



# **FORM 10-K405**

## **ROWAN COMPANIES INC - RDC**

**Filed: March 30, 2001 (period: December 31, 2000)**

Annual report. The Regulation S-K Item 405 box on the cover page is checked

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

OR  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE TRANSITION PERIOD FROM \_\_\_\_ TO \_\_\_\_

Rowan Companies, Inc.

Incorporated in Delaware

Commission File  
Number 1-5491

I. R. S. Employer  
Identification:  
75-0759420

2800 Post Oak Boulevard  
Suite 5450  
Houston, Texas 77056-6127

Registrant's telephone number, including area code: (713) 621-7800

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

Title of each class -----	Name of each exchange on which registered -----
Common Stock, \$.125 Par Value	New York Stock Exchange Pacific Exchange - Stock & Options
Preferred Stock Purchase Rights	New York Stock Exchange Pacific Exchange - Stock & Options

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

The aggregate market value as of March 2, 2001 of the Common Stock held by non-affiliates of the registrant was approximately \$2.9 billion.

The number of shares of Common Stock, \$.125 par value, outstanding at March 2, 2001 was 94,291,354.

DOCUMENTS INCORPORATED BY REFERENCE

Document -----	Part of Form 10-K -----
Annual Report to Stockholders for fiscal year ended December 31, 2000	Parts I, II and IV
Proxy Statement for the 2001 Annual Meeting of Stockholders	Part III

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## PART I

## ITEM 1. BUSINESS

Rowan Companies, Inc. (hereinafter referred to as "Rowan" or "the Company") is a major provider of international and domestic contract drilling and aviation services. Rowan also operates a mini-steel mill, a manufacturing facility that produces heavy equipment for the mining, timber and transportation industries and a marine construction division that has designed or built about one-third of all mobile offshore jack-up drilling rigs. Rowan was organized in 1947 as a Delaware corporation and a successor to a contract drilling business conducted since 1923 under the name Rowan Drilling Company, Inc.

Information regarding each of Rowan's industry segments, including revenues, operating profit (loss), assets and foreign sales for 1998, 1999 and 2000, is incorporated herein by reference to Footnote 10 of the Notes to Consolidated Financial Statements on pages 33 and 34 of Rowan's 2000 Annual Report to Stockholders ("Annual Report"), incorporated portions of which are filed as Exhibit 13 hereto.

During 2000, 11% of Rowan's consolidated revenues were derived from Coastal Corporation, primarily from drilling services. In 1999 and 1998, no customer accounted for 10% or more of consolidated revenues.

## DRILLING OPERATIONS

Rowan provides contract drilling services utilizing a fleet of 22 self-elevating mobile offshore drilling platforms ("jack-up rigs"), one mobile offshore floating platform ("semi-submersible rig") and 14 land drilling rigs. Rowan's drilling operations are conducted primarily in the Gulf of Mexico, the North Sea, offshore eastern Canada and in Texas and Louisiana. In 2000, drilling operations generated an operating profit (income from operations before deducting general and administrative expenses) of \$124 million.

## Offshore Operations

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Since 1970, Rowan's drilling operations have featured jack-up rigs performing both exploratory and development drilling and, in certain areas, well workover operations. Rowan operates larger, deep-water type jack-up rigs capable of drilling to depths of 20,000 to 30,000 feet in maximum water depths ranging from 250 to 490 feet, depending on the size of the rig and its location.

A jack-up rig is a floating hull with three independently elevating legs, drilling equipment, supplies, crew quarters, loading and unloading facilities, a helicopter landing deck and other related equipment. Drilling equipment includes engines, drawworks or hoist, derrick, pumps to circulate the drilling fluid, drill pipe and drilling bits. Rowan's rigs are equipped with propulsion thrusters to assist in towing. At the drilling site, the legs are lowered until they penetrate the ocean floor and the hull is jacked-up on the legs to the desired elevation above the water. The hull then serves as a drilling platform until the well is completed, at which time the hull is lowered into the water, the legs are elevated and the rig is towed to the next drilling site.

Rowan's cantilever jack-ups can extend that portion of the hull containing the drilling equipment over fixed production platforms so that development or workover operations on the platforms can be carried out with a minimum of interruption to production. In 1989, Rowan acquired and developed a "skid base" technology, whereby the drilling equipment on a conventional jack-up rig can be "skidded" out over the top of a fixed platform. Thus, conventional jack-up rigs can be used on certain drilling assignments that previously required a cantilever jack-up or platform rig.

At December 31, 2000, Rowan's offshore drilling fleet included 15 cantilever jack-up rigs, featuring three harsh environment "Gorilla Class" rigs and two enhanced "Super Gorilla Class" rigs, seven conventional jack-up rigs, including five rigs with skid base capability, and one semi-submersible rig. The Company operates two of the cantilever jack-up rigs under sale/leaseback arrangements expiring during 2008.

Rowan's Gorilla Class rigs, Gorillas II, III and IV, are a heavier-duty class of jack-up rig, intended to drill up to 30,000 feet in water depths up to 328 feet in extreme hostile environments (winds up to 100 miles per hour and seas up to 90 feet).

During the fourth quarter of 1998, Rowan completed construction of its first Super Gorilla Class rig, Rowan Gorilla V, and construction of Rowan Gorilla VI was completed during June 2000. Gorilla V and VI are enhanced versions of Rowan's Gorilla Class rigs featuring a combination drilling and production capability. They can operate year-round in 400 feet of water south of the 61st parallel in the North Sea, within the worst-case combination of 100-year storm criteria for waves, wave periods, winds and currents. Rowan financed \$153.1 million of the cost of Gorilla V and \$171.0 million of the cost of Gorilla VI through bank loans guaranteed by the U.S. Department of Transportation's Maritime Administration under its Title XI Program.

To date, Rowan has assembled a significant portion of Gorilla VII. Rowan obtained Title XI bank financing for up to \$185.4 million of the cost of Gorilla VII in October 1999 and expects construction to be completed by year-end 2001.

In April 2000, Rowan announced plans for the construction of Rowan Gorilla VIII, an enhanced version of the Super Gorilla Class jack-up designated as Super Gorilla XL, and has since begun ordering long lead-time components. Gorilla VIII will be outfitted with 708 feet of leg, 134 feet more than Gorillas V, VI or VII, and have 30% larger spud cans, enabling operation in the Gulf of Mexico in water depths up to 550 feet. Gorilla VIII will also be able to operate in water depths up to 400 feet in the hostile environments offshore eastern Canada and in the North Sea. Gorilla VIII will be constructed at Vicksburg, Mississippi with delivery expected during the third quarter of 2003. The Company has filed an application with MARAD for long-term construction financing for Gorilla VIII under terms and conditions similar to those in effect for Gorilla VII.

This fleet expansion program began in 1995 and represents Rowan's first new construction since the mid-1980s. Since that time, Rowan's capital expenditures have been primarily for enhancements to existing drilling rigs and manufacturing facilities and for the purchase of aircraft. Of Rowan's 17 remaining jack-up rigs, six cantilever rigs and one conventional rig have been modified to provide a degree of hostile environment operating capability, and seven cantilever rigs and three conventional rigs can operate in water depths up to 350 feet.

Rowan takes advantage of lulls in drilling activity, as was recently experienced, to perform needed maintenance and make certain enhancements to its drilling fleet. During 1998 and 1999, the Company completed the following enhancements: upgrading solids control mud systems on all nine of the Company's Class 116-C jack-up rigs and its Class 52-C rig; adding one to two engines to six of the Class 116-C rigs, each such rig now being equipped with six engines; installing new generation top-drives on four of the Class 116-C rigs and one of the Gorilla Class Rigs; upgrading the electrical systems on one of the Class 84 rigs; converting one of the Class 52 rigs to a cantilever; adding leg length to three of the Class 116-C rigs and reconditioning the subsea equipment on the semi-submersible rig.

For a further discussion of Rowan's availability of funds in 2001 to sustain operations, debt service and planned capital expenditures, including those related to construction of Gorillas VII and VIII, see "Liquidity and Capital Resources" under "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 19 and 20 of the Annual Report, which information is incorporated herein by reference. Also, see ITEM 2. PROPERTIES beginning on page 11 of this Form 10-K for additional information with respect to the capabilities and operating status of the Company's rigs.

Rowan's semi-submersible rig is utilized principally for offshore exploratory drilling from a floating position and is capable of drilling to a depth of 25,000 feet in water depths up to 1,200 feet. A semi-submersible drilling rig consists of a drilling platform raised above multiple hulls by columns. The hulls are flooded and submerged beneath the water surface, in which position the rig is anchored during drilling operations. The drilling platform contains the same type of equipment found on a jack-up rig. After completion of the well, the submerged hull is deballasted to reduce vessel draft and facilitate towing to another drilling location.

#### Onshore Operations

Rowan has drilling equipment, personnel and camps available on a contract basis for exploration and development of onshore areas. Rowan currently owns 14 deep-well land rigs located as follows: six in Texas, six in Louisiana and two in Alaska, which are winterized.

Six of Rowan's deep-well land rigs operated throughout 2000 in Louisiana and Texas and four additional rigs were under contract at year end. Two rigs recently underwent refurbishment and commenced operations. The Company's two remaining land rigs in Alaska were idle during 2000. The cost of maintaining the idle rigs is modest and the remaining investment in such rigs is not significant.

Rowan's 2001 capital program includes constructing two new land rigs, one to be assembled during the first half of 2001 from new and existing components and the other to be completed as new during the third quarter.

The drilling equipment comprising an onshore rig consists basically of engines, drawworks or hoist, derrick, pumps to circulate the drilling fluid, drill pipe and drilling bits. The type of rig required by a customer depends upon the anticipated well depth, terrain and conditions in the drilling area.

#### Contracts

Rowan's drilling contracts generally provide for compensation on a day rate basis, whereby the Company earns a fixed amount per day, and are usually obtained either through competitive bidding or individual negotiations. A number of factors affect a drilling contractor's ability, both onshore and offshore, to obtain contracts at a profitable rate within an area. Such factors include the location and availability of equipment, its suitability for the project, the comparative cost of the equipment, the competence of personnel and the reputation of the contractor. Profitability may also be dependent upon receiving adequate compensation for the cost of moving equipment to drilling locations.

When weak market conditions characterized by declining drilling day rates prevail, Rowan generally accepts lower rate contracts in an attempt to maintain its competitive position and to offset the substantial costs of maintaining and reactivating stacked rigs. When drilling markets are strong and increasing rates prevail, Rowan generally pursues short rather than long-term contracts for its offshore rigs to maximize its ability to obtain rate increases and pass through any cost increases to customers.

Rowan's drilling contracts are either "well-to-well", "multiple well" or for a fixed term generally ranging from four to twelve months. Well-to-well contracts are cancelable by either party upon completion of drilling at any one site, and fixed-term contracts usually provide for termination by either party if drilling operations are suspended for extended periods by events of force majeure. While most fixed-term contracts are for relatively short periods, some fixed-term and well-to-well contracts continue for a longer period than the original term or for a specific series of wells. Many offshore contracts contain renewal or extension provisions exercisable at the option of the customer at prices agreeable to the Company and most require additional payments for mobilization and demobilization costs. Rowan's contracts for work in foreign countries generally provide for

payment in United States dollars except for minimal amounts required to meet local expenses.

From 1992 through early 1997, Rowan pursued work on a turnkey basis where the Company's entire compensation was contingent upon it successfully drilling a well to a specified depth for a fixed price. In the event operational problems occurred that prevented Rowan from reaching the specified turnkey depth, the Company was not entitled to any portion of the turnkey price, thereby causing it to absorb substantial out-of-pocket expenses. For this reason, wells drilled on a turnkey basis generally involved greater economic risk to Rowan than wells drilled on a day rate basis. Due to the increasing demand for Rowan's daywork drilling services and the unfavorable results of its turnkey drilling operations during the recent past, Rowan elected in early 1997 to focus on daywork drilling contracts. Rowan has not performed any turnkey drilling since early 1997 and is not pursuing turnkey work at this time.

Rowan believes that the contract status of its onshore and offshore rigs is more informative than backlog calculations, and that backlog information is neither calculable nor meaningful given the cancellation options contained in, and the short duration of, fixed-term contracts and the indeterminable duration of well-to-well and multiple well contracts. See ITEM 2. PROPERTIES beginning on page 11 of this Form 10-K for the contract status of the Company's rigs as of March 30, 2001.

#### Competition

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Rowan competes with more than 20 offshore drilling contractors with more than 500 available mobile rigs, approximately 25 domestic drilling contractors with about 150 available deep-well land rigs, and five domestic drilling contractors with about 13 winterized land rigs on the Alaskan North Slope. Based upon the number of rigs as tabulated by Petrodata, Rowan is the seventh largest offshore drilling contractor in the world and the fifth largest jack-up rig operator. Some of the Company's competitors have greater financial and other resources and may be more able to make technological improvements to existing equipment or replace equipment that becomes obsolete.

Technological advances can create competitive advantages and eventually cause older, less capable equipment to be less suitable for certain drilling operations. As a result, during the 1980-1986 period, Rowan carried out a drilling rig expansion program, culminating with the development of a heavier jack-up rig class known as the Gorilla rig. Since that time, Rowan has employed a drilling rig modification and enhancement program designed to provide a fleet of jack-up rigs reflecting the latest technological advancements. In 1995, Rowan began a drilling rig expansion program featuring the development of an enhanced version of the Gorilla Class rig.

The offshore markets in which the Company competes are characterized by their economic viability and political stability. At March 30, 2001, Rowan had 21 jack-ups and its semi-submersible located in the Gulf of Mexico and one jack-up located offshore eastern Canada. Based upon the number of rigs as tabulated by Petrodata, Rowan is the fourth largest offshore drilling contractor in the Gulf of Mexico and the second largest jack-up rig operator in the area. Relocation of equipment from one geographic location to another is dependent upon changing market dynamics, with moves occurring only when the likelihood of higher returns makes such action economical. During 1999 and 2000, the Company relocated its six rigs from the North Sea to the Gulf of Mexico (five rigs) and offshore eastern Canada (one rig) and two rigs from offshore eastern Canada to the Gulf of Mexico to pursue more favorable market conditions. Rowan believes market conditions in the North Sea and offshore eastern Canada will begin improving during the latter half of 2001.

Rowan markets its drilling services by directly contacting present and potential customers, including large international energy companies, many smaller energy companies and foreign government-owned or controlled energy companies. Since 1992, with the many restructurings, downsizings and, more recently, mergers by major energy companies, followed by significant reductions in their domestic

budgets, the Company has increased its marketing emphasis on independent operators.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 16 through 20 of Rowan's 2000 Annual Report, the information under which caption is incorporated herein by reference, for a discussion of current industry conditions and their impact on operations.

#### Regulations and Hazards

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Rowan's drilling operations are subject to many hazards, including blowouts and well fires, which could cause personal injury, suspend drilling operations, seriously damage or destroy the equipment involved and cause substantial damage to producing formations and the surrounding areas. Offshore drilling operations are also subject to marine hazards, either while on site or under tow, such as vessel capsizing, collision or grounding. Raising and lowering the legs of jack-up rigs into the ocean bottom and ballasting semi-submersible units require skillful handling to avoid capsizing or other serious damage. Drilling into high-pressure formations is a complex process and problems can frequently occur.

Rowan believes that it is adequately insured for physical damage to its rigs, and for marine liabilities, worker's compensation, maritime employees liability, automobile liability and for various other types of exposures customarily encountered in the Company's operations. Certain of Rowan's liability insurance policies specifically exclude coverage for fines, penalties and punitive or exemplary damages. Under current conditions, Rowan anticipates that its present insurance coverage will be maintained, but no assurance can be given that insurance coverage will continue to be available at rates considered reasonable, that self-insured amounts or deductibles will not increase or that certain types of coverage will be available at any cost.

Foreign operations are often subject to political, economic and other uncertainties not encountered in domestic operations, such as arbitrary taxation policies, onerous customs restrictions, unstable currencies and the risk of asset expropriation due to foreign sovereignty over operating areas. As noted previously, Rowan attempts to minimize the risk of currency rate fluctuations by generally contracting for payment in United States dollars.

Many aspects of Rowan's operations are subject to government regulation, as in the areas of equipping and operating vessels, drilling practices and methods and taxation. In addition, various countries (including the United States) have regulations relating to environmental protection and pollution control. Recent events have also increased the sensitivity of the oil and gas industry to environmental matters. Rowan could become liable for damages resulting from pollution of offshore waters and, under United States regulations, must establish financial responsibility. Generally, Rowan is substantially indemnified under its drilling contracts for pollution damages, except in certain cases of pollution emanating above the surface of land or water from spills of pollutants, or in the case of pollutants emanating from the Company's drilling rigs, but no assurance can be given regarding the enforceability of such indemnification provisions.

Under turnkey contracts, Rowan assumed responsibility for certain risks that would customarily be assumed by the customer under a day rate contract, such as pollution resulting from a blowout or uncontrolled flow from the well bore, an underground blowout and the expense to re-drill a well which has blown out. Rowan carried insurance to cover such risks and generally obtained an indemnity from its customers for any liabilities exceeding the coverage amount.

Rowan believes that it complies in all material respects with legislation and regulations affecting the drilling of oil and gas wells and the discharge of wastes. To date, the Company has made significant modifications to its Gulf of Mexico rigs to reduce waste and rain water discharge and believes that it could operate those rigs at "zero discharge" without material additional expenditures. Otherwise, regulatory compliance has not materially affected the capital expenditures, earnings or competitive position of the Company to date, although such measures

do increase drilling costs and may reduce drilling activity. Further regulations may reasonably be anticipated, but any effects thereof on Rowan's drilling operations cannot be accurately predicted.

Rowan is subject to the requirements of the Federal Occupational Safety and Health Act ("OSHA") and comparable state statutes. OSHA's hazard communication standard, the Environmental Protection Agency's "community right-to-know" regulations and comparable state statutes require Rowan to organize and report certain information about the hazardous materials used in its operations to employees, state and local government authorities and local citizens.

Since the exploration activities of Rowan's present and potential customers are directly impacted by state, federal and foreign regulations associated with the production and transportation of oil and gas, the demand for Rowan's drilling services is also affected.

#### MANUFACTURING OPERATIONS

In 1994, LeTourneau, Inc. ("LeTourneau"), a wholly owned subsidiary of the Company, acquired the net assets of Marathon LeTourneau Company, headquartered in Longview, Texas. LeTourneau operates a mini-steel mill that recycles scrap and produces steel plate; a manufacturing facility that produces heavy equipment such as front-end loaders with an 80-ton capacity; and a marine group that has designed or built about one-third of all mobile offshore jack-up drilling rigs, including all 22 operated by Rowan. In 2000, the manufacturing division generated an operating profit of \$7.6 million. External manufacturing backlog for all product lines was approximately \$14 million at February 28, 2001, all of which is expected to be realized in 2001, compared with \$20 million at February 29, 2000, all of which was realized during 2000.

The mining equipment product line features front-end loaders with bucket capacities of 17, 22, 28, 33 and 53 cubic yards and off-road trucks with capacities of 190 and 200 tons. LeTourneau's loaders and trucks are generally used in coal, gold, copper and iron ore mines and utilize LeTourneau's diesel electric-drive system with solid-state controls. This system allows large, mobile equipment to stop, start and reverse without gear shifting and high maintenance braking. LeTourneau loaders can load LeTourneau rear-dump trucks and competitive trucks in the 85-ton to 350-ton range. LeTourneau's mining equipment and parts are distributed through a worldwide network of independent distributors and its own distribution network serving the western United States.

The timber equipment product line features diesel electric powered log stackers with either two or four wheel drive configurations and load capacities ranging from 35 to 65 tons. LeTourneau is one of two manufacturers that sell electrically powered jib cranes rated from 25,000 to 52,000 lbs. at a reach of 100 to 150 feet and with a 360-degree rotation. LeTourneau's timber equipment is marketed primarily in North America through independent dealers and its own dealer in the northwestern United States.

LeTourneau's transportation equipment line produces several different types of material handling equipment, such as 50-ton capacity, diesel electric, gantry cranes used for lifting, transporting and stacking large shipping containers and trailers at ports and rail yards. Gantry cranes can span up to seven container rows plus a truck aisle and stack 9 1/2-feet tall containers up to five high. Gantry cranes equipped with a spreader can lift containers from the top and have retractable arms for loading and unloading piggyback trailers. LeTourneau's transportation equipment is marketed primarily in North America through independent dealers and its own dealer in the northwestern United States.

LeTourneau also sells parts and components to repair and maintain mining, timber and transportation equipment. Equipment parts are marketed through two independent dealers and its own dealer in the United States with 16 parts-stocking locations, one dealer in Canada with 21 parts-stocking locations, and 31 other international dealers with 36 parts-stocking locations.

LeTourneau's Longview, Texas mini-steel mill produces carbon, alloy and specialty steel plate products. LeTourneau concentrates on "niche" markets that require alloy, specialty steel grades, or "exotic" versions of carbon steel products, including mold steels, tool steels, aircraft quality steels, 400 series stainless steel and hydrogen-induced, crack-resistant steels. External steel sales, which are garnered through a direct sales force, consist primarily of steel plate, but also include forging ingots and value-added fabrication of steel products. Steel products are generally sold to steel service centers, fabricators, manufacturers and forge shops. The market for carbon steel plate products and fabricated products is regional and encompasses Texas, Oklahoma, Louisiana, Mississippi and Arkansas. LeTourneau ships alloy and specialty grades of plate products nationally and exports quantities to Mexico and Canada. The forging ingot market is concentrated in the Gulf Coast region of Texas. Carbon and alloy plate products are also used internally in the production of heavy equipment and parts. LeTourneau's Vicksburg, Mississippi shipyard was reactivated during 1995-1996 following Rowan's announcement of the planned construction of Rowan Gorilla V and is dedicated to providing equipment, spare parts and engineering support to the offshore drilling industry. The yard currently employs about 780, most of whom have been hired since 1995. Some rig component manufacturing and marine repair services, as well as marine design engineering, continue to be performed at the LeTourneau Longview, Texas facility.

As noted previously, the marine group delivered Rowan Gorilla V in late 1998 and Rowan Gorilla VI during June 2000 and is currently constructing for the Company two additional Super Gorilla Class jack-up rigs. Also in 1998, the marine group completed two Super 116-C Class drilling rig kits for others.

LeTourneau engages in a limited amount of research and product development, primarily to increase the capacity of and provide innovative improvements to its product lines. The Company evaluates on an ongoing basis the LeTourneau product and service lines with the intention of making enhancements.

On January 31, 2000, LeTourneau completed the purchase of The Ellis Williams Company, Inc. and EWCO, Inc. dba Traitex Machine Co., which collectively design and manufacture mud pumps in a wide range of sizes for a variety of applications. The purchase price was approximately \$10 million, with \$7 million in cash and the balance in promissory notes due over a three-year period.

#### Raw Materials

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The principal raw material utilized in LeTourneau's manufacturing operations is steel plate, most of which is supplied by LeTourneau's mini-steel mill. Other required materials are generally available in sufficient quantities to meet its manufacturing needs through purchases in the open market. LeTourneau does not believe that it is dependent on any single supplier.

#### Competition

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LeTourneau's mining equipment competes worldwide with several competitors. LeTourneau's loader product line has only two direct competitors; however, the larger loader models compete with other types of loading equipment, primarily electric and hydraulic mining shovels. Based upon internal marketing studies, LeTourneau's share of the small-loader market (1,000 horsepower and below) has decreased to less than 1% in recent years due to the availability of smaller (and cheaper) alternatives. In the large-loader market (above 1,000 horsepower), LeTourneau has achieved about a 50% share of both domestic and export sales. The LeTourneau truck competes with five truck manufacturers all of whom offer a broader range of truck sizes than LeTourneau, including trucks in the 190-ton to 240-ton class. Three competitors have models in the 260-ton to 350-ton class.

The market for LeTourneau's timber and transportation equipment is also characterized by vigorous competition. Though LeTourneau's jib crane is unique, it does encounter competition from other equipment manufacturers that offer alternative methods for meeting customer requirements. The number of major competitors by type of equipment is as follows: log stackers - four, jib cranes - three and gantry cranes - more than ten. Based upon internal marketing studies,

LeTourneau's share of the domestic log-stacker market is around 20% and its share of the Canadian market is around 15%. Such studies also indicate LeTourneau's share of the jib crane market is around 50%.

LeTourneau's mini-steel mill encounters competition from a total of eight major competitors, with the breakdown by product line being as follows: plate products - four, fabricated products - two and forging ingots - two. LeTourneau's share of the overall steel market is negligible. The internal requirements of the equipment and marine groups provide a base load for the steel mill, and we use a small, direct sales force to sell specialized, niche products to steel service centers, fabricators, manufacturers and brokers.

The competition LeTourneau encounters in the parts business is extremely fragmented with only three other companies being considered to be direct competitors. Vendors supplying parts directly to end users and well-fitters who obtain and copy parts for cheaper and lower quality substitutes provide more intense competition than LeTourneau's direct competitors.

LeTourneau markets and sells its equipment and support parts primarily through an established international dealer association. LeTourneau dealers are predominantly independent business organizations and all have established dealer agreements with LeTourneau. The dealers are responsible for selling equipment on behalf of LeTourneau to end users and providing the necessary follow-up service and parts supply directly to those end users.

To be competitive in the mining and timber equipment markets, LeTourneau offers warranties at the time of purchase and parts guarantees. The warranties extend for stipulated periods of ownership or hours of usage, whichever occurs first. Parts consumption guarantees and maintenance and repair contracts are made on the same basis. LeTourneau's parts-return policy provides that returned parts must be in new, usable condition, in current production and readily resalable.

Since 1955, when the first LeTourneau unit was delivered, LeTourneau has been recognized as a leading designer and builder of "jack-up" drilling rigs. Currently, there are nine jack-ups under construction worldwide, two of which are LeTourneau rigs. At present, LeTourneau has a limited number of competitors in the marine rig construction and support industry. However, there are numerous rig-building and shipyard facilities with the capability for jack-up construction.

LeTourneau's two principal competitors in the mud pump business have a combined market share approaching 90%.

Historically, LeTourneau's customer base has been diverse, such that none of its product lines have been dependent upon any one customer or small group of customers.

#### Regulations and Hazards

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LeTourneau's manufacturing operations and facilities are subject to regulation by a variety of local, state and federal agencies which regulate safety and the discharge of materials into the environment, including the Environmental Protection Agency (EPA), the Texas Natural Resources Conservation Commission (TNRCC) and the Mississippi Department of Environmental Quality. LeTourneau's manufacturing facilities are also subject to the requirements of OSHA and comparable state statutes.

Hazardous materials are generated at LeTourneau's Longview, Texas plant in association with the steel making process. Industrial wastewater generated at the mini-steel mill facility for cooling purposes is recirculated and quality tests are conducted regularly. The facility has permits for wastewater discharges, solid waste disposal and air emissions. Waste products considered hazardous by the EPA are disposed of by shipment to an EPA or state approved waste disposal facility.

During LeTourneau's 1994 acquisition of the net assets of Marathon LeTourneau Company, the sellers agreed to remediate certain environmental conditions at the Longview, Texas and Vicksburg, Mississippi sites. In September 1996, LeTourneau assumed certain environmental remediation obligations related to these facilities in exchange for \$4.0 million of cash and a \$5.5 million reduction in a promissory note. The remediation efforts include, among other things, post-closure care for a landfill at the Longview facility closed by Marathon LeTourneau Company prior to LeTourneau's acquisition.

LeTourneau jack-up designs are subject to regulatory approval by various agencies, depending upon the geographic areas where the rig will be qualified for drilling. The rules vary by location and are subject to frequent change, and primarily relate to safety and environmental issues in addition to those, which classify the jack-up as a vessel.

LeTourneau may be liable for damages resulting from pollution of air, land and inland waters associated with its manufacturing operations. LeTourneau believes that compliance with environmental protection laws and regulations will have no material effect on its capital expenditures, earnings or competitive position during 2001. Further regulations may reasonably be anticipated, but any effects thereof on the Company's manufacturing operations cannot be accurately predicted.

As a manufacturing company, LeTourneau may be responsible for certain risks associated with the use of its products. These risks include product liability claims for personal injury and/or death, property damage, loss of product use, business interruption and necessary legal expenses to defend LeTourneau against such claims. LeTourneau carries insurance that it believes adequately covers such risks. LeTourneau did not assume certain liabilities of Marathon LeTourneau Company, such as product liability and tort claims, associated with all products manufactured, produced, marketed or distributed prior to the date of the acquisition.

LeTourneau anticipates incurring expenses associated with the warranty of its products. In the equipment business, dealers of LeTourneau's products perform the warranty work while in the marine business, LeTourneau generally performs warranty work directly.

#### AVIATION OPERATIONS

Rowan's wholly-owned subsidiary, Era Aviation, Inc. ("Era"), provides contract and charter helicopter and fixed-wing aviation services principally in Alaska, the coastal areas of Louisiana and Texas, and the western United States, with its fleet consisting on March 30, 2001 of 94 helicopters and 19 fixed-wing aircraft. In 2000, the aviation division generated an operating profit of \$4 million.

Era's helicopter services in recent years have featured flightseeing, forest fire control and support for oil and gas related operations from its primary bases in Alaska, Louisiana and Nevada. Services provided offshore Louisiana and Texas are primarily oil and gas-related while the majority of helicopter services in the western United States are provided to governmental agencies in support of forest fire control, construction, and onshore and offshore oilfield support.

Based on the number of helicopters operating, Era is the largest helicopter operator in Alaska. It provides charter services from bases at Anchorage, Deadhorse (on the North Slope), Juneau, Kenai and Valdez. Era's charter and contract services are provided throughout Alaska with particular emphasis in the oil, mining and high-density tourist regions within the state. During 2000, the Alaska helicopter operations contributed approximately 26% of the Company's aviation revenues.

Helicopters are usually operated on a seasonal basis in Alaska because of the prevalent climatic conditions. The peak utilization period in Alaska is May through September, with the winter months comprising the least active period. The seasonal nature of the Alaska business has been ameliorated in prior years by moving helicopters on a limited basis to the Gulf of Mexico area and to the west and northwest regions of the United States and various overseas locations.

Since 1983, Era has operated a regional scheduled airline service in Alaska encompassing the transportation of passengers, mail and cargo. Era currently serves Valdez, Kenai, Homer, Kodiak, Iliamna and Cordova, with seasonal service to Whitehorse from its base hub in Anchorage. In addition, it services 20 remote villages from its hub in Bethel, Alaska. Era operates under a code sharing agreement with Alaska Airlines, which is the largest carrier of passengers from the contiguous United States to Alaska. Era's regional airline is the largest airline operation of that type within the state of Alaska and is the second largest carrier of passengers into and out of the Anchorage International Airport, including the large jet carriers. During 2000, the commuter airline contributed approximately 28% of the Company's aviation revenues.

Since 1979, Era has been providing charter and contract helicopter services in the Gulf of Mexico area, primarily to the offshore oil and gas industry. Operations are conducted from the division office in Lake Charles, Louisiana and from bases in the Louisiana cities of Morgan City, Cameron, New Iberia, Intracoastal City, Venice, Fourchon, Houma, Schriever and Johnson Bayou and the Texas cities of Houston, Corpus Christi, Bay City and Sabine Pass. Based on the number of helicopters operating, Era is the third largest helicopter operator in the Gulf of Mexico. During 2000, the Gulf of Mexico helicopter operations contributed approximately 37% of the Company's aviation revenues.

Since 1987, Era has manufactured and marketed, from its Gulf Coast Division facility at Lake Charles, Louisiana, a composite external auxiliary fuel tank for use on several helicopters, including the Bell 205, 212 and 412, the military "Huey" and the Eurocopter BK-117. The tank system provides enhanced flight range with nominal drag while increasing the passenger capacity. Sales to date have been to both civilian and military customers, including emergency float systems for US Army UH-1 Helicopters. Other aircraft accessories are also manufactured at the facility.

From 1991 until January 1998, the Company owned a 49% interest in KLM Helicopters B.V., a wholly-owned subsidiary of KLM Royal Dutch Airlines, as a means of gaining access to the North Sea aviation market. The joint venture company, KLM ERA Helicopters B.V. ("KLM ERA"), served principally the offshore oil and gas drilling, production and service companies operating in the Dutch and British Sectors of the North Sea with its fleet of as many as 15 helicopters. In January 1998, the Company agreed to terminate its ownership in KLM ERA in return for \$19.6 million in cash and \$6.1 million in equipment and parts.

#### Contracts

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Era's flight services generally are provided through master service agreements, term contracts or day-to-day charter arrangements. Master service agreements require incremental payments based on usage, usually have fixed terms ranging from one month to one year and generally are cancelable upon notice by either party in 30 days or less. Term contracts generally are noncancelable and require payments, depending upon their duration, as follows: up to one month - either incremental payments based on usage or incremental payments plus a base daily rental; and one month to one year - incremental payments based on usage plus a base monthly rental. Day-to-day charters have the same compensation arrangements as up to one-month term contracts. Because master service agreements and day-to-day charters are Era's most prevalent contracts, the Company believes that the contract status of its aircraft as discussed in the following paragraph is more informative than backlog information, which it believes is neither calculable nor meaningful.

Era aircraft available for operation on March 30, 2001 consisted of 94 helicopters (including 48 based in Alaska and 46 in the Gulf of Mexico area) and 19 fixed-wing aircraft (based in Alaska). The fleet contract status at that date included 46 term contracts. The remaining aircraft were either being operated under day-to-day charters or one or more of 80 master service agreements, or were available for operation under day-to-day charter or other contract arrangements.

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Competition  
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Approximately six other operators compete directly with Era in Alaska on a contract or charter basis. Era competes over its scheduled airline routes with up to four other carriers. In the Gulf of Mexico area, Era competes directly with five other operators and ranks third in the number of helicopters operating with approximately 8% of the market. A number of other helicopter operators compete with Era in the west and northwest regions of the United States and in overseas locations. Services under term contracts are usually obtained through a successful bid process whereas shorter-term charters and scheduled airline services typically involve published rates. Price is usually the key competitive factor in Era's aviation markets.

Regulations and Hazards  
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The operation of a scheduled airline in the United States requires a certificate under the Federal Aviation Act of 1958, as presently administered by the Department of Transportation. The granting of a certificate is conditioned upon a demonstration of financial ability and operational expertise. A similar certificate authorizing the right to operate a charter service is not presently required by any jurisdiction in Era's operating areas.

Operation of helicopters and fixed-wing aircraft, particularly under weather conditions prevailing in Alaska, is considered potentially hazardous, although Era conducts rigorous training and safety programs to minimize these hazards. Era believes that it is adequately protected by public liability and property damage insurance, including hull insurance against loss of equipment, but carries no insurance against loss of earnings.

EMPLOYEES

Rowan had 4,862 employees at February 28, 2001 and 4,917, 4,741 and 4,978 employees at December 31, 2000, 1999 and 1998, respectively. Some of the employees included in these numbers are not United States citizens. None of the Company's employees are covered by collective bargaining agreements with labor unions. Rowan considers relations with its employees to be satisfactory.

ITEM 2. PROPERTIES  
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Rowan leases as its corporate headquarters 59,600 square feet of space in an office tower located at 2800 Post Oak Boulevard in Houston, Texas.

DRILLING RIGS

The following is a summary of the principal drilling equipment owned or operated by Rowan and in service at March 30, 2001. See "Liquidity and Capital Resources" under "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 19 and 20 in the Annual Report, which pages are incorporated herein by reference.

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OFFSHORE RIGS

Name	Class(a)	Depth (feet) (b)		Year in Service	Location	Contract Status		
		Water	Drilling			Customer	Type(h)	Duration(i)
CANTILEVER JACK-UP RIGS:								
Rowan Gorilla VI(c) (e)	219-C	490	30,000	2000	Gulf of Mexico	Anadarko	well-to-well	June 2001
Rowan Gorilla V(c) (e)	219-C	400	30,000	1998	Eastern Canada	Sable Offshore Energy	term	May 2001
Rowan Gorilla IV(c) (d)	200-C	450	30,000	1986	Gulf of Mexico	Anadarko	well-to-well	June 2001
Rowan Gorilla III(c) (d)	200-C	400	30,000	1984	Gulf of Mexico	Not Committed		
Rowan Gorilla II(c) (d)	200-C	450	30,000	1984	Gulf of Mexico	Dominion	well-to-well	June 2001
Rowan-California(c)	116-C	300	30,000	1983	Gulf of Mexico	El Paso	well-to-well	May 2001
Rowan-Halifax(c) (g)	116-C	350	30,000	1982	Gulf of Mexico	Chevron McMoran	multiple well multiple well	April 2001 July 2001
Cecil Provine(c) (g)	116-C	300	30,000	1982	Gulf of Mexico	El Paso	well-to-well	April 2001
Gilbert Rowe(c) (d)	116-C	350	30,000	1981	Gulf of Mexico	Samedan	well-to-well	June 2001
Arch Rowan(c) (d)	116-C	350	30,000	1981	Gulf of Mexico	Nexen	single well	July 2001
Charles Rowan(c) (d)	116-C	350	30,000	1981	Gulf of Mexico	Chevron	well-to-well	April 2001
Rowan-Paris(c) (d)	116-C	350	30,000	1980	Gulf of Mexico	Devon	multiple well	May 2001
Rowan-Middletown(c) (d)	116-C	350	30,000	1980	Gulf of Mexico	Samedan	multiple well	June 2001
Rowan-Fort Worth(c) (d)	116-C	350	30,000	1978	Gulf of Mexico	El Paso	multiple well	April 2001
Rowan-Houston(c)	52-C	250	20,000	1970	Gulf of Mexico	Anadarko	multiple well	April 2001
CONVENTIONAL JACK-UP RIGS:								
Rowan-Odessa(c) (f)	116	350	30,000	1977	Gulf of Mexico	Newfield	multiple well	May 2001
Rowan-Juneau(c) (f)	116	300	30,000	1977	Gulf of Mexico	Devon	multiple well	May 2001
Rowan-Alaska(c) (f)	84	350	30,000	1975	Gulf of Mexico	Anadarko	multiple well	June 2001
Rowan-Louisiana(c) (f)	84	350	30,000	1975	Gulf of Mexico	Anadarko	multiple well	June 2001
Rowan-Texas(c)	52	250	20,000	1973	Gulf of Mexico	Houston Exploration	well-to-well	April 2001
Rowan-Anchorage(c)	52	250	20,000	1972	Gulf of Mexico	Newfield	well-to-well	April 2001
Rowan-New Orleans(c) (f)	52	250	20,000	1971	Gulf of Mexico	Newfield	multiple well	June 2001
SEMI-SUBMERSIBLE RIG:								
Rowan-Midland(c)		1,200	25,000	1976	Gulf of Mexico	Texaco	well-to-well	April 2001

- (a) Indicated Class is a number assigned by LeTourneau, Inc. to jack-ups of its design and construction. Class 200-C is a Gorilla Class unit designed for extreme hostile environment capability. Class 219-C is a Super Gorilla Class unit, an enhanced version of the Gorilla Class.
- (b) Indicates rated water depth in current location and rated drilling depth
- (c) Unit equipped with a top-drive drilling system
- (d) Unit equipped with three mud pumps
- (e) Unit equipped with four mud pumps
- (f) Unit equipped with a skid base unit - refer to page 1 of this Form 10-K for a discussion of "skid base" technology
- (g) Unit sold and leased back under agreement expiring in 2008
- (h) Refer to "Contracts" on pages 3 and 4 of this Form 10-K for a discussion of types of drilling contracts.
- (i) Indicates estimated completion date of work to be performed

Name	Type	Horsepower	Maximum Drilling Depth(feet)	Location	Contract Status		
					Customer	Type(c)	Duration(d)
Rig 7	Mechanical	2,000	20,000	Texas	Blackstone Energy	well-to-well	June 2001
Rig 9	Diesel electric	3,000	25,000	Louisiana	Anadarko	well-to-well	May 2001
Rig 12	Mechanical	2,000	20,000	Louisiana	Samedan	well-to-well	June 2001
Rig 14	Mechanical	3,000	30,000	Louisiana	Davis	well-to-well	July 2001
Rig 15	Mechanical	3,000	30,000	Texas	Phillips	multiple well	July 2001
Rig 18	Electric	2,000	30,000	Louisiana	Davis	single well	May 2001
Rig 26(b)	Electric	2,000	25,000	Louisiana	Pogo Producing	well-to-well	June 2001
Rig 29	Mechanical	1,500	25,000	Texas	Samson	well-to-well	May 2001
Rig 30	Mechanical	2,000	20,000	Louisiana	Chesapeake Anadarko	well-to-well single well	April 2001 June 2001
Rig 31(b)	Electric	3,000	30,000	Texas	Chesapeake	well-to-well	May 2001
Rig 33	Diesel electric	3,000	25,000	Alaska	not committed		
Rig 34	Electric	2,000	25,000	Texas	Crawford	term	May 2001
Rig 35	Diesel electric	3,000	25,000	Alaska	not committed		
Rig 41	Electric	2,000	20,000	Texas	Etoco	single well	April 2001

- (a) Onshore rigs were constructed at various dates between 1960 and 1982, utilizing new as well as used equipment. Most of the rigs have been substantially rebuilt subsequent to their respective dates of construction.
- (b) Unit equipped with a top-drive drilling system
- (c) Refer to "Contracts" on pages 3 and 4 of this Form 10-K for a discussion of types of drilling contracts.
- (d) Indicates estimated completion date of work to be performed

Rowan's drilling division leases and, in some cases, owns various operating and administrative facilities generally consisting of office, maintenance and storage space in the states of Alaska, Texas and Louisiana and in the countries of Canada, England, Scotland and The Netherlands.

#### MANUFACTURING FACILITIES

LeTourneau's principal manufacturing facility and headquarters are located in Longview, Texas on approximately 2,400 acres with about 1.2 million square feet of covered working area. The facility contains:

- o a mini-steel mill with 330,000 square feet of covered working area; the mill has two 25-ton electric arc furnaces capable of producing 120,000 tons per year;
- o a fabrication shop with 300,000 square feet of covered working area; the shop has a 3,000 ton vertical bender for making roll-ups or flattening materials down to 2 1/2 inches thick by 11 feet wide;
- o a machine shop with 140,000 square feet of covered working area;
- o an assembly shop with 124,000 square feet of covered working area.

The marine group's facility is located in Vicksburg, Mississippi on 1,850 acres of land and has approximately 560,000 square feet of covered work area. The marine group's service and repair operation is carried out primarily at the Company's Sabine Pass, Texas facility.

LeTourneau's mud pumps are machined, fabricated and assembled at a facility in Houston, Texas, having approximately 64,000 square feet of covered work area and 16,000 square feet of office space and at its Longview, Texas facility.

LeTourneau's distributor of forest products in the northwestern United States is located on a six-acre site in Troutdale, Oregon with approximately 22,000 square feet of building space.

LeTourneau's distributor of mining equipment products in the western United States is located in a leased facility in Tucson, Arizona having approximately 20,000 square feet.

#### AIRCRAFT

At March 30, 2001, Era owned a fleet of 94 helicopters and 19 fixed-wing aircraft, consisting of the following:

- o 64 twin-engine turbine aircraft, including:
  - o 3 Sikorsky S-61Ns (26 passengers)
  - o 2 Eurocopter AS-332L Super Pumas (19 passengers)
  - o 16 Bell 212s (14 passengers)
  - o 13 Bell 412s (14 passengers)
  - o 3 Sikorsky S-76A+s (13 passengers)
  - o 27 Eurocopter BO-105CBSs (5 passengers)
- o 30 single-engine turbine aircraft, including:
  - o 5 Bell 206LRs (6 passengers)
  - o 25 Eurocopter AS350B-2 AStars (6 passengers)
- o 19 fixed-wing aircraft, including:
  - o 5 Convair 580s (50 passengers)
  - o 9 DeHavilland Twin Otters (9-19 passengers)
  - o 3 DeHavilland Dash 8s (37 passengers)
  - o 2 Douglas DC-3s (28 passengers).

Era's principal aircraft bases in Alaska, all located on leased property, are a fixed-wing air service center (57,000 square feet of hangar, repair and office facilities) at Anchorage International Airport, with two adjacent hangars housing its helicopter and fixed-wing operations totaling approximately 45,000 square feet. Era also maintains similar, smaller helicopter facilities in Alaska at Deadhorse, Juneau, Valdez and Yakutat.

Era's principal base for its Gulf of Mexico operations is located on leased property at Lake Charles Regional Airport. The facility has 63,000 square feet of space, including helicopter hangars, a repair facility and an operations and administrative building. Era also operates a helicopter base (20,700 square feet of hangar, repair and office facilities) located on leased property at the Terrebonne Airport in Houma, Louisiana, a helicopter base (5,700 square feet of hangar, repair and office facilities) located on leased property in New Iberia, Louisiana, a helicopter base (12,500 square feet of hangar, repair and office facilities) located on leased property in Fourchon, Louisiana and a helicopter base (3,600 square feet of office and waiting room facilities) located on three acres of property in Venice, Louisiana.

#### ITEM 3. LEGAL PROCEEDINGS

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A claim for damages and costs has been made against a Rowan subsidiary in the United Kingdom courts in respect of a Gorilla V contract termination dispute with one of Rowan's customers. Rowan is vigorously defending itself in such proceeding and has asserted a counterclaim for the full contract value and costs. In a separate case in Harris County, Texas, Rowan is pursuing damages for tortious conduct by BP Amoco and its co-venturers, Enterprise and Amerada Hess, in connection with the contract termination.

Rowan is involved in various other legal proceedings incidental to its businesses and is vigorously defending its position in all such matters. Rowan believes that there are no contingencies, claims or lawsuits that will have a material adverse effect on its financial position, results of operations or cash flows.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

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There were no matters submitted to a vote of Rowan common stockholders during the fourth quarter of the fiscal year ended December 31, 2000.

ADDITIONAL ITEM. EXECUTIVE OFFICERS OF THE REGISTRANT

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The names, positions, years of credited service and ages of the officers of the Company as of March 30, 2001 are listed below. Officers are normally appointed annually by the Board of Directors at the bylaws-prescribed meeting held in the spring and serve at the discretion of the Board of Directors. There are no family relationships among these officers, nor any arrangements or understandings between any officer and any other person pursuant to which the officer was selected.

Name	Position	Years of Credited Service	Age
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EXECUTIVE OFFICERS:			
C. R. Palmer	Chairman of the Board, President and Chief Executive Officer	41	66
R. G. Croyle	Executive Vice President and Director	27	58
D. F. McNease	Executive Vice President, President of Drilling subsidiaries and Director	26	49
E. E. Thiele	Senior Vice President, Finance, Administration and Treasurer	31	61
Paul L. Kelly	Senior Vice President, Special Projects	18	61
Mark A. Keller	Senior Vice President, Marketing - North American Drilling	8	48
D. C. Eckermann (1)	Vice President, Manufacturing	14	53
C. W. Johnson (2)	Vice President, Aviation	23	57
John L. Buvens	Vice President, Legal	20	45
Bill S. Person	Vice President, Industrial Relations	33	53
William C. Provine	Vice President, Investor Relations	14	54
OTHER OFFICERS:			
William H. Wells	Controller	7	38
Mark H. Hay	Secretary and Assistant Treasurer	21	56
P. G. Wheeler	Assistant Treasurer and Corporate Tax Director	26	53
Lynda A. Aycock	Assistant Treasurer and Assistant Secretary	29	54

(1) Also serves as President and Chief Executive Officer of LeTourneau, Inc., a Rowan subsidiary.

(2) Also serves as President and Chief Operating Officer of Era Aviation, Inc., a Rowan subsidiary.

Each of the officers listed above continuously served in the position shown above for more than the past five years except as noted in the following paragraphs.

Mr. Croyle was first elected to the Board of Directors in April 1998.

Since April 1999, Mr. McNease's principal occupation has been in the position set forth. For more than five years prior to that time, Mr. McNease served as Senior Vice President, Drilling. Mr. McNease was first elected to the Board of Directors in April 1998.

Since April 1996, Mr. Kelly's principal occupation has been in the position set forth. For more than five years prior to that time, Mr. Kelly served as Vice President, Special Projects.

Since April 2000, Mr. Keller's principal occupation has been in the position set forth. For more than five years prior to that time, Mr. Keller served as Vice President, Marketing - North American Drilling.

Since April 1999, Mr. Eckermann's principal occupation has been in the position set forth. From September 1996 to April 1999, Mr. Eckermann served as President and Chief Executive Officer of LeTourneau, Inc., a subsidiary of the Company. From February 1994 to September 1996, Mr. Eckermann served as President of LeTourneau Marine Group and Vice President, Operations of LeTourneau, Inc.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The information required hereunder regarding the Common Stock price range and cash dividend information for 2000 and 1999 and the number of holders of Common Stock is set forth on page 21 of Rowan's Annual Report under the title "Common Stock Price Range, Cash Dividends and Stock Splits (Unaudited)", and is incorporated herein by reference, except for the final two sentences under such title. Also incorporated herein by reference to the Annual Report is the ninth paragraph appearing on page 20 within "Management's Discussion and Analysis of Financial Condition and Results of Operations", which provides information pertinent to the Company's ability to pay cash dividends subject to certain restrictions. Rowan's Common Stock is listed on the New York Stock Exchange and the Pacific Exchange - Stock & Options.

### ITEM 6. SELECTED FINANCIAL DATA

The information required hereunder is set forth on pages 14 and 15 of Rowan's Annual Report under the title "Ten-Year Financial Review" and is incorporated herein by reference, except for the information for the years 1995, 1994, 1993, 1992 and 1991.

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required hereunder is set forth on pages 16 through 20 under the title "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Rowan's Annual Report and is incorporated herein by reference.

### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Rowan believes that its exposure to risk of earnings loss due to changes in market interest rates is not significant. Rowan's adoption, effective January 1, 2001, of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended, did not materially impact its financial position or results of operations.

### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Refer to ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K on pages 18 through 22 of this Form 10-K for a listing of financial statements of the registrant and its subsidiaries, all of which financial statements are incorporated by reference under this item.

### ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

## PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT  
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The information in the table spanning pages 2 and 3, in footnotes (1) and (2) on page 3 and in the paragraph under the caption, "Section 16(a) Beneficial Ownership Reporting Compliance" on page 16 of the Proxy Statement for Rowan's 2001 Annual Meeting of Stockholders (the "Proxy Statement") is incorporated herein by reference. There are no family relationships among the directors or nominees for directors and the executive officers of the Company, nor any arrangements or understandings between any director or nominee for director and any other person pursuant to which such director or nominee for director was selected. Except as otherwise indicated, each Rowan director or nominee for director has been employed or engaged for the past five years in the principal occupation set forth opposite his name in the information incorporated by reference. See ADDITIONAL ITEM. EXECUTIVE OFFICERS OF THE REGISTRANT on page 15 of this Form 10-K for information relating to executive officers.

ITEM 11. EXECUTIVE COMPENSATION  
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The standard arrangement for compensating directors described under the title, "Director Compensation" on page 4 of the Proxy Statement and the information appearing under the titles "Summary Compensation Table", "Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values", "Debentures Offered in Last Fiscal Year" and "Pension Plans" on pages 11 through 13 of the Proxy Statement are incorporated herein by reference. In accordance with the instructions to Item 402 of Regulation S-K, the information contained in the Proxy Statement under the titles "Compensation Committee Report on Executive Compensation", "Audit Committee Report" and "Stock Performance Graphs" shall not be deemed to be filed as part of this Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT  
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The information regarding security ownership of management of the Company set forth under the heading "Director and Officer Stock Ownership" appearing on page 6 and the information appearing under the title "Security Ownership of Certain Beneficial Owners" appearing on page 15 of the Proxy Statement is incorporated herein by reference.

The business address of all directors is the principal executive offices of the Company as set forth on the facing page of this Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS  
-----

Information regarding certain business relationships and transactions between Rowan and certain of the directors of the Company under the heading "Compensation Committee Interlocks and Insider Participation; Certain Transactions" appearing on page 16 of the Proxy Statement is incorporated herein by reference.

## PART IV

## ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

## (a)1. Financial Statements

The following financial statements and independent auditors' report, included in the Annual Report, are incorporated herein by reference:

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Annual Report  
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Consolidated Balance Sheet, December 31, 2000 and 1999 .....	22
Consolidated Statement of Operations for the Years Ended December 31, 2000, 1999 and 1998 .....	23
Consolidated Statement of Changes in Stockholders' Equity for the Years Ended December 31, 2000, 1999 and 1998 .....	24
Consolidated Statement of Cash Flows for the Years Ended December 31, 2000, 1999 and 1998 .....	25
Notes to Consolidated Financial Statements .....	26
Independent Auditors' Report .....	21
Selected Quarterly Financial Data (Unaudited) for the Quarters Ended March 31, June 30, September 30 and December 31, 2000 and 1999 .....	21

## 2. Financial Statement Schedules

Financial Statement Schedules I, II, III, IV, and V are not included in this Form 10-K because such schedules are not required, not significant or because the required information is shown in Notes to the Consolidated Financial Statements of the Company's Annual Report.

## 3. Exhibits:

Unless otherwise indicated below as being incorporated by reference to another filing of the Company with the Securities and Exchange Commission, each of the following exhibits is filed herewith:

- 3a Restated Certificate of Incorporation dated February 17, 1984, incorporated by reference to Exhibit 4.1 to Registration Statement No. 333-84369 on Form S-8 (File No. 1-5491) and Exhibits 4a, 4b, 4c, 4d, 4e, 4f, 4g and 4h below.
- 3b Bylaws amended as of April 28, 2000, incorporated by reference to Exhibit 3 to Form 10-Q for the fiscal quarter ended March 31, 2000 (File No. 1-5491).
- 4a Certificate of Change of Address of Registered Office and of Registered Agent dated July 25, 1984, incorporated by reference to Exhibit 4.4 to Registration Statement No. 333-84369 on Form S-8 (File No. 1-5491).
- 4b Certificate of Amendment of Certificate of Incorporation dated April 24, 1987, incorporated by reference to Exhibit 4.5 to Registration Statement No. 333-84369 on Form S-8 (File No. 1-5491).
- 4c Certificate of Designation of the Series III Preferred Stock dated November 30, 1994, incorporated by reference to Exhibit 4.7 to Registration Statement No. 333-84369 on Form S-8 (File No. 1-5491).
- 4d Certificate of Designation of the Series A Junior Preferred Stock dated March 2, 1992, incorporated by reference to Exhibit 4.6 to Registration Statement No. 333-84369 on Form S-8 (File No. 1-5491).

- 4e Certificate of Designation of (and Certificate of Correction related thereto) the Series A Preferred Stock dated August 5, 1998 and January 28, 1999, respectively, incorporated by reference to Exhibit 4.8 to Registration Statement No. 333-84369 on Form S-8 (File No. 1-5491).
- 4f Certificate of Designation of the Series B Preferred Stock dated June 24, 1999, incorporated by reference to Exhibit 4d to Form 10-K for the fiscal year ended December 31, 1999 (File No. 1-5491).
- 4g Certificate of Designation of the Series C Preferred Stock dated July 28, 2000, incorporated by reference to Exhibit 4.10 to Registration Statement No. 333-44874 on Form S-8 (File No. 1-5491).
- 4h Certificate of Elimination related to the \$2.125 Convertible Exchangeable Preferred Stock, Series I Preferred Stock and Series II Preferred Stock, incorporated by reference to Exhibit 4d to Form 10-K for the fiscal year ended December 31, 1998 (File No. 1-5491).
- 4i Rights Agreement as amended between Rowan and Citibank, N.A. as Rights Agent, incorporated by reference to Exhibit 4d to Form 10-K for the fiscal year ended December 31, 1997 (File No. 1-5491) and Fourth Amendment thereto dated as of December 20, 2000, incorporated by reference to Exhibit 99.1 to Form 8-K dated December 22, 2000.
- 4j Specimen Common Stock certificate, incorporated by reference to Exhibit 4h to Form 10-K for the fiscal year ended December 31, 1996 (File No. 1-5491).
- 4k Form of Promissory Note dated November 30, 1994 between purchasers of Series III Floating Rate Subordinated Convertible Debentures due 2004 and Rowan, incorporated by reference to Exhibit 4j to Form 10-K for the fiscal year ended December 31, 1994 (File No. 1-5491).
- 4l Form of Promissory Note dated April 24, 1998 between purchasers of Series A Floating Rate Subordinated Convertible Debentures due 2008 and Rowan, incorporated by reference to Exhibit 4j to Form 10-K for the fiscal year ended December 31, 1998 (File No. 1-5491).
- 4m Form of Promissory Note dated April 22, 1999 between purchasers of Series B Floating Rate Subordinated Convertible Debentures due 2009 and Rowan, incorporated by reference to Exhibit 4j to Form 10-K for the fiscal year ended December 31, 1999 (File No. 1-5491).
- 4n Form of Promissory Note date April 27, 2000 between purchasers of Series C Floating Rate Subordinated Convertible Debentures due 2010 and Rowan.
- 10a 1980 Nonqualified Stock Option Plan, incorporated by reference to Exhibit 5.10 to Registration Statement on Form S-7 (Registration No. 2-68622).
- 10b Restated 1988 Nonqualified Stock Option Plan, incorporated by reference to Exhibit 10a of Form 10-Q for the fiscal quarter ended March 31, 1998 (File No. 1-5491).
- 10c 1998 Nonemployee Director Stock Option Plan, incorporated by reference to Exhibit 10b of Form 10-Q for the fiscal quarter ended March 31, 1998 (File No. 1-5491).
- 10d 1986 Convertible Debenture Incentive Plan, as amended, incorporated by reference to Exhibit 10h to Form 10-K for the fiscal year ended December 31, 1996 (File No. 1-5491).
- 10e 1998 Convertible Debenture Incentive Plan, incorporated by reference to Exhibit 10c to Form 10-Q for the fiscal quarter ended March 31, 1998 (File No. 1-5491).

- 10f Pension Restoration Plan, incorporated by reference to Exhibit 10h to Form 10-K for the fiscal year ended December 31, 1992 (File No. 1-5491).
- 10g Pension Restoration Plan of LeTourneau, Inc., a wholly owned subsidiary of the Company, incorporated by reference to Exhibit 10j to Form 10-K for the fiscal year ended December 31, 1994 (File No. 1-5491).
- 10h Participation Agreement dated December 1, 1984 between Rowan and Textron Financial Corporation et al. and Bareboat Charter dated December 1, 1984 between Rowan and Textron Financial Corporation et al., incorporated by reference to Exhibit 10c to Form 10-K for the fiscal year ended December 31, 1985 (File No. 1-5491).
- 10i Participation Agreement dated December 1, 1985 between Rowan and Eaton Leasing Corporation et. al. and Bareboat Charter dated December 1, 1985 between Rowan and Eaton Leasing Corporation et. al., incorporated by reference to Exhibit 10d to Form 10-K for the fiscal year ended December 31, 1985 (File No.1-5491).
- 10j Election and acceptance letters with respect to the exercise of the Fixed Rate Renewal Option set forth in the Bareboat Charter dated December 1, 1984 between Rowan and Textron Financial Corporation et al, incorporated by reference to Exhibit 10j to Form 10-K for the fiscal year ended December 31, 1999 (File No. 1-5491).
- 10k Election and acceptance letters with respect to the exercise of the Fixed Rate Renewal Option set forth in the Bareboat Charter dated December 1, 1985 between Rowan and Eaton Leasing Corporation et. al, incorporated by reference to Exhibit 10k to Form 10-K for the fiscal year ended December 31, 1999 (File No. 1-5491).
- 10l Consulting Agreement as amended as of January 1, 1998 between Rowan and C. W. Yeargain, incorporated by reference to Exhibit 10k to Form 10-K for the fiscal year ended December 31, 1998 (File No. 1-5491).
- 10m Consulting Agreement dated January 1, 1990 and Amendment No. 1 thereto dated August 30, 1994, but effective January 1, 1994, between Rowan Energy Investments Inc., a wholly owned subsidiary of the Company, and Hans M. Brinkhorst, incorporated by reference to Exhibit 10l to Form 10-K for the fiscal year ended December 31, 1998 (File No. 1-5491).
- 10n Commitment to Guarantee Obligations dated December 17, 1996 and First Preferred Ship Mortgage between Rowan and the Maritime Administration of the U.S. Department of Transportation, incorporated by reference to Exhibit 10t to Form 10-K for fiscal year ended December 31, 1996 (File No. 1-5491).
- 10o Amendment No. 1 dated June 30, 1997 to Commitment to Guarantee Obligations between Rowan and the Maritime Administration of the U.S. Department of Transportation, incorporated by reference to Exhibit 10p to 10-K for the fiscal year ended December 31, 1997 (File No. 1-5491).
- 10p Amendment No. 2 dated July 1, 1998 to Commitment to Guarantee Obligations between Rowan and the Maritime Administration of the U.S. Department of Transportation, incorporated by reference to Exhibit 10o to Form 10-K for the fiscal year ended December 31, 1998 (File No. 1-5491).
- 10q Trust Indenture dated December 17, 1996 between Rowan and Citibank, N.A., incorporated by reference to Exhibit 10u to Form 10-K for the fiscal year ended December 31, 1996 (File No. 1-5491).

- 10r Amendment No. 1 to the Credit Agreement and Supplement No. 1 to Trust Indenture both dated July 1, 1997 between Rowan and Citibank, N.A., incorporated by reference to Exhibit 10r to Form 10-K for the fiscal year ended December 31, 1997 (File No. 1-5491).
- 10s Supplement No. 2 to Trust Indenture dated July 1, 1998 between Rowan and Citibank, N.A., incorporated by reference to Exhibit 10r to Form 10-K for the fiscal year ended December 31, 1998 (File No. 1-5491).
- 10t Commitment to Guarantee Obligations dated September 29, 1998 and First Preferred Ship Mortgage between Rowan and the Maritime Administration of the U.S. Department of Transportation, incorporated by reference to Exhibit 10a to Form 10-Q for fiscal quarter ended September 30, 1998 (File No. 1-5491).
- 10u Credit Agreement and Trust Indenture both dated September 30, 1998 between Rowan and Citibank, N.A., incorporated by reference to Exhibit 10b to Form 10-Q for the fiscal quarter ended September 30, 1998 (File No. 1-5491).
- 10v Amendment No. 1 dated March 15, 2001 to Commitment to Guarantee Obligations between Rowan and the Maritime Administration of the U.S. Department of Transportation.
- 10w Supplement No. 1 to Trust Indenture dated March 15, 2001 between Rowan and Citibank, N.A.
- 10x Commitment to Guarantee Obligations dated October 29, 1999 and First Preferred Ship Mortgage between Rowan and the Maritime Administration of the U.S. Department of Transportation, incorporated by reference to Exhibit 10v to Form 10-K for the fiscal year ended December 31, 1999 (File No. 1-5491).
- 10y Credit Agreement and Trust Indenture both dated October 29, 1999 between Rowan and Citibank, N.A., incorporated by reference to Exhibit 10w to Form 10-K for the fiscal year ended December 31, 1999 (File No. 1-5491).
- 11 Computation of Basic and Diluted Earnings (Loss) Per Share for the years ended December 31, 2000, 1999 and 1998 appearing on page 24 in this Form 10-K.
- 13\* Annual Report to Stockholders for fiscal year ended December 31, 2000.
- 21 Subsidiaries of the Registrant as of March 30, 2001.
- 23 Independent Auditors' Consent.
- 24 Powers of Attorney pursuant to which names were affixed to this Form 10-K for the fiscal year ended December 31, 2000.

## EXECUTIVE COMPENSATION PLANS AND ARRANGEMENTS

Compensatory plans in which directors and executive officers of the Company participate are listed as follows:

- o 1980 Nonqualified Stock Option Plan, incorporated by reference to Exhibit 5.10 to Registration Statement on Form S-7 (Registration No. 2-68622).
- o Restated 1988 Nonqualified Stock Option Plan, incorporated by reference to Exhibit 10a to Form 10-Q for the fiscal year ended March 31, 1998 (File No. 1-5491).
- o 1998 Nonemployee Director Stock Option Plan, incorporated by reference to Exhibit 10b of Form 10-Q for the fiscal quarter ended March 31, 1998 (File No. 1-5491).
- o 1986 Convertible Debenture Incentive Plan, as amended, included as Exhibit 10h of this Form 10-K incorporated by reference to Exhibit 10h to Form 10-K for the fiscal year ended December 31, 1996 (File No. 1-5491).
- o 1998 Convertible Debenture Incentive Plan, incorporated by reference to Exhibit 10c to Form 10-Q for the fiscal quarter ended March 31, 1998 (File No. 1-5491).
- o Pension Restoration Plan, incorporated by reference to Exhibit 10i to Form 10-K for the fiscal year ended December 31, 1992 (File 1-5491).
- o Pension Restoration Plan of LeTourneau, Inc., a wholly owned subsidiary of the Company, incorporated by reference to Exhibit 10j to Form 10-K for the fiscal year ended December 31, 1994 (File No. 1-5491).

Rowan agrees to furnish to the Commission upon request a copy of all instruments defining the rights of holders of long-term debt of the Company and its subsidiaries.

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\* Only portions specifically incorporated herein are deemed to be filed.

(b) Reports on Form 8-K:

On December 22, 2000, Rowan filed a Current Report on Form 8-K for the purpose of filing under "Item 5. Other Events" the fourth amendment to its Rights Agreement dated February 25, 1992, which, among other things, deleted the requirement of a majority vote of continuing directors to approve certain actions and the 10-day holding period in which the Rights are redeemable, and amended the definition of an Acquiring Person to exempt inadvertent acquisitions of Rowan stock in certain circumstances.

For the purposes of complying with the amendments to the rules governing Form S-8 (effective July 13, 1990) under the Securities Act of 1933, the undersigned registrant hereby undertakes as follows, which undertaking shall be incorporated by reference into Registrant's Registration Statements on Form S-8 Nos. 2-67866 (filed May 22, 1980), 2-58700, as amended by Post-Effective Amendment No. 4 (filed June 11, 1980), 33-33755, as amended by Amendment No. 1 (filed March 29, 1990), 33-61444 (filed April 23, 1993), 33-51103 (filed November 18, 1993), 33-51105 (filed November 18, 1993), 33-51109 (filed November 18, 1993), 333-25041 (filed April 11, 1997), 333-25125 (filed April 14, 1997), 333-84369 (filed August 3, 1999), 333-84405 (filed August 3, 1999) and 333-44874 as amended by Amendment No. 2 (filed November 16, 2000):

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the act and will be governed by the final adjudication of such issue.



## 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.

ROWAN COMPANIES, INC.

By: C. R. PALMER  
(C. R. Palmer, Chairman of  
the Board, President and  
Chief Executive Officer)

Date: March 30, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Signature -----	Title -----	Date ----
C. R. PALMER (C. R. Palmer)	Chairman of the Board, President and Chief Executive Officer	March 30, 2001
E. E. THIELE (E. E. Thiele)	Principal Financial Officer	March 30, 2001
WILLIAM H. WELLS (William H. Wells)	Principal Accounting Officer	March 30, 2001
*HENRY O. BOSWELL (Henry O. Boswell)	Director	March 30, 2001
*HANS M. BRINKHORST (Hans M. Brinkhorst)	Director	March 30, 2001
*R. G. CROYLE (R. G. Croyle)	Director	March 30, 2001
*FREDERICK R. LAUSEN (Frederick R. Lausen)	Director	March 30, 2001
*H. E. LENTZ (H. E. Lentz)	Director	March 30, 2001
*D. F. MCNEASE (D. F. McNease)	Director	March 30, 2001
*LORD MOYNIHAN (Lord Moynihan)	Director	March 30, 2001
*WILFRED P. SCHMOE (Wilfred P. Schmoe)	Director	March 30, 2001
*CHARLES P. SIESS, JR. (Charles P. Siess, Jr.)	Director	March 30, 2001
*BY C. R. PALMER (C. R. Palmer, Attorney-in-fact)		

## EXHIBIT INDEX

FOOTNOTE REFERENCE	EXHIBIT NUMBER	EXHIBIT DESCRIPTION
(1)	3a	Restated Certificate of Incorporation of the Company, dated February 17, 1984, incorporated by reference to Exhibit 4.1 to Registration Statement No. 333-84369 on Form S-8 (File No. 1-5491) and Exhibits 4a, 4b, 4c, 4d, 4e, 4f, 4g and 4h below.
(1)	3b	Bylaws of the Company amended as of April 28, 2000, incorporated by reference to Exhibit 3 to Form 10-Q for the fiscal quarter ended March 31, 2000 (File No. 1-5491).
(1)	4a	Certificate of Change of Address of Registered Office and of Registered Agent dated July 25, 1984, incorporated by reference to Exhibit 4.4 to Registration Statement No. 333-84369 on Form S-8 (File No. 1-5491).
(1)	4b	Certificate of Amendment of Certificate of Incorporation dated April 24, 1987, incorporated by reference to Exhibit 4.5 to Registration Statement No. 333-84369 on Form S-8 (File No. 1-5491).
(1)	4c	Certificate of Designation of the Company's Series III Preferred Stock dated November 30, 1994 incorporated by reference to Exhibit 4.7 to Registration Statement No. 333-84369 on Form S-8 (File No. 1-5491).
(1)	4d	Certificate of Designation of the Company's Series A Junior Preferred Stock dated March 2, 1992 incorporated by reference to Exhibit 4.6 to Registration Statement No. 333-84369 on Form S-8 (File No. 1-5491).
(1)	4e	Certificate of Designation of (and Certificate of Correction related thereto) the Company's Series A Preferred Stock dated August 5, 1998 and January 28, 1999, respectively, incorporated by reference to Exhibit 4.8 to Registration Statement No. 333-84369 on Form S-8 (File No. 1-5491).
(1)	4f	Certificate of Designation of the Company's Series B Preferred Stock dated June 24, 1999, incorporated by reference to Exhibit 4d to Form 10-K for the fiscal year ended December 31, 1999 (File No. 1-5491).
(1)	4g	Certificate of Designation of the Series C Preferred Stock dated July 28, 2000, incorporated by reference to Exhibit 4.10 to Registration Statement No. 333-44874 on Form S-8 (File No. 1-5491).
(1)	4h	Certificate of Elimination related to the Company's \$2.125 Convertible Exchangeable Preferred Stock, Series I Preferred Stock and Series II Preferred Stock, incorporated by reference to Exhibit 4d to Form 10-K for the fiscal year ended December 31, 1998 (File No. 1-5491).

FOOTNOTE REFERENCE	EXHIBIT NUMBER	EXHIBIT DESCRIPTION
(1)	4i	Rights Agreement as amended between the Company and Citibank, N.A. as Rights Agent incorporated by reference to Exhibit 4d to Form 10-K for the fiscal year ended December 31, 1997 (File No. 1-5491) and fourth Amendment thereto dated as of December 20, 2000, incorporated by reference to Exhibit 99.1 to Form 8-K dated December 22, 2000.
(1)	4j	Specimen Common Stock certificate incorporated by reference to Exhibit 4h to Form 10-K for the fiscal year ended December 31, 1996 (File No. 1-5491).
(1)	4k	Form of Promissory Note dated November 30, 1994 between the purchasers of Series III Floating Rate Subordinated Convertible Debentures due 2004 and the Company incorporated by reference to Exhibit 4j to Form 10-K for the fiscal year ended December 31, 1994 (File No. 1-5491).
(1)	4l	Form of Promissory Note date April 24, 1998 between the purchasers of Series A Floating Rate Subordinated Convertible Debentures due 2008 and the Company, incorporated by reference to Exhibit 4h to Form 10-K for the fiscal year ended December 31, 1998 (File No. 1-5491).
(1)	4m	Form of Promissory Note date April 22, 1999 between the purchasers of Series B Floating Rate Subordinated Convertible Debentures due 2009 and the Company incorporated by reference to Exhibit 4j to Form 10-K for the fiscal year ended December 31, 1999 (File No. 1-5491).
(1)	4n	Form of Promissory Note date April 27, 2000 between purchasers of Series C Floating Rate Subordinated Convertible Debentures due 2010 and Rowan.
(1)	10a	1980 Nonqualified Stock Option Plan of the Company together with form of Stock Option Agreement related thereto incorporated by reference to Exhibit 5.10 to Registration Statement on Form S-7 (Registration No. 2-68622).
(1)	10b	Restated 1988 Nonqualified Stock Option Plan of the Company incorporated by reference to Exhibit 10a of Form 10-Q for the fiscal quarter ended March 31, 1998 (File No. 1-5491).
(1)	10c	1998 Nonemployee Director Stock Option Plan of the Company incorporated by reference to Exhibit 10b of Form 10-Q for the fiscal quarter ended March 31, 1998 (File No. 1-5491).
(1)	10d	1986 Convertible Debenture Incentive Plan of the Company as amended incorporated by reference to Exhibit 10h to Form 10-K for the fiscal year ended December 31, 1996 (File No. 1-5491).
(1)	10e	1998 Convertible Debenture Incentive Plan of the Company incorporated by reference to Exhibit 10c to Form 10-Q for the fiscal quarter ended March 31, 1998 (File No. 1-5491).

FOOTNOTE REFERENCE	EXHIBIT NUMBER	EXHIBIT DESCRIPTION
(1)	10f	Pension Restoration Plan of the Company incorporated by reference to Exhibit 10h to Form 10-K for the fiscal year ended December 31, 1992 (File No. 1-5491).
(1)	10g	Pension Restoration Plan of LeTourneau, Inc incorporated by reference to Exhibit 10j to Form 10-K for the fiscal year ended December 31, 1994 (File No. 1-5491).
(1)	10h	Participation Agreement dated December 1, 1984 between the Company and Textron Financial Corporation et al. and Bareboat Charter dated December 1, 1984 between the Company and Textron Financial Corporation et al. incorporated by reference to Exhibit 10c to Form 10-K for the fiscal year ended December 31, 1985 (File No. 1-5491).
(1)	10i	Participation Agreement dated December 1, 1985 between the Company and Eaton Leasing Corporation et. al. and Bareboat Charter dated December 1, 1985 between the Company and Eaton Leasing Corporation et. al. incorporated by reference to Exhibit 10d to Form 10-K for the fiscal year ended December 31, 1985 (File No.1-5491).
(1)	10j	Election and acceptance letters with respect to the exercise of the Fixed Rate Renewal Option set forth in the Bareboat Charter dated December 1, 1984 between the Company and Textron Financial Corporation et. al., incorporated by reference to Exhibit 10j to Form 10-K for the fiscal year ended December 31, 1999 (File No. 1-5491).
(1)	10k	Election and acceptance letters with respect to the exercise of the Fixed Rate Renewal Option set forth in the Bareboat Charter dated December 1, 1985 between the Company and Eaton Leasing Corporation et. al., incorporated by reference to Exhibit 10K to Form 10-K for the fiscal year ended December 31, 1999 (File No. 1-5491).
(1)	10l	Consulting Agreement as amended as of January 1, 1998 between the Company and C. W. Yeargain, incorporated by reference to Exhibit 10k to Form 10-K for the fiscal year ended December 31, 1998 (File No. 1-5491)
(1)	10m	Consulting Agreement dated January 1, 1990 and Amendment No. 1 thereto dated August 30, 1994, but effective January 1, 1994, between Rowan Energy Investments Inc., wholly-owned subsidiary of the Company, and Hans M. Brinkhorst, incorporated by reference to Exhibit 10l to Form 10-K for the fiscal year ended December 31, 1998 (File No. 1-5491).

FOOTNOTE REFERENCE	EXHIBIT NUMBER	EXHIBIT DESCRIPTION
(1)	10n	Commitment to Guarantee Obligations and First Preferred Ship Mortgage both dated December 17, 1996 between the Company and the Maritime Administration of the U.S. Department of Transportation incorporated by reference to Exhibit 10t to Form 10-K for fiscal year ended December 31, 1996 (File No. 1-5491).
(1)	10o	Amendment No. 1 dated June 30, 1997 to Commitment to Guarantee Obligations between the Company and the Maritime Administration of the U.S. Department of Transportation incorporated by reference to Exhibit 10p to Form 10-K for the fiscal year ended December 31, 1997 (File No. 1-5491).
(1)	10p	Amendment No. 2 dated July 1, 1998 to Commitment to Guarantee Obligations between the Company and the Maritime Administration of the U.S. Department of Transportation, incorporated by reference to Exhibit 10o to Form 10-K for the fiscal year ended December 31, 1998 (File No. 1-5491).
(1)	10q	Credit Agreement and Trust Indenture both dated December 17, 1996 between the Company and Citibank, N.A. incorporated by reference to Exhibit 10u to Form 10-K for the fiscal year ended December 31, 1996 (File No. 1-5491).
(1)	10r	Amendment No. 1 to the Credit Agreement and Supplement No. 1 to Trust Indenture both dated July 1, 1997 between the Company and Citibank, N.A. incorporated by reference to Exhibit 10r to Form 10-K for the fiscal year ended December 31, 1997 (File No. 1-5491).
(1)	10s	Supplement No. 2 to Trust Indenture dated July 1, 1998 between the Company and Citibank, N.A. incorporated by reference to Exhibit 10r to Form 10-K for the fiscal year ended December 31, 1998 (File No. 1-5491).
(1)	10t	Commitment to Guarantee Obligations and First Preferred Ship Mortgage both dated September 29, 1998 between the Company and the Maritime Administration of the U.S. Department of Transportation incorporated by reference to Exhibit 10a to Form 10-Q for fiscal quarter ended September 30, 1998 (File No. 1-5491).
(1)	10u	Credit Agreement and Trust Indenture both dated September 30, 1998 between the Company and Citibank, N.A. incorporated by reference to Exhibit 10b to Form 10-Q for the fiscal quarter ended September 30, 1998 (File No. 1-5491).
(2)	10v	Amendment No. 1 dated March 15, 2001 to Commitment to Guarantee Obligations between Rowan and the Maritime Administration of the U.S. Department of Transportation.
(2)	10w	Supplement No. 1 to Trust Indenture dated March 15, 2001 between Rowan and Citibank, N.A.

FOOTNOTE REFERENCE	EXHIBIT NUMBER	EXHIBIT DESCRIPTION
(1)	10x	Commitment to Guarantee Obligations dated October 29, 1999 and First Preferred Ship Mortgage between the Company and the Maritime Administration of the U.S. Department of Transportation, incorporated by reference to Exhibit 10v to Form 10-K for the fiscal year ended December 31, 1999 (File No. 1-5491).
(1)	10y	Credit Agreement and Trust Indenture both dated October 29, 1999 between the Company and Citibank, N.A., incorporated by reference to Exhibit 10w to Form 10-K for the fiscal year ended December 31, 1999 (File No. 1-5491).
(3)	11	Computation of Basic and Diluted Earnings Per Share for the years ended December 31, 2000, 1999 and 1998.
(4)	13	Annual Report to Stockholders for fiscal year ended December 31, 2000.
(2)	21	Subsidiaries of the Registrant as of March 30, 2001.
(2)	23	Independent Auditors' Consent.
(2)	24	Powers of Attorney pursuant to which names were affixed to this Form 10-K for the fiscal year ended December 31, 2000.

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(1) Incorporated herein by reference to another filing of the Company with the Securities and Exchange Commission as indicated.

(2) Included herein.

(3) Included in Form 10-K on page 24.

(4) Included herein. See ITEM 1, ITEMS 5-8 and Subpart (a)1. of ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K on page 18 on Form 10-K for specific portions incorporated herein by reference.

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## PROMISSORY NOTE

Houston, Texas

April 27, 2000

\_\_\_\_\_, for value received, promises and agrees to pay on or before April 27, 2010 unto the order of Rowan Companies, Inc. (hereinafter called "Payee"), at the offices of the Payee in Houston, Texas in lawful money of the United States of America, the principal sum of \_\_\_\_\_ and No/100 Dollars (\$ \_\_\_\_\_), together with interest thereon, from and after the date hereof, on March 31, June 30, September 30 and December 31 of each year unless such day is not a business day, in which case it shall mean the immediately succeeding business day, the first such interest payment for the period beginning on and including the date hereof and ending on and excluding June 30, 2000, at the per annum interest rate announced publicly by Citibank, N.A. in New York, New York from time to time as its Base Rate plus 1/2% per annum; provided, that if any such interest rate shall be lower than the applicable interest rate for such period determined under Sections 483 and 1274 (d) of the Internal Revenue Code of 1954, as amended (the "Federal Rate"), such Federal Rate shall apply. The amount of interest payable for any such period is computed by multiplying the decimal equivalent of the applicable interest rate for such period by the actual number of days in such period, dividing by 360 and multiplying the resulting quotient by the principal amount hereof. If the principal of this Note is prepaid in whole or in part, all accrued and unpaid interest with respect to such principal amount prepaid is due and payable on the date of such prepayment.

Payment of this Note when due is secured by a pledge of and lien on the Series C Floating Rate Subordinated Convertible Debenture due 2010 of the Payee dated April 27, 2000 in the principal amount of \$ \_\_\_\_\_, issued in the name of the undersigned, which Debenture, accompanied by an executed transfer power for such Debenture and in proper form for transfer, has been delivered to the Payee.

In the event of the non-payment when due of any liability of the undersigned to the Payee hereunder, then, or at any time after the happening of such event, the holder of this Note may, without demand upon or notice to the undersigned (both of which are expressly waived by the undersigned), declare all sums owing hereon to be, and such sums shall become, due and payable. Upon such declaration, the Payee will, to the extent practicable, set off any amounts owing hereon by the undersigned with amounts owing by the Payee pursuant to the Series C Floating Rate Subordinated Debenture due 2010. This Note shall be construed according to and governed by the laws of the State of Texas.

By its acceptance hereof, the Payee of this promissory note, hereby acknowledges and agrees that if (i) Rowan Companies, Inc., a Delaware corporation (the "Company") fails, at any time, to fulfill its payment obligations owing in respect of its Series C Floating Rate Subordinated Convertible Debentures due 2010 (collectively, the "Debentures") or (ii) an Event of Default (as such term is defined in the Debentures) has occurred and is continuing, the payment obligations (with respect to principal and interest) of the undersigned maker of this promissory note under the terms hereof will, automatically be suspended and terminated until such time, if any, that the Company has fulfilled all of its payment obligations then due and owing in respect of the Debentures or such Event of Default no longer exists, as the case may be.

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AMENDMENT NO. 1  
TO  
COMMITMENT TO GUARANTEE OBLIGATIONS

THIS AMENDMENT NO. 1, dated as of March 15, 2001 (the "Amendment"), to that certain Commitment to Guarantee Obligations, dated as of September 29, 1998 (the "Commitment"), is by and between the United States of America, represented by the Secretary of Transportation, acting by and through the Maritime Administration (the "Secretary"), and ROWAN COMPANIES, INC. (the "Shipowner", and together with the Secretary, the "Parties").

WHEREAS, on September 29, 1998, the Shipowner executed the Indenture, and issued thereunder a Floating Rate Note designated, "United States Government Guaranteed Ship Financing Obligations, GORILLA VI Series" (the "Initial Transaction") with a maximum principal amount of \$171,007,000;

WHEREAS, pursuant to Title XI of the Merchant Marine Act, 1936, the Secretary guaranteed the payment of outstanding principal of and interest on the Floating Rate Note ("the Obligations"), the outstanding principal amount of which is currently \$156,755,000; and

WHEREAS, Article Fourth of the Special Provisions of the Trust Indenture provides that the Shipowner may redeem or repay the Floating Rate Note, in whole or in part, on a Redemption Date designated by the Shipowner, from the proceeds of the issuance of a fixed rate note; and

WHEREAS, the Parties wish to amend certain documents relating to the Initial Transaction in order to provide for the complete redemption of the Floating Rate Note, by the issuance of a fixed rate note in the aggregate amount of \$156,755,000;

NOW THEREFORE, in consideration of the mutual rights and obligations set forth herein and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

SECTION 1.01 Annexed to each counterpart of this Amendment No. 1 to the Commitment to Guarantee Obligations are the forms of the Obligation Purchase Agreement, Supplement No. 1 to

the Trust Indenture, Amendment No. 2 to the Security Agreement, and the Obligations to be issued March 15, 2001, the forms of which are hereby approved by the Secretary.

SECTION 1.02 Article III of the Commitment shall be amended pursuant to Article VI thereof, as follows:

The Obligations to be issued as a fixed rate note shall be as provided in the Indenture and in the form of the Fixed Rate Note annexed as Exhibit 3B to the Indenture. The Obligations shall be subject to all of the terms and conditions set forth in the Indenture. Supplement No. 1 to the Trust Indenture, Amendment No. 2 to the Security Agreement, and the Obligations to be issued as a fixed rate note shall be executed and delivered by the Shipowner on the Effective Date.

Except as so amended, the provisions of the Commitment shall apply to and govern this Amendment No. 1 to Commitment to Guarantee Obligations.

Capitalized terms not specifically defined herein shall have the respective meanings stated in Schedule A to the Trust Indenture dated as of September 29, 1998, as amended, between the Shipowner and the Indenture Trustee.

This Amendment No. 1 to Commitment to Guarantee Obligations may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Notwithstanding any provision herein, in the event there are any inconsistencies between the original of this document held by the Secretary, and an original held by any other party to this transaction, this provisions of the original held by the Secretary shall prevail.

IN WITNESS WHEREOF, this Amendment No. 1 to Commitment to Guarantee Obligations has been executed and sealed by the United States and accepted and sealed by the Shipowner on the day and year first above written.

UNITED STATES OF AMERICA  
SECRETARY OF TRANSPORTATION

BY: MARITIME ADMINISTRATOR

(SEAL)

ATTEST:

-----  
Secretary

-----  
Assistant Secretary

ROWAN COMPANIES, INC.

(SEAL)

ATTEST:

By: -----  
Senior Vice President

-----  
Secretary

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SUPPLEMENT NO. 1  
TO  
TRUST INDENTURE

THIS SUPPLEMENT NO. 1, dated as of March 15, 2001 ("Supplement No. 1"), to that certain Trust Indenture dated as of September 29, 1998 (the "Indenture") is by and between CITIBANK, N.A., a national banking association, as indenture trustee (the "Indenture Trustee"), and ROWAN COMPANIES, INC. (the "Shipowner", and together with the Indenture Trustee, the "Parties").

WHEREAS, on September 29, 1998, the Shipowner executed the Indenture, and issued thereunder a Floating Rate Note designated, "United States Government Guaranteed Ship Financing Obligations, GORILLA VI Series" (the "Initial Transaction") with a maximum principal amount of \$171,070,000;

WHEREAS, Article Fourth of the Special Provisions of the Indenture provides that the Shipowner may redeem or repay the Floating Rate Note, in whole or in part, on a Redemption Date designated by the Shipowner, from the proceeds of the issuance of a fixed rate note;

WHEREAS, the outstanding principal amount of the Floating Rate Note is currently \$156,755,000; and

WHEREAS, the Parties wish to amend certain documents relating to the Initial Transaction in order to provide for the complete redemption of the Floating Rate Note by the issuance of a fixed rate note in the aggregate amount of \$156,755,000.

NOW THEREFORE, in consideration of the mutual rights and obligations set forth herein and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

## ARTICLE FIRST

SECTION 1.01 SCHEDULE A. Schedule A to the Indenture is hereby amended by adding the following definitions:

"Effective Date" means March 15, 2001.

"Fixed Rate Note" shall mean an Obligation substantially in the form of Exhibit 3B to the Indenture, appropriately completed.

"Secretary" means the Secretary of Transportation or any official or official body from time to time duly authorized to perform the duties and functions of the Secretary of Transportation under Title XI of the Act (including the Maritime Administrator, the Acting Maritime Administrator, and to the extent so authorized, the Deputy Maritime Administrator, the Acting Deputy Maritime Administrator, and other officials of the Maritime Administration).

All other capitalized terms used herein have the meanings set forth in Schedule A to the Indenture, as amended.

## ARTICLE SECOND

The Indenture shall be amended as follows:

Section 2.01 The Obligations. Article Second (a) of the Special Provisions of the Indenture is restated in its entirety as follows:

(a) The Obligations issued hereunder shall be designated "United States Government Guaranteed Ship Financing Obligations, GORILLA VI Series," and shall be substantially in the form of Exhibit 3B to this Indenture; and, the aggregate principal amount of Obligations which may be issued under this Indenture shall not exceed \$156,755,000 except as provided in Sections 2.09, 2.10, 2.12 and 3.10(b) of Exhibit 1 hereto.

Section 2.02. Optional Redemptions of Obligations at Make-Whole Premium. Article Fourth (c) of the Special Provisions of the Indenture is restated in its entirety as follows:

(c) Optional Redemptions of Obligations at Make-Whole Premium. At its option, the Shipowner may prepay on any Interest Payment Date the Fixed Rate Notes, in whole or in part, at a Redemption Price equal to 100% of the principal amount thereof together with interest accrued thereon to the Redemption Date plus the Make-Whole Premium, if any. Prepayments shall be applied pro rata against each Fixed Rate Note and applied against the scheduled principal payments in the inverse order of scheduled maturity.

Section 2.03 Endorsement of Floating Rate Note. On the Effective Date, the Floating Rate Note issued on September 29, 1998 shall be endorsed to show the redemption of the outstanding amount and thereupon shall be cancelled.

Section 2.04 Forms of Fixed Rate Notes. The form of Fixed Rate Note attached as Exhibit 3 to the Indenture is renumbered as Exhibit 3A and the form of Fixed Rate Note attached as an Exhibit to this Supplement is designated as Exhibit 3B to the Indenture.

Section 2.05 Issuance of Fixed Rate Note. On and after the Effective Date, the Shipowner shall issue and deliver to the Holders thereof Fixed Rate Note(s) in accordance with the Indenture substantially in the form of Exhibit 3B to the Indenture.

Except as so amended, the provisions of the Indenture are hereby confirmed, and shall remain in full force and effect.

This Supplement No. 1 to the Indenture may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Notwithstanding any provision herein, in the event there are any inconsistencies between the original of this document held by the Secretary, and an original held by any other party to this transaction, this provisions of the original held by the Secretary shall prevail.

IN WITNESS WHEREOF, this Supplement No. 1 to the Indenture has been duly executed by the Parties as of the day and year first above written.

(SEAL) ROWAN COMPANIES, INC.

ATTEST: By: \_\_\_\_\_  
Senior Vice President  
-----  
Secretary

(SEAL) CITIBANK, N.A.  
Indenture Trustee

ATTEST: By: \_\_\_\_\_  
Title: Assistant Vice President  
-----  
Vice President

CONSENT:

Pursuant to Section 10.05 of the General Provisions Incorporated into the Trust Indenture by Reference attached as Exhibit 1 to the Trust Indenture, the Secretary hereby consents to this Supplement No. 1 to the Trust Indenture.

ATTEST: UNITED STATES OF AMERICA,  
SECRETARY OF TRANSPORTATION

-----  
BY: MARITIME ADMINISTRATION  
  
By: \_\_\_\_\_  
Secretary

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ROWAN COMPANIES, INC.  
 COMPUTATION OF BASIC AND  
 DILUTED EARNINGS (LOSS) PER SHARE  
 (in thousands except per share amounts)

	For the Year Ended December 31		
	2000	1999	1998
Weighted average shares of common stock outstanding	92,562	83,176	85,641
Stock options (treasury stock method)	1,007		804
Shares issuable from assumed conversion of floating rate subordinated debentures	1,068		844
Weighted average shares for diluted earnings (loss) per share calculation	94,637	83,176	87,289
Net income (loss) for basic calculation	\$70,213	\$ (9,666)	\$124,460
Charges related to dilutive securities			
Net income (loss) for diluted calculation	\$70,213	\$ (9,666)	\$124,460
Basic earnings (loss) per share:	\$ .76	\$ (.12)	\$ 1.45
Diluted earnings (loss) per share:	\$ .74	\$ (.12)	\$ 1.43

Note: Reference is made to Note 1 to Consolidated Financial Statements regarding computation of per share amounts.

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## TEN-YEAR FINANCIAL REVIEW

(In thousands except per share amounts and ratios)	2000	1999	1998	1997	1996
<b>OPERATIONS</b>					
Revenues:					
Drilling services	\$ 418,948	\$ 260,939	\$ 431,664	\$ 434,004	\$ 316,123
Manufacturing sales and services	103,465	95,545	158,913	154,852	143,768
Aviation services	123,546	104,078	115,773	106,396	111,269
Total	645,959	460,562	706,350	695,252	571,160
Costs and expenses:					
Drilling services	256,615	213,356	218,372	217,514	202,394
Manufacturing sales and services	88,463	88,430	134,535	134,324	131,693
Aviation services	106,374	93,806	98,037	95,368	91,570
Depreciation and amortization	58,865	54,699	49,703	47,078	47,882
General and administrative	24,072	18,399	18,366	16,971	16,591
Total	534,389	468,690	519,013	511,255	490,130
Income (loss) from operations	111,570	(8,128)	187,337	183,997	81,030
Other income (expense):					
Interest expense	(25,652)	(22,755)	(17,500)	(26,208)	(27,547)
Less interest capitalized	13,510	11,238	16,264	9,966	2,516
Interest income	10,948	4,583	7,205	5,190	4,157
Other - net	487	526	395	343	374
Other income (expense) - net	(707)	(6,408)	6,364	(10,709)	(20,500)
Income (loss) before income taxes	110,863	(14,536)	193,701	173,288	60,530
Provision (credit) for income taxes	40,650	(4,870)	69,241	16,863	(808)
Income (loss) before extraordinary charges	70,213	(9,666)	124,460	156,425	61,338
Extraordinary charges from redemption of debt				9,766	
Net income (loss)	\$ 70,213	\$ (9,666)	\$ 124,460	\$ 146,659	\$ 61,338
Per share of common stock:					
Net income (loss):					
Basic	\$ .76	\$ (.12)	\$ 1.45	\$ 1.70 (2)	\$ .72
Diluted	\$ .74	\$ (.12)	\$ 1.43	\$ 1.65 (2)	\$ .70
Cash dividends	\$ --	\$ --	\$ --	\$ --	\$ --
<b>FINANCIAL POSITION</b>					
Working capital	\$ 379,003	\$ 122,792 (1)	\$ 286,059	\$ 330,852	\$ 232,045
Property, plant and equipment - at cost:					
Drilling equipment	1,553,849	1,268,704	1,238,361	965,292	954,249
Aircraft and related equipment	236,760	221,776	211,313	202,044	188,681
Manufacturing plant and equipment	94,077	83,835	75,949	60,902	37,377
Construction in progress	157,314	248,567	127,075	195,996	77,318
Other property and equipment	121,997	113,008	108,353	94,476	94,517
Total	2,163,997	1,935,890	1,761,051	1,518,710	1,352,142
Property, plant and equipment - net	1,182,780	1,025,739	877,197	677,160	546,200
Total assets	1,678,426	1,356,067	1,249,108	1,122,135	899,308
Capital expenditures	223,082	204,689	247,747	180,066	117,947
Long-term debt	372,212	296,677	310,250	256,150	267,321
Common stockholders' equity	1,052,757	723,724	729,996	653,098	496,219
<b>STATISTICAL INFORMATION</b>					
Current ratio	4.63	1.61 (1)	4.59	5.06	3.72
Long-term debt/total capitalization	.26	.29	.30	.28	.35
Book value per share of common stock	\$ 11.17	\$ 8.69	\$ 8.77	\$ 7.53	\$ 5.80
Price range of common stock	\$19.06-34.25	\$8.50-21.69	\$9.00-32.50	\$16.75-43.94	\$8.88-24.50

(In thousands except per share amounts and ratios)	1995	1994	1993	1992	1991
<b>OPERATIONS</b>					
Revenues:					
Drilling services	\$ 250,080	\$ 245,917	\$ 271,022	\$ 162,121	\$ 170,739
Manufacturing sales and services	133,755	96,664			
Aviation services	87,462	95,578	82,174	87,877	101,433
Total	471,297	438,159	353,196	249,998	272,172
Costs and expenses:					
Drilling services	203,415	207,306	210,901	162,366	146,866
Manufacturing sales and services	120,328	86,883			
Aviation services	77,964	79,381	67,121	74,066	81,691
Depreciation and amortization	50,555	50,790	51,918	51,367	52,954
General and administrative	14,692	13,862	13,940	12,092	11,739
Total	466,954	438,222	343,880	299,891	293,250

Income (loss) from operations	4,343	(63)	9,316	(49,893)	(21,078)
Other income (expense):					
Interest expense	(27,702)	(27,530)	(25,361)	(26,254)	(21,379)
Less interest capitalized					
Interest income	5,209	4,813	2,348	2,658	4,763
Other - net	468	260	150	165	127
Other income (expense) - net	(22,025)	(22,457)	(22,863)	(23,431)	(16,489)
Income (loss) before income taxes	(17,682)	(22,520)	(13,547)	(73,324)	(37,567)
Provision (credit) for income taxes	754	469	(288)	429	1,174
Income (loss) before extraordinary charges	(18,436)	(22,989)	(13,259)	(73,753)	(38,741)
Extraordinary charges from redemption of debt					5,627
Net income (loss)	\$ (18,436)	\$ (22,989)	\$ (13,259)	\$ (73,753)	\$ (44,368)
Per share of common stock:					
Net income (loss):					
Basic	\$ (.22)	\$ (.27)	\$ (.17)	\$ (1.01)	\$ (.61) (3)
Diluted	\$ (.22)	\$ (.27)	\$ (.17)	\$ (1.01)	\$ (.61) (3)
Cash dividends	\$ --	\$ --	\$ --	\$ --	\$ --
FINANCIAL POSITION					
Working capital	\$ 200,588	\$ 195,945	\$ 172,117	\$ 61,397	\$ 125,996
Property, plant and equipment - at cost:					
Drilling equipment	944,021	961,391	950,538	939,793	913,379
Aircraft and related equipment	189,954	176,874	166,791	162,001	158,361
Manufacturing plant and equipment	25,037	18,955			
Construction in progress					
Other property and equipment	91,089	86,883	81,636	79,801	76,251
Total	1,250,101	1,244,103	1,198,965	1,181,595	1,147,991
Property, plant and equipment - net	487,039	506,121	507,193	537,819	552,481
Total assets	802,488	805,179	765,263	684,301	895,889
Capital expenditures	33,881	43,377	21,989	39,528	85,618
Long-term debt	247,744	248,504	207,137	212,907	220,764
Common stockholders' equity	429,155	442,347	460,300	375,754	445,368
STATISTICAL INFORMATION					
Current ratio	3.75	4.39	4.90	2.47	1.71 (4)
Long-term debt/total capitalization	.37	.36	.31	.36	.33
Book value per share of common stock	\$ 5.06	\$ 5.25	\$ 5.49	\$ 5.1	\$ 6.11
Price range of common stock	\$5.38-10.00	\$5.75-9.25	\$6.63-10.75	\$4.63-9.38	\$4.75-11.38

- (1) Amounts reflect advances of \$110 million outstanding under the Company's \$155 million bank revolving credit facility expiring in October 2000. The Company repaid such advances during February 2000 from the \$247 million net proceeds from a stock offering and cancelled the facility. Giving effect to these transactions at December 31, 1999, the Company's Working capital and Current ratio would have been \$370 million and 5.00, respectively.
- (2) After extraordinary charges from early debt redemption of \$.12 and \$.11 per share, respectively.
- (3) After extraordinary charge from early debt redemption of \$.08 per share
- (4) At December 31, 1991, the \$125 million principal amount of the Company's 133/4% Senior Notes had been called for redemption and appeared as a current liability. If redemption had occurred prior to year end, the current ratio would have been 3.61.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS

## RESULTS OF OPERATIONS

The following analysis highlights Rowan's operating results for the years indicated (in millions):

	2000	1999	1998
	-----	-----	-----
Revenues:			
Drilling	\$ 418.9	\$ 260.9	\$ 431.7
Manufacturing	103.5	95.6	158.9
Aviation	123.6	104.1	115.8
	-----	-----	-----
Total	\$ 646.0	\$ 460.6	\$ 706.4
	-----	-----	-----
Operating Profit (Loss)*:			
Drilling	\$ 124.0	\$ 12.7	\$ 181.3
Manufacturing	7.6	0.7	18.9
Aviation	4.0	(3.1)	5.5
	-----	-----	-----
Total	\$ 135.6	\$ 10.3	\$ 205.7
	-----	-----	-----
Net Income (Loss)	\$ 70.2	\$ (9.7)	\$ 124.5
	-----	-----	-----

\* Income (loss) from operations before deducting general and administrative expenses

Demand-driven increases in natural gas prices during 2000 brought about a substantial recovery in domestic drilling activity during the year, enabling Rowan to achieve the dramatic improvement in financial results set forth above. Though domestic oil prices continued improving, staying above \$30 per barrel for much of the year, activity in most foreign drilling markets remains well below the peak levels attained during the 1997-1998 period.

Nineteen ninety-eight began with oil prices in decline, but still at traditionally profitable levels. However, months of increased worldwide production coupled with stagnant oil demand, particularly in Asia, kept downward pressure on oil prices. When per barrel prices approached \$15 during the second quarter, market conditions began to measurably weaken. At that point, energy companies began suspending portions of their drilling programs and reducing their 1998 drilling budgets. By mid-year, Rowan began experiencing curtailed drilling assignments in our most prominent market, the Gulf of Mexico, and we were forced to offer significantly reduced day rates. By year end, with oil prices at historical lows, Rowan's domestic day rates were less than half of the levels obtained earlier in the year, and our fleet utilization had suffered dramatically. Though our 1998 drilling operations yielded near-record revenues and results, the trend over the last half of the year was decidedly unfavorable.

Nineteen ninety-nine brought serious oil production discipline on the part of OPEC and certain non-OPEC nations. The restriction of oil supply, together with a resurgence of growing demand, caused oil prices to more than double during the year to levels not seen since the 1991 Gulf War. However, this extreme price volatility over the past two years had apparently convinced most energy companies to proceed with caution. Worldwide exploration and production expenditures in 1999 were significantly down from 1998, though by year end, drilling activity had begun to improve.

Continued growth in energy demand during 2000, to levels in excess of available supply, caused a continued ascent in oil and, in particular, natural gas prices during the year, and spot shortages in certain markets. Energy company expenditures responded in kind, especially in gas-driven markets like the Gulf of Mexico, and drilling activity surged. By year end, virtually every available jack-up in the Gulf of Mexico was under contract, and most surveys of energy company budgets indicate exploration and production expenditures should be substantially higher in 2001.

Rowan's manufacturing division has continued to provide meaningful returns while playing a lead role in our offshore drilling fleet expansion program. During 2000, the manufacturing division completed construction of Gorilla VI, achieved significant progress on Gorilla VII and began ordering components for Gorilla VIII. By year-end 2000, Rowan's newly acquired mud pump business had been substantially integrated into our manufacturing operations.

During the past three years, Rowan's aviation division has continued to diversify its flight services and the variances in revenues and operating results reflected above were largely due to fluctuating forest fire control activities and, in 2000, increased energy-related flying activity.

Drilling Operations. Rowan's drilling operating results are generally a function of rig rates and activity in the Gulf of Mexico, the North Sea and offshore eastern Canada. Such rates and activity are primarily determined by the level of offshore expenditures by energy companies and the availability of competitive equipment.

The collapse of oil and natural gas prices during 1998 caused a substantial decline in offshore drilling throughout the year, especially in the highly competitive Gulf of Mexico market. Energy companies were quick to reduce their drilling commitments: first they allowed options on the predominantly short-term contracts to lapse and then they cancelled planned drilling projects altogether. The announcements of several energy company mergers further impaired drilling activity due to the uncertainty created within the merging companies' drilling staffs, plans and budgets. The more exclusive markets like the North Sea, with premium equipment and generally longer-term contracts, were more resilient, though by year end, indications of future deterioration, such as the early cancellation of term contracts, were apparent. As a result, Rowan's Gulf of Mexico fleet

suffered a 20% decline to 79% utilization in 1998 while its six North Sea rigs were 90% utilized. Our efforts to maintain Gulf of Mexico day rates provided a nominal increase in average day rates in 1998 compared to 1997, though average rates still declined by as much as 50% during 1998, while the North Sea fleet averaged a 44% increase in average day rates between years.

Market conditions in the Gulf of Mexico continued deteriorating in early 1999 as oil prices averaged around \$13 per barrel and natural gas remained below \$2.00 per mcf during the first quarter. Most energy companies had announced and begun carrying out a significant reduction in domestic expenditures from their already reduced 1998 levels, though enough independents took advantage of bargain drilling day rates to afford an increase in drilling activity beginning in the second quarter. They were emboldened by recovering oil prices, brought about primarily through supply restrictions on the part of major oil-producing nations, and strengthening natural gas prices. Gulf of Mexico activity continued improving throughout the latter half of the year and day rates, which bottomed in the third quarter, began improving dramatically during the fourth quarter. Rowan's Gulf of Mexico fleet was 69% utilized during 1999 and suffered a 56% decline in average day rates from 1998.

In the North Sea, demand for jack-ups continued declining throughout 1999. As rigs fulfilled their contractual commitments, they quickly became idle with few prospects for immediate work. Accordingly, during the latter half of 1999, Rowan relocated three cantilever jack-ups from the North Sea to the improving Gulf of Mexico market. Gorilla V, idle due to a contract dispute, was relocated to the more promising eastern Canada market during the fourth quarter. Our North Sea fleet was only 52% utilized during 1999, though average day rates, due to the increased weighting of Gorilla IV operations, increased by 17% over 1998.

Natural gas prices improved steadily throughout 2000, from around \$2.50 per mcf at the beginning of the year to almost \$10.00 per mcf at the end, and Rowan's domestic drilling operations followed suit. Our Gulf of Mexico rig fleet was 94% utilized during 2000 and achieved a 91% increase in average day rates over 1999. The fleet grew from 17 to 22 units during the year following the relocation of two units from each of the North Sea and offshore eastern Canada and the delivery of Gorilla VI.

With the relocation of Gorilla IV and the Arch Rowan to the Gulf of Mexico in March 2000, Rowan essentially withdrew from the North Sea market. Though drilling activity has begun recovering, and bid inquiries are on the rise, we believe that current jack-up day rates do not justify the relocation of equipment to this higher-cost environment. However, we remain confident in the North Sea market's long-term viability, particularly for our Super Gorilla jack-ups.

Despite the favorable commodity price environment during 2000 as discussed above, and notwithstanding reports of major hydrocarbon discoveries in the area, demand for drilling equipment offshore eastern Canada was lower at the end of the year than at the beginning. As a result, Gorilla II, which entered the eastern Canada market in early 1998, left in July 2000, and Gorilla III, after nearly a decade of full utilization as a combination drilling/production unit in the area, left in November. Each rig was mobilized to the more promising Gulf of Mexico market where they immediately underwent modifications to expand their operating capability. Gorilla V, which entered the eastern Canada market during the fourth quarter of 1999, is presently contracted through April 2001. Though near-term drilling demand is uncertain, we are confident in the long-term potential of the harsh environment jack-up market in eastern Canada. We believe demand for drilling equipment in the area will begin improving by mid-year 2001.

Overall, Rowan's worldwide fleet of 22 jack-ups (two of which are leased through mid-2008) was utilized 92%, 68% and 85% in 2000, 1999 and 1998, respectively, while our semi-submersible achieved utilization of 94%, 60% and 62%, respectively. We consider only revenue-producing days in computing rig utilization.

The effects of fluctuations in activity and day rates are shown in the following analysis of changes in our contract drilling revenues (in millions):

	1999 TO 2000	1998 TO 1999
	-----	-----
Utilization	\$ 78.3	\$ (59.9)
Drilling rates	79.7	(110.9)

These fluctuations caused a \$158.0 million or 61% increase in 2000 drilling revenues compared to 1999, which was about 40% lower than 1998. Drilling expenses were about 20% higher in 2000 compared to 1999, primarily due to the reactivation of our land drilling fleet, the growth of our anchor-handling, towing and supply (AHTS) boat operations and the addition of Gorilla VI. Drilling expenses were 2% lower in 1999 than in 1998.

Rowan's land drilling operations experienced an 87% increase in activity and a 20% increase in average day rates in 2000, due primarily to the strength in natural gas prices as noted previously. Ten of our 14 deep-well land rigs were operating in Louisiana, Texas and Oklahoma at year end, one rig recently underwent refurbishment and commenced operations and another rig should complete refurbishment and commence operations in March 2001. Rowan plans to construct two new land rigs, one to be assembled during the first half of 2001 from new and existing components and the other to be completed as new during the third quarter. Rowan's two other land rigs in Alaska were idle during 2000. The cost of maintaining the idle rigs is modest and the remaining investment in such rigs is not significant.

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Rowan Companies, Inc. and Subsidiaries

In 1998 and 1999, Rowan operated a leased AHTS boat in support of our Gulf of Mexico drilling business. During 2000, we expanded our AHTS fleet to six vessels, each of which was obtained under five-year lease agreements containing purchase options. The boats are fully crewed by the lessor, but managed by Rowan to provide towing and supply services to our drilling operations. We also directly market the boats to third parties, with emphasis on their anchor-handling capabilities for deepwater semi-submersibles.

Perceptible trends existing in the offshore drilling markets in which Rowan generally operates are shown below:

GULF OF MEXICO - Improving exploration and development activity  
 NORTH SEA - Moderately improving jack-up drilling activity  
 EASTERN CANADA - Generally reduced demand for harsh environment equipment, increasing later in 2001

The drilling markets in which we compete frequently experience significant fluctuations in the demand for drilling services, as measured by the level of exploration and development expenditures, and the supply of capable drilling equipment. These expenditures, in turn, are affected by many factors such as existing and newly discovered oil and natural gas reserves, political and regulatory policies, seasonal weather patterns, contractual requirements under leases or concessions, trends in finding and lifting costs and, probably most influential, oil and natural gas prices. The volatile nature of such factors prevents us from being able to accurately predict whether existing market conditions or the perceptible market trends reflected in the preceding table will continue beyond the near term. In response to fluctuating market conditions, we can, as we have done in the past, relocate drilling rigs from one geographic area to another, but only when such moves are economically justified. At current levels, Rowan's drilling operations are profitable, but there can be no assurance that existing and anticipated market conditions will be sustained. Our operations will be adversely affected should market conditions deteriorate.

We continue to pursue all legal remedies in connection with the wrongful termination of our one-year North Sea drilling contract for Gorilla V. In January 1999, we received notification from a customer that the \$67 million contract was being terminated for an alleged performance breach relating to certain equipment problems. We believe we did not breach the contract and will continue to vigorously pursue enforcement of our rights under the contract. A trial on the merits began in London on January 22, 2001 and a separate trial on the tort issues in Harris County, Texas, is tentatively scheduled to commence on April 16, 2001.

Manufacturing Operations. Rowan's manufacturing division achieved an 8% improvement in revenues in 2000 compared to 1999, which was 40% lower than 1998, and a significant increase in profitability between periods, while devoting substantial efforts towards the design and construction of Gorilla VI, Gorilla VII and Gorilla VIII.

The equipment group experienced a \$4.0 million or 6% decrease in revenues, as continued unfavorable commodities prices and effects of mining company mergers limited the group to sales of 13 new mining loaders, log stackers and container stackers during 2000, compared to 18 units in 1999, though the impact was partially offset by an 8% increase in parts sales between periods. The steel group achieved a 10% increase in revenues on a 13% increase in external steel shipments. The marine group generated a 53% increase in revenues in 2000, due primarily to an increase in sales of rig components and parts and fabrication services to third-party drillers.

Effective January 31, 2000, Rowan acquired, for approximately \$7 million in cash and \$3 million in three-year promissory notes, The Ellis Williams Company, Inc. and EWCO, Inc. dba Traitex Machine Co., which collectively design and manufacture mud pumps in a wide range of sizes for both oilfield and non-oilfield applications. During 2000, the pump group, operating as LeTourneau Ellis Williams Company, shipped 27 mud pumps and began assembling 3000 horsepower pumps for Gorilla VIII and 1700 horsepower pumps for Rowan's land rigs.

Consolidated manufacturing operations exclude approximately \$104 million of products and services provided to Rowan's drilling division in 2000, most of which was attributable to construction progress on Gorillas VI and VII, compared to \$125 million in 1999. The marine group completed and delivered Gorilla V during the fourth quarter of 1998 and Gorilla VI during the second quarter of 2000.

Though considerably less volatile than our drilling operations, our manufacturing operations have continued to be adversely impacted by a prolonged period of unfavorable world commodities prices; in particular, prices for copper, iron ore, coal, gold and diamonds. Although prices for some of these commodities stabilized somewhat during 2000, and prospects for additional mining equipment sales have improved, our external manufacturing backlog remains at a depressed level. As a result, we cannot accurately predict the results of our manufacturing operations for 2001.



Aviation Operations. Although the aviation division's operating results are still heavily influenced by oil and natural gas exploration and production, principally in the Gulf of Mexico, and seasonal weather conditions, primarily in Alaska, the division has continued to diversify its flight services. Other key sources of aviation revenues include a commuter airline in Alaska, forest fire control services and flying in support of Alaska tourism.

Aviation revenues improved by 19% in 2000 compared to 1999, which was 10% lower than 1998. Aviation division expenses in 2000 increased by 13% from 1999, which was 7% lower than 1998. During 2000, flying for energy companies, primarily in the Gulf of Mexico, improved by about 38% due largely to the increase in offshore drilling activity discussed previously, and we achieved a 12% increase in forest fire control revenues and a 3% increase in tourism-related revenues.

The number of aircraft operated by Rowan at the end of each of the last three years and the revenue hours for each of those years are reflected in the following table:

	2000	1999	1998
	-----	-----	-----
Twin-engine helicopters:			
Number	64	64	64
Revenue hours	33,647	26,436	30,124
Single-engine helicopters:			
Number	31	31	26
Revenue hours	12,658	12,542	14,422
Fixed-wing aircraft:			
Number	19	18	21
Revenue hours	20,834	21,003	22,465

In January 1998, we agreed to terminate our ownership in KLM ERA Helicopters, our Dutch affiliate, in return for cash and equipment approximating the carrying value of our 49% interest.

Perceptible trends existing in the aviation markets in which we continue to operate are shown below:

ALASKA - Generally stable market conditions  
 GULF OF MEXICO - Moderately improving market conditions

We cannot predict whether these market trends will continue. Changes in energy company exploration and production activities, seasonal weather patterns and other factors can affect the demand for flight services in the aviation markets in which we compete. We can, as we have done in the past, move aircraft from one market to another, but only when the likelihood of higher returns makes such action economical. Assuming the foregoing trends continue, the aviation division should contribute positive operating results in 2001.

#### LIQUIDITY AND CAPITAL RESOURCES

Key balance sheet amounts and ratios for 2000 and 1999 were as follows (dollars in millions):

	DECEMBER 31,	
	2000	1999
	-----	-----
Cash and cash equivalents	\$ 192.8	\$ 87.1
Current assets	\$ 483.4	\$ 325.1
Current liabilities	\$ 104.4	\$ 202.3
Current ratio	4.63	1.61
Current maturities of long-term debt	\$ 28.0	\$ 129.1
Long-term debt	\$ 372.2	\$ 296.7
Stockholders' equity	\$ 1,052.8	\$ 723.7
Long-term debt/total capitalization	.26	.29

Reflected in the comparisons above are the effects of the following 2000 transactions: net cash provided by operations of \$104.0 million; capital expenditures of \$223.1 million; net proceeds from the sale of 10.3 million shares of common stock of \$246.7 million; proceeds from borrowings of \$101.3 million and debt repayments of \$129.9 million, including the \$110 million outstanding under our \$155 million revolving credit facility maturing in October 2000.

Capital expenditures in 2000 included \$96 million towards construction of Rowan Gorilla VII, an enhanced version of our Gorilla Class jack-ups featuring a combination drilling and production capability for harsh environments, like the

North Sea or offshore eastern Canada. Construction of Gorilla VII is proceeding on schedule at Rowan's Vicksburg facility and should be completed by year-end 2001.

In 1999, Rowan obtained financing for up to 87.5% of the cost of Gorilla VII through a 12-year bank loan guaranteed by the U.S. Department of Transportation's Maritime Administration (MARAD) under its Title XI Program. Under the Title XI Program, we obtain reimbursements for Gorilla VII expenditures based upon actual construction progress. Outstanding borrowings initially bear interest at .30% above a short-term commercial paper rate. Rowan may fix the interest rate at any time and must fix the rate on all outstanding principal amounts by the earlier of April 20, 2004 or two years following completion of construction. Interest is payable semi-annually on each April 20 and October 20 and the principal will be repaid in 24 semi-annual installments commencing April 20, 2002. Gorilla VII is pledged as security for the government guarantee. At December 31, 2000, we had drawn down about \$106 million of the \$185 million total credit facility, which bore interest at about "7% at year end.

Capital expenditures during 2000 also included \$35 million for completion of Rowan Gorilla VI, a harsh environment drilling and production unit like Gorilla V. Gorilla VI was completed on schedule during June 2000 and immediately commenced operations in the Gulf of Mexico.

Rowan financed \$171 million of the cost of Gorilla VI through a 12-year, floating-rate bank loan issued under the Title XI Program. We must fix the interest rate on all outstanding principal amounts by June 22, 2002. Interest is payable semi-annually on each March 15 and September 15 and we made the first of 24 semi-annual principal repayments on September 15, 2000. Gorilla VI is pledged as security for the government guarantee. Outstanding borrowings of \$163.9 million at December 31, 2000 bore interest at 7.11%.

We have begun ordering long lead-time components for Rowan Gorilla VIII, an enhanced version of our Super Gorilla Class jack-up designated as Super Gorilla XL. Gorilla VIII will be outfitted with 708 feet of leg, 134 feet more than Gorillas V, VI or VII, and have 30% larger spud cans enabling operation in the Gulf of Mexico in water depths up to 550 feet. Gorilla VIII will also be able to operate in water depths up to 400 feet in the hostile environments offshore eastern Canada and in the North Sea. Gorilla VIII will be constructed at Vicksburg, Mississippi with delivery expected during the third quarter of 2003. We have filed an application with MARAD for long-term construction financing for Gorilla VIII under terms and conditions similar to those in effect for Gorilla VII.

Construction of Rowan Gorilla V, completed in late 1998, was substantially financed through two government-guaranteed bank notes totaling \$153.1 million issued under the Title XI Program in 1997 and 1998. Gorilla V is pledged as security for the government guarantee. The outstanding notes require semi-annual payments on each January 1 and July 1 through 2010, and bear fixed interest rates as follows: \$55.8 million at 6.94% and \$71.7 million at 6.15%.

Capital expenditures encompass new assets or enhancements to existing assets as expenditures for routine maintenance and major repairs are charged to operations as incurred. The remainder of 2000 capital expenditures was primarily for major enhancements to existing rigs and manufacturing facilities and purchases of aircraft and components. We estimate 2001 capital expenditures will be between \$220 million and \$240 million, including \$140-150 million for Gorillas VII and VIII. We may also spend amounts to acquire additional aircraft as market conditions justify or to upgrade existing offshore rigs.

In early 2000, Rowan completed the sale of 10.3 million shares of its common stock, consisting of approximately 5.8 million shares of treasury stock and 4.5 million newly issued shares. The net proceeds of approximately \$247 million were first applied to repayment of the \$110 million outstanding under our \$155 million bank revolving credit facility, which was subsequently cancelled. Remaining offering proceeds were retained for working capital and general corporate purposes. We currently have no other available credit facilities, but believe financing could be obtained if deemed necessary.

On January 31, 2000, in connection with the Ellis Williams acquisition, Rowan issued \$3 million in 7.5% promissory notes that are repayable in equal annual installments through January 31, 2003.

Based on current operating levels and the previously discussed market trends, we believe that 2001 operations, together with existing working capital and available financial resources, will generate sufficient cash flow to sustain planned capital expenditures and debt service requirements at least through the remainder of 2001.

In March 1998, Rowan repaid the balance of \$36.2 million of promissory notes originally issued in February 1994 in connection with the acquisition of its manufacturing operations.

Rowan did not pay any dividends during the 1998-2000 period and, at December 31, 2000, had approximately \$361 million of retained earnings available for distribution to stockholders under the most restrictive provisions of our debt agreements. See Note 5 of the Notes to Consolidated Financial Statements.

During 1998 and early 1999, we repurchased in the open market 4.3 million shares or almost 5% of Rowan's outstanding common stock under the Share Repurchase Program begun in June 1998. The 5.8 million shares we held in treasury at December 31, 1999 had an average cost of \$10.65 per share and were included within the sale of 10.3 million shares of common stock in early 2000 at a net price of \$24.00 per share. During November 2000, we repurchased in the open market 150,000 shares of Rowan's outstanding common stock at an average cost of \$20.72 per share under the Share Repurchase Program.

Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" generally requires recognition of derivative financial instruments as assets or liabilities, measured at fair value. Statement No. 133, as amended by Statement Nos. 137 and 138, is effective for fiscal years beginning after June 15, 2000. Rowan's adoption of Statement No. 133, effective January 1, 2001, did not materially impact our financial position or results of operations.

This report contains forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, without limitation, statements as to the expectations, beliefs and future expected financial performance of Rowan that are based on current expectations and are subject to certain risks, trends and uncertainties that could cause actual results to

differ materially from those projected by us. Among the factors that could cause actual results to differ materially are the following:

- o oil and natural gas prices
- o the level of offshore expenditures by energy companies
- o the general economy, including inflation
- o weather conditions in our principal operating areas
- o environmental and other laws and regulations

Other relevant factors have been disclosed in Rowan's filings with the U.S. Securities and Exchange Commission.

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Rowan Companies, Inc. and Subsidiaries

## SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following unaudited information for the quarters ended March 31, June 30, September 30 and December 31, 1999 and 2000 includes, in the Company's opinion, all adjustments (which comprise only normal recurring accruals) necessary for a fair presentation of such amounts (in thousands except per share amounts):

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
	-----	-----	-----	-----
1999:				
Revenues	\$ 100,053	\$ 119,169	\$ 119,923	\$ 121,417
Operating profit (loss)	(8,662)	2,209	7,151	9,573
Net income (loss)	(10,002)	(2,622)	601	2,357
Net income (loss) per common share:				
Basic	(.12)	(.03)	.01	.03
Diluted	(.12)	(.03)	.01	.03
	-----	-----	-----	-----
2000:				
Revenues	\$ 127,730	\$ 143,161	\$ 190,849	\$ 184,219
Operating profit	15,053	21,663	48,094	50,832
Net income	6,104	11,096	25,559	27,454
Net income per common share:				
Basic	.07	.12	.27	.29
Diluted	.07	.12	.27	.29
	-----	-----	-----	-----

The sum of the per share amounts for the quarters may not equal the per share amounts for the full year since the quarterly and full year per share computations are made independently.

## COMMON STOCK PRICE RANGE, CASH DIVIDENDS AND STOCK SPLITS (UNAUDITED)

The price range below is as reported by the New York Stock Exchange on the Composite Tape. On March 2, 2001, there were approximately 2,400 holders of record.

QUARTER	2000		1999	
	HIGH	LOW	HIGH	LOW
	-----	-----	-----	-----
First	\$ 30.69	\$ 19.06	\$ 14.19	\$ 8.50
Second	33.00	24.06	19.94	11.38
Third	34.25	23.38	20.94	15.81
Fourth	32.06	19.31	21.69	13.75

The Company did not pay any dividends on its common stock during 2000 and 1999. See Note 5 of the Notes to the Consolidated Financial Statements for restrictions on dividends. Stock splits and stock dividends since the Company became publicly owned in 1967 have been as follows: 2 for 1 stock splits on January 25, 1973, December 16, 1976 and May 13, 1980; 2 for 1 stock splits effected in the form of a stock dividend on February 6, 1978 and January 20, 1981; and a 5% stock dividend on May 21, 1975. On the basis of these splits and dividends, each share acquired prior to January 25, 1973 would be represented by 33.6 shares if still owned at present.

## INDEPENDENT AUDITORS' REPORT

## ROWAN COMPANIES, INC. AND SUBSIDIARIES:

We have audited the accompanying consolidated balance sheet of Rowan Companies, Inc. and Subsidiaries (the "Company") as of December 31, 2000 and 1999, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and

significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas  
March 2, 2001

## CONSOLIDATED BALANCE SHEET

(In thousands except share amounts)	DECEMBER 31,	
	2000	1999
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 192,828	\$ 87,055
Receivables - trade and other	154,541	93,083
Inventories:		
Raw materials and supplies	103,352	87,568
Work-in-progress	22,456	30,748
Finished goods	3,084	2,140
Prepaid expenses	3,397	5,877
Deferred tax assets - net (Note 7)	3,699	18,604
<b>Total current assets</b>	<b>483,357</b>	<b>325,075</b>
Property, plant and equipment - at cost:		
Drilling equipment	1,553,849	1,268,704
Aircraft and related equipment	236,760	221,776
Manufacturing plant and equipment	94,077	83,835
Construction in progress	157,314	248,567
Other property and equipment	121,997	113,008
<b>Total</b>	<b>2,163,997</b>	<b>1,935,890</b>
Less accumulated depreciation and amortization	981,217	910,151
<b>Property, plant and equipment - net</b>	<b>1,182,780</b>	<b>1,025,739</b>
Other assets and deferred charges	12,289	5,253
<b>Total</b>	<b>\$1,678,426</b>	<b>\$1,356,067</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current maturities of long-term debt (Note 2)	\$ 28,008	\$ 129,123
Accounts payable - trade	24,769	22,742
Other current liabilities (Note 4)	51,577	50,418
<b>Total current liabilities</b>	<b>104,354</b>	<b>202,283</b>
Long-term debt - less current maturities (Note 2)	372,212	296,677
Other liabilities (Notes 6 and 9)	57,713	55,270
Deferred income taxes - net (Note 7)	91,390	78,113
Commitments and contingent liabilities (Note 9)		
Stockholders' equity (Notes 3 and 5):		
Preferred stock, \$1.00 par value:		
Authorized 5,000,000 shares issuable in series:		
Series III Preferred Stock, authorized 10,300 shares, none outstanding		
Series A Preferred Stock, authorized 4,800 shares, none outstanding		
Series B Preferred Stock, authorized 4,800 shares, none outstanding		
Series C Preferred Stock, authorized 9,606 shares, none outstanding		
Series A Junior Preferred Stock, authorized 1,500,000 shares, none issued		
Common stock, \$.125 par value; authorized 150,000,000 shares;		
issued 94,384,704 shares at December 31, 2000 and 89,061,665 shares		
at December 31, 1999		
Additional paid-in capital	11,798	11,133
Retained earnings	626,309	426,380
Less cost of 150,000 and 5,759,319 treasury shares, respectively	417,758	347,545
	3,108	61,334
<b>Total stockholders' equity</b>	<b>1,052,757</b>	<b>723,724</b>
<b>Total</b>	<b>\$1,678,426</b>	<b>\$1,356,067</b>

See Notes to Consolidated Financial Statements.

## CONSOLIDATED STATEMENT OF OPERATIONS

(In thousands except per share amounts)	FOR THE YEARS ENDED DECEMBER 31,		
	2000	1999	1998
Revenues:			
Drilling services	\$ 418,948	\$ 260,939	\$ 431,664
Manufacturing sales and services	103,465	95,545	158,913
Aviation services	123,546	104,078	115,773
Total	645,959	460,562	706,350
Costs and expenses:			
Drilling services	256,615	213,356	218,372
Manufacturing sales and services	88,463	88,430	134,535
Aviation services	106,374	93,806	98,037
Depreciation and amortization	58,865	54,699	49,703
General and administrative	24,072	18,399	18,366
Total	534,389	468,690	519,013
Income (loss) from operations	111,570	(8,128)	187,337
Other income (expense):			
Interest expense	(25,652)	(22,755)	(17,500)
Less interest capitalized	13,510	11,238	16,264
Interest income	10,948	4,583	7,205
Other - net	487	526	395
Other income (expense) - net	(707)	(6,408)	6,364
Income (loss) before income taxes	110,863	(14,536)	193,701
Provision (credit) for income taxes (Note 7)	40,650	(4,870)	69,241
Net income (loss)	\$ 70,213	\$ (9,666)	\$ 124,460
Net income (loss) per share of common stock (Note 1):			
Basic	\$ .76	\$ (.12)	\$ 1.45
Diluted	\$ .74	\$ (.12)	\$ 1.43

See Notes to Consolidated Financial Statements.

## CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998	COMMON STOCK				ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS
	ISSUED		IN TREASURY			
	SHARES	AMOUNT	SHARES	AMOUNT		
(In thousands)						
Balance, January 1, 1998	88,162	\$ 11,020	1,458	\$ 2,485	\$ 411,812	\$ 232,751
Exercise of stock options	591	74			1,624	
Value of services rendered by participants in the nonqualified stock option plan (Note 3)					7,331	
Treasury stock purchases			4,051	56,591		
Net income						124,460
Balance, December 31, 1998	88,753	11,094	5,509	59,076	420,767	357,211
Exercise of stock options	294	37			1,171	
Value of services rendered by participants in the nonqualified stock option plan (Note 3)					4,344	
Conversion of subordinated debenture	15	2			98	
Treasury stock purchases			250	2,258		
Net loss						(9,666)
Balance, December 31, 1999	89,062	11,133	5,759	61,334	426,380	347,545
Exercise of stock options	689	86			5,551	
Value of services rendered by participants in the nonqualified stock option plan (Note 3)					8,979	
Conversion of subordinated debentures	93	11			618	
Sale of common stock (Note 3)	4,541	568	(5,759)	(61,334)	184,781	
Treasury stock purchases			150	3,108		
Net income						70,213
Balance, December 31, 2000	94,385	\$ 11,798	150	\$ 3,108	\$ 626,309	\$ 417,758

See Notes to Consolidated Financial Statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands)	FOR THE YEARS ENDED DECEMBER 31,		
	2000	1999	1998
Cash provided by (used in):			
Operations:			
Net income (loss)	\$ 70,213	\$ (9,666)	\$ 124,460
Adjustments to reconcile net income (loss) to net cash provided by operations:			
Depreciation and amortization	58,865	54,699	49,703
Gain on disposals of property, plant and equipment	(2,541)	(1,482)	(5,125)
Compensation expense	6,766	5,485	5,028
Change in sale/leaseback payable	(1,791)	(3,739)	(1,131)
Amortization of sale/leaseback gain	(2,751)	(3,198)	(3,198)
Provision for pension and postretirement benefits	3,896	7,217	4,517
Deferred income taxes	27,767	(4,419)	49,781
Other - net	120	144	144
Changes in current assets and liabilities:			
Receivables - trade and other	(60,665)	(11,986)	52,530
Inventories	(6,561)	(6,540)	(10,541)
Other current assets	2,624	4,601	(2,784)
Current liabilities	7,419	6,134	(15,953)
Net changes in other noncurrent assets and liabilities	672	656	262
Net cash provided by operations	104,033	37,906	247,693
Investing activities:			
Capital expenditures:			
Property, plant and equipment additions	(215,837)	(204,689)	(247,747)
Purchase of pump companies, net of cash acquired	(7,245)		
Proceeds from disposals of property, plant and equipment	3,561	3,160	8,090
Proceeds from disposition of investment in 49% owned company			19,550
Net cash used in investing activities	(219,521)	(201,529)	(220,107)
Financing activities:			
Proceeds from borrowings	101,302	115,550	103,012
Repayments of borrowings	(129,882)	(12,756)	(36,156)
Proceeds from common stock offering, net of issue costs	246,683		
Proceeds from stock option and convertible debenture plans	6,266	1,308	1,698
Payments to acquire treasury stock	(3,108)	(2,258)	(55,638)
Net cash provided by financing activities	221,261	101,844	12,916
Increase (decrease) in cash and cash equivalents	105,773	(61,779)	40,502
Cash and cash equivalents, beginning of year	87,055	148,834	108,332
Cash and cash equivalents, end of year	\$ 192,828	\$ 87,055	\$ 148,834

See Notes to Consolidated Financial Statements.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation. The consolidated financial statements include the accounts of Rowan Companies, Inc. and all of its wholly and majority owned subsidiaries, hereinafter referred to as "Rowan" or "the Company". Intercompany balances and transactions are eliminated in consolidation.

The excess of cost over the net assets of subsidiaries at dates of acquisitions is being amortized on a straight-line basis over periods up to 30 years. Goodwill amortization was approximately \$541,000 in 2000, \$230,000 in 1999 and \$230,000 in 1998. At December 31, 2000, the unamortized excess cost was \$8,214,000.

On January 31, 2000, Rowan completed the purchase of The Ellis Williams Company, Inc. and EWCO, Inc. dba Traitex Machine Co., which collectively design and manufacture mud pumps in a wide range of sizes for both oilfield and non-oilfield applications. The Company paid approximately \$7.3 million in cash and issued \$3 million in three-year promissory notes and recorded the acquisition using the purchase method of accounting.

In early 1998, Rowan agreed to terminate its North Sea helicopter joint venture, KLM ERA Helicopters. The Company received a distribution of KLM ERA's assets approximating the carrying value of its 49% interest, including \$19.6 million in cash, two Sikorsky S-61N helicopters valued at \$4.7 million and spare engines and parts valued at \$1.4 million.

Revenue Recognition. Most drilling contracts provide for payment on a day rate basis, and revenues and expenses are recognized as the work progresses. Rowan has also operated under turnkey drilling contracts where revenues and expenses are recognized on a completed contract basis.

Aviation services generally are provided under master service agreements calling for incremental payments based on usage, term contracts or day-to-day charter arrangements. Aviation revenues and expenses are recognized as services are rendered.

Manufacturing sales and related costs are generally recognized as products are shipped. Revenues and costs and expenses included sales and costs of sales of \$96,312,000 and \$66,581,000, \$90,085,000 and \$69,509,000, and \$152,992,000 and \$110,550,000 in 2000, 1999 and 1998, respectively. Revenues from longer-term manufacturing projects such as rig kits are recognized on a percentage-of-completion basis using costs incurred relative to total estimated costs.

Full provision is made for any anticipated losses on turnkey drilling or manufacturing projects.

Earnings (Loss) Per Common Share. "Basic" earnings (loss) per share is determined as income (loss) available to common stockholders divided by the weighted-average number of common shares outstanding during the period. "Diluted" earnings (loss) per share reflects the issuance of additional shares in connection with the assumed conversion of stock options and other convertible securities, and corresponding adjustments to income for any charges related to such securities.

The computation of basic and diluted earnings (loss) per share for each of the past three years is as follows (in thousands except per share amounts):

YEAR ENDED DECEMBER 31,	NET INCOME (LOSS)	SHARES	PER SHARE AMOUNT
	-----	-----	-----
2000:			
Basic income per share	\$ 70,213	92,562	\$ .76
Effect of dilutive securities:			
Convertible debentures		1,068	
Stock options		1,007	
	-----	-----	
Diluted income per share	\$ 70,213	94,637	\$ .74
	-----	-----	-----
1999:			
Basic income (loss) per share	\$ (9,666)	83,176	\$ (.12)
Effect of dilutive securities:			
Convertible debentures			
Stock options			
	-----	-----	
Diluted income (loss) per share	\$ (9,666)	83,176	\$ (.12)
	-----	-----	-----
1998:			
Basic income per share	\$ 124,460	85,641	\$ 1.45
Effect of dilutive securities:			
Convertible debentures		844	

Stock options		804	
Diluted income per share	\$ 124,460	87,289	\$ 1.43

Excluded from the 1999 computation of Diluted income (loss) per share are incremental shares of 738,000 related to convertible debentures and 541,000 related to stock options as their inclusion would have had the effect of decreasing the per share amount of loss for the year. See Note 3 for further information.

Statement of Cash Flows. In practice, Rowan invests in highly liquid U.S. Government securities, bank time deposits, A1/P1-rated commercial paper or repurchase agreements with terms no greater than 90 days, all of which are considered to be cash equivalents.

Noncash investing and financing activities excluded from the Company's Consolidated Statement of Cash Flows were as follows: the reduction in 2000 of \$2,213,000 of tax benefits related to employee stock options;

the issuance in 2000 of \$3,000,000 in 7.5% promissory notes in connection with the Ellis Williams acquisition; the conversion in 2000 of \$630,000 of Series III Floating Rate Subordinated Convertible Debentures into 93,333 shares of common stock; the addition in 1999 of \$1,141,000 of tax benefits related to employee stock options; the conversion in 1999 of \$100,000 of Series III Floating Rate Subordinated Convertible Debenture into 14,814 shares of common stock; the reduction in 1998 of \$2,303,000 of tax benefits related to employee stock options; and the purchase in 1998 of \$953,000 of treasury stock which was unsettled at year end. See Notes 2 and 3 for further information.

Inventories. Manufacturing inventories are carried at lower of average cost or market. Drilling and aviation inventories consist of consumable parts and supplies and are carried at average cost. Property and Depreciation. Rowan provides depreciation under the straight-line method from the date an asset is placed into service until it is sold or becomes fully depreciated based on the following estimated lives and salvage values:

	YEARS	SALVAGE VALUE
	-----	-----
Offshore drilling equipment:		
Super Gorilla jack-ups	25	20%
Semi-submersible	15	20%
Gorilla and other cantilever jack-ups	15	20%
Conventional jack-ups	12	20%
Land drilling equipment	12	20%
Drill pipe and tubular equipment	4	10%
Aviation equipment:		
Aircraft	7 to 15	15 to 25%
Other	2 to 10	various
Manufacturing plant and equipment:		
Buildings and improvements	10 to 25	10 to 20%
Other	2 to 12	various
Other property and equipment	3 to 40	various

Expenditures for new property or enhancements to existing property are capitalized. Expenditures for routine maintenance and major repairs are charged to operations as incurred. See Note 10 for further information. Rowan capitalizes, during the construction period, interest cost incurred during the period required to complete the asset. Long-lived assets are reviewed for impairment whenever circumstances indicate their carrying amounts may not be recoverable.

Environmental Matters. Environmental remediation costs are accrued using estimates of future monitoring, testing and clean-up costs where it is probable that such costs will be incurred. Estimates of future monitoring, testing and clean-up costs and assessments of the probability that such costs will be incurred incorporate many factors, including: approved monitoring, testing and/or remediation plans; ongoing communications with environmental regulatory agencies; the expected duration of remediation measures; historical monitoring, testing and clean-up costs and current and anticipated operational plans and manufacturing processes. Where there is substantial uncertainty about the extent of future environmental remediation measures and costs, a range of estimated costs is developed for each problem site, and our accrual is set at the mean of the range. Ongoing environmental compliance costs are expensed as incurred and expenditures to mitigate or prevent future environmental contamination are capitalized. Rowan's estimated liability is not discounted. See Note 9 for further information.

Income Taxes. Rowan accounts for income taxes under an asset and liability approach that recognizes deferred income tax assets and liabilities for the estimated future tax consequences of differences between the financial statement and tax bases of assets and liabilities. Valuation allowances are provided against deferred tax assets that are not likely to be realized. See Note 7 for further information.

Comprehensive Income. Rowan had no items of "other comprehensive income", as defined in Statement of Financial Accounting Standards No. 130, during 2000, 1999 or 1998.

Derivatives. Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended, requires recognition of derivative financial instruments as assets or liabilities, measured at fair value, and is effective for fiscal years beginning after June 15, 2000. Rowan's adoption of Statement No. 133, effective January 1, 2001, did not materially impact the Company's financial position or results of operations.

Management Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications. Certain reclassifications have been made in the 1999 and 1998 amounts to conform to the 2000 presentations.

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Long-term debt consisted of (in thousands):

	DECEMBER 31,	
	2000	1999
6.94% Title XI note payable due 2010; secured by Gorilla V	\$ 55,836	\$ 61,418
6.15% Title XI note payable due 2010; secured by Gorilla V	71,743	78,917
Floating-rate Title XI note payable; secured by Gorilla VI	163,881	152,818
Floating-rate Title XI note payable; secured by Gorilla VII	105,760	22,647
7.5% nonrecourse notes payable due 2003	3,000	
\$155 million bank revolving credit facility		110,000
Total	400,220	425,800
Less current maturities	28,008	129,123
Remainder	\$372,212	\$296,677

Maturities of long-term debt for the five years ending December 31, 2005 are as follows: 2001 - \$28,008,000, 2002 - \$36,821,000, 2003 - \$36,821,000, 2004 - \$35,821,000 and 2005 - \$35,821,000.

Rowan financed \$153,091,000 of the cost Rowan Gorilla V through two fixed-rate bank notes guaranteed by the U.S. Department of Transportation's Maritime Administration ("MARAD") under its Title XI Program. On July 1, 1997, the Company fixed \$67,000,000 of outstanding borrowings at 6.94% until July 2010. On July 1, 1998, the Company fixed the remaining \$86,091,000 principal amount at 6.15% until July 2010. Principal and accrued interest are payable semi-annually on each January 1 and July 1. Rowan Gorilla V is pledged as security for the government guarantee.

Rowan financed \$171,007,000 of the cost of Rowan Gorilla VI through a 12-year, floating-rate bank loan guaranteed by MARAD under its Title XI Program. The Company must fix the interest rate on all outstanding principal amounts by June 22, 2002. Principal and accrued interest are payable semi-annually on each March 15 and September 15 through March 15, 2012. Rowan Gorilla VI is pledged as security for the government guarantee. At December 31, 2000, outstanding borrowings bore interest at 7.11%.

In October 1999, Rowan obtained financing for up to \$185,398,000 of the cost of designing and constructing Rowan Gorilla VII through a 12-year bank loan guaranteed by MARAD under its Title XI Program. The Company obtains reimbursements for Gorilla VII expenditures based upon actual construction progress and outstanding borrowings initially bear interest at .30% above a short-term commercial paper rate. The Company may fix the interest rate at any time and must fix the rate on all outstanding principal amounts by the earlier of April 20, 2004 or two years following completion of construction. Interest is payable semi-annually on each April 20 and October 20 and the principal will be repaid in semi-annual installments commencing April 20, 2002. Rowan Gorilla VII is pledged as security for the government guarantee. At December 31, 2000, Rowan had borrowed about \$105,760,000, which bore interest at approximately 7%.

Rowan has applied to MARAD for long-term construction financing for Gorilla VIII under terms and conditions similar to those in effect for Gorilla VII.

On January 31, 2000, in connection with the Ellis Williams acquisition, Rowan issued \$3,000,000 in unsecured 7.5% promissory notes that are repayable in equal annual installments through January 31, 2003.

During February 2000, using proceeds from the sale of common stock, Rowan repaid the \$110,000,000 outstanding under its \$155,000,000 bank revolving credit facility, which was scheduled to mature in October 2000, and immediately cancelled the credit facility.

In April 2000, Rowan issued \$9,606,000 of Series C Floating Rate Subordinated Convertible Debentures. The Series C debentures are ultimately convertible into common stock at the rate of \$28.25 per share for each \$1,000 principal amount of debenture through April 27, 2010 as follows, unless earlier redeemed or the conversion privilege is terminated: \$2,400,000 on or after April 27, 2001, \$4,800,000 on or after April 27, 2002, \$7,200,000 on or after April 27, 2003 and \$9,606,000 on or after April 27, 2004.

Rowan's \$4,800,000 of Series B Floating Rate Subordinated Convertible Debentures outstanding at December 31, 2000 are ultimately convertible into common stock at the rate of \$14.06 per share for each \$1,000 principal amount of debenture through April 22, 2009 as follows, unless earlier redeemed or the conversion

privilege is terminated: \$1,200,000 through April 21, 2001, \$2,400,000 on or after April 22, 2001, \$3,600,000 on or after April 22, 2002 and \$4,800,000 on or after April 22, 2003. Rowan's \$4,800,000 of Series A Floating Rate Subordinated Convertible Debentures outstanding at December 31, 2000 are ultimately convertible into common stock at the rate of \$29.75 per share for each \$1,000 principal amount of debenture through April 24, 2008 as follows, unless earlier redeemed or the conversion privilege is terminated: \$2,400,000 through April 23, 2001, \$3,600,000 on or after April 24, 2001 and \$4,800,000 on or after April 24, 2002. Rowan's \$7,895,000 of Series III Floating Rate Subordinated Convertible Debentures outstanding at December 31, 2000 are ultimately convertible into common stock at the rate of \$6.75 per share for each \$1,000 principal amount of debenture through November 30, 2004. The Series A, Series B, Series C and Series III debentures were originally issued in exchange for promissory notes containing provisions for setoff. Accordingly, the debentures and notes, and the related interest amounts, have been offset in the consolidated

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financial statements pursuant to Financial Accounting Standards Board Interpretation No. 39. See Note 3 for further information regarding Rowan's convertible debenture incentive plans.

In March 1998, Rowan repaid the balance of \$36,156,000 of 7% promissory notes originally issued in February 1994 in connection with the acquisition of its manufacturing operations.

Interest payments exceeded interest capitalized by \$10,935,000 in 2000 and \$9,335,000 in 1999 and were less than interest capitalized by \$1,088,000 in 1998.

Rowan's debt agreements contain provisions that require minimum levels of working capital and stockholders' equity, and, in the event of noncompliance, restrict investment activities, asset purchases and sales, lease obligations, borrowings and mergers or acquisitions. Rowan was in compliance with each of its debt covenants at December 31, 2000. See Note 5 for further information.

#### NOTE 3 - STOCKHOLDERS' EQUITY

Rowan's 1988 Nonqualified Stock Option Plan, as amended, authorizes the Board of Directors to grant, before January 21, 2008, options to purchase a total of 10,000,000 shares of the Company's common stock. At December 31, 2000, options for 7,991,754 shares had been granted under the plan at an average exercise price of \$6.51 per share and 422 active, key employees had been granted options. Options become exercisable over a four-year service period to the extent of 25% per year, and all options not exercised expire ten years after the date of grant.

Rowan's 1998 Nonemployee Directors Stock Option Plan provides for the issuance to nonemployee Directors of the Company of nonqualified options to purchase up to 200,000 shares of Rowan's common stock. At December 31, 2000, 87,000 shares had been granted under the plan at an average exercise price of \$24.45 per share. Options are 100% exercisable after one year and all options not exercised expire five years after the date of grant.

Stock option activity for the last three years was as follows:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
	-----	-----
Outstanding at January 1, 1998	2,568,025	\$ 6.38
Granted	774,200	20.19
Exercised	(590,875)	2.86
Forfeited	(79,525)	11.73
	-----	-----
Outstanding at December 31, 1998	2,671,825	11.00
Granted	909,900	4.34
Exercised	(293,875)	4.11
Forfeited	(85,100)	9.96
	-----	-----
Outstanding at December 31, 1999	3,202,750	9.77
Granted	901,800	18.51
Exercised	(688,725)	8.19
Forfeited	(51,825)	11.33
	-----	-----
Outstanding at December 31, 2000	3,364,000	\$ 12.41
	-----	-----
Exercisable at December 31, 1998	847,525	\$ 4.84
	-----	-----
Exercisable at December 31, 1999	1,283,625	\$ 8.86
	-----	-----
Exercisable at December 31, 2000	1,339,050	\$ 10.52
	-----	-----

The following table summarizes information about stock options outstanding at December 31, 2000:

EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING LIFE (YEARS)
	-----	-----	-----
OUTSTANDING:			
\$ 1.00	369,800	\$ 1.00	4.0
\$ 4.06	741,275	4.06	8.3

\$ 5.00 to \$ 9.99	424,950	9.01	6.0
\$ 10.00 to \$ 18.99	1,038,675	17.74	8.7
\$ 19.00 to \$ 29.75	789,300	20.41	7.1
	-----	-----	-----
	3,364,000	\$12.41	7.4
	-----	-----	-----
EXERCISABLE:			
\$ 1.00	369,800	\$ 1.00	
\$ 4.06	102,050	4.06	
\$ 5.00 to \$ 9.99	304,700	8.69	
\$ 10.00 to \$ 18.99	174,375	15.21	
\$ 19.00 to \$ 29.75	388,125	20.61	
	-----	-----	
	1,339,050	\$10.52	
	-----	-----	

The weighted average per-share fair values at date of grant for options granted during 2000, 1999 and 1998 were estimated to be \$14.77, \$10.60 and \$14.56, respectively.

Rowan determines compensation expense for each option pursuant to Accounting Principles Board Opinion No. 25 as the difference between the market price per share and the option price per share on the date of grant. The compensation is recognized as expense and additional paid-in capital over the period in which the employee performs services to earn the right to exercise the option. Rowan estimates that the accounting provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation", which provides an alternative method for measuring compensation cost based upon estimated fair

values, would have reduced reported amounts of net income (loss) and net income (loss) per share by \$2.2 million, or \$.02 per share, in 2000, \$1.8 million, or \$.02 per share, in 1999, and \$1.1 million, or \$.02 per share, in 1998.

The foregoing fair value estimates were determined using the Black-Scholes option valuation model with the following assumptions:

	2000	1999	1998
	----	----	----
Expected life in years	3.0	2.7	2.5
Risk-free interest rate	5.3%	6.2%	4.5%
Expected volatility	55.9%	55.5%	52.7%

The Rowan Companies, Inc. 1998 Convertible Debenture Incentive Plan provides for the issuance to key employees of up to \$30,000,000 in floating-rate subordinated convertible debentures. The debentures are initially convertible into preferred stock, which has no voting rights (except as required by law or the Company's charter), no dividend and a nominal liquidation preference. The preferred stock is immediately convertible into common stock. At December 31, 2000, all \$4,800,000 principal amount of Series A debentures issued in 1998, all \$4,800,000 principal amount of Series B debentures issued in 1999 and all \$9,606,000 principal amount of Series C debentures issued in 2000 were outstanding. The outstanding Series A, B and C debentures are collectively convertible into 842,713 shares of Rowan's common stock.

Under the Rowan Companies, Inc. 1986 Convertible Debenture Incentive Plan, floating-rate subordinated convertible debentures in the aggregate principal amount of \$19,925,000 were issued by the Company. The debentures are initially convertible into preferred stock, which has no voting rights (except as required by law or the Company's charter), no dividend and a nominal liquidation preference. The preferred stock is immediately convertible into common stock. At December 31, 2000, all \$5,125,000 of Series I debentures issued in 1986 and the \$4,500,000 Series II debenture issued in 1987 had been converted into an aggregate 1,391,304 shares of Rowan's common stock at \$5.75 per share and \$9.00 per share, respectively. Of the \$10,300,000 principal amount of Series III debentures issued in 1994, \$7,895,000 was outstanding at December 31, 2000 and is ultimately convertible into 1,169,631 shares of Rowan's common stock.

On February 25, 1992, Rowan adopted a Stockholder Rights Agreement to protect against coercive takeover tactics. The agreement, as amended, provides for the distribution to Rowan's stockholders of one Right for each outstanding share of common stock. Each Right entitles the holder to purchase from the Company one one-hundredth of a share of Series A Junior Preferred Stock of Rowan at an exercise price of \$75. In addition, under certain circumstances, each Right will entitle the holder to purchase securities of Rowan or an acquiring entity at one-half market value. The Rights are exercisable only if a person or group knowingly acquires 15% or more of Rowan's outstanding common stock or makes a tender offer for 30% or more of the Company's outstanding common stock. The Rights will expire on February 25, 2002.

During February and March 2000, Rowan sold 10.3 million shares of its common stock, consisting of approximately 5.8 million shares of treasury stock and 4.5 million newly issued shares. Net proceeds from the sale were \$246,683,000 after deducting the underwriting commission of \$5,150,000 and direct offering costs of \$517,000.

#### NOTE 4 - OTHER CURRENT LIABILITIES

Other current liabilities consisted of (in thousands):

	DECEMBER 31,	
	2000	1999
	-----	-----
Gain on sale/leaseback transactions		\$ 2,750
Customer deposits	\$ 2,348	9,249
Accrued liabilities:		
Income taxes	7,806	1,499
Compensation and related employee costs	20,121	16,978
Interest	9,069	7,982
Taxes and other	12,233	11,960
	-----	-----
Total	\$51,577	\$50,418
	-----	-----

#### NOTE 5 - RESTRICTIONS ON RETAINED EARNINGS

Rowan's Title XI debt agreements contain financial covenants requiring minimum levels of working capital and equity that limit the amount the Company may distribute to its stockholders. Under the most restrictive of such covenants, Rowan had approximately \$361 million of retained earnings available for distribution at December 31, 2000. Subject to this and other restrictions, the Board of Directors will determine payment, if any, of future dividends or distributions in light of conditions then existing, including the Company's earnings, financial condition and requirements, opportunities for reinvesting earnings, business conditions and other factors.

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Since 1952, Rowan has sponsored defined benefit pension plans covering substantially all of its employees. In addition, Rowan provides certain health care and life insurance benefits for retired drilling and aviation employees.

Changes in plan assets and obligations during 2000 and 1999 and the funded status of the plans at December 31, 2000 and 1999 were as follows (in thousands):

	PENSION BENEFITS		OTHER BENEFITS	
	2000	1999	2000	1999
<b>BENEFIT OBLIGATIONS:</b>				
Balance, January 1	\$ 174,672	\$ 186,953	\$ 37,772	\$ 38,775
Service cost	6,451	7,890	1,313	1,742
Interest cost	13,895	12,819	2,788	2,690
Plan changes	862			
Actuarial (gain) loss	7,888	(26,368)	(815)	(4,596)
Benefits paid	(8,158)	(6,622)	(1,911)	(839)
Balance, December 31	195,610	174,672	39,147	37,772
<b>PLAN ASSETS:</b>				
Fair value, January 1	178,782	148,564		
Actual return	5,105	34,432		
Employer contributions	4,399	2,408		
Benefits paid	(8,158)	(6,622)		
Fair value, December 31	180,128	178,782		
Funded status	(15,482)	4,110	(39,147)	(37,772)
<b>Unrecognized amounts:</b>				
Actuarial (gain) loss	(2,747)	(21,892)	5,622	6,717
Transition obligation			9,077	9,833
Prior service cost	793	93	(4,130)	(4,442)
Accrued benefit cost	\$ (17,436)	\$ (17,689)	\$ (28,578)	\$ (25,664)

The plans' assets consist primarily of equity securities and U.S. Treasury bonds and notes and, at December 31, 2000, included 1,595,000 shares of Rowan's common stock at an average cost of \$5.32 per share. At December 31, 2000, \$9,692,000 of the plans' assets were invested in a dedicated bond fund. The plans had a basis in these assets of \$6,472,000 yielding approximately 4.82% to maturity.

Net periodic pension cost included the following components (in thousands):

	2000	1999	1998
Service cost	\$ 6,451	\$ 7,890	\$ 6,423
Interest cost	13,895	12,819	11,599
Expected return on plan assets	(16,362)	(15,159)	(15,734)
Recognized actuarial gain			(347)
<b>Amortization:</b>			
Prior service cost	162	115	115
Transition asset		(1,211)	(1,211)
Total	\$ 4,146	\$ 4,454	\$ 845

Other benefits cost included the following components (in thousands):

	2000	1999	1998
Service cost	\$ 1,313	\$ 1,742	\$ 1,542
Interest cost	2,788	2,690	2,416
Recognized actuarial loss	182	398	220
<b>Amortization:</b>			
Transition obligation	756	756	756
Prior service cost	(312)	(312)	(312)
Total	\$ 4,727	\$ 5,274	\$ 4,622

Assumptions used in actuarial calculations were as follows:

	2000 -----	1999 -----	1998 -----
Discount rate	7.75%	8.0%	6.75%
Expected return on plan assets	9.5%	9.5%	9.5%
Rate of compensation increase	4.0%	4.0%	4.0%

The assumed increase in per capita health care costs ranged from 6.75% in 2000 to 5.0% in 2003 and thereafter. To demonstrate the significance of this assumption, a one-percentage-point change in assumed health care cost trend rates would change reported amounts as follows (in thousands):

	1-PERCENTAGE-POINT CHANGE -----	
	INCREASE -----	DECREASE -----
Increase (decrease) in:		
Service and interest cost	\$ 565	\$ (468)
Postretirement benefit obligation	4,798	(4,045)

Rowan sponsors pension restoration plans to supplement the benefits for certain key executives that would otherwise be limited by section 415 of the Internal Revenue Code. The plans are unfunded and had projected benefit obligations at December 31, 2000 and 1999 of \$6,557,000 and \$3,801,000, respectively. The net pension liabilities included in Rowan's consolidated balance sheet were \$4,938,000 and \$4,197,000 at December 31, 2000 and 1999, respectively. Net pension cost was \$778,000 in 2000, \$774,000 in 1999 and \$652,000 in 1998.

Rowan also sponsors defined contribution 401(k) plans covering substantially all employees. Rowan contributed to the plans about \$2,870,000 in 2000, \$2,533,000 in 1999 and \$2,621,000 in 1998.

The detail of income tax provisions (credits) is presented below (in thousands):

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Current:			
Federal	\$11,326	\$ (2,320)	\$17,915
Foreign	831	1,837	1,285
State	311	32	260
Total current provision	12,468	(451)	19,460
Deferred	28,182	(4,419)	49,781
Total	\$40,650	\$ (4,870)	\$69,241

Rowan's provision (credit) for income taxes differs from that determined simply by applying the federal income tax rate (statutory rate) to income (loss) before income taxes, as follows (in thousands):

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Statutory rate	35%	35%	35%
Tax at statutory rate	\$38,802	\$ (5,088)	\$67,795
Increase (decrease) due to:			
Foreign companies' operations	680	(618)	41
Other - net	1,168	836	1,405
Total provision (credit)	\$40,650	\$ (4,870)	\$69,241

Temporary differences and carryforwards which gave rise to deferred tax assets and liabilities at December 31, 2000 and 1999, were as follows (in thousands):

	DECEMBER 31,			
	2000		1999	
	CURRENT	NONCURRENT	CURRENT	NONCURRENT
Deferred tax assets:				
Accrued employee benefit plan costs	\$ 350	\$ 17,042	\$ 315	\$ 15,432
Sale/leaseback gain			963	
Alternative minimum tax			5,042	
Net operating losses	1,941		7,144	
Investment tax credits			3,554	
Other	1,408	4,746	1,586	5,765
	3,699	21,788	18,604	21,197
Deferred tax liabilities:				
Property, plant and equipment		112,391		99,212
Other		787		98
		113,178		99,310
Deferred tax asset (liability) - net	\$ 3,699	\$ (91,390)	\$ 18,604	\$ (78,113)

Rowan did not deem necessary a valuation allowance against deferred tax assets at December 31, 2000 and 1999.

Rowan fully utilized its available investment tax credits and Employee Stock Ownership Plan (ESOP) tax credits during 2000. At December 31, 2000, the Company had net operating loss carryforwards for federal income tax purposes of approximately \$5,500,000 that will expire, if not previously utilized, in 2019.

Deferred income taxes not provided on undistributed earnings of foreign subsidiaries, because such earnings are considered permanently invested abroad, amounted to approximately \$11,521,000 at December 31, 2000.

Income (loss) before income taxes consisted of \$100,083,000, \$(5,349,000) and \$189,207,000 of domestic earnings (losses), and \$10,780,000, \$(9,187,000) and \$4,494,000 of foreign earnings (losses) in 2000, 1999 and 1998, respectively.

Income tax payments exceeded refunds by \$4,253,000 in 2000, \$1,405,000 in 1999 and \$16,743,000 in 1998.

#### NOTE 8 - FAIR VALUES OF FINANCIAL INSTRUMENTS

At December 31, 2000, the carrying amounts of Rowan's cash and cash equivalents, receivables and payables approximated their fair values due to the short maturity of such financial instruments. The carrying amount of the Company's floating-rate debt approximated its fair value at December 31, 2000 as such instruments bear short-term, market-based interest rates. The fair value of Rowan's fixed-rate debt at December 31, 2000 was estimated to be approximately \$137 million, or a \$6 million premium to carrying value, based upon quoted market prices for similar issues.

#### NOTE 9 - COMMITMENTS AND CONTINGENT LIABILITIES

During 1984 and 1985, Rowan sold two cantilever jack-ups, Rowan-Halifax and Cecil Provine, and leased each rig back under operating leases expiring in September and December 2000, respectively. Each sale resulted in a gain that was recognized over the basic lease periods. Rowan has exercised its option to extend each lease for a period of seven and one-half years, with lease amounts equal to half of the weighted average lease payments made during the basic lease periods and payable semiannually.

Rowan has operating leases covering six anchor-handling, towing and supply (AHTS) boats deployed in support of its Gulf of Mexico drilling business. The five-year lease agreements contain purchase options and expire during 2004 and 2005.

Rowan has other operating leases covering aircraft hangars, offices and computer equipment. Net rental expense under all operating leases was \$40,730,000 in 2000, \$22,854,000 in 1999 and \$26,524,000 in 1998.

At December 31, 2000, the future minimum payments to be made under noncancelable operating leases were (in thousands):

2001	\$ 40,669
2002	40,248
2003	39,007
2004	36,619
2005	20,158
Later years	25,890
	-----
Total	\$202,591
	-----

Rowan has certain environmental liabilities related to its manufacturing facilities. The measurement of remediation costs is subject to uncertainties, including the evolving nature of environmental regulations and the extent of any agreements to mitigate remediation costs. Rowan believes that it has adequately accrued for environmental liabilities.

A claim for damages and costs has been made against a Rowan subsidiary in the United Kingdom courts in respect of a Gorilla V contract termination dispute with one of the Company's customers. The Company is vigorously defending itself in such proceeding and has asserted a counterclaim for the full contract value and costs. In a separate case in Harris County, Texas, Rowan is pursuing damages for tortious conduct by BP Amoco and its co-venturers, Enterprise and Amerada Hess, in connection with the contract termination.

Rowan is involved in other various legal proceedings incidental to its businesses and is vigorously defending its position in such matters. Rowan believes that there are no contingencies, claims or lawsuits that will have a material adverse effect on its financial position, results of operations or cash flows.

Rowan estimates 2001 capital expenditures will be between \$220,000,000 and \$240,000,000, including \$140,000,000 to \$150,000,000 toward construction of the offshore rigs Gorilla VII and Gorilla VIII.

#### NOTE 10 - SEGMENTS OF BUSINESS

Rowan has three principle operating segments: contract drilling of oil and gas wells, both onshore and offshore ("Drilling"), helicopter and fixed-wing aircraft services ("Aviation") and the manufacture and sale of heavy equipment for the mining, timber and transportation industries, alloy steel and steel plate and drilling equipment ("Manufacturing"). Rowan's reportable segments reflect separately managed, strategic business units that provide different products and services, and for which financial information is separately prepared and monitored. The accounting policies of each segment are as described in Rowan's summary of significant accounting policies. See Note 1 for further information.

Drilling services are provided both onshore and offshore in domestic and foreign areas. Aviation services are provided primarily in Alaska, the western United States and along the Gulf Coast and include commuter airline, flightseeing and forest fire control services as well as oil and gas related flying. Manufacturing operations are primarily conducted in Longview, Texas, Vicksburg, Mississippi and Houston, Texas, though products are shipped throughout the United States and to many foreign locations.

Assets are ascribed to a segment based upon their direct use. Rowan classifies its drilling rigs as domestic or foreign based upon the rig's operating location. Accordingly, drilling rigs operating in or offshore the United States are considered domestic assets and rigs operating in other areas are deemed foreign assets.

Rowan's total assets are identified by operating segment, and its fixed assets are shown geographically as follows (in thousands):

	DECEMBER 31,		
	2000	1999	1998
	-----	-----	-----
Consolidated assets:			
Drilling	\$1,327,392	\$1,038,433	\$ 942,158
Manufacturing	206,456	180,120	176,145
Aviation	144,578	137,514	130,805
	-----	-----	-----
Total	\$1,678,426	\$1,356,067	\$1,249,108
	-----	-----	-----
Property, plant and equipment - net:			

Domestic	\$ 942,077	\$ 685,829	\$ 480,005
Foreign	240,703	339,910	397,192
	-----	-----	-----
Total	\$1,182,780	\$1,025,739	\$ 877,197
	-----	-----	-----

At December 31, 2000, 36 drilling rigs, including 22 offshore rigs, were located in domestic areas and one offshore rig was located in a foreign area.

Information regarding revenues and profitability by operating segment is as follows (in thousands):

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
	-----	-----	-----
Revenues:			
Drilling services	\$ 418,948	\$ 260,939	\$ 431,664
Manufacturing sales and services	103,465	95,545	158,913
Aviation services	123,546	104,078	115,773
	-----	-----	-----
Consolidated	\$ 645,959	\$ 460,562	\$ 706,350
	-----	-----	-----
Operating profit (loss)*:			
Drilling services	\$ 124,020	\$ 12,692	\$ 181,347
Manufacturing sales and services	7,602	668	18,909
Aviation services	4,020	(3,089)	5,447
	-----	-----	-----
Consolidated	\$ 135,642	\$ 10,271	\$ 205,703
	-----	-----	-----

\* Income (loss) from operations before deducting general and administrative expenses

Excluded from the preceding table are the effects of transactions between segments. During 2000, 1999 and 1998, Rowan's manufacturing division provided approximately \$103,896,000, \$125,256,000 and \$108,981,000, respectively, of products and services to the drilling division and Rowan's aviation division provided approximately \$1,271,000, \$1,228,000 and \$1,313,000, respectively, of flight services to the drilling division.

Foreign-source revenues were as follows (in thousands):

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Drilling services	\$ 82,900	\$ 156,772	\$ 194,839
Manufacturing sales and services	1,612	1,954	1,129
Aviation services	2,665	1,060	2,406
Total	\$ 87,177	\$ 159,786	\$ 198,374

Rowan had revenues, primarily from drilling operations, in excess of 10% of consolidated revenues from one customer during 2000 (11%). During 1999 and 1998, no customer accounted for more than 10% of consolidated revenues.

Rowan believes that it has no significant concentrations of credit risk. Rowan has never experienced any significant credit losses and its drilling and aviation services customers have heretofore primarily been large energy companies and government bodies. The addition of manufacturing operations in 1994 has diversified the Company's operations and attendant credit risk. Further, Rowan retains the ability to relocate its major drilling and aviation assets over significant distances on a timely basis in response to changing market conditions.

Certain other financial information for each of Rowan's principal operating segments is summarized as follows (in thousands):

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Depreciation and amortization:			
Drilling	\$ 38,313	\$ 34,891	\$ 31,945
Aviation	13,151	13,361	12,289
Manufacturing	7,401	6,447	5,469
Capital expenditures:			
Drilling	185,321	180,641	217,725
Aviation	20,662	16,046	16,256
Manufacturing	17,099	8,002	13,766
Maintenance and repairs:			
Drilling	38,562	29,717	33,083
Aviation	22,311	18,404	23,408
Manufacturing	9,231	8,922	12,241

#### NOTE 11 - RELATED PARTY TRANSACTIONS

A Rowan director also serves as Vice President for one of the Company's drilling customers. Transactions with this customer were on terms and conditions, and involved day rates and operating costs, which were comparable to those experienced by Rowan in connection with third-party contracts for similar rigs. Because of the aforementioned relationships, the contracts between Rowan and this customer were reviewed and ratified by the Company's Board of Directors. Related revenues were approximately \$2,853,000 in 2000.

A Rowan director serves as a Managing Director for an investment banking firm to which the Company paid \$5,150,000 in commissions during 2000 in connection with its 10.3 million share common stock offering. Both the common stock offering and the underwriting agreement were approved by the Company's Board of Directors.

Two Rowan directors served in similar capacities for one of the Company's drilling customers during 1998. Transactions with this customer were on terms and conditions, and involved day rates and operating costs, which were comparable to those experienced by Rowan in connection with third party contracts for similar rigs. Because of the aforementioned relationships, the contracts between Rowan and this customer were reviewed and ratified by the Company's Board of Directors. Related 1998 revenues were approximately \$968,000.

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## SUBSIDIARIES OF THE REGISTRANT

The following is a list of subsidiaries of the Registrant:

Registrant and Parent:  
Rowan Companies, Inc.

Wholly-Owned Subsidiaries of Registrant:  
Era Aviation, Inc., a Washington corporation  
Rowan International, Inc., a Panamanian corporation  
Rowandrift, Inc., a Texas corporation  
Rowan Drilling Company, Inc., a Texas corporation  
Atlantic Maritime Services, Inc., a Texas corporation  
LeTourneau, Inc., a Texas corporation

Note: Certain subsidiaries have been omitted from this listing because such subsidiaries, when considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

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## INDEPENDENT AUDITORS' CONSENT

Rowan Companies, Inc.:

We consent to the incorporation by reference in Post-Effective Amendment No. 4 to Registration Statement No. 2-58700, Amendment No. 1 to Registration Statement No. 33-33755, Registration Statement No. 33-61444, Registration Statement No. 33-51103, Registration Statement No. 33-51105, Registration Statement No. 33-51109, Registration Statement No. 333-25041, Registration Statement No. 333-25125, Registration Statement No. 333-84369 and Registration Statement No. 333-84405, each on Form S-8, and to the incorporation by reference in Amendment No. 1 to Registration Statement No 33-15721, Amendment No. 2 to Registration Statement No. 33-30057, Amendment No. 2 to Registration Statement No. 33-61696, Amendment No. 1 to Registration Statement No. 33-62885, Registration Statement No. 333-84407, Registration Statement No. 333-84423, Amendment No. 1 to Registration Statement No. 333-88855 and Amendment No. 2 to Registration Statement No. 333-44874, each on Form S-3, of Rowan Companies, Inc., of our report dated March 2, 2001, incorporated by reference in this Annual Report on Form 10-K of Rowan Companies, Inc., for the year ended December 31, 2000, and to the reference to us under the heading "Experts" in the Amendment No. 1 to Registration Statement No. 333-88855 and Amendment No. 2 to Registration Statement No. 333-44874.

DELOITTE & TOUCHE LLP  
DELOITTE & TOUCHE LLP

Houston, Texas  
March 30, 2001

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Form 10-K for the Year Ended December 31, 2000  
The Exchange Act of 1934

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Power of Attorney

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints C. R. Palmer or E. E. Thiele, or either of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign to the Company's Form 10-K for the year ended December 31, 2000 and any or all amendments, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or either of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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Pursuant to the requirement of the Exchange Act of 1934, the Company's Form 10-K for the year ended December 31, 2000 or amendment has been signed below by the following persons in the capacities and on the dates indicated:

Signature -----	Title -----	Date ----
----- (C. R. Palmer)	President, Chairman of the Board and Chief Executive Officer	
HENRY O. BOSWELL (Henry O. Boswell)	Director	March 30, 2001
HANS M. BRINKHORST (Hans M. Brinkhorst)	Director	March 30, 2001
R. G. CROYLE (R. G. Croyle)	Director	March 30, 2001
FREDERICK R. LAUSEN (Frederick R. Lausen)	Director	March 30, 2001
H. E. LENTZ (H. E. Lentz)	Director	March 30, 2001
D. F. MCNEASE (D. F. McNease)	Director	March 30, 2001
LORD MOYNIHAN (Lord Moynihan)	Director	March 30, 2001
WILFRED P. SCHMOE (Wilfred P. Schmoe)	Director	March 30, 2001
CHARLES P. SIESS, JR. (Charles P. Siess, Jr.)	Director	March 30, 2001
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