our business is comprised of our global land-based and offshore drilling rig operations and other rig related services and technologies. These services include tubular running services, wellbore placement solutions, directional drilling, measurement-while-drilling (“MWD”), logging-while-drilling (“LWD”) systems and services, equipment manufacturing, rig instrumentation and optimization software.

With operations in approximately 20 countries, we are a global provider of drilling and drilling-related services for land-based and offshore oil and natural gas wells, with a fleet of rigs and drilling-related equipment which, as of September 30, 2020 included:

- 364 actively marketed rigs for land-based drilling operations in the United States, Canada and approximately 16 other countries throughout the world; and
- 33 actively marketed rigs for offshore drilling operations in the United States and multiple international markets.

The outbreak of the novel coronavirus (“COVID-19”), together with actions by large oil and natural gas producing countries, has led to decreases in commodity prices, specifically oil and natural gas prices, resulting from oversupply and demand weakness. These price decreases caused significant disruptions and volatility in the global marketplace during 2020. Lower prices and the resulting weakness in demand for our services, which have negatively affected our results of operations and cash flows, have persisted into the fourth quarter, and uncertainty remains regarding the length and impact of COVID-19 on the energy industry and the outlook for our business.

At a special meeting of shareholders held April 20, 2020, our shareholders authorized a combination of our common shares (the “Reverse Stock Split”) at a ratio of not less than 1-for-15 and not greater than 1-for-50, with the exact ratio to be set within that range at the sole direction of our Board of Directors (the “Board”). On April 20, 2020, the Board set the Reverse Stock Split ratio at 1-for-50. As a result of the Reverse Stock Split, 50 pre-reverse split common shares automatically combined into one new common share, without any action on the part of the shareholders. Nabors’ authorized number of common shares were also proportionally decreased from 800,000,000 to 16,000,000 common shares. Subsequently, the par value of each common share was proportionally increased from \$0.001 to \$0.05. In addition, at the special meeting, the shareholders authorized an increase in our common share capital by 100% following the Reverse Stock Split, to \$1,600,000, resulting in an increase in the number of authorized common shares to 32,000,000. No fractional common shares were issued as a result of the Reverse Stock Split. Any fractional common shares of registered holders resulting from the Reverse Stock Split were rounded up to the nearest whole share. All share and per share information included in the accompanying financial statements has been retrospectively adjusted to reflect this Reverse Stock Split.

**Note 2 Summary of Significant Accounting Policies**

**Interim Financial Information**

The accompanying unaudited condensed consolidated financial statements of Nabors have been prepared in conformity with generally accepted accounting principles in the United States (“U.S. GAAP”). Pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”), certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been omitted. Therefore, these financial statements should be read together with our annual



report on Form 10-K for the year ended December 31, 2019 (“2019 Annual Report”). In management’s opinion, the unaudited condensed consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) necessary to state fairly our financial position as of

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September 30, 2020 and the results of operations, comprehensive income (loss), cash flows and changes in equity for the periods presented herein. Interim results for the nine months ended September 30, 2020 may not be indicative of results that will be realized for the full year ending December 31, 2020.

**Principles of Consolidation**

Our condensed consolidated financial statements include the accounts of Nabors, as well as all majority owned and non-majority owned subsidiaries consolidated in accordance with U.S. GAAP. All significant intercompany accounts and transactions are eliminated in consolidation.

In addition to the consolidation of our majority owned subsidiaries, we also consolidate variable interest entities (“VIE”) when we are determined to be the primary beneficiary of a VIE. Determination of the primary beneficiary of a VIE is based on whether an entity has (1) the power to direct activities that most significantly impact the economic performance of the VIE and (2) the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. Our joint venture, SANAD, which is equally owned by Saudi Aramco and Nabors, has been consolidated. As we have the power to direct activities that most significantly impact SANAD’s economic performance, including operations, maintenance and certain sourcing and procurement, we have determined Nabors to be the primary beneficiary. See Note 3—Joint Ventures.

**Industry Condition, Liquidity, Management’s Plans and Going Concern**

The oil markets have experienced unprecedented volatility during 2020. The outbreak of COVID-19, and its development into a pandemic, along with policies and actions taken by governments and companies and behaviors of customers around the world, have had a significant negative impact on demand for oil. Additionally, decisions by large oil and natural gas producing countries around the start of the pandemic led to increased oil production and supply. This combination of oversupply and demand weakness has had a negative impact on the energy markets and has led to a significant drop in oil prices with West Texas Intermediate crude oil falling to negative prices during the second quarter. Crude oil prices have continued to be impacted by oversupply fears, as considerable uncertainty remains as to timing of a resumption of normal levels of economic activity following the COVID-19 related restrictions. This has led many of our customers to make significant cuts in their activity, which has negatively affected our operating results and cash flow throughout the year. During the third quarter of 2020, the volatility in oil prices began to stabilize. There were also signs of increased global demand for energy as economic activity began to return. However, we are uncertain as to the extent of the impact that these events will have on the energy industry and on our business.

Our 2018 Revolving Credit Facility contains certain covenants including, prior to Amendment No. 4 to the facility (“Amendment No. 4”), a financial covenant requiring Nabors to maintain net funded debt as defined in the credit facility at no greater than 5.5 times our EBITDA over the trailing twelve months (referred to herein as the “leverage ratio covenant”). On September 24, 2020, we entered into Amendment No. 4 which removed the leverage ratio covenant and replaced it with a new covenant to maintain “minimum liquidity” (as defined in Amendment No. 4) of not less than \$160 million. In exchange for relief from the leverage ratio covenant, Amendment No. 4 provides the lenders with a first lien security interest in certain drilling rigs located in the U.S. and Canada. See Note 6—Debt for a more detailed discussion of the amendment.

Through the date hereof we have been in compliance with all applicable covenants under the 2018 Revolving Credit Facility. However, the drilling and drilling related services environment detailed above, and the impact it has had on our operations and cash flows, had made our ability to continue to comply with the leverage ratio covenant, had it not been amended or otherwise waived, increasingly uncertain if these conditions were to continue into 2021, and based on our forecasts in place as of the end of the second quarter of 2020, we believed it was possible that we would have been in violation of the leverage ratio covenant at some point in 2021. Failure to comply with this covenant, would have resulted in an event of default under the 2018 Revolving Credit Facility and the acceleration of the outstanding balance, which raised substantial doubt about the Company’s ability to continue as a going concern throughout the twelve month period following the issuance of our prior quarter’s financial statements as of and for the three and six months ended June 30, 2020.

Based on our current forecasts of operational performance, cash flows and liquidity, and as a result of entering into Amendment No. 4, we now believe that we will be in compliance with all covenants contained in the 2018 Revolving Credit Facility and will have sufficient liquidity to meet our obligations for a period of at least twelve months from the

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issuance of these financial statements. Therefore, we have concluded that the previously disclosed substantial doubt about the Company’s ability to continue as a going concern has been alleviated.

**Inventory**

Inventory is stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out or weighted-average cost methods and includes the cost of materials, labor and manufacturing overhead. Inventory included the following:

	September 30, 2020	December 31, 2019
	(In thousands)	
Raw materials	\$ 133,224	\$ 130,414
Work-in-progress	4,953	5,498
Finished goods	25,852	40,429
	<u>\$ 164,029</u>	<u>\$ 176,341</u>

**Goodwill**

We review goodwill for impairment annually during the second quarter of each fiscal year or more frequently if events or changes in circumstances indicate that the carrying amount of such goodwill and intangible assets may exceed their fair value. We initially assess goodwill for impairment based on qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of one of our reporting units is greater than its carrying amount. If the carrying amount of the reporting unit exceeds the fair value, an impairment charge will be recognized in an amount equal to the excess; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit.

Our estimated fair values of our reporting units incorporate judgment and the use of estimates by management. We primarily calculate fair value in these impairment tests using discounted cash flow models, which require the use of significant unobservable inputs, representative of a Level 3 fair value measurement. Our cash flow models involve assumptions based on our utilization of rigs or other oil and gas service equipment, revenues and earnings from affiliates, as well as direct costs, general and administrative costs, depreciation, applicable income taxes, capital expenditures and working capital requirements. Our fair value estimates of these reporting units are sensitive to varying day rates, utilization and costs. A significantly prolonged period of lower oil and natural gas prices, other than those assumed in developing our forecasts, or changes in laws and regulations, could adversely affect the demand for and prices of our services. Our discounted cash flow projections for each reporting unit were based on financial forecasts. The future cash flows were discounted to present value using discount rates determined to be appropriate for each reporting unit. Terminal values for each reporting unit were calculated using a Gordon Growth methodology with a long-term growth rate of approximately 2%. The fair

value of certain of our reporting units utilizes a market approach based on comparing the assets and liabilities of companies within our same industry. The market approach involves significant judgment in the selection of the appropriate peer group companies and valuation multiples.

Another factor in determining whether impairment has occurred is the relationship between our market capitalization and our book value. As part of our annual review, we compared the sum of our reporting units' estimated fair value, which included the estimated fair value of non-operating assets and liabilities, less debt, to our market capitalization and assessed the reasonableness of our estimated fair value. Any of the above-mentioned factors may cause us to re-evaluate goodwill during any quarter throughout the year.

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The change in the carrying amount of goodwill for our segments for the nine months ended September 30, 2020 was as follows:

	Balance at December 31, 2019	Acquisitions and Purchase Price Adjustments	Disposals and Impairments (In thousands)	Cumulative Translation Adjustment	Balance at September 30, 2020
Drilling Solutions	\$ 11,436	\$ —	\$ (11,436)(1)	\$ —	\$ —
Rig Technologies	16,944	—	(16,362)(1)	(582)	—
Total	\$ 28,380	\$ —	\$ (27,798)	\$ (582)	\$ —

(1) Due to industry conditions that existed at March 31, 2020 such as the drop in commodity prices and the corresponding impact on future expectations of demand for our products and services, including the effect on our stock price, we performed a quantitative impairment assessment of our goodwill as of March 31, 2020. Based on the results of our goodwill test, we recognized a goodwill impairment of \$27.8 million. See Note 10—Impairments and Other Charges.

**Recently Adopted Accounting Pronouncements**

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which changes accounting requirements for the recognition of credit losses from an incurred or probable impairment methodology to a current expected credit losses (CECL) methodology. The guidance is effective for interim and annual periods beginning after December 15, 2019. The guidance has been applied using the modified retrospective method with a cumulative effect adjustment to beginning retained earnings. Trade receivables (including the allowance for credit losses) are the only financial instrument in scope for ASU 2016-13 currently held by the Company. The adoption of this guidance did not have a material impact on our condensed consolidated financial statements.

**Note 3 Joint Ventures**

During 2016, we entered into an agreement with Saudi Aramco to form a joint venture known as SANAD to own, manage and operate onshore drilling rigs in the Kingdom of Saudi Arabia. SANAD is equally owned by Saudi Aramco and Nabors.

During 2017, Nabors and Saudi Aramco each contributed \$20 million in cash for the purpose of capitalizing the joint venture upon formation. In addition, since inception Nabors and Saudi Aramco have each contributed a combination of drilling rigs, drilling rig equipment and other assets, including cash, each with a value of approximately \$394 million to the joint venture. The contributions were received in exchange for redeemable ownership interests which accrue interest annually, have a twenty-five year maturity and are required to be converted to authorized capital should certain events occur, including the accumulation of specified losses. In the accompanying condensed consolidated balance sheet, Nabors has reported Saudi Aramco's share of authorized capital as a component of noncontrolling interest in equity and Saudi Aramco's share of the redeemable ownership interests as redeemable noncontrolling interest in subsidiary, classified as mezzanine equity. The accrued interest on the redeemable ownership interest is a non-cash financing activity and is reported as an increase in the redeemable noncontrolling interest in subsidiary line in our condensed consolidated balance sheet. The assets and liabilities included in the condensed balance sheet below are (1) assets that can either be used to settle obligations of the VIE or be made available in the future to the equity owners through dividends, distributions or in exchange of the redeemable ownership interests (upon mutual agreement of the owners) or (2) liabilities for which creditors do not have recourse to other assets of Nabors.

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The condensed balance sheet of SANAD, as included in our condensed consolidated balance sheet, is presented below.

	September 30, 2020	December 31, 2019
	(In thousands)	
<b>Assets:</b>		
Cash and cash equivalents	\$ 381,241	\$ 289,575
Accounts receivable	46,467	68,624
Other current assets	15,979	18,149
Property, plant and equipment, net	435,149	455,751
Other long-term assets	6,422	15,118
Total assets	\$ 885,258	\$ 847,217
<b>Liabilities:</b>		
Accounts payable	\$ 57,493	\$ 64,365
Accrued liabilities	23,440	17,929
Total liabilities	\$ 80,933	\$ 82,294

**Note 4 Fair Value Measurements**

Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date (exit price). We utilize market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market-corroborated, or generally unobservable. We primarily apply the market approach for



recurring fair value measurements and endeavor to utilize the best information available. Accordingly, we employ valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The use of unobservable inputs is intended to allow for fair value determinations in situations where there is little, if any, market activity for the asset or liability at the measurement date. We are able to classify fair value balances utilizing a fair value hierarchy based on the observability of those inputs.

Under the fair value hierarchy:

- Level 1 measurements include unadjusted quoted market prices for identical assets or liabilities in an active market;
- Level 2 measurements include quoted market prices for identical assets or liabilities in an active market that have been adjusted for items such as effects of restrictions for transferability and those that are not quoted but are observable through corroboration with observable market data, including quoted market prices for similar assets; and
- Level 3 measurements include those that are unobservable and of a subjective nature.

Our financial assets and liabilities that are accounted for at fair value on a recurring basis as of September 30, 2020 and December 31, 2019 consisted of available-for-sale equity and debt securities. Our debt securities could transfer into or out of a Level 1 or 2 measure depending on the availability of independent and current pricing at the end of each quarter. There were no transfers of our financial assets between Level 1 and Level 2 measures during the nine months ended September 30, 2020. Our financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. As of September 30, 2020 and December 31, 2019, our short-term investments were carried at fair market value and totaled \$8.8 million and \$16.5 million, respectively, and primarily consisted of Level 1 measurements. No material Level 2 or Level 3 measurements exist as of any of the periods presented.

#### **Nonrecurring Fair Value Measurements**

We applied fair value measurements to our nonfinancial assets and liabilities measured on a nonrecurring basis, which consist of measurements primarily related to assets held for sale, goodwill, intangible assets and other long-lived assets and assets acquired and liabilities assumed in a business combination. Based upon our review of the fair value hierarchy, the inputs used in these fair value measurements were considered Level 3 inputs.

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#### **Fair Value of Financial Instruments**

We estimate the fair value of our financial instruments in accordance with U.S. GAAP. The fair value of our long-term debt and revolving credit facilities is estimated based on quoted market prices or prices quoted from third-party financial institutions. The fair value of our debt instruments is determined using Level 2 measurements. The carrying and fair values of these liabilities were as follows:

	September 30, 2020		December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
5.00% senior notes due September 2020	\$ —	\$ —	\$ 282,046	\$ 284,907
4.625% senior notes due September 2021	128,403	101,743	634,588	632,516
5.50% senior notes due January 2023	32,176	17,858	501,003	483,834
5.10% senior notes due September 2023	140,467	73,327	336,810	303,860
0.75% senior exchangeable notes due January 2024	489,901	153,813	472,603	431,503
5.75% senior notes due February 2025	775,186	262,881	781,502	705,040
7.25% senior notes due January 2026	600,000	300,924	—	—
7.50% senior notes due January 2028	400,000	195,520	—	—
2012 Revolving credit facility	—	—	355,000	355,000
2018 Revolving credit facility	752,265	752,265	—	—
	<u>3,318,398</u>	<u>\$ 1,858,331</u>	<u>3,363,552</u>	<u>\$ 3,196,660</u>
Less: current portion	—	—	—	—
Less: deferred financing costs	28,095	—	30,332	—
	<u>\$ 3,290,303</u>	<u>\$ 1,858,331</u>	<u>\$ 3,333,220</u>	<u>\$ 3,196,660</u>

The fair values of our cash equivalents, trade receivables and trade payables approximate their carrying values due to the short-term nature of these instruments.

#### **Note 5 Accounts Receivable Sales Agreement**

On September 13, 2019, we entered into a \$250 million accounts receivable sales agreement (the “A/R Agreement”) whereby certain U.S. operating subsidiaries of the Company (collectively, the “Originators”), sold or contributed, and will on an ongoing basis continue to sell or contribute, certain of their domestic trade accounts receivables to a wholly-owned, bankruptcy-remote, special purpose entity (the “SPE” or “Seller”). The SPE in turn sells, transfers, conveys and assigns to third-party financial institutions (the “Purchasers”) all the rights, title and interest in and to its pool of eligible receivables. The sale of these receivables qualified for sale accounting treatment in accordance with ASC 860. During the period of this program, cash receipts from the Purchasers at the time of the sale were classified as operating activities in our consolidated statement of cash flows. Subsequent collections on the pledged receivables, which were not sold, will be classified as operating cash flows in our consolidated statement of cash flows at the time of collection.

Nabors Delaware and/or another subsidiary of Nabors act as servicers of the sold receivables. The servicers administer, collect and otherwise enforce these receivables and are compensated for doing so on terms that are generally consistent with what would be charged by an unrelated servicer. The servicers initially receive payments made by obligors on the receivables, then remit those payments in accordance with the Receivables Purchase Agreement. The servicers and the Originators have contingent indemnification obligations to the SPE, and the SPE has contingent indemnification obligations to the Purchasers, in each case customary for transactions of this type. These contingent indemnification obligations are guaranteed by the Company pursuant to an Indemnification Guarantee in favor of the Purchasers. The Purchasers have no recourse for receivables that are uncollectible as a result of the insolvency or inability to pay of the account debtors.

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The maximum purchase commitment of the Purchasers under the A/R Agreement is \$250.0 million. The amount available for sale to the Purchasers under the A/R Agreement fluctuates over time based on the total amount of eligible receivables generated during the normal course of business after excluding excess concentrations and certain other ineligible receivables. As of September 30, 2020, approximately \$52.0 million had been sold to and as yet uncollected by the Purchasers. As of December 31, 2019, the corresponding number was approximately \$140.0 million. Trade accounts receivable sold by the SPE to the Purchasers are derecognized from our condensed consolidated balance sheet. The fair value of the sold receivables approximated book value due to the short-term nature of the receivables and, as a result, no gain or loss on the sale of the receivables was recorded. Trade receivables pledged by the SPE as collateral to the Purchasers (excluding receivables sold to the Purchasers) totaled \$60.8 million and \$143.6 million as of September 30, 2020 and December 31, 2019, respectively, and are included in accounts receivable, net in our condensed consolidated balance sheet. The assets of the SPE cannot be used by the Company for general corporate purposes. Additionally, creditors of the SPE do not have recourse to assets of the Company (other than assets of the SPE).

**Note 6 Debt**

Debt consisted of the following:

	September 30, 2020	December 31, 2019
	(In thousands)	
5.00% senior notes due September 2020 (1)	\$ —	\$ 282,046
4.625% senior notes due September 2021	128,403	634,588
5.50% senior notes due January 2023	32,176	501,003
5.10% senior notes due September 2023	140,467	336,810
0.75% senior exchangeable notes due January 2024	489,901	472,603
5.75% senior notes due February 2025	775,186	781,502
7.25% senior notes due January 2026	600,000	—
7.50% senior notes due January 2028	400,000	—
2012 Revolving credit facility (1)	—	355,000
2018 Revolving credit facility	752,265	—
	3,318,398	3,363,552
Less: current portion	—	—
Less: deferred financing costs	28,095	30,332
	\$ 3,290,303	\$ 3,333,220

(1) As of December 31, 2019, the 5.00% senior notes due September 2020 and 2012 Revolving Credit Facility were classified as long-term because we had the ability and intent to repay these obligations utilizing our revolving credit facility (see 2018 Revolving Credit Facility below).

During the nine months ended September 30, 2020, we repurchased \$1.32 billion aggregate principal amount outstanding of our senior unsecured notes for approximately \$1.26 billion in cash, including principal, and \$13.2 million in accrued and unpaid interest. Approximately \$952.9 million of notes were purchased in the tender offers and consent solicitations described below and the remainder were purchased in the open market. In connection with these repurchases, we recognized a net gain of approximately \$65.8 million for the nine months ended September 30, 2020 and is included in other, net in our condensed consolidated statement of income (loss).

**7.25% and 7.50% Senior Notes Due January 2026 and 2028**

In January 2020, Nabors completed a private placement of \$600.0 million aggregate principal amount of senior guaranteed notes due 2026 (the “2026 Notes”) and \$400.0 million aggregate principal amount of senior guaranteed notes due 2028 (the “2028 Notes”) and, together with the 2026 Notes, the “Notes”). The 2026 and 2028 Notes bear interest at an annual rate of 7.25% and 7.50%, respectively. The Notes are fully and unconditionally guaranteed by certain of Nabors’ indirect wholly-owned subsidiaries.

The proceeds from this offering were primarily used to repurchase \$952.9 million aggregate principal amount of certain of Nabors Delaware’s senior notes that were tendered pursuant to an offer to purchase and consent solicitation. The aggregate principal amount repurchased included approximately \$407.7 million of our 5.50% senior notes due 2023

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(the “5.50% Notes”), \$379.7 million of our 4.625% senior notes due 2021 (the “4.625% Notes”) and \$165.5 million of our 5.10% senior notes due 2023 (the “5.10% Notes”).

**2018 Revolving Credit Facility**

In October 2018, Nabors Delaware and Nabors Drilling Canada Limited (“Nabors Canada” and together with Nabors Delaware, the “Borrowers”) entered into a credit agreement dated October 11, 2018 by and among the Borrowers, the Guarantors identified therein, HSBC Bank Canada, as the Canadian lender (the “Canadian Lender”) the issuing banks and other lenders party thereto (the “US Lenders” and, together with the Canadian Lender, the “Lenders”) and Citibank, N.A., as administrative agent solely for the U.S. Lenders. The 2018 Revolving Credit Facility originally had a borrowing capacity of \$1.267 billion and is fully and unconditionally guaranteed by Nabors and certain of its wholly owned subsidiaries. The 2018 Revolving Credit Facility matures at the earlier of (a) October 11, 2023 and (b) July 19, 2022, if any of Nabors Delaware’s existing 5.50% senior notes due January 2023 remain outstanding as of such date.. The 2018 Revolving Credit Facility contains certain affirmative and negative covenants. Amendment No. 1 to the 2018 Revolving Credit Facility provided for additional currencies in which letters of credit could be issued. On December 13, 2019, Amendment No. 2 was entered into which reduced the borrowing capacity to \$1.0136 (\$981.6 million for Nabors Delaware and \$32.0 million for Nabors Canada), and replaced the net funded debt to capitalization covenant with a covenant to maintain net funded indebtedness at no greater than 5.5 times EBITDA. Amendment No. 3 to the 2018 Revolving Credit Facility was entered into on March 3, 2020, in order to permit letters of credit from the Canadian Lender on the portion of the facility dedicated to Canadian borrowings.

On September 2020, Amendment No. 4 was entered into in order to revise certain of the covenant and collateral requirements under the 2018 Revolving Credit Facility. Amendment No. 4 provides the Lenders with a first lien security interest in certain drilling rigs located in the U.S. and Canada and replaces the existing covenant to maintain net funded debt at no greater than 5.5 times EBITDA with a new covenant to maintain minimum liquidity of no less than \$160.0 million at any time. Additionally, the “asset to debt coverage” ratio was revised such that during any period in which Nabors Delaware fails to maintain an investment grade rating from at least two ratings agencies, the guarantors under the facility and their respective subsidiaries will be required to maintain an asset to debt coverage of at least 4.25:1. As of September 30, 2020, we had \$752 million outstanding under our 2018 Revolving Credit Facility and the net book value of the collateralized assets under the 2018 Revolving Credit Facility was \$1.4 billion. As of September 30, 2020, there was a \$50.6 million reduction in total available borrowing capacity under the 2018 Revolving Credit Facility due to the minimum liquidity requirement. The weighted average interest rate on borrowings under the 2018 Revolving Credit Facility at September 30, 2020 was 3.48%. In order to make any future borrowings under the 2018 Revolving Credit Facility, Nabors and certain of its wholly owned subsidiaries are subject to compliance with the conditions and covenants contained therein, including compliance with applicable financial ratios.

As of September 30, 2020, we were in compliance with all covenants under the 2018 Revolving Credit Facility. See Note 2—*Summary of Significant Accounting Policies* for additional information regarding future covenant compliance.

### **2012 Revolving Credit Facility**

We repaid all outstanding amounts under the 2012 Revolving Credit Facility in April 2020 and have terminated the facility.

### **Note 7 Shareholders' Equity**

#### **Common shares**

At a special meeting of shareholders held April 20, 2020, our shareholders authorized the Reverse Stock Split, as described in greater detail in Note 1—General.

#### **Convertible Preferred Shares**

During 2018, we issued 5.75 million of our 6% Series A Mandatory Convertible Preferred Shares (the “mandatory convertible preferred shares”), par value \$0.001 per share, with a liquidation preference of \$50 per share. As of September 30, 2020 and December 31, 2019 we had 4.9 million and 5.6 million mandatory convertible preferred shares outstanding.

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The dividends on the mandatory convertible preferred shares are payable on a cumulative basis at a rate of 6% annually on the initial liquidation preference of \$50 per share. Dividends accumulate and are paid quarterly to the extent that we have available funds and our Board declares a dividend payable. We may elect to pay any accumulated and unpaid dividends in cash or common shares or any combination thereof. At issuance, each mandatory convertible preferred share was automatically convertible into between 0.1075 and 0.1290 of our common shares based on the average share price over a period of twenty consecutive trading days ending prior to May 1, 2021, subject to anti-dilution adjustments. As a result of the dividends paid on our common shares since the offering, the most recent publicly announced conversion rate for each mandatory convertible preferred share is between 0.1144 and 0.1372 of our common shares. Adjustments to the conversion ratio are required to be made and published when such adjustment would result in an increase or decrease of one percent or more of the conversion rate. At any time prior to May 1, 2021, a holder of mandatory convertible preferred shares may convert such mandatory convertible preferred shares into our common shares at the minimum conversion rate, subject to adjustment. Otherwise, the mandatory convertible preferred shares will automatically convert into common shares on May 1, 2021.

#### **Shareholder Rights Plan**

On May 5, 2020, our Board adopted a shareholder rights plan and declared a dividend of one right (a “Right”) for each outstanding common share to shareholders of record on May 15, 2020. Each Right entitles the holder to purchase from Nabors one one-thousandth of a Series B Junior Participating Preferred Share, par value \$0.001 per share (the “Series B Preferred Shares”), of Nabors at a price of \$58.08 per one one-thousandth of a Series B Preferred Share, subject to adjustment. The description of the Rights are set forth in a Rights Agreement, dated May 5, 2020 (the “Rights Agreement”), by and between Nabors and Computershare Trust Company, N.A., as Rights Agent.

Initially, the Rights will not be exercisable and will trade with our common shares. Under the Rights Agreement, the Rights will become exercisable only if a person or group or persons acting together (each, an “acquiring person”) acquires beneficial ownership of 4.9% or more of our outstanding common shares. The Rights Agreement was amended on May 27, 2020, to permit the shareholder identified therein, together with affiliates and associates, to beneficially own up to 10% of our outstanding common shares.

If the Rights are triggered, each holder of a Right (other than the acquiring person, whose Rights will become void) will be entitled to purchase additional shares of our common stock at a 50% discount. In addition, if we are acquired in a merger or other business combination after an Acquiring Person acquires more than 4.9% of our outstanding common shares (10% for the shareholder identified in the amendment), each holder of a Right would then be entitled to purchase shares of the acquiring company’s stock at a 50% discount. Our Board, at its option, may exchange each Right (other than Rights owned by the acquiring person that have become void) in whole or in part, at an exchange ratio of one common share per outstanding Right, subject to adjustment. Except as provided in the Rights Agreement, our Board is entitled to redeem the Rights at \$0.01 per Right.

A person or group of persons that beneficially owns our common shares at or above the trigger threshold as of the time of the public announcement of the Rights Agreement generally will not trigger the Rights until such person or group of persons increases its ownership by 0.5% or more.

### **Note 8 Commitments and Contingencies**

#### **Contingencies**

##### *Income Tax*

We operate in a number of countries and our tax returns filed in those jurisdictions are subject to review and examination by tax authorities within those jurisdictions. We do not recognize the benefit of income tax positions we believe are more likely than not to be disallowed upon challenge by a tax authority. If any tax authority successfully challenges our operational structure, intercompany pricing policies or the taxable presence of our subsidiaries in certain countries, if the terms of certain income tax treaties are interpreted in a manner that is adverse to our structure, or if we lose a material tax dispute in any country, our effective tax rate on our worldwide earnings could change substantially.

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In certain jurisdictions we have recognized deferred tax assets and liabilities. Judgment and assumptions are required in determining whether deferred tax assets will be fully or partially utilized. When we estimate that all or some portion of certain deferred tax assets such as net operating loss carryforwards will not be utilized, we establish a valuation allowance for the amount we determine to be more likely than not unrealizable. We continually evaluate strategies that could allow for future utilization of our deferred assets. Any change in the ability to utilize such deferred assets will be accounted for in the period of the event affecting the valuation allowance. If facts and circumstances cause us to change our expectations regarding future tax consequences, the resulting adjustments could have a material effect on our financial results or cash flow. At this time, we consider it more likely than not that we will have sufficient taxable income in the future that will allow us to realize the deferred tax assets that we have recognized. However, it is possible that some of our recognized deferred tax assets, relating to net operating loss carryforwards, could expire unused or could carryforward indefinitely without utilization. Therefore, unless we are able to generate sufficient taxable income from our component operations, a substantial valuation allowance to reduce our deferred tax assets may be required, which would materially increase our tax expense in the period the allowance is recognized and materially adversely affect our results of operations and statement of financial condition.

##### *Litigation*

Nabors and its subsidiaries are defendants or otherwise involved in a number of lawsuits in the ordinary course of business. We estimate the range of our liability related to pending litigation when we believe the amount and range of loss can be estimated. We record our best estimate of a loss when the loss is considered probable. When a liability is probable and there is a range of estimated loss with no best estimate in the range, we record the minimum estimated liability related to the lawsuits or claims. As additional information becomes available, we assess the potential liability related to our pending litigation and claims and revise our estimates. Due to uncertainties related to the resolution of lawsuits and claims, the ultimate outcome may differ from our estimates. For matters where an unfavorable outcome is reasonably possible and significant, we disclose the nature of the matter and a range of potential exposure, unless an estimate cannot be made at the time of disclosure. In the opinion of management and based on liability accruals provided, our ultimate exposure with respect to these pending lawsuits and claims is not expected to have a material adverse effect on our consolidated financial position or cash flows, although they could have a material adverse effect on our results of operations for a particular reporting period.

In March 2011, the Court of Ouargla entered a judgment of approximately \$21.8 million (at September 30, 2020 exchange rates) against us relating to alleged violations of Algeria’s foreign currency exchange controls, which require that goods and services provided locally be invoiced and paid in local currency. The case relates to certain foreign currency payments made to us by CEPSA, a Spanish operator, for wells drilled in 2006. Approximately \$7.5 million of the total contract amount was paid offshore in foreign currency, and

approximately \$3.2 million was paid in local currency. The judgment includes fines and penalties of approximately four times the amount at issue. We have appealed the ruling based on our understanding that the law in question applies only to resident entities incorporated under Algerian law. An intermediate court of appeals upheld the lower court's ruling, and we appealed the matter to the Supreme Court. On September 25, 2014, the Supreme Court overturned the verdict against us, and the case was reheard by the Ouargla Court of Appeals on March 22, 2015 in light of the Supreme Court's opinion. On March 29, 2015, the Ouargla Court of Appeals reinstated the initial judgment against us. We have appealed this decision again to the Supreme Court. While our payments were consistent with our historical operations in the country, and, we believe, those of other multinational corporations there, as well as interpretations of the law by the Central Bank of Algeria, the ultimate resolution of this matter could result in a loss of up to \$13.8 million in excess of amounts accrued.

On September 29, 2017, we were sued, along with Tesco Corporation and its Board of Directors, in a putative shareholder class action filed in the United States District Court for the Southern District of Texas, Houston Division. The plaintiff alleges that the September 18, 2017 Preliminary Proxy Statement filed by Tesco with the United States Securities and Exchange Commission omitted material information with respect to the proposed transaction between Tesco and Nabors announced on August 14, 2017. The plaintiff claims that the omissions rendered the Proxy Statement false and misleading, constituting a violation of Sections 14(a) and 20(a) of the Securities Exchange Act of 1934. The court consolidated several matters and entered a lead plaintiff appointment order. The plaintiff filed their amended complaint, adding Nabors Industries Ltd. as a party to the consolidated action. Nabors filed its motion to dismiss, which was granted by the court on March 29, 2019. The parties filed appellate briefs with the Fifth Circuit Court of Appeals, and arguments were heard on March 4, 2020. On August 19, 2020, the Fifth Circuit Court upheld the lower court's decision dismissing the plaintiff's claims. The plaintiff's deadline to file a petition for a writ of certiorari with the United

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States Supreme Court is on or about November 20, 2020. Nabors will continue to vigorously defend itself against the allegations.

Following a routine audit conducted in May and June of 2018 by the Atyrau Oblast Ecology Department (the "AOED"), our joint venture in Kazakhstan, KMG Nabors Drilling Company ("KNDC"), was administratively fined for not having emissions permits for KNDC owned or leased equipment. Prior to this audit, the AOED had always accepted the operator's permits for all of their subcontractors. However, because of major personnel changes, AOED changed this position and is now requiring that the owner/lessor of the equipment that emits the pollutants must have its own permits. Administrative fines have been issued to KNDC and paid in the amount of \$0.8 million for violations regarding the failure to have proper permits. AOED had also assessed additional "environmental damages" in the amount of \$3.4 million for the period while KNDC did not hold its own emissions permit. However, KNDC appealed this fine and the AOED Economic Court ruled in KNDC's favor. AOED appealed this decision, which was reversed on February 21, 2020. KNDC appealed to the Supreme Court but was unsuccessful in obtaining a reversal of the lower appeals court ruling. Additional damages in the form of later year audits and taxes could become due as well exposing KNDC to possible penalties and fines in an amount estimated to be up to approximately \$4.0 million, of which we have fully accrued as a liability. KNDC and the operator have executed an agreement formalizing the operator's obligation to reimburse KNDC for many of the financial expenses related to this case as well as penalties and expenses related to future audit periods. KNDC now has its own permits, and the law has been amended to permit contractors to conduct work based on the permit of its customer. Meanwhile, KNDC has received notice from government officials that certain of our employees may be held personally responsible for any violations of the law by KNDC. We continue to be engaged and are monitoring the situation.

*Off-Balance Sheet Arrangements (Including Guarantees)*

We are a party to some transactions, agreements or other contractual arrangements defined as "off-balance sheet arrangements" that could have a material future effect on our financial position, results of operations, liquidity and capital resources. The most significant of these off-balance sheet arrangements include the A/R Agreement (see Note 5—Accounts Receivable Sales Agreement) and certain agreements and obligations under which we provide financial or performance assurance to third parties. Certain of these financial or performance assurances serve as guarantees, including standby letters of credit issued on behalf of insurance carriers in conjunction with our workers' compensation insurance program and other financial surety instruments such as bonds. In addition, we have provided indemnifications, which serve as guarantees, to some third parties. These guarantees include indemnification provided by Nabors to our share transfer agent and our insurance carriers. We are not able to estimate the potential future maximum payments that might be due under our indemnification guarantees.

Management believes the likelihood that we would be required to perform or otherwise incur any material losses associated with any of these guarantees is remote. The following table summarizes the total maximum amount of financial guarantees issued by Nabors:

	Maximum Amount				Total
	2020	2021	2022 (In thousands)	Thereafter	
financial standby letters of credit and other financial surety instruments	\$ 43,949	163,189	—	1,252	\$ 208,390

**Note 9 Earnings (Losses) Per Share**

ASC 260, Earnings per Share, requires companies to treat unvested share-based payment awards that have nonforfeitable rights to dividends or dividend equivalents as a separate class of securities in calculating earnings (losses) per share. We have granted and expect to continue to grant to employees restricted stock grants that contain nonforfeitable rights to dividends. Such grants are considered participating securities under ASC 260. As such, we are required to include these grants in the calculation of our basic earnings (losses) per share and calculate basic earnings (losses) per share using the two-class method. The two-class method of computing earnings per share is an earnings allocation formula that determines earnings per share for each class of common stock and participating security according to dividends declared and participation rights in undistributed earnings. The participating security holders are not contractually obligated to share in losses. Therefore, losses are not allocated to the participating security holders.

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Basic earnings (losses) per share is computed utilizing the two-class method and is calculated based on the weighted-average number of common shares outstanding during the periods presented.

Diluted earnings (losses) per share is computed using the weighted-average number of common and common equivalent shares outstanding during the periods utilizing the two-class method for stock options and unvested restricted shares. Shares issuable upon exchange of the 0.75% exchangeable notes due 2024 are not included in the calculation of diluted earnings (losses) per share unless the exchange value of the notes exceeds their principal amount at the end of the relevant reporting period, in which case the notes will be accounted for as if the number of common shares that would be necessary to settle the excess are issued. Such shares are only included in the calculation of the weighted-average number of shares outstanding in our diluted earnings (losses) per share calculation, when the price of our shares exceeds \$1,257.81 on the last trading day of the quarter, which did not occur during the nine months ended September 30, 2020.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
(In thousands, except per share amounts)				

**BASIC EPS:**



Net income (loss) (numerator):

Income (loss) from continuing operations, net of tax	\$ (146,682)	\$ (99,788)	\$ (658,919)	\$ (395,965)
Less: net (income) loss attributable to noncontrolling interest	(10,805)	(19,297)	(38,437)	(44,202)
Less: preferred stock dividends	(3,653)	(4,310)	(10,958)	(12,935)
Less: accrued distribution on redeemable noncontrolling interest in subsidiary	(4,353)	(5,176)	(13,092)	(15,358)
Less: distributed and undistributed earnings allocated to unvested shareholders	—	(114)	(125)	(347)

Numerator for basic earnings per share:

Adjusted income (loss) from continuing operations, net of tax - basic	\$ (165,493)	\$ (128,685)	\$ (721,531)	\$ (468,807)
Income (loss) from discontinued operations, net of tax	\$ 22	\$ 157	\$ (48)	\$ (34)

Weighted-average number of shares outstanding - basic	7,064	7,041	7,056	7,029
---	-------	-------	-------	-------

Earnings (losses) per share:

Basic from continuing operations	\$ (23.42)	\$ (18.27)	\$ (102.25)	\$ (66.70)
Basic from discontinued operations	—	0.02	(0.01)	—

Total Basic	\$ (23.42)	\$ (18.25)	\$ (102.26)	\$ (66.70)
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**DILUTED EPS:**

Adjusted income (loss) from continuing operations, net of tax - basic	\$ (165,493)	\$ (128,685)	\$ (721,531)	\$ (468,807)
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Add: effect of reallocating undistributed earnings of unvested shareholders	—	—	—	—
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Adjusted income (loss) from continuing operations, net of tax - diluted	\$ (165,493)	\$ (128,685)	\$ (721,531)	\$ (468,807)
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Income (loss) from discontinued operations, net of tax	\$ 22	\$ 157	\$ (48)	\$ (34)
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Weighted-average number of shares outstanding - basic	7,064	7,041	7,056	7,029
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Add: dilutive effect of potential common shares	—	—	—	—
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Weighted-average number of shares outstanding - diluted	7,064	7,041	7,056	7,029
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Earnings (losses) per share:

Diluted from continuing operations	\$ (23.42)	\$ (18.27)	\$ (102.25)	\$ (66.70)
------------------------------------	------------	------------	-------------	------------

Diluted from discontinued operations	—	0.02	(0.01)	—
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Total Diluted	\$ (23.42)	\$ (18.25)	\$ (102.26)	\$ (66.70)
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All share and per share amounts have been adjusted for the 1-for-50 reverse split that became effective at 11:59 p.m. Eastern time on April 22, 2020.

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For all periods presented, the computation of diluted earnings (losses) per share excludes outstanding stock options with exercise prices greater than the average market price of Nabors' common shares, because their inclusion would be anti-dilutive and because they are not considered participating securities. In any period during which the average market price of Nabors' common shares exceeds the exercise prices of these stock options, such stock options will be included in our diluted earnings (losses) per share computation using the if-converted method of accounting. Restricted stock is included in our basic and diluted earnings (losses) per share computation using the two-class method of accounting in all periods because such stock is considered participating securities. For periods in which we experience a net loss from continuing operations, all potential common shares have been excluded from the calculation of weighted-average shares outstanding, because their inclusion would be anti-dilutive. The average number of shares from options that were excluded from diluted earnings (losses) per share that would potentially dilute earnings per share in the future were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Potentially dilutive securities excluded as anti-dilutive	36	36	57	41

(In thousands)

Additionally, we excluded 0.79 million common shares from the computation of diluted shares issuable upon the conversion of mandatory convertible preferred shares, because their effect would be anti-dilutive under the if-converted method.

**Note 10 Impairments and Other Charges**

The components of impairments and other charges are provided below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In thousands)			
<b>Tangible Assets &amp; Equipment:</b>				
Impairment of long-lived assets	\$ 345	\$ —	\$ 194,390	\$ —
Subtotal	345	—	194,390	—
<b>Goodwill &amp; Intangible Assets:</b>				
Goodwill impairments	—	—	27,798	93,634
Intangible asset impairment	—	—	83,624	5,235
Subtotal	—	—	111,422	98,869

**Other Charges:**



Other assets	(107)	—	15,287	—
Severance and transaction-related costs	4,779	2,911	18,204	5,386
Loss (gain) on early extinguishment of debt	—	718	—	1,752
Total	\$ 5,017	\$ 3,629	\$ 339,303	\$ 106,007

**For the three and nine months ended September 30, 2020**

During the first quarter of 2020, the oil market experienced volatility leading to a significant decline in oil prices resulting from oversupply and demand weakness. Lower prices continued through the third quarter and into the fourth. As a result of these conditions, we determined a triggering event had occurred in the first quarter which required us to perform impairment testing of our long-lived assets, goodwill and intangible assets.

**Tangible Assets and Equipment**

We review our assets for impairment when events or changes in circumstances indicate that their carrying amounts may not be recoverable. If the estimated undiscounted future cash flows are not sufficient to support the asset's recorded value, an impairment charge is recognized to the extent the carrying amount of the long-lived asset exceeds its estimated

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fair value. Management considers a number of factors such as estimated future cash flows from the assets, appraisals and current market value analysis in determining fair value. The determination of future cash flows requires the estimation of utilization, dayrates, operating margins, sustaining capital and remaining economic life. Such estimates can change based on market conditions, technological advances in the industry or changes in regulations governing the industry.

Based on our analysis during the first quarter of 2020, we impaired some of our rigs and drilling-related equipment within our U.S. Drilling, International Drilling, Drilling Solutions and Rig Technologies reportable segments resulting in charges of \$82.4 million, \$30.5 million, \$19.8 million and \$2.8 million, respectively. Additionally, we recognized an impairment of \$12.3 million related to our retained interest in the oil and gas properties located on the North Slope of Alaska. These impairments resulted from the lack of future contractual opportunities on specific rigs or other assets as a result of current market conditions across certain geographic regions. A significantly prolonged period of lower oil and natural gas prices could continue to adversely affect the demand for and prices of our services, which could result in future impairment charges.

During the second quarter of 2020, we wrote off all the remaining value on our rig and drilling-related equipment in Venezuela due to our lack of work in the country and limited visibility to any possibility of further work. This resulted in a charge of \$32.6 million caused by sanctions and inability to relocate assets. Other assets throughout the Drilling and Drilling Solutions business were reviewed and approximately \$13.8 million were written off due to functional obsolescence.

**Goodwill impairments**

We perform our annual goodwill impairment test during the second quarter of each year. In addition to our annual impairment test, we are required to regularly assess whether a triggering event has occurred which would require interim impairment testing. Due to current industry conditions mentioned above and the corresponding impact on future expectations of demand for our products and services, including the effect on our stock price, we determined a triggering event had occurred and performed a quantitative impairment assessment of our goodwill as of March 31, 2020. Based on the results of our goodwill test performed in the first quarter, we recognized additional impairment charges to write off the remaining goodwill balances attributable to our Drilling Solutions and Rig Technologies operating segments of \$11.4 million and \$16.4 million, respectively in the quarter ended March 31, 2020.

**Intangible asset impairments**

We also reviewed our intangible assets for impairment in the first quarter of 2020. The fair value of our intangible assets are determined using discounted cash flow models. Based on our updated projections of future cash flows, the fair value of our intangible assets did not support the carrying value. As such, we recognized an impairment of \$83.6 million to write off all remaining intangible assets in the quarter ended March 31, 2020.

**Other assets**

We recognized charges of \$15.3 million in the nine months ended September 30, 2020, primarily in the first quarter of 2020, for certain assets including receivables related to our international operations. The charges were primarily attributable to a number of foreign countries, which have been adversely impacted by foreign sanctions or other political risk issues as well as bankruptcies or other financial problems.

**Severance and transaction related costs**

During the nine months ended September 30, 2020, we recognized charges of \$18.2 million due to severance and other related costs incurred to right-size our cost structure.

**For the three and nine months ended September 30, 2019**

**Goodwill impairments**

During the three and nine months ended September 30, 2019, we recognized goodwill impairment charges of \$93.6 million. As part of our annual goodwill impairment test, we determined the carrying value of some of our reporting units exceeded their fair value. As such, we recognized an impairment of \$75.6 million for the remaining goodwill

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balance attributable to our International Drilling operating segment and \$18.0 million for a partial impairment to our goodwill balance related to the acquisition of 2TD in 2014, reported within our Rig Technologies operating segment. These non-cash pre-tax impairment charges were primarily the result of a sustained decline in our market capitalization and lower future cash flow projections due to expectations for future commodity prices and the resulting impact on the demand for our products and services within these reporting units.

**Intangible impairments**

We determined the fair value of one of our intangible assets was less than the current book value. As such, we recognized a partial impairment of \$5.2 million to write down the intangible asset to its fair value. This intangible asset relates to in-process research and development associated with our rotary steerable tools purchased as part of the 2TD acquisition. Based on our updated projections of future cash flows, the carrying value did not support the current fair value and thus an impairment charge was recognized.

**Severance and transaction related costs**

During the three and nine months ended September 30, 2019, we recognized charges of \$2.9 million and \$5.4 million, respectively, due to severance and other related costs incurred to right-size our cost structure.

**Loss (gain) on early extinguishment of debt**

During the three and nine months ended September 30, 2019, we repurchased \$16.6 million and \$378.1 million, respectively, aggregate principal amount of our senior notes and recognized a loss of \$0.7 million and \$1.8 million, respectively, as part of the debt extinguishment. See Note 6—Debt for additional discussion.

**Note 11 Supplemental Balance Sheet and Income Statement Information**

Accrued liabilities included the following:

	September 30, 2020	December 31, 2019
	(In thousands)	
Accrued compensation	\$ 77,344	\$ 97,003
Deferred revenue and proceeds on insurance and asset sales	60,616	89,051
Other taxes payable	33,681	31,472
Workers' compensation liabilities	15,214	30,214
Interest payable	25,771	51,316
Litigation reserves	14,282	14,736
Dividends declared and payable	3,653	7,832
Other accrued liabilities	16,620	11,658
	<u>\$ 247,181</u>	<u>\$ 333,282</u>

Investment income (loss) includes the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In thousands)			
Interest and dividend income	\$ 177	\$ 2,040	\$ 3,781	\$ 6,346
Gains (losses) on marketable securities	(919)	(3,477)	(5,685)	2,363
	<u>\$ (742)</u>	<u>\$ (1,437)</u>	<u>\$ (1,904)</u>	<u>\$ 8,709</u>

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Other, net included the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In thousands)			
Losses (gains) on sales, disposals and involuntary conversions of long-lived assets	\$ 3,324	\$ (1,750)	\$ 5,752	\$ 8,410
Litigation expenses and reserves	621	(2,400)	2,733	4,211
Foreign currency transaction losses (gains)	9,295	8,745	11,377	18,715
(Gain) loss on debt buyback	(14,170)	—	(65,848)	—
Other losses (gains)	505	410	(2,344)	(738)
	<u>\$ (425)</u>	<u>\$ 5,005</u>	<u>\$ (48,330)</u>	<u>\$ 30,598</u>

The changes in accumulated other comprehensive income (loss), by component, included the following:

	Gains (losses) on cash flow hedges	Defined benefit pension plan items	Foreign currency items	Total
	(In thousands (1) )			
As of January 1, 2019	\$ (492)	\$ (3,945)	\$ (24,888)	\$ (29,325)
Other comprehensive income (loss) before reclassifications	—	—	12,314	12,314
Amounts reclassified from accumulated other comprehensive income (loss)	319	125	—	444
Net other comprehensive income (loss)	319	125	12,314	12,758
As of September 30, 2019	<u>\$ (173)</u>	<u>\$ (3,820)</u>	<u>\$ (12,574)</u>	<u>\$ (16,567)</u>

(1) All amounts are net of tax.

	Gains (losses) on cash flow hedges	Defined benefit pension plan items	Foreign currency items	Total
	(In thousands (1) )			
As of January 1, 2020	\$ (65)	\$ (3,778)	\$ (7,945)	\$ (11,788)
Other comprehensive income (loss) before reclassifications	—	—	(7,029)	(7,029)
Amounts reclassified from accumulated other comprehensive income (loss)	67	120	—	187

Net other comprehensive income (loss)	67	120	(7,029)	(6,842)
As of September 30, 2020	\$ 2	\$ (3,658)	\$ (14,974)	\$ (18,630)

(1) All amounts are net of tax.

The line items that were reclassified to net income included the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In thousands)			
Interest expense	\$ (124)	\$ 142	\$ 160	\$ 424
General and administrative expenses	52	54	156	162
Total income (loss) from continuing operations before income tax	72	(196)	(316)	(586)
Tax expense (benefit)	(35)	(48)	(129)	(142)
Reclassification adjustment for (gains)/ losses included in net income (loss)	\$ 107	\$ (148)	\$ (187)	\$ (444)

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**Note 12 Segment Information**

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In thousands)			
Operating revenues:				
U.S. Drilling	\$ 130,243	\$ 307,808	\$ 578,928	\$ 951,419
Canada Drilling	10,774	12,191	39,929	48,895
International Drilling	248,392	328,278	886,580	992,439
Drilling Solutions	29,324	62,286	117,837	192,291
Rig Technologies	28,466	63,106	104,198	207,610
Other reconciling items (1)	(8,847)	(15,593)	(36,825)	(63,532)
Total	\$ 438,352	\$ 758,076	\$ 1,690,647	\$ 2,329,122

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In thousands)			
Adjusted operating income (loss): (2)				
U.S. Drilling	\$ (39,162)	\$ 12,427	\$ (69,961)	\$ 57,502
Canada Drilling	(3,507)	(5,701)	(9,265)	(11,297)
International Drilling	(16,872)	2,466	(20,743)	(10,055)
Drilling Solutions	(3,583)	16,145	8,699	42,793
Rig Technologies	(1,807)	(641)	(11,450)	(5,293)
Total segment adjusted operating income (loss)	\$ (64,931)	\$ 24,696	\$ (102,720)	\$ 73,650

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In thousands)			
Reconciliation of segment adjusted operating income (loss) to net income (loss) from continuing operations before income taxes:				
Total segment adjusted operating income (loss) (2)	\$ (64,931)	\$ 24,696	\$ (102,720)	\$ 73,650
Other reconciling items (3)	(27,709)	(39,219)	(86,547)	(121,480)
Earnings (losses) from unconsolidated affiliates	—	—	—	(5)
Investment income (loss)	(742)	(1,437)	(1,904)	8,709
Interest expense	(52,403)	(51,291)	(158,331)	(155,134)
Impairments and other charges	(5,017)	(3,629)	(339,303)	(106,007)
Other, net	425	(5,005)	48,330	(30,598)
Income (loss) from continuing operations before income taxes	\$ (150,377)	\$ (75,885)	\$ (640,475)	\$ (330,865)

September 30,

December 31,

	2020	2019
	(In thousands)	
Total assets:		
U.S. Drilling	\$ 1,990,662	\$ 2,369,200
Canada Drilling	169,572	202,706
International Drilling	2,751,761	2,979,494
Drilling Solutions	117,200	218,004
Rig Technologies	233,315	324,523
Other reconciling items (3)	554,798	666,731
Total	\$ 5,817,308	\$ 6,760,658

(1) Represents the elimination of inter-segment transactions related to our Rig Technologies operating segment.

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(2) Adjusted operating income (loss) represents income (loss) from continuing operations before income taxes, interest expense, earnings (losses) from unconsolidated affiliates, investment income (loss), impairments and other charges and other, net. Management evaluates the performance of our operating segments using adjusted operating income (loss), which is a segment performance measure, because it believes that this financial measure reflects our ongoing profitability and performance. In addition, securities analysts and investors use this measure as one of the metrics on which they analyze our performance. A reconciliation to income (loss) from continuing operations before income taxes is provided in the above table.

(3) Represents the elimination of inter-segment transactions and unallocated corporate expenses and assets.

**Note 13 Revenue Recognition**

We recognize revenue when control of a good or service promised in a contract (i.e., performance obligation) is transferred to a customer. Control is obtained when a customer has the ability to direct the use of and obtain substantially all of the remaining benefits from that good or service. Contract drilling revenues are recorded over time utilizing the input method based on time elapsed. The measurement of progress considers the transfer of the service to the customer as we provide daily drilling services. We receive payment after the services have been performed by billing customers periodically (typically monthly). However, a portion of our revenues are recognized at a point-in-time as control is transferred at a distinct point in time such as with the sale of our top drives and other capital equipment. Within our drilling contracts, we have identified one performance obligation in which the transaction price is allocated.

**Disaggregation of revenue**

In the following table, revenue is disaggregated by geographical region. The table also includes a reconciliation of the disaggregated revenue with the reportable segments:

	Three Months Ended September 30, 2020						
	U.S. Drilling	Canada Drilling	International Drilling	Drilling Solutions	Rig Technologies	Other	Total
	(In thousands)						
Lower 48	\$ 96,433	\$ —	\$ —	\$ 15,769	\$ 10,220	\$ —	\$ 122,422
U.S. Offshore Gulf of Mexico	26,943	—	—	2,011	—	—	28,954
Alaska	6,867	—	—	66	2	—	6,935
Canada	—	10,774	—	187	515	—	11,476
Middle East & Asia	—	—	176,617	10,096	13,869	—	200,582
Latin America	—	—	43,881	902	15	—	44,798
Europe, Africa & CIS	—	—	27,894	293	3,845	—	32,032
Eliminations & other	—	—	—	—	—	(8,847)	(8,847)
Total	\$ 130,243	\$ 10,774	\$ 248,392	\$ 29,324	\$ 28,466	\$ (8,847)	\$ 438,352

  

	Nine Months Ended September 30, 2020						
	U.S. Drilling	Canada Drilling	International Drilling	Drilling Solutions	Rig Technologies	Other	Total
	(In thousands)						
Lower 48	\$ 445,478	\$ —	\$ —	\$ 70,805	\$ 42,860	\$ —	\$ 559,143
U.S. Offshore Gulf of Mexico	102,681	—	—	7,044	—	—	109,725
Alaska	30,769	—	—	1,296	20	—	32,085
Canada	—	39,929	—	995	2,711	—	43,635
Middle East & Asia	—	—	571,108	31,630	46,003	—	648,741
Latin America	—	—	177,800	4,284	136	—	182,220
Europe, Africa & CIS	—	—	137,672	1,783	12,468	—	151,923
Eliminations & other	—	—	—	—	—	(36,825)	(36,825)
Total	\$ 578,928	\$ 39,929	\$ 886,580	\$ 117,837	\$ 104,198	\$ (36,825)	\$ 1,690,647

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Three Months Ended  
September 30, 2019

	U.S. Drilling	Canada Drilling	International Drilling	Drilling Solutions	Rig Technologies	Other	Total
	(In thousands)						
Lower 48	\$ 256,978	\$ —	\$ —	\$ 41,459	\$ 40,082	\$ —	\$ 338,519
U.S. Offshore Gulf of Mexico	37,365	—	—	2,935	—	—	40,300
Alaska	13,465	—	—	1,488	341	—	15,294
Canada	—	12,191	—	358	1,894	—	14,443
Middle East & Asia	—	—	197,095	11,167	14,481	—	222,743
Latin America	—	—	85,558	4,545	468	—	90,571
Europe, Africa & CIS	—	—	45,625	334	5,840	—	51,799
Eliminations & other	—	—	—	—	—	(15,593)	(15,593)
<b>Total</b>	<b>\$ 307,808</b>	<b>\$ 12,191</b>	<b>\$ 328,278</b>	<b>\$ 62,286</b>	<b>\$ 63,106</b>	<b>\$ (15,593)</b>	<b>\$ 758,076</b>

**Nine Months Ended  
September 30, 2019**

	U.S. Drilling	Canada Drilling	International Drilling	Drilling Solutions	Rig Technologies	Other	Total
	(In thousands)						
Lower 48	\$ 784,638	\$ —	\$ —	\$ 132,156	\$ 144,983	\$ —	\$ 1,061,777
U.S. Offshore Gulf of Mexico	117,572	—	—	9,945	—	—	127,517
Alaska	49,209	—	—	4,137	888	—	54,234
Canada	—	48,895	—	1,413	6,942	—	57,250
Middle East & Asia	—	—	570,142	31,095	38,344	—	639,581
Latin America	—	—	266,715	11,202	1,850	—	279,767
Europe, Africa & CIS	—	—	155,582	2,343	14,603	—	172,528
Eliminations & other	—	—	—	—	—	(63,532)	(63,532)
<b>Total</b>	<b>\$ 951,419</b>	<b>\$ 48,895</b>	<b>\$ 992,439</b>	<b>\$ 192,291</b>	<b>\$ 207,610</b>	<b>\$ (63,532)</b>	<b>\$ 2,329,122</b>

**Contract balances**

We perform our obligations under a contract with a customer by transferring goods or services in exchange for consideration from the customer. We recognize a contract asset or liability when we transfer goods or services to a customer and bill an amount which differs from the revenue allocated to the related performance obligations.

The timing of revenue recognition may differ from the timing of invoicing to customers and these timing differences result in receivables, contract assets, or contract liabilities (deferred revenue) on our condensed consolidated balance sheet. In general, we receive payments from customers based on dayrates as stipulated in our contracts (i.e. operating rate, standby rate). The invoices billed to the customer are based on the varying rates applicable to the operating status on each rig. Accounts receivable are recorded when the right to consideration becomes unconditional.

Dayrate contracts also may contain fees charged to the customer for up-front rig modifications, mobilization and demobilization of equipment and personnel. These fees are associated with contract fulfillment activities, and the related revenue (subject to any constraint on estimates of variable consideration) is allocated to a single performance obligation and recognized ratably over the initial term of the contract. Mobilization fees are generally billable to the customer in the initial phase of a contract and generate contract liabilities until they are recognized as revenue. Demobilization fees are generally received at the end of the contract and generate contract assets when they are recognized as revenue prior to becoming receivables from the customer.

We receive reimbursements from our customers for the purchase of supplies, equipment, personnel services and other services provided at their request. Reimbursable revenues are variable and subject to uncertainty as the amounts received and timing thereof are dependent on factors outside of our influence. Accordingly, these revenues are constrained and not recognized until the uncertainty is resolved, which typically occurs when the related costs are incurred on behalf of the customer. We are generally considered a principal in these transactions and record the associated revenues at the gross amounts billed to the customer.

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The opening and closing balances of our receivables, contract assets and current and long-term contract liabilities are as follows:

	Contract Receivables	Contract Assets (Current)	Contract Assets (Long-term)	Contract Liabilities (Current)	Contract Liabilities (Long-term)
	(In millions)				
As of December 31, 2019	\$ 507.0	\$ 48.6	\$ 24.9	\$ 66.8	\$ 70.5
As of September 30, 2020	\$ 408.0	\$ 25.9	\$ 10.5	\$ 35.8	\$ 48.1

Approximately 61% of the contract liability balance at the beginning of the period is expected to be recognized as revenue during 2020, of which 54% was recognized during the nine months ended September 30, 2020, and 16% is expected to be recognized during 2021. The remaining 23% of the contract liability balance at the beginning of the period is expected to be recognized as revenue during 2022 or thereafter.

Additionally, 64% of the contract asset balance at the beginning of the period is expected to be recognized as expense during 2020, of which 56% was recognized during the nine months ended September 30, 2020, and 23% is expected to be recognized during 2021. The remaining 13% of the contract asset balance at the beginning of the period is expected to be recognized as expense during 2022 or thereafter. This disclosure does not include variable consideration allocated entirely to a wholly unsatisfied performance obligation or promise to transfer a distinct good or service that forms part of a single performance obligation.

**Note 14 Subsequent Events**

On October 29, 2020, Nabors Delaware completed a private transaction whereby \$115.0 million of its 0.75% Senior Exchangeable Notes due 2024 were exchanged for \$50.5 million of its newly issued 6.50% Senior Priority Guaranteed Notes due 2025.

On October 29, 2020, Nabors Delaware commenced an offering to exchange certain aggregate principal amounts of the Company and Nabors Delaware's existing notes for up to \$300 million aggregate principal amount of 9.00% Senior Priority Guaranteed Notes due 2025 to be issued by Nabors Delaware.

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## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We often discuss expectations regarding our future markets, demand for our products and services, and our performance in our annual, quarterly and current reports, press releases, and other written and oral statements. Statements relating to matters that are not historical facts are "forward-looking statements" within the meaning of the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These "forward-looking statements" are based on an analysis of currently available competitive, financial and economic data and our operating plans. They are inherently uncertain and investors should recognize that events and actual results could turn out to be significantly different from our expectations. By way of illustration, when used in this document, words such as "anticipate," "believe," "expect," "plan," "intend," "estimate," "project," "will," "should," "could," "may," "predict" and similar expressions are intended to identify forward-looking statements.

You should consider the following key factors when evaluating these forward-looking statements:

- The COVID-19 pandemic and its impact on our operations as well as oil and gas markets and prices;
- fluctuations and volatility in worldwide prices of and demand for oil and natural gas;
- fluctuations in levels of oil and natural gas exploration and development activities;
- fluctuations in the demand for our services;
- competitive and technological changes and other developments in the oil and gas and oilfield services industries;
- our ability to renew customer contracts in order to maintain competitiveness;
- the existence of operating risks inherent in the oil and gas and oilfield services industries;
- the possibility of the loss of one or a number of our large customers;
- the impact of long-term indebtedness and other financial commitments on our financial and operating flexibility;
- our access to and the cost of capital, including the impact of a downgrade in our credit rating, covenant restrictions, availability under our revolving credit facility, and future issuances of debt or equity securities;
- our dependence on our operating subsidiaries and investments to meet our financial obligations;
- our ability to retain skilled employees;
- our ability to complete, and realize the expected benefits of, strategic transactions;
- changes in tax laws and the possibility of changes in other laws and regulations;
- the possibility of political or economic instability, civil disturbance, war or acts of terrorism in any of the countries in which we do business;
- the possibility of changes to U.S. trade policies and regulations including the imposition of trade embargoes or sanctions; and
- general economic conditions, including the capital and credit markets.

Our business depends, to a large degree, on the level of spending by oil and gas companies for exploration, development and production activities. Therefore, a sustained increase or decrease in the price of oil or natural gas, that has a material impact on exploration, development and production activities, could also materially affect our financial position, results of operations and cash flows.

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The above description of risks and uncertainties is by no means all-inclusive, but highlights certain factors that we believe are important for your consideration. For a more detailed description of risk factors that may affect us or our industry, please refer to Item 1A. — *Risk Factors* in our 2019 Annual Report, as amended and supplemented in Part II, Item 1A.- *Risk Factors* in our Quarterly Reports for the quarters ended March 31 and June 30, 2020.

### **Management Overview**

This section is intended to help you understand our results of operations and our financial condition. This information is provided as a supplement to, and should be read in conjunction with, our condensed consolidated financial statements and the accompanying notes thereto.

We own and operate one of the world's largest land-based drilling rig fleets and provide offshore rigs in the United States and numerous international markets. Our business is comprised of our global land-based and offshore drilling rig operations and other rig related services and technologies, consisting of equipment manufacturing, rig instrumentation and optimization software. We also specialize in tubular services, wellbore placement solutions and are a leading provider of directional drilling and measurement-while-drilling systems and services.

### **Outlook**

The demand for our products and services is a function of the level of spending by oil and gas companies for exploration, development and production activities. The primary driver of customer spending is their cash flow and earnings, which are largely driven by oil and natural gas prices and customers' production volumes. The oil and natural gas markets have traditionally been volatile and tend to be highly sensitive to supply and demand cycles.

During 2020, the oil markets have experienced unprecedented volatility. The outbreak of the COVID-19, and its development into a pandemic, along with policies and actions taken by governments and companies and behaviors of customers around the world, have had a significant negative impact on demand for oil. Additionally, decisions by large oil and natural gas producing countries around the start of the pandemic led to increased oil production and supply. This combination of oversupply and demand weakness has had a negative impact on the energy markets and has led to a significant drop in oil prices with West Texas Intermediate crude oil reaching negative prices during the second quarter. Crude oil prices have continued to be impacted by oversupply fears, as considerable uncertainty remains as to timing of a resumption of normal levels of economic activity following the COVID-19 related restrictions. This has led many of our customers to make significant cuts in their activity, which has negatively affected our operating results and cash flow.

During the third quarter of 2020, the volatility in oil prices began to stabilize. There were also signs of increased global demand for energy as economic activity began to increase. When taken together with slight improvements in oil inventories and supply side indicators, these signs have led to indications of renewed customer confidence. In the U.S. markets, we saw activity levels stabilize during the third quarter, and even increase towards the end of the quarter and subsequently. Internationally, activity levels continue to vary by market, but we have seen some resumption of activity in many of the regions that experienced more restrictive responses to COVID-19. In other markets, we believe that we have visibility to some level of restored activity levels in the near term.

In response to market challenges, we have implemented various measures to mitigate their potential impact. These include reducing planned capital expenditures, reductions in discretionary expenditures and dividends, reductions in our workforce, salary reductions across most of our employee base and other steps to further streamline our operations. Although we cannot predict the full impact of COVID-19 on global oil demand, it could have a larger material adverse effect on our business, financial condition, results of operations and cash flows beyond what is discussed within this report.

## Recent Developments

### Tender Offers

In January 2020, Nabors completed a private placement of \$600.0 million aggregate principal amount of senior guaranteed notes due 2026 (the “2026 Notes”) and \$400.0 million aggregate principal amount of senior guaranteed notes due 2028 (the “2028 Notes”) and, together with the 2026 Notes, the “Notes”). The 2026 and 2028 Notes bear interest at

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an annual rate of 7.25% and 7.50%, respectively. The Notes are fully and unconditionally guaranteed by certain of Nabors’ indirect wholly owned subsidiaries. The proceeds from this offering were used primarily to repurchase \$952.9 million aggregate principal amount of certain of Nabors Delaware’s senior notes that were tendered pursuant to an offer to purchase certain of our senior notes (the “Tender Offers”). The aggregate principal amount repurchased included approximately \$407.7 million of our 5.50% Notes, \$379.7 million of our 4.625% Notes and \$165.5 million of our 5.10% Notes. We also repurchased an additional \$134.8 million in aggregate principal amount of various senior notes during the quarter, for a combined total of \$1.1 billion. We realized a net gain of \$15.7 million from these repurchases.

### Reverse Stock Split

At a special meeting of shareholders held April 20, 2020, our shareholders authorized the Reverse Stock Split at a ratio of not less than 1-for-15 and not greater than 1-for-50, with the exact ratio to be set within that range at the sole direction of our Board. On April 20, 2020, the Board set the Reverse Stock Split ratio at 1-for-50. As a result of the Reverse Stock Split, 50 pre-reverse split common shares were automatically combined into one new common share, without any action on the part of the shareholders. Our authorized number of common shares were also proportionally decreased from 800,000,000 to 16,000,000 common shares. Subsequently, the par value of each common share was proportionally increased from \$0.001 to \$0.05. In addition, at the special meeting, the shareholders authorized an increase in our common share capital by 100% following the Reverse Stock Split, to \$1,600,000, resulting in an increase in the number of authorized shares to 32,000,000. No fractional common shares were issued as a result of the Reverse Stock Split. Any fractional common shares of registered holders resulting from the Reverse Stock Split were rounded up to the nearest whole share. Unless otherwise noted, all share and per share information included in this quarterly report on Form 10-Q has been retrospectively adjusted to reflect this Reverse Stock Split.

### Shareholder Rights Plan

On May 5, 2020, our Board adopted a shareholder rights plan and declared a dividend of one right (a “Right”) for each outstanding common share to shareholders of record on May 15, 2020. Each Right entitles the holder to purchase from Nabors one one-thousandth of a Series B Junior Participating Preferred Share, par value \$0.001 per share (the “Series B Preferred Shares”), of Nabors at a price of \$58.08 per one one-thousandth of a Series B Preferred Share, subject to adjustment. The description of the Rights are set forth in a Rights Agreement, dated May 5, 2020 (the “Rights Agreement”), by and between Nabors and Computershare Trust Company, N.A., as Rights Agent.

Initially, the Rights will not be exercisable and will trade with our common shares. Under the Rights Agreement, the Rights will become exercisable only if a person or group or persons acting together (each, an “acquiring person”) acquires beneficial ownership of 4.9% or more of our outstanding common shares. The Rights Agreement was amended on May 27, 2020 to permit the shareholder identified therein, together with affiliates and associates, to beneficially own up to 10% of our outstanding common shares.

If the Rights are triggered, each holder of a Right (other than the acquiring person, whose Rights will become void) will be entitled to purchase additional shares of our common stock at a 50% discount. In addition, if we are acquired in a merger or other business combination after an Acquiring Person acquires more than 4.9% of our outstanding common shares (10% for the shareholder identified in the amendment), each holder of a Right would then be entitled to purchase shares of the acquiring company’s stock at a 50% discount. Our Board, at its option, may exchange each Right (other than Rights owned by the acquiring person that have become void) in whole or in part, at an exchange ratio of one common share per outstanding Right, subject to adjustment. Except as provided in the Rights Agreement, our Board is entitled to redeem the Rights at \$0.01 per Right.

A person or group of persons that beneficially owns our common shares at or above the trigger applicable threshold as of the time of the public announcement of the Rights Agreement generally will not trigger the Rights until such person or group of persons increases its ownership by 0.5% or more.

### Financial Results

#### Comparison of the three months ended September 30, 2020 and 2019

Operating revenues for the three months ended September 30, 2020 totaled \$438.4 million, representing a decrease of \$319.7 million, or 42%, compared to the three months ended September 30, 2019. Revenues declined across all of

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our operating segments due to the impact on our businesses brought on by the COVID-19 outbreak mentioned earlier. While all of our segments have been adversely impacted, the US markets experienced the most dramatic decline in activity, as evidenced by the 53% decline in average rigs working within our US Drilling operating segment. Our Drilling Solutions and Rig Technology segments also are affected by the decline in activity in the US. Our International Drilling segment experienced a significant, but less pronounced decline in activity as evidenced by the 19% decline in average rigs working. For a more detailed description of operating results see Segment Results of Operations, below.

Net loss from continuing operations attributable to Nabors common shareholders totaled \$161.1 million (\$23.42 per diluted share) for the three months ended September 30, 2020 compared to a net loss from continuing operations attributable to Nabors common shareholders of \$123.4 million (\$18.27 per diluted share) for the three months ended September 30, 2019, or a \$37.7 million increase in the net loss. Our net loss was adversely impacted by the \$89.6 million decrease in our segments’ adjusted operating income. This decrease was partially offset by a \$27.6 million favorable change in income taxes and \$11.5 million favorable change in adjusted operating income in our corporate expenses and eliminations.

General and administrative expenses for the three months ended September 30, 2020 totaled \$46.2 million, representing a decrease of \$17.4 million, or 27%, compared to the three months ended September 30, 2019. This is reflective of a significant reduction in workforce and general cost-reduction efforts across our operating segments and our corporate offices due to current industry market conditions.

Research and engineering expenses for the three months ended September 30, 2020 totaled \$7.6 million, representing a decrease of \$4.4 million, or 37%, compared to the three months ended September 30, 2019. The decrease is attributable to reductions in staffing levels and other cost control efforts across many of our research and engineering projects and initiatives due to current industry market conditions.

Depreciation and amortization expense for the three months ended September 30, 2020 was \$206.9 million, representing a decrease of \$14.7 million, or 7%, compared to the three months ended September 30, 2019. The decrease is primarily due to reduction in rig activity, limited capital expenditures over recent years and the effect of recent impairments and retirements of long-lived assets.

### Segment Results of Operations

The following tables set forth certain information with respect to our reportable segments and rig activity:

	Three Months Ended		Increase/(Decrease)
	September 30,		
	2020	2019	
U.S. Drilling			

Operating revenues	\$	130,243	\$	307,808	\$	(177,565)	(58)%
Adjusted operating income (loss) (1)	\$	(39,162)	\$	12,427	\$	(51,589)	(415)%
Average rigs working (2)		53.4		114.1		(60.7)	(53)%
<b>Canada Drilling</b>							
Operating revenues	\$	10,774	\$	12,191	\$	(1,417)	(12)%
Adjusted operating income (loss) (1)	\$	(3,507)	\$	(5,701)	\$	2,194	38 %
Average rigs working (2)		7.4		7.7		(0.3)	(4)%
<b>International Drilling</b>							
Operating revenues	\$	248,392	\$	328,278	\$	(79,886)	(24)%
Adjusted operating income (loss) (1)	\$	(16,872)	\$	2,466	\$	(19,338)	(784)%
Average rigs working (2)		71.3		87.7		(16.4)	(19)%
<b>Drilling Solutions</b>							
Operating revenues	\$	29,324	\$	62,286	\$	(32,962)	(53)%
Adjusted operating income (loss) (1)	\$	(3,583)	\$	16,145	\$	(19,728)	(122)%
<b>Rig Technologies</b>							
Operating revenues	\$	28,466	\$	63,106	\$	(34,640)	(55)%
Adjusted operating income (loss) (1)	\$	(1,807)	\$	(641)	\$	(1,166)	(182)%

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- (1) Adjusted operating income (loss) is our measure of segment profit and loss. See Note 12—Segment Information to the consolidated financial statements included in Item 1 of the report.
- (2) Represents a measure of the average number of rigs operating during a given period. For example, one rig operating 45 days during a quarter represents approximately 0.5 average rigs working for the quarter. On an annual period, one rig operating 182.5 days represents approximately 0.5 average rigs working for the year.

#### **U.S. Drilling**

Operating revenues for our U.S. Drilling segment decreased during the three months ended September 30, 2020 compared to the corresponding period primarily due to a decrease in activity as reflected by a 53% decrease in the average number of rigs working. This reduction in revenues was partially offset by significant cost reductions related to the drop in activity.

#### **Canada Drilling**

Operating revenues decreased during the three months ended September 30, 2020 compared to the corresponding period primarily due to a decrease in activity as evidenced by the 4% decrease in average rigs working and decreased day rates. However, cost reduction actions more than offset the drop in revenue.

#### **International Drilling**

Operating revenues for our International Drilling segment were down compared to the corresponding prior year period primarily due to reduced activity, as reflected by the 19% decrease in the average number of rigs working, as certain countries implemented measures to counter COVID-19, particularly in Latin America. This reduction in revenues was partially offset by significant cost reductions related to the drop in activity.

#### **Drilling Solutions**

Operating revenues for this segment also decreased during the three months ended September 30, 2020 compared to the corresponding period primarily due to the reduced activity across the U.S. as the market softened in response to reduced oil prices and COVID-19. The reduction in activity and operating revenues was partially offset by cost management initiatives mainly focusing on labor and repair and maintenance costs as well as an overall reduction in administrative expenses.

#### **Rig Technologies**

Operating revenues for our Rig Technologies segment decreased during the three months ended September 30, 2020 compared to the corresponding period due to the overall decline in activity in the U.S. as mentioned previously. Despite a significant drop in revenues of \$34.6 million, this segment enacted significant cost reduction measures to mitigate almost all the impact, such that adjusted operating income was only down by \$1.2 million.

#### **Other Financial Information**

##### **Interest expense**

Interest expense for the three months ended September 30, 2020 was \$52.4 million, representing an increase of \$1.1 million, or 2%, compared to the three months ended September 30, 2019. The increase was primarily due to the higher interest rates on the 2026 Notes and the 2028 Notes, which were issued in January 2020, compared to the lower interest rate debt that was repurchased in the Tender Offers using the proceeds from that offering.

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#### **Impairments and other charges**

During the three months ended September 30, 2020, we recognized impairments and other charges of approximately \$5.0 million, which primarily consisted of severance and reorganization costs of \$4.8 million due to significant reductions in our workforce and cost cutting measures that we enacted in response to the current industry environment.

During the three months ended September 30, 2019, we recognized impairments and other charges of \$3.6 million, resulting from severance and other related costs incurred to right-size our cost structure of approximately \$2.9 million and a loss on debt buybacks of approximately \$0.7 million.

#### **Other, net**

Other, net for the three months ended September 30, 2020 was \$0.4 million of income, which included a net gain on debt buybacks of \$14.2 million. This was partially offset by net losses on sales and disposals of assets of approximately \$3.3 million, foreign currency loss of \$9.3 million and an increase in litigation reserves of \$0.6 million.

Other, net for the three months ended September 30, 2019 was \$5.0 million of expense, mostly attributable to foreign currency exchange losses of \$8.7 million, primarily due to the devaluation in Argentina. This was partially offset by a decrease in litigation reserves of \$2.4 million and net gains on sales and disposals of assets of approximately \$1.8 million.

#### **Income taxes**

Our worldwide effective tax rate for the three months ended September 30, 2020 was 2.5% compared to (31.5%) for the three months ended September 30, 2019. The change in the effective tax rate was primarily attributable to the change in our geographic mix of our pre-tax earnings (losses). Future changes in the mix or pre-tax earnings could materially change the effective income tax rate.

**Comparison of the nine months ended September 30, 2020 and 2019**

Operating revenues for the nine months ended September 30, 2020 totaled \$1.7 billion, representing a decrease of \$638.5 million, or 27%, compared to the nine months ended September 30, 2019. The primary driver was a decrease in U.S. activity in response to the rapid decline in global market conditions, as evidenced by the 40% decline in average rigs working within our U.S. Drilling operating segment. This market decline led to a decrease in operating revenue across virtually all of our operating segments, and specifically within the U.S. markets. For a more detailed description of operating results see Segment Results of Operations, below.

Net loss from continuing operations attributable to Nabors common shareholders totaled \$708.3 million (\$102.25 per diluted share) for the nine months ended September 30, 2020 compared to a net loss from continuing operations attributable to Nabors common shareholders of \$453.1 million (\$66.70 per diluted share) for the nine months ended September 30, 2019, or a \$255.2 million increase in the net loss. This increase in the net loss is primarily attributable to \$233.3 million increase in various impairments and other charges recognized. This increase in impairments and other charges was primarily due to the outbreak of COVID-19 which caused the oil market to experience unprecedented volatility leading to a significant decline in oil prices resulting from oversupply and demand weakness, which in turn has had a significant impact on our business and results of our operations. During the nine months ended September 30, 2019, we recognized \$106.0 million in various impairments and other charges primarily related to goodwill and intangible impairments as compared to \$339.3 million recognized during the nine months ended September 30, 2020.

General and administrative expenses for the nine months ended September 30, 2020 totaled \$149.8 million, representing a decrease of \$46.4 million, or 24%, compared to the nine months ended September 30, 2019. This is reflective of a significant reduction in workforce and general cost-reduction efforts across our operating segments and our corporate offices due to current industry market conditions.

Research and engineering expenses for the nine months ended September 30, 2020 totaled \$26.3 million, representing a decrease of \$11.2 million, or 30%, compared to the nine months ended September 30, 2019. The decrease is attributable to reductions in staffing levels and other cost control efforts across many of our research and engineering projects and initiatives due to current industry market conditions.

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Depreciation and amortization expense for the nine months ended September 30, 2020 was \$645.0 million, representing a decrease of \$5.2 million, or 1%, compared to the nine months ended September 30, 2019. The decrease is primarily due to reduction in rig activity, limited capital expenditures over recent years and the effect of recent impairments and retirements of long-lived assets.

**Segment Results of Operations**

The following tables set forth certain information with respect to our reportable segments and rig activity:

	Nine Months Ended September 30,		Increase/(Decrease)	
	2020	2019		
(In thousands, except percentages and rig activity)				
<b>U.S. Drilling</b>				
Operating revenues	\$ 578,928	\$ 951,419	\$ (372,491)	(39)%
Adjusted operating income (loss) (1)	\$ (69,961)	\$ 57,502	\$ (127,463)	(222)%
Average rigs working (2)	71.1	119.0	(47.9)	(40)%
<b>Canada Drilling</b>				
Operating revenues	\$ 39,929	\$ 48,895	\$ (8,966)	(18)%
Adjusted operating income (loss) (1)	\$ (9,265)	\$ (11,297)	\$ 2,032	18 %
Average rigs working (2)	8.8	10.4	(1.6)	(15)%
<b>International Drilling</b>				
Operating revenues	\$ 886,580	\$ 992,439	\$ (105,859)	(11)%
Adjusted operating income (loss) (1)	\$ (20,743)	\$ (10,055)	\$ (10,688)	(106)%
Average rigs working (2)	80.1	88.7	(8.6)	(10)%
<b>Drilling Solutions</b>				
Operating revenues	\$ 117,837	\$ 192,291	\$ (74,454)	(39)%
Adjusted operating income (loss) (1)	\$ 8,699	\$ 42,793	\$ (34,094)	(80)%
<b>Rig Technologies</b>				
Operating revenues	\$ 104,198	\$ 207,610	\$ (103,412)	(50)%
Adjusted operating income (loss) (1)	\$ (11,450)	\$ (5,293)	\$ (6,157)	(116)%

(1) Adjusted operating income (loss) is our measure of segment profit and loss. See Note 12—Segment Information to the consolidated financial statements included in Item 1 of the report.

(2) Represents a measure of the average number of rigs operating during a given period. For example, one rig operating 45 days during a quarter represents approximately 0.5 average rigs working for the quarter. On an annual period, one rig operating 182.5 days represents approximately 0.5 average rigs working for the year.

**U.S. Drilling**

Operating revenues for our U.S. Drilling segment decreased during the nine months ended September 30, 2020 compared to the corresponding period primarily due to a decrease in activity as reflected by a 40% decrease in the average number of rigs working. The reduction in revenues was partially offset by significant cost reductions related to the drop in activity.

**Canada Drilling**

Operating revenues decreased during the nine months ended September 30, 2020 compared to the corresponding period primarily due to a decrease in activity as evidenced by the 15% decrease in average rigs working and decreased day rates. However, cost reduction actions more than offset the drop in revenue.

**International Drilling**

Operating revenues for our International Drilling segment were down compared to the corresponding prior year period primarily due to reduced activity, as reflected by the 10% decrease in the average number of rigs working, as

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certain countries implemented measures to counter COVID-19. The reduction in revenues was partially offset by significant cost reductions related to the drop in activity.

#### **Drilling Solutions**

Operating revenues for this segment also decreased during the nine months ended September 30, 2020 compared to the corresponding period primarily due to the reduced activity across the U.S. as the market softened in response to reduced oil prices and COVID-19. The reduction in activity and operating revenues was partially offset by cost management initiatives mainly focusing on labor and repair and maintenance costs as well as an overall reduction in administrative expenses.

#### **Rig Technologies**

Operating revenues for our Rig Technologies decreased during the nine months ended September 30, 2020 compared to the corresponding period due to the overall decline in activity in the U.S. as mentioned previously. Despite the drop in revenues of \$103.4 million, this segment enacted significant cost reduction measures to mitigate almost all of the impact, such that adjusted operating income was only down \$6.2 million.

#### **Other Financial Information**

##### **Interest expense**

Interest expense for the nine months ended September 30, 2020 was \$158.3 million, representing an increase of \$3.2 million, or 2%, compared to the nine months ended September 30, 2019. The increase was primarily due to the higher interest rates on the 2026 Notes and the 2028 Notes, which were issued in January 2020, compared to the lower interest rate debt that was repurchased in the Tender Offers using the proceeds from that offering.

##### **Impairments and other charges**

During the nine months ended September 30, 2020, we recognized impairments and other charges of approximately \$339.3 million. The increased amount of impairments was due to the outbreak of COVID-19 and the oil market experiencing unprecedented volatility leading to a significant decline in oil prices resulting from oversupply and demand weakness in early 2020. These impairments primarily included impairments and write offs of long-lived assets of \$194.4 million comprised of underutilized rigs and drilling-related equipment across all of our operating segments. We recognized impairments of \$16.4 million for the remaining goodwill balance attributable to our Rig Technologies operating segment and \$11.4 million for the remaining goodwill balance attributable to our Drilling Solutions operating segment. Additionally, we recognized an impairment of \$83.6 million to write off our remaining intangible assets.

During the nine months ended September 30, 2019, we recognized impairments and other charges of \$106.0 million, primarily resulting from goodwill impairment charges of \$93.6 million. Additionally, we recognized a partial impairment of \$5.2 million to write down our intangible asset within our Rig Technologies operating segment to its fair value. The balance of the impairments and other charges represents \$5.4 million in severance and other related costs incurred to right-size our cost structure and a loss of \$1.8 million related to the repurchase of our senior notes.

##### **Other, net**

Other, net for the nine months ended September 30, 2020 was \$48.3 million of income, which included a net gain on debt buybacks of \$65.8 million and release of contingent consideration reserves in connection with a previous acquisition of \$8.6 million. This was partially offset by net losses on sales and disposals of assets of approximately \$5.8 million, an increase in litigation reserves of \$2.7 million and foreign currency exchange loss of \$11.4 million.

Other, net for the nine months ended September 30, 2019 was \$30.6 million of expense, which included foreign currency exchange losses of \$18.7 million, net losses on sales and disposals of assets of approximately \$8.4 million and an increase in litigation reserves of \$4.2 million.

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#### **Income taxes**

Our worldwide effective tax rate for the nine months ended September 30, 2020 was (2.9%) compared to (19.7%) for the nine months ended September 30, 2019. The change in the effective tax rate was primarily attributable to the change in our geographic mix of our pre-tax earnings (losses). Future changes in the mix or pre-tax earnings could materially change the effective income tax rate.

#### **Liquidity and Capital Resources**

##### **Financial Condition and Sources of Liquidity**

Our primary sources of liquidity are cash and investments, availability under our revolving credit facility and cash provided by operating activities. As of September 30, 2020, we had cash and short-term investments of \$513.8 million and working capital of \$677.0 million. As of December 31, 2019, we had cash and short-term investments of \$452.5 million and working capital of \$592.1 million.

At September 30, 2020, we had \$752.3 million of borrowings outstanding under the 2018 Revolving Credit Facility, which has a total borrowing capacity of \$1.014 billion. The 2018 Revolving Credit Facility requires us to maintain “minimum liquidity” of no less than \$160.0 million at any time in order to access the total borrowing capacity and an asset to debt coverage ratio of at least 4.25:1, as of the end of each calendar quarter. The asset to debt coverage ratio applies only during the period which Nabors Delaware fails to maintain an investment grade rating from at least two rating agencies, which was the case as of the date of this report. As of September 30, 2020, there was a \$50.6 million reduction in total available borrowing capacity under the 2018 Revolving Credit Facility due to the minimum liquidity requirement discussed above. We also had \$26.7 million of letters of credit outstanding under the 2018 Revolving Credit Facility. At September 30, 2020, we were in compliance with all covenants contained in the 2018 Revolving Credit Facility and based on current forecasts of operational performance, we believe we can meet all our obligations over the next twelve months.

Our ability to access capital markets or to otherwise obtain sufficient financing may be affected by our senior unsecured debt ratings as provided by the major credit rating agencies in the United States. While there can be no assurances that we will be able to access these markets in the future, we are optimistic that we will be able to continue to access these markets or otherwise obtain financing in order to satisfy any payment obligation that might arise upon maturity, exchange or purchase of our notes and our debt facilities, loss of availability of our revolving credit facility and our A/R Agreement, and that any cash payment due, in addition to our other cash obligations, would not ultimately have a material adverse impact on our liquidity or financial position. The major U.S. credit rating agencies have previously downgraded our senior unsecured debt rating to non-investment grade. These and any further ratings downgrades could adversely impact our ability to access debt markets in the future, increase the cost of future debt, and potentially require us to post letters of credit or provide cash or other collateral for certain obligations.

We had 18 letter-of-credit facilities with various banks as of September 30, 2020. Availability under these facilities as of September 30, 2020 was as follows:

	September 30, 2020
	(In thousands)
Credit available	\$ 630,902
Less: Letters of credit outstanding, inclusive of financial and performance guarantees	117,782
Remaining availability	\$ 513,120

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### Accounts Receivable Sales Agreement

On September 13, 2019, we entered into the \$250 million A/R Agreement whereby the Originators sold or contributed, and will on an ongoing basis continue to sell or contribute, certain of their domestic trade accounts receivables to a wholly-owned, bankruptcy-remote, SPE. The SPE would in turn, sell, transfer, convey and assign to third-party Purchasers, all the rights, title and interest in and to its pool of eligible receivables.

The amount available for purchase under the A/R Agreement fluctuates over time based on the total amount of eligible receivables generated during the normal course of business after excluding excess concentrations and certain other ineligible receivables. The maximum purchase commitment of the Purchasers under the A/R Agreement is approximately \$250.0 million and the amount of receivables purchased by the Purchasers as of September 30, 2020 was \$52.0 million.

The Originators, Nabors Delaware, the SPE, and the Company provide representations, warranties, covenants and indemnities under the A/R Agreement and the Indemnification Guarantee. See further details at Note 5—Accounts Receivable Sales Agreement.

### Future Cash Requirements

Our current cash and investments, projected cash flows from operations, proceeds from equity or debt issuances and our revolving credit facility are expected to adequately finance our purchase commitments, capital expenditures, acquisitions, scheduled debt service requirements, and all other expected cash requirements for at least the next 12 months. However, we can make no assurances that our current operational and financial projections will prove to be correct, especially in light of the effects the COVID-19 pandemic has on oil and natural gas prices and, in turn, our business. A sustained period of highly depressed oil and natural gas prices could have a significant effect on our customers' capital expenditure spending and therefore our operations, cash flows and liquidity.

Purchase commitments outstanding at September 30, 2020 totaled approximately \$104.3 million, primarily for capital expenditures, other operating expenses and purchases of inventory. We can reduce planned expenditures if necessary or increase them if market conditions and new business opportunities warrant it. The level of our outstanding purchase commitments and our expected level of capital expenditures over the next 12 months represent a number of capital programs that are currently underway or planned.

See our discussion of guarantees issued by Nabors that could have a potential impact on our financial position, results of operations or cash flows in future periods included below under "Off-Balance Sheet Arrangements (Including Guarantees)."

There have been no material changes to the contractual cash obligations table that was included in our 2019 Annual Report.

On August 25, 2015, our Board authorized a share repurchase program (the "program") under which we may repurchase, from time to time, up to \$400.0 million of our common shares by various means, including in the open market or in privately negotiated transactions. Authorization for the program, which was renewed in February 2019, does not have an expiration date and does not obligate us to repurchase any of our common shares. Since establishing the program, we have repurchased 0.3 million of our common shares for an aggregate purchase price of approximately \$121.1 million under this program. The repurchased shares, which are held by our subsidiaries, are registered and tradable subject to applicable securities law limitations and have the same voting and other rights as other outstanding shares. As of September 30, 2020, the remaining amount authorized under the program that may be used to purchase shares was \$278.9 million. As of September 30, 2020, our subsidiaries held 1.1 million of our common shares.

We may from time to time seek to retire or purchase our outstanding debt through cash purchases and/or exchanges for equity securities, both in open-market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors and may involve material amounts.

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### Cash Flows

Our cash flows depend, to a large degree, on the level of spending by oil and gas companies for exploration, development and production activities. Sustained decreases in the price of oil or natural gas could have a material impact on these activities, and could also materially affect our cash flows. Certain sources and uses of cash, such as the level of discretionary capital expenditures or acquisitions, purchases and sales of investments, dividends, loans, issuances and repurchases of debt and of our common shares are within our control and are adjusted as necessary based on market conditions. We discuss our cash flows for the nine months ended September 30, 2020 and 2019 below.

*Operating Activities.* Net cash provided by operating activities totaled \$247.9 million during the nine months ended September 30, 2020, compared to net cash provided of \$430.8 million during the corresponding 2019 period. Operating cash flows are our primary source of capital and liquidity. The decrease in cash flows from operating activities is primarily attributable to decreases in activity and margins in our U.S. Drilling operating segment. Changes in working capital items such as collection of receivables, other deferred revenue arrangements and payments of operating payables and interest payments are significant factors affecting operating cash flows. Changes in working capital items used \$37.4 million and provided \$37.3 million in cash during the nine months ended September 30, 2020 and 2019, respectively.

*Investing Activities.* Net cash used for investing activities totaled \$129.3 million during the nine months ended September 30, 2020 compared to net cash used of \$333.7 million during the corresponding 2019 period. Our primary use of cash for investing activities is capital expenditures for rig-related enhancements, new construction and equipment, as well as sustaining capital expenditures. During the nine months ended September 30, 2020 and 2019, we used cash for capital expenditures totaling \$153.1 million and \$366.6 million, respectively.

*Financing Activities.* Net cash used for financing activities totaled \$48.5 million during the nine months ended September 30, 2020 compared to net cash used of \$141.8 million during the corresponding 2019 period. During the nine months ended September 30, 2020, we received net proceeds of \$1.0 billion in proceeds from the issuance of new long term debt as well as \$397.3 million in net amounts borrowed under our revolving credit facility. This was partially offset by a \$1.4 billion repayment on our senior notes. Additionally, we paid dividends totaling \$18.9 million to our common and preferred shareholders.

### Summarized Combined Financial Information for Guarantee of Securities of Subsidiaries

Nabors has fully and unconditionally guaranteed on a joint and several basis all of the issued public debt securities of Nabors Delaware, a 100% wholly owned subsidiary. The following condensed consolidating financial information is included so that separate financial statements of Nabors Delaware are not required to be filed with the SEC. The condensed consolidating financial statements present investments in both consolidated and unconsolidated affiliates using the equity method of accounting.

In lieu of providing separate financial statements for issuers and guarantor (the "Obligated Group"), we have presented the accompanying supplemental summarized combined balance sheet and income statement information for the Obligated Group based on Rule 13-01 of the SEC's Regulation S-X that we early adopted effective April 1, 2020.

All significant intercompany items among the Obligated Group have been eliminated in the supplemental summarized combined financial information. The Obligated Group's investment balances in Subsidiary Non-Guarantors have been excluded from the supplemental combined financial information. Significant intercompany balances and activity for the Obligated Group with other related parties, including Subsidiary Non-Guarantors, (referred to as "affiliates") are presented separately in the accompanying supplemental summarized financial information.

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Summarized combined Balance Sheet and Income Statement information for the Obligated Group follows (in thousands):

Summarized Combined Balance Sheet Information	September 30, 2020	December 31, 2019
Assets		
Current Assets	\$ 1,021	\$ 407
Non-Current Assets	449,258	431,540

Noncurrent assets - affiliates	7,272,958	7,782,314
<b>Total Assets</b>	<b>7,723,237</b>	<b>8,214,261</b>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities	30,338	60,409
Noncurrent liabilities	3,295,703	3,369,876
Noncurrent liabilities - affiliates	403,815	242,267
<b>Total Liabilities</b>	<b>3,729,856</b>	<b>3,672,552</b>
Stockholders' Equity	3,993,381	4,541,709
<b>Total Liabilities and Stockholders' Equity</b>	<b>7,723,237</b>	<b>8,214,261</b>

Nine Months Ended  
September 30,  
2020

**Summarized Combined Income Statement Information**

Total revenues, earnings (loss) from consolidated affiliates and other income	\$	(513,521)
Income from continuing operations, net of tax		(600,555)
Dividends on preferred stock		(10,958)
Net income (loss) attributable to Nabors common shareholders		(611,513)

**Other Matters**

**Recent Accounting Pronouncements**

See Note 2—Summary of Significant Accounting Policies.

**Off-Balance Sheet Arrangements (Including Guarantees)**

We are a party to transactions, agreements or other contractual arrangements defined as “off-balance sheet arrangements” that could have a material future effect on our financial position, results of operations, liquidity and capital resources. The most significant of these off-balance sheet arrangements include the A/R Agreement (see —Accounts Receivable Sales Agreement, above) and certain agreements and obligations under which we provide financial or performance assurance to third parties. Certain of these financial or performance assurances serve as guarantees, including standby letters of credit issued on behalf of insurance carriers in conjunction with our workers’ compensation insurance program and other financial surety instruments such as bonds. In addition, we have provided indemnifications, which serve as guarantees, to some third parties. These guarantees include indemnification provided by us to our share transfer agent and our insurance carriers. We are not able to estimate the potential future maximum payments that might be due under our indemnification guarantees. Management believes the likelihood that we would be required to perform or otherwise incur any material losses associated with any of these guarantees is remote.

The following table summarizes the total maximum amount of financial guarantees issued by Nabors:

	Maximum Amount				
	2020	2021	2022	Thereafter	Total
	(In thousands)				
Financial standby letters of credit and other financial surety instruments	\$ 43,949	163,189	—	1,252	\$ 208,390

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**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We may be exposed to market risks arising from the use of financial instruments in the ordinary course of business as discussed in our 2019 Annual Report. There were no material changes in our exposure to market risk during the nine months ended September 30, 2020 from those disclosed in our 2019 Annual Report.

**ITEM 4. CONTROLS AND PROCEDURES**

We maintain a set of disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) designed to provide reasonable assurance that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure. We have investments in certain unconsolidated entities that we do not control or manage. Because we do not control or manage these entities, our disclosure controls and procedures with respect to these entities are necessarily more limited than those we maintain with respect to our consolidated subsidiaries.

The Company’s management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company’s disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company’s disclosure controls and procedures were effective as of the end of the period covered by this report.

There were no changes in our internal control over financial reporting during the quarter ended September 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

Nabors and its subsidiaries are defendants or otherwise involved in a number of lawsuits in the ordinary course of business. We estimate the range of our liability related to pending litigation when we believe the amount and range of loss can be estimated. We record our best estimate of a loss when the loss is considered probable. When a liability is probable and there is a range of estimated loss with no best estimate in the range, we record the minimum estimated liability related to the lawsuits or claims. As additional information becomes available, we assess the potential liability related to our pending litigation and claims and revise our estimates. Due to uncertainties related to the resolution of lawsuits and claims, the ultimate outcome may differ from our estimates. For matters where an unfavorable outcome is reasonably possible and significant, we disclose the nature of the matter and a range of potential exposure, unless an estimate cannot be made at the time of disclosure. In the opinion of management and based on liability accruals provided, our ultimate exposure with respect to these pending lawsuits and claims is not expected to have a material adverse effect on our condensed consolidated financial position or cash flows, although they could have a material adverse effect on our results of operations for a particular reporting period. See Note 8 — Commitments and Contingencies — Litigation for a description of such proceedings.

**ITEM 1A. RISK FACTORS**

Except as set forth below, there have been no material changes from the risk factors previously disclosed in Part 1, Item 1A, of our 2019 Annual Report, which in addition to the information set forth elsewhere in this report and the 2019 Annual Report, should be carefully considered when evaluating us. These risks are not the only risks we face. Additional risks not presently known to us or that we currently deem immaterial may also impair our business.

***The outbreak of COVID-19 and recent events in the energy markets has had, and may continue to have an adverse impact on our financial condition, results of operations and cash flows.***

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency with respect to a new strain of coronavirus known as COVID-19. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in global infections. The COVID-19 outbreak triggered a sharp sell-off in energy commodities markets during the first quarter of 2020 due to the sudden drop in worldwide consumption of oil, gas and other energy products as a result of measures taken worldwide to contain the spread of the disease. In addition, a dispute

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between Russia and Saudi Arabia regarding proposed oil production cuts to counteract decreased demand resulting from the COVID-19 outbreak also put downward pressure on energy markets in the first half of the year.

The significant weakness in oil and natural gas prices has resulted in reductions in the exploration and production capital and operating budgets of our customers. Demand for our services and associated product offerings and the rates we are able to charge our customers is closely tied to such exploration and production activities and the significant price weakness and associated volatility surrounding recent global events has had, and is reasonably likely to continue to have, an adverse impact on the demand for our services.

Future increases in commodity prices may not necessarily translate into the resumption of exploration and production activities (and a corresponding increase in demand for our services) because our customers’ expectations of future prices may also influence or limit their activity. As a result of these factors, lower industry demand for oil and natural gas field services may persist for a significant period, which would continue to materially adversely affect the rates that we are able to charge our customers and the demand for our services.

The spread of the virus into our workforce may also prevent us from meeting the demands of our customers in the future. For example, if the COVID-19 pandemic were to impact a location where we have a high concentration of business and resources, our local workforce could be affected by the outbreak, which could significantly disrupt our operations or lead to a shutdown of operations in the impacted location.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

We withheld the following shares of our common stock to satisfy tax withholding obligations in connection with grants of stock awards during the three months ended September 30, 2020 from the distributions described below. These shares may be deemed to be “issuer purchases” of shares that are required to be disclosed pursuant to this Item, but were not purchased as part of a publicly announced program to purchase common shares:

Period	Total Number of Shares Repurchased	Average Price Paid per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximated Dollar Value of Shares that May Yet Be Purchased Under the Program (2)
(In thousands, except per share amounts)				
July 1 - July 31	—	\$ 38.81	—	278,914
August 1 - August 31	—	\$ 42.41	—	278,914
September 1 - September 30	—	\$ 36.69	—	278,914

(1) Shares were withheld from employees and directors to satisfy certain tax withholding obligations due in connection with grants of shares under our 2013 Stock Plan and 2016 Stock Plan. Each of the 2016 Stock Plan, the 2013 Stock Plan, the 2003 Employee Stock Plan and the 1999 Stock Option Plan for Non-Employee Directors provide for the withholding of shares to satisfy tax obligations, but do not specify a maximum number of shares that can be withheld for this purpose. These shares were not purchased as part of a publicly announced program to purchase common shares.

(2) In August 2015, our Board authorized a share repurchase program under which we may repurchase up to \$400.0 million of our common shares in the open market or in privately negotiated transactions. The program was renewed by the Board in February 2019. Through September 30, 2020, we repurchased 0.3 million of our common shares for an aggregate purchase price of approximately \$121.1 million under this program. As of September 30, 2020, we had \$278.9 million that remained authorized under the program that may be used to repurchase shares. The repurchased shares, which are held by our subsidiaries, are registered and tradable subject to applicable securities law limitations and have the same voting, dividend and other rights as other outstanding shares. As of September 30, 2020, our subsidiaries held 1.1 million of our common shares.

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Period	Total Number of Shares Repurchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximated Dollar Value of Shares that May Yet Be Purchased Under the Program (1)
(In thousands, except per share amounts)				
July 1 - July 31	—	\$ —	—	—
August 1 - August 31	—	\$ —	—	—
September 1 - September 30	—	\$ —	—	—

(1) In March 2020, our Board authorized a share repurchase program under which we may repurchase, from time to time, up to \$15.0 million of our mandatory convertible preferred shares in the open market or in privately negotiated transactions. Through September 30, 2020, we repurchased and canceled 0.9 million mandatory convertible preferred shares for an aggregate purchase price of approximately \$15.0 million.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

Exhibit No.	Description
4.1	<a href="#">Indenture, dated as of October 29, 2020 by and among Nabors Industries Inc., as Issuer, the guarantors party thereto, and Wilmington Trust, National Association., as trustee (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K (File No. 001-32657) filed with the SEC on November 3, 2020).</a>
4.2	<a href="#">Supplemental Indenture, dated as of October 29, 2020 by and among Nabors Industries Inc., as Issuer, Nabors Industries, Ltd., as Guarantor, Wilmington Trust, National Association., as trustee and Citibank, N.A., as securities administrator (incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K (File No. 001-32657) filed with the SEC on November 3, 2020).</a>
10.1	<a href="#">Fourth Amendment to Credit Agreement, dated as of September 24, 2020, by and among Nabors Industries, Inc., as U.S. Borrower, Nabors Drilling Canada Limited, as Canadian Borrower, Nabors Industries Ltd., as Holdings, the other Guarantors from time to time party thereto, HSBC Bank Canada, as Canadian Lender, the Issuing Banks, the U.S. Lenders party thereto and Citibank, N.A., as Administrative Agent solely for the U.S. Lenders (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K (File No. 001-32657) filed with the SEC on September 24, 2020). [A portion of this exhibit has been redacted].</a>
10.2	<a href="#">Form of Director Cash Award Agreement*</a>
31.1	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Anthony G. Petrello, Chairman, President and Chief Executive Officer*</a>
31.2	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of William Restrepo, Chief Financial Officer*</a>
32.1	<a href="#">Certifications required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350), executed by Anthony G. Petrello, Chairman, President and Chief Executive Officer and William Restrepo, Chief Financial Officer.*</a>
101.INS	Inline XBRL Instance Document*
101.SCH	Inline XBRL Schema Document*
101.CAL	Inline XBRL Calculation Linkbase Document*
101.LAB	Inline XBRL Label Linkbase Document*
101.PRE	Inline XBRL Presentation Linkbase Document*

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101.DEF	Inline XBRL Definition Linkbase Document*
104	Cover Page Interactive Data File (the cover page XBRL tags are embedded in the Inline XBRL document)

\*Filed herewith.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

By: /s/ ANTHONY G. PETRELLO

Anthony G. Petrello

Chairman, President and

Chief Executive Officer

(Principal Executive Officer)

By: /s/ WILLIAM RESTREPO

William Restrepo

Chief Financial Officer

(Principal Financial Officer and Accounting Officer)

Date: November 4, 2020

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**Section 2: EX-10.2 (EX-10.2)**



**DIRECTOR CASH AWARD AGREEMENT**

This Director Cash Award Agreement (this “Award Agreement”) is effective the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ (the “Date of Grant”) between Nabors Industries Ltd. (“NIL” or the “Company”) and \_\_\_\_\_ (the “Grantee”).

**RECITALS**

The Board of Directors (the “Board”) has determined the form of this Award and selected the Grantee, an Eligible Recipient, to receive this cash award (this “Award”). Capitalized terms used but not defined herein shall have the meanings set forth in the appendix to this Award Agreement.

**CASH AWARD**

The Board has made this Award and will grant to the Grantee cash upon the following terms and conditions:

SECTION 1. Total Amount of Award. The amount of cash granted pursuant to this Award is USD 250,000.00.

SECTION 2. Vesting Period. The cash granted pursuant to this Award shall vest on the date of the Company’s next annual general meeting of shareholders following the Date of Grant, so long as the Grantee remains a director of NIL from the Date of Grant through such vesting date. In addition, the cash granted pursuant to this Award shall vest in full upon the Grantee’s Termination due to the Grantee’s death or Disability.

SECTION 3. Terms and Conditions. Subject to any accelerated vesting pursuant to Section 2 hereof, if the Grantee ceases for any reason to be a director of NIL prior to the vesting date, this Award shall be forfeited.

SECTION 4. Service Relationship with NIL. Nothing in this Award Agreement shall confer upon the Grantee the right to a continued service relationship with NIL or any of its subsidiaries.

SECTION 5. Withholding Tax. The Grantee shall be responsible for all income taxes with respect to any cash delivered to Grantee pursuant to this Award. The Grantee acknowledges that neither NIL nor any of its Affiliates will withhold any amounts for the payment of federal, state, or local taxes.

SECTION 6. Sections 409A and 457A. Notwithstanding anything herein or in the Award Agreement to the contrary, the cash granted pursuant to this Award is intended to be compliant with the applicable requirements of (a) Section 409A of the Code, as amended from time to time, including the guidance and regulations promulgated thereunder and successor provisions, guidance and regulations thereto (collectively, “Section 409A”) or an exemption therefrom; and (b) the short-term deferral exception of Section 457A of the Code and all applicable guidance

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issued with respect to Section 457A of the Code (collectively, “Section 457A”). This Award shall be construed and interpreted in a manner consistent with such intent. Nevertheless, to the extent that the Board determines that this Award may not be exempt from Section 409A, then, if the Grantee is deemed to be a “specified employee” within the meaning of Section 409A, as determined by the Committee, at a time when the Grantee becomes eligible for settlement of this Award upon his “separation from service” within the meaning of Section 409A, then to the extent necessary to prevent any accelerated or additional tax under Section 409A, such settlement will be delayed until the earlier of: (i) the date that is six months following the Grantee’s separation from service and (ii) the Grantee’s death. Notwithstanding the foregoing, NIL and its Affiliates make no representations that the cash provided under this Award is exempt from or compliant with Section 409A or Section 457A and in no event shall NIL or any Affiliates be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Grantee on account of non-compliance with Section 409A or Section 457A

SECTION 7. Notices and Payments. Any notice to be given by the Grantee under this Award Agreement shall be in writing and shall be deemed to have been given only upon receipt by the Stock Plan Administrator at the offices of NIL in Hamilton, Bermuda, or at such address as may be communicated in writing to the Grantee from time to time. Any notice or communication by NIL or any of its subsidiaries to the Grantee under this Award Agreement shall be in writing and shall be deemed to have been given if sent to the Grantee’s e-mail address maintained by the Company or any of its subsidiaries or if mailed or delivered to the Grantee at the address listed in the records of NIL or at such address as specified in writing to NIL by the Grantee.

SECTION 8.Waiver. The waiver by NIL of any provision of this Award Agreement shall not operate as, or be construed to be, a waiver of the same or any other provision hereof at any subsequent time for any other purpose.

SECTION 9.Termination or Modification of Cash Award. This Award shall be irrevocable except that NIL shall have the right to revoke it at any time prior to the vesting date if it is contrary to law or modify it to bring it into compliance with any valid and mandatory law or government regulation.

SECTION 10.Governing Law & Severability. This Award Agreement and all rights and obligations thereunder shall be construed in accordance with and governed by the laws of the State of Delaware. If any provision of this Award Agreement should be held invalid, the remainder of this Award Agreement shall be enforced to the greatest extent permitted by applicable law, it being the intent of the parties that invalid or unenforceable provisions are severable.

SECTION 11.Entire Agreement. This Award Agreement (including the Appendix) contains the entire agreement between the parties with respect to the subject matter and supersedes any and all prior understandings, agreements or correspondence between the parties.

SECTION 12.Board Decisions Final. All decisions made by the Board pursuant to the provisions of the Award Agreement shall be final, conclusive and binding on all persons, including the Company and the Grantee. No member of the Board, nor any officer or employee of the Company acting on behalf of the Board, shall be personally liable for any action, determination, or interpretation taken or made in good faith with respect to the award, and all members of the

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Board and each and any officer or employee of the Company acting on their behalf shall, to the extent permitted by law, be fully indemnified and protected by the Company in respect of any such action, determination or interpretation

SECTION 13.Dispute. Any dispute, controversy or claim arising out of, or relating to, this Award Agreement or the breach, termination or invalidity thereof shall be settled by arbitration before a single arbitrator in accordance with the rules of the American Arbitration Association. The place of arbitration shall be at Houston, Texas. Nothing herein shall preclude either party from seeking in a court of competent jurisdiction injunctive relief or other provisional remedy in case of any breach hereof. The losing party shall bear all the costs of any proceeding including reasonable attorney's fees.

SECTION 14.Place of Performance; Venue. The place of performance for this Award is and shall be Harris County, Texas; and venue for any action to enforce any term of this Award Agreement by injunctive relief or other provisional remedy shall lie in Harris County, Texas.

[SIGNATURE PAGE FOLLOWS]

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IN WITNESS WHEREOF, the parties hereto have duly executed this Award Agreement as of the day and year first written above.

NABORS INDUSTRIES LTD.

By:

GRANTEE

By:  
[NAME]

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### Section 3: EX-31.1 (EX-31.1)

Exhibit 31.1

**Certification of Chief Executive Officer  
Pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a)**

I, Anthony G. Petrello, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Nabors Industries Ltd.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2020

/s/ ANTHONY G. PETRELLO  
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Anthony G. Petrello  
Chairman, President and Chief Executive Officer

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## Section 4: EX-31.2 (EX-31.2)

Exhibit 31.2

**Certification of Chief Financial Officer  
Pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a)**

I, William Restrepo, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Nabors Industries Ltd.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2020

/s/ WILLIAM RESTREPO  
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William Restrepo  
Chief Financial Officer

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## Section 5: EX-32.1 (EX-32.1)

Exhibit 32.1

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Nabors Industries Ltd. (the "Company") for the quarter ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Anthony G. Petrello, Chairman, President and Chief Executive Officer of the Company, and I, William Restrepo, Chief Financial Officer of the Company, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ANTHONY G. PETRELLO  
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Anthony G. Petrello  
Chairman, President and Chief Executive Officer

/s/ WILLIAM RESTREPO  
William Restrepo  
*Chief Financial Officer*  
Date: November 4, 2020

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