UNITED STATES 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, 2002

Commission file number: 1-13289

Pride International, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**76-0069030**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
5847 San Felipe, Suite 3300 Houston, Texas	**77057**
(Address of principal executive offices)	*(Zip Code)*

Registrant's telephone number, including area code: (713) 789-1400

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $.01 par value	New York Stock Exchange
Rights to Purchase Preferred Stock	New York Stock Exchange

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

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

Indicate by check mark 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 is an accelerated filer (as defined in Rule 126-2 of the Act). Yes ☑ No ☐

The aggregate market value of the common stock held by non-affiliates of the registrant at June 28, 2002, based on the closing price on the New York Stock Exchange on such date, was approximately $1.7 billion. (The executive officers and directors of the registrant and First Reserve Corporation, its affiliates and related parties are considered affiliates for the purposes of this calculation.)

The number of shares of the registrant's Common Stock outstanding on March 14, 2003 was 134,200,533.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for the Annual Meeting of Stockholders to be held in May 2003 are incorporated by reference into Part III of this report.

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PART I

Item 1. *Business*

In this Annual Report on Form 10-K, we refer to Pride International, Inc. and its subsidiaries as "we," the "Company" or "Pride," unless the context clearly indicates otherwise.

Overview

Pride is a leading international provider of contract drilling and related services, operating both offshore and on land. As of March 14, 2003, we operated a global fleet of 331 rigs, including two ultra-deepwater drillships, 11 semisubmersible rigs, 35 jackup rigs, 29 tender-assisted, barge and platform rigs and 254 land-based drilling and workover rigs. We operate in more than 30 countries and marine provinces. Our operations are conducted in many of the most active oil and gas basins of the world, including South America, the Gulf of Mexico, the Mediterranean, West and North Africa, the Middle East, Asia Pacific, Russia and Kazahkstan. The significant diversity of our rig fleet and areas of operation enables us to provide a broad range of services and to take advantage of market upturns while reducing our exposure to sharp downturns in any particular market sector or geographic region.

In recent years, we have expanded our offshore drilling fleet and increased the number of rigs capable of drilling in deeper waters, with the following significant additions:

- *Drillships.* We have a 51% interest in and operate two ultra-deepwater drillships, the *Pride Africa* and the *Pride Angola,* which commenced operations in October 1999 and May 2000, respectively. The drillships, which are capable of operating in water depths of up to 10,000 feet, are contracted to work for Elf Exploration Angola under contracts expiring in June 2005 and May 2005, respectively, each with two one-year extension options.
- *Pride Carlos Walter* and *Pride Brazil.* We own two fourth-generation dynamically-positioned, deepwater semisubmersible drilling rigs, the *Pride Carlos Walter* and the *Pride Brazil,* which commenced operations offshore Brazil in June and July 2001, respectively, for Petroleo Brasilerio S.A. ("Petrobras") under five-year charter and service rendering contracts, each with two one-year extension options.
- *Marine Drilling Companies, Inc.* In September 2001, we acquired Marine Drilling Companies, Inc. in a tax free, stock-for-stock transaction that positioned us as one of the world's largest offshore drilling contractors. Marine owned and operated a fleet of 17 offshore drilling rigs consisting of two semisubmersible units and 15 jackup units. Additionally, Marine owned one jackup rig configured as an accommodation unit. The combination with Marine enhanced our competitive position in the Gulf of Mexico jackup rig market and elsewhere. The acquisition was accounted for as a pooling-of-interests for accounting and financial reporting purposes and, accordingly, our consolidated financial statements for each period prior to the merger reflect the combined operations of Pride and Marine.
- *Other Recent Acquisitions and Agreements.* In February 2001, we acquired a second-generation semisubmersible drilling rig (now the *Pride North Sea*) and a third-generation semisubmersible drilling rig (now the *Pride Venezuela*). The *Pride Venezuela* is under contract with Petroleos de Venezuela, S.A. ("PDVSA") through at least August 2003, with extension options thereafter. The *Pride North Sea* was refurbished prior to commencing operations in July 2001 and is now working in the Mediterranean Sea under a nine-month contract expiring in December 2003.

We have also expanded our land-based operations. In late 2001 and early 2002, we commenced operations in Chad with five newly constructed land rigs under a seven-year contract with Exxon Mobil Corporation. In addition, during 2001, we acquired 14 land-based drilling rigs in Argentina and Venezuela. In 2002, we relocated a large land drilling rig from Argentina to Russia, where it commenced operation in December 2001, and mobilized the first of two land drilling rigs to Kazakhstan. The first rig began earning a standby rate in November 2002 and will earn a full day rate when drilling commences, which is expected in the spring of 2003. The second rig is expected to commence operations in Kazakhstan in mid-2003.

During 2002, we implemented a strategy to move a number of our offshore rigs to stronger markets and to enter into long-term contracts where available at attractive rates. We moved 11 of our 27 Gulf of Mexico jackup rigs and four of our 11 semisubmersible rigs to new markets. Nine jackup rigs were moved to Mexico and one each to Nigeria and India pursuant to contracts ranging from approximately two to four years. These rigs were relocated to markets at higher day rates and are providing substantially higher cash margins than would have been realized in the depressed U.S. Gulf of Mexico jackup market. At the same time, we believe our remaining available jackup capacity in the U.S. Gulf of Mexico leaves us well-positioned to benefit from any improvement in that market.

We expect to continue to redeploy assets to more active regions and to explore opportunities to expand our operations through acquisitions and rig upgrades from time to time.

We are a Delaware corporation with our principal executive offices located at 5847 San Felipe, Suite 3300, Houston, Texas 77057. Our telephone number at such address is (713) 789-1400.

We file annual, quarterly and special reports, proxy statements and other information with the SEC. These filings are available free of charge through our internet website at www.prideinternational.com as soon as reasonably practicable after we electronically file that material with, or furnish it to, the SEC.

Operations

South America

We operate five semisubmersible rigs, two jackup rigs, two barge rigs and 233 land-based rigs in South America.

Brazil. Our semisubmersible rig, *Pride South Atlantic,* has been operating offshore Brazil for Petrobras since September 1997. The rig is working under a contract expiring in October 2003. The *Pride South America,* a dynamically-positioned, self-propelled semisubmersible rig, is currently working offshore Brazil under a charter and service rendering contract that expires in January 2005. The *Pride Carlos Walter* and *Pride Brazil,* which are deepwater, dynamically-positioned semisubmersible rigs, began work under five-year charter and service rendering contracts for Petrobras in June and July 2001, respectively. We also operate one land-based drilling rig and seven land-based workover rigs in Brazil.

Venezuela. Our offshore fleet in Venezuela includes two jackup rigs and two barge rigs operating on Lake Maracaibo and one semisubmersible rig operating offshore Venezuela. The two jackup rigs are owned by PDVSA, and the contracts for the rigs expire in June 2003. The two barge rigs are working under ten-year contracts for PDVSA expiring in 2005. Our semisubmersible rig, the *Pride Venezuela,* is operating for PDVSA under contract through at least August 2003. Our land-based fleet in Venezuela consists of 42 rigs, of which eight are drilling rigs and 34 are workover rigs.

Argentina. In Argentina, we operate 149 land-based rigs, which we believe constitutes approximately 50% of the land-based rigs in the Argentine market. Of these rigs, 49 are drilling rigs and 100 are workover rigs. Argentine rig operations are generally conducted in remote regions of the country and require substantial fixed infrastructure and operating support costs. We believe that our established infrastructure and scale of operations provide us with a competitive advantage in this market.

Other South America. In Colombia, we operate 13 land-based drilling rigs and eight land-based workover rigs under contracts with major integrated and independent international oil companies and with the national oil company. We operate six land-based drilling rigs and four land-based workover rigs for private sector operators in Bolivia, most of which are our customers in neighboring countries. We operate three land-based drilling rigs in Ecuador.

E&P Services. We provide a variety of services to exploration and production companies in Argentina, Peru, Bolivia, Colombia, Ecuador, Brazil, Venezuela and Mexico through our E&P services division, including cementing, fracturing, coil tubing, directional drilling and fishing services. We also manage integrated services projects in Argentina and other South American countries.

During 2002, our land and E&P services operations in Argentina and Venezuela were adversely affected by the economic and political instability in those countries. Please read "— Risk Factors — International events may hurt our operations" in this Item 1 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of this annual report.

Gulf of Mexico

Offshore. We operate two semisubmersible rigs, two independent-leg jackup units and 23 mat-supported jackup units in the Gulf of Mexico. We are the second largest operator in the Gulf of Mexico of mat-supported jackup rigs capable of operating in water depths of 200 to 300 feet. We also operate a fleet of 21 offshore modular platform rigs in the Gulf of Mexico.

In the Mexican sector of the Gulf of Mexico, one semisubmersible, nine jackup rigs and two platform rigs are working for Petroleos Mexicanos S.A. ("Pemex"), under contracts with terms that range from one to four years in length. Between April and November 2002, we mobilized the nine jackups from the U.S. sector to the Mexican sector to perform under the Pemex contracts. The semisubmersible rig, the *Pride South Seas,* was mobilized from South Africa and operates under a contract that expires in June 2005.

We operate one semisubmersible, 16 jackups and 19 platform rigs in the U.S. sector of the Gulf of Mexico. Seven jackups and two platform rigs are currently working in the U.S. sector under short-term or well-to-well contracts. Two additional platform rigs are being mobilized for customer contracts beginning in April 2003, and another platform rig has been committed to a customer. The remaining rigs are stacked. We are marketing the semisubmersible rig, the *Viking,* in the Gulf of Mexico and elsewhere.

Other International

Offshore. Our fleet in West Africa includes two ultra-deepwater drillships, three semisubmersibles, two jackups, three tender-assisted rigs and one barge rig. We have a 51% ownership interest in two ultra-deepwater drillships, the *Pride Angola* and the *Pride Africa*. The drillships are contracted to work offshore West Africa for Elf Exploration Angola under contracts expiring in May 2005 and June 2005, respectively, each with two one-year extension options. In January 2002, we assumed operations of the dynamically positioned semisubmersible rig, the *Leiv Eiriksson,* in Angola. The rig owner pays us a management fee to operate the rig on its behalf, under a contract that extends until June 2003. Our semisubmersible rigs *Pride South Pacific* and *Pride North America* are working offshore Angola under contracts expiring in March 2004 and August 2004, respectively. The jackup *Pride Cabinda* is working offshore Angola under a long-term contract expiring in 2005. In October 2002, we mobilized the jackup *Pride North Dakota* from the Gulf of Mexico to Nigeria and commenced work under a contract that expires in October 2004. The tender-assisted rig *Barracuda* is operating in Angola under a contract that expires in September 2003, and the *Alligator* is idle. Also, the swamp barge rig *Bintang Kalimantan* is contracted in Nigeria until September 2003, and the tender-assisted rig *Al Baraka I* is working in the Ivory Coast under a four-well contract.

We operate two jackup rigs in India. In November 2002, we mobilized the *Pride West Virginia* from the Gulf of Mexico to India pursuant to a two-year contact. The *Pride Pennsylvania* also is working offshore India under contracts that expire in 2006. The semisubmersible rig *Pride North Sea* is operating in the Mediterranean Sea under a contract that expires in December 2003. The jackup *Pride Ohio* is operating in the Middle East under a contract that expires in March 2004. The jackup *Pride Montana* is currently in Saudi Arabia working under a contract expiring in June 2004. The *Pride Hawaii,* a jackup working offshore Malaysia, is under contract until August 2003. The *Pride Rotterdam,* an accommodation unit, is working in the Dutch sector of the North Sea under a contract that expires September 2003. The tender-assisted rigs *Ile de Sein*, working in Indonesia, and the *Piranha,* working in Malaysia, operate under contracts expiring in December 2004 and June 2005, respectively.

Land. We currently operate five land-based rigs in Chad, one in Russia, two in Kazakhstan, four in North Africa and three in the Middle East. In Chad, we commenced operations in 2002 of three drilling rigs and two workover rigs and provide various other support services under five to seven year contracts.

Rig Fleet

Offshore Rigs

The table below presents information about our offshore rig fleet as of March 14, 2003:

Rig Name	Rig Type/Design	Built/ Upgraded or Expected Completion	Water Depth Rating (feet)	Drilling Depth Rating (feet)	Location	Status
Drillships — 2						
Pride Africa(1)	Gusto 10,000	1999	10,000	30,000	Angola	Working
Pride Angola(1)	Gusto 10,000	1999	10,000	30,000	Angola	Working
Semisubmersible Rigs — 13						
Pride Carlos Walter	Amethyst	2001	5,000	25,000	Brazil	Working
Pride Brazil	Amethyst	2001	5,000	25,000	Brazil	Working
Pride South America(2)	Amethyst	1989/2003	4,000	20,000	Brazil	Working
Amethyst 4(3)	Amethyst	2003	5,000	25,000	Maine	Shipyard
Amethyst 5(3)	Amethyst	2003	5,000	25,000	Maine	Shipyard
Viking	Neptune Pentagon	1973/1995	2,625	22,000	Gulf of Mexico	Available
Leiv Eiriksson(4)	Bingo 9000	2001	8,200	30,000	Angola	Working
Pride South Atlantic	F&G Enhanced Pacesetter	1987	1,500	25,000	Brazil	Working
Pride South Seas	Aker H-3	1977/1997	1,000	20,000	Mexico	Working
Pride Venezuela	F&G Enhanced Pacesetter	1982/2001	1,500	25,000	Venezuela	Working
Pride North Sea	Aker H-3	1975/2001	1,000	25,000	Mediterranean	Working
Pride North America	Bingo 8000	1999	7,500	25,000	Angola	Working
Pride South Pacific	Blohm & Voss	1975/2002	6,500	25,000	Angola	Working
Jackup Rigs — 35						
Pride Cabinda	Independent leg, cantilever	1983	300	25,000	Angola	Working
Pride Hawaii	Independent leg, cantilever	1975/1997	300	30,000	Malaysia	Working
Pride Montana	Independent leg, cantilever	1991/2001	270	20,000	Saudi Arabia	Working
Pride North Dakota	Independent leg, cantilever	1981/2002	250	30,000	Nigeria	Working
Pride Ohio	Independent leg, cantilever	1975/1998	250	20,000	Middle East	Working
Pride Pennsylvania	Independent leg, cantilever	1973/1998	300	20,000	India	Working
Pride Tennessee	Independent leg, cantilever	1981	300	25,000	USA	Working
Pride West Virginia	Independent leg, cantilever	1982	300	30,000	India	Working
GP-19(4)	Independent leg, cantilever	1987	150	20,000	Venezuela	Working
GP-20(4)	Independent leg, cantilever	1987	200	20,000	Venezuela	Working
Pride Wisconsin	Independent leg, slot	1976/2002	300	30,000	Mexico	Working
Pride Alabama	Mat-supported, cantilever	1982	200	25,000	USA	Available
Pride Alaska	Mat-supported, cantilever	1982/2002	250	25,000	Mexico	Working
Pride Arkansas	Mat-supported, cantilever	1982	200	25,000	USA	Available
Pride Colorado	Mat-supported, cantilever	1982	200	25,000	USA	Available
Pride Florida	Mat-supported, cantilever	1981	200	20,000	USA	Working
Pride Kansas	Mat-supported, cantilever	1999	250	25,000	USA	Working
Pride Mississippi	Mat-supported, cantilever	1990/2002	200	25,000	Mexico	Working
Pride Missouri	Mat-supported, cantilever	1982	250	20,000	USA	Working
Pride Nebraska	Mat-supported, cantilever	1981/2002	200	20,000	Mexico	Working
Pride Nevada	Mat-supported, cantilever	1981/2002	200	20,000	Mexico	Working
Pride New Mexico	Mat-supported, cantilever	1982	200	25,000	USA	Working
Pride South Carolina	Mat-supported, cantilever	1980/2002	200	20,000	Mexico	Working
Pride Texas	Mat-supported, cantilever	1999	300	20,000	USA	Working
Pride Arizona	Mat-supported, slot	1981/1996	250	25,000	USA	Available
Pride California	Mat-supported, slot	1997/2002	250	20,000	Mexico	Working
Pride Georgia	Mat-supported, slot	1981/1995	250	20,000	USA	Working
Pride Illinois	Mat-supported, slot	1969/1993	225	20,000	USA	Available

Rig Name	Rig Type/Design	Built/ Upgraded or Expected Completion	Water Depth Rating (feet)	Drilling Depth Rating (feet)	Location	Status
Pride Kentucky	Mat-supported, slot	1974	262	25,000	USA	Available
Pride Louisiana	Mat-supported, slot	1981/2002	250	25,000	Mexico	Working
Pride Michigan	Mat-supported, slot	1975/2002	250	25,000	USA	Available
Pride Oklahoma	Mat-supported, slot	1996/2002	250	20,000	Mexico	Working
Pride Utah	Mat-supported, slot	1990/2002	80	16,000	USA	Available
Pride Wyoming	Mat-supported, slot	1976	250	25,000	USA	Available
Pride Rotterdam	Accommodation unit	1975/1992	205	—	North Sea	Working
Tender-Assisted Rigs — 5						
Alligator	Self-erecting barge	1982/1998	330	20,000	South Africa	Available
Barracuda	Self-erecting barge	1992	330	20,000	Angola	Working
Al Baraka I(5)	Self-erecting barge	1994	650	20,000	Ivory Coast	Working
Ile de Sein	Self-erecting barge	1981/1997	450	16,000	Indonesia	Working
Piranha	Self-erecting barge	1978/1998	600	20,000	Malaysia	Working
Barge Rigs — 3						
Pride I	Floating cantilever	1995	150	20,000	Venezuela	Working
Pride II	Floating cantilever	1995	150	20,000	Venezuela	Working
Bintang Kalimantan	Swamp barge	1995	N/A	16,000	Ivory Coast	Working
Platform Rigs — 21						
Rig 1501E	Heavy electrical	1996	N/A	25,000	USA	Contracted
Rig 1502E	Heavy electrical	1998	N/A	25,000	USA	Contracted
Rig 1503E	Heavy electrical	1997/2003	N/A	20,000	USA	Committed
Rig 1002E	Heavy electrical	1996	N/A	20,000	Mexico	Working
Rig 1003E	Heavy electrical	1996	N/A	20,000	USA	Available
Rig 1005E	Heavy electrical	1998	N/A	20,000	Mexico	Working
Rig 1006E	Heavy electrical	2001	N/A	20,000	USA	Available
Rig 750E	Heavy electrical	1992	N/A	16,500	USA	Available
Rig 751E	Heavy electrical	1995	N/A	16,500	USA	Available
Rig 650E	Intermediate electrical	1994	N/A	15,000	USA	Working
Rig 651E	Intermediate electrical	1995	N/A	15,000	USA	Working
Rig 653E	Intermediate electrical	1995	N/A	15,000	USA	Available
Rig 951	Heavy mechanical	1995	N/A	18,000	USA	Available
Rig 200	Intermediate mechanical	1993	N/A	15,000	USA	Available
Rig 210	Intermediate mechanical	1996	N/A	15,000	USA	Available
Rig 220	Intermediate mechanical	1995	N/A	15,000	USA	Available
Rig 100	Intermediate mechanical	1990	N/A	15,000	USA	Available
Rig 110	Intermediate mechanical	1990	N/A	15,000	USA	Available
Rig 130	Intermediate mechanical	1991	N/A	15,000	USA	Available
Rig 170	Intermediate mechanical	1991	N/A	15,000	USA	Available
Rig 14	Light mechanical	1994	N/A	10,000	USA	Available

(1) These rigs are owned by joint ventures in which we have a 51% interest.

(2) This rig is subject to a sale and leaseback agreement.

(3) Currently under construction. These rigs are owned by a joint venture in which we have a 30% interest.

(4) Managed by us, but owned by third parties.

(5) Owned by a joint venture in which we have a 12.5% interest.

Drillships. The *Pride Africa* and *Pride Angola* are ultra-deepwater self-propelled drillships that can be positioned over a drill site through the use of a computer-controlled thruster (dynamic positioning) system. Drillships are suitable for deepwater drilling in remote locations because of their mobility and large load-carrying capacity.

Semisubmersible Rigs. Our semisubmersible rigs are floating platforms that, by means of a water ballasting system, can be submerged to a predetermined depth so that a substantial portion of the lower hulls, or pontoons, is below the water surface during drilling operations. The rig is "semisubmerged," remaining afloat in a position, off bottom, where the lower hull is about 60 to 80 feet below the water line and the upper deck protrudes well above the surface. This type of rig maintains its position over the well through the use of either an anchoring system or a computer-controlled thruster system similar to that used by our drillships.

Jackup Rigs. The jackup rigs we operate are mobile, self-elevating drilling platforms equipped with legs that can be lowered to the ocean or lake floor until a foundation is established to support the drilling platform. The rig legs may have a lower hull or mat attached to the bottom to provide a more stable foundation in soft bottom areas. Independent leg rigs are better suited for harsher or uneven seabed conditions. Jackup rigs are generally subject to a maximum water depth of approximately 300 feet, while some jackup rigs may drill in water depths as shallow as ten feet. The length of the rig's legs and the operating environment determine the water depth limit of a particular rig. A cantilever jackup has a feature that allows the drilling platform to be extended out from the hull, allowing it to perform drilling or workover operations over a pre-existing platform or structure. Some cantilever jackup rigs have "skid-off" capability, which allows the derrick equipment to be skidded onto an adjacent platform, thereby increasing the operational capacity of the rig. Slot type jackup rigs are configured for drilling operations to take place through a slot in the hull. Slot type rigs are usually used for exploratory drilling because their configuration makes them difficult to position over existing platforms or structures.

Tender-Assisted Rigs. Our tender-assisted rigs are generally non-self-propelled barges moored alongside a platform and containing crew quarters, mud tanks, mud pumps and power generation systems. The only equipment transferred to the platform for drilling or workover operations is the derrick equipment set consisting of the substructure, drillfloor, derrick and drawworks. As a result, tender-assisted rigs are less hazardous and allow smaller, less costly platforms to be used for development projects. Self-erecting tenders carry their own derrick equipment and have a crane capable of erecting the derrick on the platform, thereby eliminating the cost associated with a separate derrick barge and related equipment.

Barge Rigs. We operate barge rigs on Lake Maracaibo, Venezuela that have been designed to work in a floating mode with a cantilever feature and a mooring system that enables the rig to operate in waters up to 150 feet deep. In Nigeria, we operate a swamp barge rig. This rig is held on location by submerging the hull onto the sea floor before commencement of work.

Platform Rigs. Our platform rigs consist of drilling equipment and machinery arranged in modular packages that are transported to and assembled and installed on fixed offshore platforms owned by the customer. Fixed offshore platforms are steel, tower-like structures that stand on the ocean floor, with the top portion, or platform, above the water level, providing the foundation upon which the platform rig is placed. Two of our platform rigs are capable of operating at well depths of up to 25,000 feet. Our platform rigs are often used to provide drilling and horizontal reentry services using top drives, enhanced pumps and solids control equipment for drilling fluids, as well as for workover services.

Land Rigs

The table below presents information about our land-based rig fleet as of March 14, 2003:

	Total	Drilling	Workover
South America — 233			
Argentina	149	49	100
Venezuela	42	8	34
Colombia	21	13	8
Bolivia	10	6	4
Brazil (1)	8	1	7
Ecuador	3	3	—
Other International — 21			
Chad	5	3	2
North Africa	4	3	1
Oman	3	3	—
Russia/Kazakhstan	3	3	—
Other	6	4	2
Total Land-Based Rigs	254	96	158

(1) One land-based drilling rig and three land-based rigs are managed by us, but owned by third parties.

A land-based drilling rig consists of engines, drawworks, a mast, substructure, pumps to circulate the drilling fluid, blowout preventers, drill string and related equipment. The intended well depth and the drilling site conditions are the principal factors that determine the size and type of rig most suitable for a particular drilling job. A land-based well servicing rig consists of a mobile carrier, engine, drawworks and derrick. The primary function of a well servicing rig is to act as a hoist so that pipe, rods and down-hole equipment can be run into and out of a well. All of our well servicing rigs can be readily moved between well sites and between geographic areas of operations. Most of our land-based drilling and land-based workover rigs operate under short-term or well-to-well contracts.

Services Provided

Drilling Services

We provide contract drilling services to oil and gas exploration and production companies through the use of mobile offshore and land-based drilling rigs in both U.S. offshore and international markets. Generally, land-based rigs and offshore platform rigs operate with crews of six to 17 persons, jackup rigs, tender-assisted rigs and barge rigs operate with crews of 15 to 25 persons and semisubmersible rigs and drillships operate with crews of 60 to 75 persons. We provide the rig and drilling crew and are responsible for the payment of operating and maintenance expenses.

Maintenance and Workover Services

Maintenance services are required on producing oil and gas wells to ensure efficient, continuous operation. These services consist of mechanical repairs necessary to maintain production from the well, such as repairing parted sucker rods, replacing defective downhole pumps in an oil well or replacing defective tubing in a gas well. We provide the rigs, equipment and crews for these maintenance services, which are performed on both oil and gas wells but are more often required on oil wells.

In addition to periodic maintenance, producing oil and gas wells occasionally require major repairs or modifications, called "workovers." Workover services include the opening of new producing zones in an existing well, recompletion of a well in which production has declined, drilling out plugs and packers and the conversion of a producing well to an injection well during enhanced recovery operations.

Engineering and Technical Services

We employ a technical staff dedicated to designing specialized drilling equipment to fulfill specific customer requirements and to conduct research and development in drilling solutions and technologies. The technical services group has designed and managed the construction of several rigs in our fleet. Currently, the group is undertaking five projects to design, engineer, manage construction of and commission deepwater platform drilling rigs. These rigs are being constructed on behalf of major oil company customers. We also expect to provide drilling operations management of the rig packages once they have been installed on the deepwater development platforms in the Gulf of Mexico and West Africa.

Other Services

We provide a wide variety of additional oilfield services to customers in Argentina, Peru, Bolivia, Colombia, Ecuador, Brazil, Venezuela and Mexico, including directional drilling, coiled tubing services, cementing, well stimulation and fishing operations. We also offer integrated services and comprehensive project management, as well as turnkey services, at the well site.

Competition

Our competition ranges from large multinational competitors offering a wide range of drilling and other oilfield services to smaller, locally owned companies. We believe that we are competitive in terms of pricing, performance, equipment, safety, availability of equipment to meet customer needs and availability of experienced, skilled personnel. Competition is usually on a regional basis, but offshore drilling rigs are mobile and may be moved from one region to another in response to demand.

Drilling contracts are generally awarded on a competitive bid basis. While an operator may consider the contractor's safety record, crew quality, rig location and quality of service and equipment, price is often the primary factor in determining which contractor, among those with suitable rigs, is awarded a job. Some of our competitors have greater financial resources than us, which may enable them to better withstand periods of low utilization, to compete more effectively on the basis of price, to build new rigs or to acquire existing rigs.

Customers

We work for large multinational oil and gas companies, government-owned oil companies and independent oil and gas producers. During 2002, we had two customers that accounted for approximately 16% and 12%, respectively, of our consolidated revenues.

Contracts

Our drilling contracts are awarded through competitive bidding or on a negotiated basis. The contract terms and rates vary depending on competitive conditions, the geographical area, the geological formation to be drilled, the equipment and services to be supplied, the on-site drilling conditions and the anticipated duration of the work to be performed.

Oil and gas well drilling contracts are carried out on a dayrate, footage or turnkey basis. Under dayrate contracts, we charge the customer a fixed charge per day regardless of the number of days needed to drill the well. In addition, dayrate contracts usually provide for a reduced day rate (or lump sum amount) for mobilizing the rig to the well location and for assembling and dismantling the rig. Under dayrate contracts, we ordinarily bear no part of the costs arising from down-hole risks (such as time delays for various reasons, including a stuck or broken drill string or blowouts). Most of our contracts are on a dayrate basis. Contracts may also include reimbursement of costs to modify or upgrade a rig to meet customer specifications. Other contracts provide for payment on a footage basis, whereby we are paid a fixed amount for each foot drilled regardless of the time required or the problems encountered in drilling the well. We may also enter into turnkey contracts, whereby we agree to drill a well to a specific depth for a fixed price and to bear some of the well equipment costs. Compared to dayrate contracts, footage and turnkey contracts involve a higher degree of risk to us and, accordingly, normally provide greater profit potential.

In international offshore markets, contracts generally provide for longer terms than contracts in domestic offshore markets. When contracting abroad, we are faced with the risks of currency fluctuation and, in certain cases, exchange controls. Typically, we limit these risks by obtaining contracts providing for payment in U.S. dollars or freely convertible foreign currency. To the extent possible, we seek to limit our exposure to potentially devaluating currencies by matching our acceptance thereof to our expense requirements in such local currencies. There can be no assurance that we will be able to continue to take such actions in the future, thereby exposing us to foreign currency fluctuations that could have a material adverse effect upon our results of operations and financial condition. Please read "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of this annual report and "Quantitative and Qualitative Disclosures About Market Risk" in Item 7A of this annual report.

Seasonality

In general, our business activities are not significantly affected by seasonal fluctuations. Most of our rigs are located in geographical areas that are not subject to severe weather changes that would halt operations for prolonged periods.

Employees

As of March 14, 2003, we employed approximately 10,100 employees. Approximately 1,200 of our employees were located in the United States and 8,900 were located abroad. Hourly rig crews constitute the vast majority of our employees. None of our U.S. employees are represented by a collective bargaining unit. Many of our international employees are subject to industry-wide labor contracts within their respective countries. We believe that our employee relations are good.

Segment Information

Information with respect to revenues, earnings from operations and identifiable assets attributable to our industry segments and geographic areas of operations for the last three fiscal years is presented in Note 14 of our Notes to Consolidated Financial Statements included in Item 8 of this annual report.

Risk Factors

Our business depends on the level of activity in the oil and gas industry, which is significantly affected by volatile oil and gas prices.

The profitability of our operations depends upon conditions in the oil and gas industry and, specifically, the level of exploration and production expenditures of oil and gas company customers. The oil and gas industry is cyclical. The demand for contract drilling and related services is directly influenced by many factors beyond our control, including:

- oil and gas prices and expectations about future prices
- the demand for oil and gas
- the cost of producing and delivering oil and gas
- advances in exploration, development and production technology
- government regulations
- local and international political and economic conditions
- the ability of the Organization of Petroleum Exporting Countries (OPEC) to set and maintain production levels and prices

- the level of production by non-OPEC countries
- the policies of various governments regarding exploration and development of their oil and gas reserves

Depending on the market prices of oil and gas, companies exploring for oil and gas may cancel or curtail their drilling programs, thereby reducing demand for drilling services. Such a reduction in demand may erode daily rates and utilization of our rigs, negatively impacting our financial results.

Utilization rates and dayrates are also affected by the total supply of comparable rigs available for service in the geographic markets in which we compete. Short-term improvements in demand in a geographic market may cause our competitors to respond by moving competing rigs into the market, thus intensifying price competition. Significant new rig construction could also intensify price competition. In the past, there have been prolonged periods of rig oversupply with correspondingly depressed utilization and dayrates largely due to earlier, speculative construction of new rigs. Improvements in dayrates and expectations of longer-term, sustained improvements in utilization rates and dayrates for offshore drilling rigs may cause our competitors to construct new rigs, which could adversely affect our business.

International events may hurt our operations.

We derive a significant portion of our revenues from international operations. In 2002, we derived approximately 41% of our revenues from operations in countries within South America and approximately 40% of our revenues from operations in other countries outside the U.S. Our operations in these areas are subject to the following risks, among others:

- foreign currency fluctuations and devaluation
- new economic policies
- restrictions on currency repatriation
- political instability, war and civil disturbances, including uncertainty or instability resulting from armed hostilities or other crises in the Middle East or other geographic areas in which we operate or acts of terrorism.

In March 2003, the U.S. and a coalition of other countries initiated military action in Iraq. A protracted war in Iraq and the occurrence or threat of future terrorist attacks such as those against the U.S. on September 11, 2001 could adversely affect the economies of the U.S. and other developed countries. A lower level of economic activity could result in a decline in energy consumption, which could adversely affect our revenues and margins and limit our future growth prospects. More specifically, these risks could lead to increased volatility in prices for crude oil and natural gas and could affect the markets for our drilling services. In addition, these risks could increase instability in the financial and insurance markets and adversely affect our ability to access capital and to obtain insurance coverages that we consider adequate or are otherwise required by our contracts. We currently have two jackup rigs operating in the Middle East, the *Pride Montana* and the *Pride Ohio*, and provide supervisory personnel for two land rigs in Kuwait owned by a third party. Certain of these operations may have to be suspended if the current military conflict with Iraq expands beyond the borders of that country.

We attempt to limit the risks of currency fluctuation and restrictions on currency repatriation by obtaining contracts providing for payment in U.S. dollars or freely convertible foreign currency. To the extent possible, we limit our exposure to potentially devaluating currencies by matching the acceptance of local currencies to our expense requirements in those currencies. Although we have done this in the past, we may not be able to take these actions in the future, thereby exposing us to foreign currency fluctuations that could have a material adverse effect upon our results of operations and financial condition.

During 2002, approximately 24% of our consolidated revenues were derived from our land-based drilling, workover and E&P services operations in Argentina and Venezuela, which are currently experiencing political and economic instability that have resulted in significant changes in their general economic policies and regulations.

During 2002, the Argentine peso declined in value against the U.S. dollar following the Argentine government's decisions to abandon the country's fixed dollar-to-peso exchange rate, requiring private sector, dollar-denominated loans and contracts to be paid in pesos and placing restrictions on the convertibility of the Argentine peso. The devaluation, coupled with the government's mandated conversion of all dollar-based contracts to pesos, severely pressured our margins. During 2002, we engaged in discussion with all of our Argentine customers regarding the recovery of losses sustained from the devaluation of accounts receivable and the basis on which new business would be contracted. We have restructured most of our contracts on a basis that we believe limits our exposure to further devaluations. However, we can give no assurances that further devaluations will not adversely affect our results.

Since the second quarter of 2002, Venezuela has experienced political and economic turmoil, including prolonged labor strikes, demonstrations and an attempt to overthrow the government. Much of the turmoil has negatively impacted PDVSA, which is our principal customer in Venezuela, and led to the dismissal of more than 12,000 PDVSA employees by the government. The implications and results of the political, economic and social instability in Venezuela are uncertain at this time, but the instability has had and is continuing to have an adverse effect on our business. Currently 30 of our 47 rigs in the country are idle. Venezuela has also recently implemented exchange controls, which, together with recent employee dismissals and reorganization within PDVSA, have led to a slower rate of collection of our trade receivables and could limit our ability to convert local currency into U.S. dollars and transfer funds out of Venezuela. The exchange controls could result in an artificially high value being placed on the local currency.

Although foreign exchange in the other countries where we operate is currently carried out on a free-market basis, there is no assurance that local monetary authorities in these countries will not, in the future, implement exchange controls or other economic measures that would adversely affect our right to receive payments or to otherwise conduct business in these countries.

From time to time, certain of our foreign subsidiaries operate in countries that are subject to sanctions and embargoes imposed by the U.S. government and the United Nations. Although these sanctions and embargoes do not prohibit those subsidiaries from completing existing contracts or from entering into new contracts to provide drilling services in such countries, they do prohibit us and our domestic subsidiaries, as well as employees of our foreign subsidiaries who are U.S. citizens, from participating in or approving any aspect of the business activities in those countries. These constraints on our ability to have U.S. persons, including our senior management, provide managerial oversight and supervision may adversely affect the financial or operating performance of such business activities.

Our international operations are also subject to other risks, including foreign monetary and tax policies, expropriation, nationalization and nullification or modification of contracts. Additionally, our ability to compete in international contract drilling markets may be adversely affected by foreign governmental regulations that favor or require the awarding of contracts to local contractors or by regulations requiring foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Furthermore, our foreign subsidiaries may face governmentally imposed restrictions from time to time on their ability to transfer funds to us.

Our customers may seek to cancel or renegotiate some of our drilling contracts during periods of depressed market conditions or if we experience operational difficulties.

During depressed market conditions, a customer may no longer need a rig that is currently under contract or may be able to obtain a comparable rig at a lower daily rate. As a result, customers may seek to renegotiate the terms of their existing drilling contracts or avoid their obligations under those contracts. In addition, our customers may seek to terminate existing contracts if we experience operational problems. The deepwater markets in which we operate require the use of floating rigs with sophisticated positioning, subsea and related systems designed for drilling in deep water. If this equipment fails to function properly, the rig cannot engage in drilling operations, and customers may have the right to terminate the drilling contracts. The likelihood that a customer may seek to terminate a contract for operational difficulties is increased during periods of market weakness. The cancellation of a number of our drilling contracts could adversely affect our results of operations.

We may be considered highly leveraged. Our significant debt levels and debt agreement restrictions may limit our flexibility in obtaining additional financing and in pursuing other business opportunities.

As of December 31, 2002, we had approximately $1.9 billion in long-term debt and capital lease obligations. The level of our indebtedness will have several important effects on our future operations, including:

- a significant portion of our cash flow from operations will be dedicated to the payment of interest and principal on such debt and will not be available for other purposes
- covenants contained in our existing debt arrangements require us to meet certain financial tests, which may affect our flexibility in planning for, and reacting to, changes in our business and may limit our ability to dispose of assets, withstand current or future economic or industry downturns and compete with others in our industry for strategic opportunities
- our ability to obtain additional financing for working capital, capital expenditures, acquisitions, general corporate and other purposes may be limited

Our ability to meet our debt service obligations and to reduce our total indebtedness will be dependent upon our future performance, which will be subject to general economic conditions, industry cycles and financial, business and other factors affecting our operations, many of which are beyond our control.

We are subject to hazards customary in the oilfield service industry and to those more specific to marine operations. We may not have insurance to cover all these hazards.

Our operations are subject to the many hazards customary in the oilfield services industry. Contract drilling and well servicing require the use of heavy equipment and exposure to hazardous conditions, which may subject us to liability claims by employees, customers and third parties. These hazards can cause personal injury or loss of life, severe damage to or destruction of property and equipment, pollution or environmental damage and suspension of operations. Our offshore fleet is also subject to hazards inherent in marine operations, either while on site or during mobilization, such as capsizing, sinking and damage from severe weather conditions. In certain instances, we are required by contract to indemnify customers or others.

We maintain insurance for injuries to our employees and other insurance coverage for normal business risks, including general liability insurance. Although we believe our current insurance coverage to be adequate and in accordance with industry practice against normal risks in our operations, any insurance protection may not be sufficient or effective under all circumstances or against all hazards to which we may be subject. The occurrence of a significant event against which we are not fully insured, or of a number of lesser events against which we are insured, but subject to substantial deductibles, could materially and adversely affect our operations and financial condition. Moreover, the September 11, 2001 terrorist attacks have significantly increased premiums for some types of coverage. We may not be able to maintain adequate insurance at rates or on terms that we consider reasonable or acceptable.

Failure to retain key personnel could hurt our operations.

We require highly skilled personnel to operate and provide technical services and support for our drilling units. To the extent demand for drilling services and the size of the worldwide industry fleet increase, shortages of qualified personnel could arise, creating upward pressure on wages and difficulty in staffing rigs and managerial positions.

Governmental regulations and environmental liabilities may adversely affect our operations.

Many aspects of our operations are subject to numerous governmental regulations that may relate directly or indirectly to the contract drilling and well servicing industries, including those relating to the protection of the environment. We have spent and will continue to spend material amounts to comply with these regulations. Laws and regulations protecting the environment have become more stringent in recent years and may in certain circumstances impose strict liability, rendering us liable for environmental damage without regard to negligence or fault on our part. These laws and regulations may expose us to liability for the conduct of, or conditions caused by, others or for acts that were in compliance with all applicable laws at the time the acts were performed. The application of these requirements or the adoption of new requirements could have a material adverse effect on us. In addition, the modification of existing laws or regulations or the adoption of new laws or regulations curtailing exploratory or development drilling for oil and gas could have a material adverse effect on our operations by limiting future contract drilling opportunities.

Item 2. ***Property***

Our property consists primarily of mobile offshore and land-based drilling rigs, well servicing rigs and ancillary equipment, most of which we own. We operate some rigs under joint venture arrangements, management agreements and lease agreements. Some of our rigs are pledged to collateralize secured credit facilities. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources" in Item 7 of this annual report. We also own and operate transport and heavy-duty trucks and other ancillary equipment.

We own office and operating facilities in Houma, Louisiana and in France, Argentina, Brazil, Venezuela, Algeria, Peru, Angola and Colombia. Additionally, we lease other office and operating facilities in Houston, Texas and in other international locations.

We incorporate by reference in response to this item the information set forth in Item 1 of this annual report and the information set forth in Notes 2 and 5 of our Notes to Consolidated Financial Statements included in Item 8 of this annual report.

Item 3. ***Legal Proceedings***

We are routinely involved in litigation incidental to our business, which at times involves claims for significant monetary amounts, some of which would not be covered by insurance. In the opinion of management, none of the existing litigation will have a material adverse effect on our financial position, results of operations or cash flow. See Note 11 of our Notes to Consolidated Financial Statements included in Item 8 of this annual report.

Item 4. ***Submission of Matters to a Vote of Security Holders***

There were no matters submitted to a vote of security holders during the fourth quarter of 2002.

Executive Officers of the Registrant

We have presented below information about our executive officers as of March 14, 2003. Officers are elected annually by the Board of Directors and serve until their successors are chosen or until their resignation or removal.

Name	Age	Position
Paul A. Bragg	47	President and Chief Executive Officer
James W. Allen	59	Senior Vice President and Chief Operating Officer
John C.G. O'Leary	47	Vice President — International Marketing
John R. Blocker, Jr.	51	Vice President — Latin American Operations
Gary W. Casswell	50	Vice President — Eastern Hemisphere Operations
David A. Bourgeois	58	Vice President — North American Operations
Marcelo D. Guiscardo	50	Vice President — E&P Services
Thomas Duhen	44	Vice President — Engineering
Earl W. McNiel	44	Vice President and Chief Financial Officer
Robert W. Randall	61	Vice President, General Counsel and Secretary
Nicolas J. Evanoff	40	Vice President — Corporate and Governmental Affairs

Paul A. Bragg has been Chief Executive Officer since March 1999, President since February 1997 and was Chief Operating Officer from February 1997 to April 1999. He joined Pride in July 1993 as its Vice President and Chief Financial Officer. From 1988 until he joined Pride, Mr. Bragg was an independent business consultant and managed private investments. He previously served as Vice President and Chief Financial Officer of Energy Service Company, Inc. (now ENSCO International, Inc.), an oilfield services company, from 1983 through 1987.

James W. Allen was named Senior Vice President — Operations in February 1996 and Chief Operating Officer in April 1999. He joined Pride in January 1993 as its Vice President — International Operations (Latin America). From 1988 through 1992, Mr. Allen was an independent business consultant and managed private investments. From 1984 to 1988, he was Vice President, Latin America for ENSCO. Mr. Allen has 30 years of oilfield experience with several different companies.

John C.G. O'Leary was named Vice President — International Marketing in March 1997 in connection with our acquisition of Forasol-Foramer N.V. Mr. O'Leary had been Manager, Marketing and Business Development of Forasol since June 1993, with primary responsibility for worldwide business development. Mr. O'Leary joined Forasol in August 1985.

John R. Blocker, Jr. was named Vice President — Latin American Operations in March 2000. He joined Pride in 1993 as President of our Argentina subsidiary, Pride International, S.R.L. He has more than 32 years of oilfield experience with several companies.

Gary W. Casswell was named Vice President — Eastern Hemisphere Operations in May 1999. He joined Pride in August 1998 and has approximately 23 years of oilfield drilling experience. From 1974 through 1998, Mr. Casswell was Operations Manager and Technical Development Manager of Santa Fe International Corporation (now part of GlobalSantaFe Corporation), an oilfield services company.

David A. Bourgeois was named Vice President — North American Operations in May 2002. He joined Pride in April 1994 with the purchase of Offshore Rigs, L.L.C., where he was Chief Operating Officer. From April 1994 to June 1996, Mr. Bourgeois was Sales and Marketing Manager of Pride Offshore, Inc., from June

1996 until May 1999 he was Vice President and General Manager of Pride Offshore, Inc. and from May 1999 to May 2002, he served as Vice President — U.S. Operations.

Marcelo D. Guiscardo joined Pride in March 2000 as Vice President — E&P Services. From September 1999 until joining Pride, he was President of GDM Business Development, a private company providing consulting services to the energy industry. From November 1993 to September 1999, Mr. Guiscardo held various senior management positions with YPF Sociedad Anonima (now part of Repsol YPF S.A.), an integrated energy company, including Vice President — Exploration & Production.

Thomas Duhen was appointed Vice President — Engineering in September 2001. Prior to that time, he served as Technical Director of Pride and previously Forasol since July 1995. Mr. Duhen joined Forasol in January 1981.

Earl W. McNiel has been Vice President and Chief Financial Officer of Pride since February 1997. He joined Pride in September 1994 as its Chief Accounting Officer. From 1990 to 1994, Mr. McNiel served as Chief Financial Officer of several publicly owned waste management companies. From 1987 to 1990, he was employed by ENSCO as Manager, Finance.

Robert W. Randall has been Vice President and General Counsel of Pride since May 1991. He was elected Secretary in 1993. Prior to 1991, he was Senior Vice President, General Counsel and Secretary for Tejas Gas Corporation, a natural gas transmission company.

Nicolas J. Evanoff joined Pride in April 2002 as Vice President — Corporate and Governmental Affairs. From February 1997 until joining Pride, he served as Associate General Counsel and as General Counsel, Asia & Middle East, of Transocean Inc., an oilfield services company. From August 1992 to February 1997, Mr. Evanoff practiced corporate and securities law with Baker Botts L.L.P. in Houston, Texas.

PART II

Item 5. *Market for Registrant's Common Equity and Related Stockholder Matters*

Our common stock is listed on the New York Stock Exchange under the symbol "PDE." As of March 14, 2003, there were 1,592 stockholders of record. The following table presents the range of high and low sales prices of our common stock on the NYSE for the periods shown:

	Price	
	High	**Low**
2001		
First Quarter	$29.30	$19.25
Second Quarter	32.66	18.56
Third Quarter	19.53	9.68
Fourth Quarter	15.60	9.82
2002		
First Quarter	$16.25	$11.70
Second Quarter	19.70	15.00
Third Quarter	15.66	10.80
Fourth Quarter	16.15	12.25

We have not paid any cash dividends on our common stock since becoming a publicly held corporation in September 1988. We currently have a policy of retaining all available earnings for the development and growth of our business and do not anticipate paying dividends on our common stock at any time in the foreseeable future. Our ability to pay cash dividends in the future is restricted by our existing financing arrangements. The desirability of paying such dividends could also be materially affected by U.S. and foreign tax considerations.

Item 6. ***Selected Financial Data***

We have derived the following selected consolidated financial information as of December 31, 2002 and 2001, and for each of the years in the three-year period ended December 31, 2002, from our audited consolidated financial statements included in Item 8 of this annual report. You should read this information in conjunction with those consolidated financial statements and the notes thereto. We have derived the selected consolidated financial information as of December 31, 2000 and for the year ended December 31, 1999, from our audited consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2001 that are not included herein. We have derived the selected consolidated financial information as of December 31, 1999 and 1998 and for the year ended December 31, 1998, from the audited consolidated financial statements of Pride and Marine that are not included herein. Please read "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of this annual report.

	Year Ended December 31,				
	2002	2001	2000	1999	1998
	(In thousands, except per share amounts)				
Statement of Operations Data:					
Revenues	$1,269,774	$1,512,895	$1,173,038	$ 734,791	$1,063,578
Operating costs	807,445	902,267	722,303	519,494	626,510
Restructuring charges — operating(1)	—	—	—	12,817	5,500
Depreciation and amortization	226,422	198,928	174,570	125,292	100,122
Selling, general and administrative	94,241	100,309	95,528	91,400	97,112
Pooling and merger costs(2)	—	35,766	—	—	—
Restructuring charges — general and administrative(1)	—	—	—	23,831	—
Earnings (loss) from operations	141,666	275,625	180,637	(38,043)	234,334
Other income (expense) net	(130,311)	(121,012)	(85,896)	(45,468)	(36,610)
Earnings (loss) before income taxes and minority interest	11,355	154,613	94,741	(83,511)	197,724
Income tax provision (benefit)	3,407	49,231	34,928	(25,610)	59,446
Minority interest	16,097	15,508	10,812	3,996	(60)
Earnings (loss) before extraordinary item	(8,149)	89,874	49,001	(61,897)	138,338
Extraordinary item, net	(798)	1,332	—	3,884	—
Net earnings (loss)	$ (8,947)	$ 91,206	$ 49,001	$ (58,013)	$ 138,338
Net earnings (loss) per share before extraordinary item(1) (2)					
Basic	$ (0.06)	$ 0.68	$ 0.40	$ (0.57)	$ 1.35
Diluted	$ (0.06)	$ 0.67	$ 0.39	$ (0.57)	$ 1.22
Net earnings (loss) per share after extraordinary item(1) (2)					
Basic	$ (0.07)	$ 0.69	$ 0.40	$ (0.54)	$ 1.35
Diluted	$ (0.07)	$ 0.68	$ 0.39	$ (0.54)	$ 1.22
Weighted average shares outstanding					
Basic	133,305	131,630	123,038	107,801	102,352
Diluted	133,305	142,778	126,664	107,801	113,577

	December 31,				
	2002	2001	2000	1999	1998
			(In thousands)		
Balance Sheet Data:					
Working capital	$ 122,539	$ 92,094	$ 124,282	$ 161,941	$ 91,173
Property and equipment, net	3,395,774	3,371,159	2,621,365	2,501,520	2,157,416
Total assets	4,324,995	4,205,690	3,337,633	3,054,819	2,667,851
Long-term debt and leases, net of current portion	1,804,130	1,639,885	1,237,320	1,328,886	1,020,475
Stockholders' equity	1,699,705	1,697,106	1,443,330	1,236,468	1,124,861

(1) Restructuring charges include the cost of involuntary employee termination benefits, including severance, wage continuation, medical and other benefits, facility closures, related personnel relocation costs and other costs in connection with a reduction in our workforce in 1999.

(2) Pooling and merger costs consist of costs incurred for investment advisory, legal and other professional fees, closure of duplicate office facilities and employee terminations in connection with our acquisition of Marine in September 2001. Please read Note 3 of the Notes to Consolidated Financial Statements in Item 8 of this annual report for more information about these charges.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

The following discussion and analysis should be read in conjunction with our consolidated financial statements and related notes included in Item 8 of this annual report. The following information contains forward-looking statements. Please read "Forward-Looking Statements" for a discussion of certain limitations inherent in such statements.

Overview

We provide contract drilling and related services to oil and gas companies worldwide, operating both offshore and on land. As of March 14, 2003, we operated a global fleet of 331 rigs, including two ultra-deepwater drillships, 11 semisubmersible rigs, 35 jackup rigs, 29 tender-assisted, barge and platform rigs and 254 land-based drilling and workover rigs. We operate in more than 30 countries and marine provinces. We have five principal operating segments: Gulf of Mexico, International Offshore, International Land, E&P Services and Technical Services.

In recent years, we have expanded our offshore drilling fleet and increased the number of rigs capable of drilling in deeper waters. We have a 51% ownership interest in and operate two ultra-deepwater drillships, the *Pride Africa* and the *Pride Angola,* that were placed in service in October 1999 and May 2000, respectively. In November 2000, we acquired a jackup drilling rig, the *Pride Ohio,* which we had been operating under a bareboat charter since 1999. In February 2001, we purchased two semisubmersible drilling rigs, now the *Pride Venezuela* and the *Pride North Sea.* In March 2001, we increased our ownership from 26.4% to 100% in two newly built, dynamically-positioned, deepwater semisubmersible drilling rigs, the *Pride Carlos Walter* and the *Pride Brazil.* The *Pride Carlos Walter* and *Pride Brazil* commenced operations offshore Brazil in June and July 2001, respectively, working under five-year charter and service rendering contracts.

In September 2001, we acquired Marine Drilling Companies, Inc. in a stock-for-stock transaction that created one of the world's largest offshore drilling contractors. Marine owned and operated a fleet of 17 offshore drilling rigs consisting of two semisubmersible units and 15 jackup units. Additionally, Marine owned one jackup rig configured as an accommodation unit. We issued 58.7 million shares of our common stock to the former shareholders of Marine, which equaled approximately 44% of the outstanding shares of our common stock immediately following completion of the acquisition. The combination with Marine has enhanced our competitive position in the Gulf of Mexico jackup rig market and elsewhere. The acquisition was accounted for as a pooling-of-interests for accounting and financial reporting purposes and, accordingly, our consolidated financial statements for each period prior to the merger reflect the combined operations of Pride and Marine.

In 2001, we acquired 14 land-based drilling and workover rigs in Argentina and Venezuela for a total cost of $48.0 million. In October 2002, we acquired Uniao Nacional De Perfuracao Limitada ("Unap") for aggregate consideration of $5.5 million. Unap manages one land-based drilling rig and seven land-based workover rigs and provides directional drilling and other related services onshore Brazil.

We expect to continue to redeploy assets to more active regions and to explore opportunities to expand our operations through acquisitions and rig upgrades from time to time.

Business Environment and Outlook

General

Our revenues depend principally upon the number of available drilling and workover rigs, the number of days these rigs are utilized and the day rates received, the amount of integrated project management, coiled tubing drilling and other E&P services we provide and the amount of technical services projects that we manage.

The number of available rigs may increase or decrease as a result of the acquisition or disposal of rigs, the construction of new rigs, the number of rigs being upgraded or repaired at any time and the entering into or termination of rig management contracts.

The number of days our rig fleets are utilized and the day rates received are largely dependent upon the balance of supply and demand for drilling and workover services in the different geographic regions in which we operate. In order to improve utilization or realize higher day rates, we may mobilize our rigs from one market to another.

Oil and gas companies' exploration and development drilling programs drive the demand for drilling, workover and related services. These drilling programs are affected by their expectations about oil and natural gas prices, anticipated production levels, demand for crude oil and natural gas products, government regulations and many other factors. Oil and gas prices are volatile, which has historically led to significant fluctuations in expenditures for oil and gas drilling and related services.

Please read "Business — Risk Factors" in Item 1 of this annual report.

Gulf of Mexico

Prices for natural gas increased during 2000 and early 2001, which had a favorable impact on utilization, day rates and demand for our services in the Gulf of Mexico. From mid-2001, however, activity in the U.S. Gulf of Mexico began to weaken, and in the fourth quarter of 2001 and throughout 2002, we experienced particularly weak conditions in the U.S. Gulf of Mexico jackup and platform rig markets as high natural gas inventory storage levels resulted in reduced demand for rig services. In response to these poor market conditions, we actively marketed a number of rigs in our U.S. Gulf of Mexico fleet to international markets. During 2002, we obtained long-term contracts for nine jackup rigs and one platform rig with Pemex in the Mexican sector of the Gulf of Mexico and for two jackup rigs in other international markets, one in Nigeria and one in India. Additionally, we have obtained a long-term contract with Pemex in Mexico for the *Pride South Seas,* a semisubmersible rig that we mobilized from South Africa.

The following table summarizes average daily revenue and percentage utilization for our Gulf of Mexico jackup and available platform rig fleets for each of the last three years. In this annual report, average daily revenue information is based on total revenues for each rig type divided by actual days worked by all rigs of that type. Percentage utilization is calculated as the total days worked divided by the total days available for work by all rigs of that type.

	2002		2001		2000	
	Daily Revenue	Utilization	Daily Revenue	Utilization	Daily Revenue	Utilization
Jackup Rigs	$26,300	45%	$40,100	80%	$28,700	91%
Platform Rigs	$20,700	42%	$19,500	57%	$14,800	56%

As of March 14, 2003, nine of our Gulf of Mexico jackups were working offshore Mexico on contracts with an average remaining term of two and one half years and an average day rate of $34,000, seven were working in the U.S. Gulf of Mexico, of which six were on short-term contracts, with an average day rate of $22,300, and nine rigs were available. Additionally, two of our platform rigs were working offshore Mexico on contracts with an average day rate of $19,600 and two were working in the U.S. Gulf of Mexico at an average day rate of $13,700. Of the remaining 17 platform rigs, two are being mobilized for customer contracts beginning in April 2003 and one has been committed to a customer.

Although natural gas prices have recently increased significantly and natural gas storage levels have declined dramatically, demand for drilling services in the U.S. Gulf of Mexico has shown only a marginal improvement to date. Our current expectation is that sustained natural gas prices at current levels will lead to increased activity levels and day rates in the U.S. Gulf of Mexico in the second half of 2003. Our available jackup rigs have been well maintained and could be put back into service at minimal cost. As a result, we believe we are well positioned to take advantage of any upturn in demand in this market.

We expect that revenues and gross margins derived from our entire Gulf of Mexico operations in 2003 will exceed those for 2002 due to the impact of a full year of operations for our rigs working in Mexico even if market conditions remain at their current depressed levels in the U.S. sector of the Gulf.

International Offshore

Our international offshore segment has continued to experience high levels of activity, and we maintained essentially full utilization of six of our seven high-specification deepwater rigs during 2002. The seventh deepwater rig, the *Pride South Pacific,* completed a contract in April 2002 and underwent upgrades before commencing a new contract offshore Angola at the end of November 2002. The new contract is expected to last approximately one year. All of these high specification rigs are working on long-term development projects and are expected to achieve nearly 100% utilization in 2003. The *Pride South America* semisubmersible rig, however, received its five-year periodic inspection and related maintenance in the first quarter of 2003 and was out of service for approximately 70 days.

Our intermediate water-depth semisubmersibles experienced approximately 81% utilization in 2002 with most of the non-chargeable time due to scheduled periodic inspections and to time preparing for and mobilizing to new contracts. We currently expect a similar or slightly improved level of activity for these rigs in 2003.

Following the mobilization of the jackup rigs *Pride North Dakota* and the *Pride West Virginia* to Nigeria and India, respectively, in the second half of 2002 under two-year contracts, we currently have eight jackup rigs working in international waters outside of the Gulf of Mexico. All of these rigs are currently working under long-term contracts. Additionally, we manage two jackup rigs on behalf of PDVSA in Venezuela under contracts that expire in June 2003.

The following table summarizes average daily revenue and percentage utilization by type of rig for our international offshore rigs for the last three years.

	2002		2001		2000	
	Daily Revenue	Utilization	Daily Revenue	Utilization	Daily Revenue	Utilization
Drillships/Semisubmersible Rigs	$124,900	84%	$118,500	93%	$123,100	88%
Jackup Rigs	$ 48,000	89%	$ 36,600	82%	$ 42,200	59%
Tender and Barge Rigs	$ 33,700	94%	$ 31,400	78%	$ 30,800	50%

International Land

During 2002, our international land operations were adversely affected by the economic and political instability in Argentina and Venezuela. The Argentine peso declined in value against the U.S. dollar following the Argentine government's decision to abandon the country's fixed dollar-to-peso exchange rate at the end of 2001. The devaluation, coupled with the government's mandated conversion of all dollar-based contracts to pesos, severely pressured our margins. As a result, we recorded a charge in the fourth quarter of 2001 of $6.9 million, net of estimated income taxes, to reduce the carrying value of our net monetary assets in Argentina. During the first quarter of 2002, we engaged in discussions with all of our Argentine customers regarding recovery of losses sustained from the devaluation of accounts receivable and the basis on which new business would be contracted. We restructured most of our contracts on a basis that we believe limits our exposure to further devaluations. Activity levels slowly recovered in Argentina during the second half of 2002 as high oil prices positively impacted our customers' cash flows and have continued to improve subsequent to year end. The average rate of utilization of our drilling and workover rig fleets in Argentina was 68% in 2002, down from 79% in 2001 and 72% in 2000. As of March 14, 2003, 128, or 86%, of our total fleet of 149 drilling and workover rigs in Argentina were under contract.

In 2002, $121.3 million, or approximately 10%, of our consolidated revenues were derived from land and offshore drilling, workover and E&P services in Venezuela, which has been experiencing political, economic and social instability. A prolonged strike by PDVSA employees has led to the dismissal of more than 12,000 employees by the government. While the recent turmoil in Venezuela is likely to lead to increased demand at some time in the future for integrated project management services as well as workover services to repair wells that have been shut-in, it has led to a reduction in our level of operations in that country during the first quarter of 2003. Since the conclusion of the strike, our rig activity level has returned to approximately the same level as before the strike. Currently 12, or 29%, of our 42 land-based drilling and workover rigs and all five of our offshore rigs in Venezuela are under contract. Venezuela has also recently implemented exchange controls which, together with recent employee dismissals and reorganization within PDVSA, have led to a slower rate of collection of our trade receivables and could limit our ability to convert local currency to U.S. dollars and transfer funds out of the country. Our billed trade receivables in Venezuela have increased from $30.6 million at December 31, 2002 to $36.4 million as of February 28, 2003. Management believes that all such receivables will be recovered and that the recently implemented exchange controls will not have a significant impact on our financial position or results of operations.

The effect of reduced activity in our land drilling and workover markets in South America was partially offset by increased activity in Africa, where five newly constructed mobile land rigs started work in Chad in December 2001 and early 2002 under contracts with ExxonMobil with initial terms ranging from five to seven years. Additionally, activity increased in Russia, where a 3000 horsepower land rig worked throughout 2002 following its relocation from Argentina to Western Siberia in late 2001. In 2002 we mobilized the first of two large land rigs to Kazakhstan. The rig has been earning a standby rate since being accepted by the customer in November 2002 and will commence drilling on an artificial island in the Caspian Sea after the spring thaw that is expected to occur in April 2003. The second rig is currently being shipped to Kazakhstan and is expected to commence drilling operations early in the third quarter of 2003.

E&P Services

Our E&P Services activity is generated predominately in South America and was negatively impacted by the crises in Argentina and Venezuela in 2002. Revenues and gross margins have, however, recovered steadily throughout the year from a low point in the second quarter of 2002 as activity in Argentina has recovered. Revenues from E&P services are expected to improve in 2003 in part due to expansion into new markets.

Technical Services

Prior to 2002, our technical services group conducted its activities almost exclusively for Pride's operating groups. Its projects included the design, engineering and construction of new rigs, including the *Pride Africa* and *Pride Angola* drillships, and the design and management of major rig upgrades and maintenance projects.

The technical services group is currently providing design, engineering and construction management services to our customers on a remunerated basis. The technical services group has five major projects ongoing to design, engineer, manage construction of and commission deepwater platform drilling rigs, which are being constructed on behalf of two major oil company customers. We will also provide drilling operations management of the rig packages once they have been installed on the deepwater platforms, which include spars, tension-leg platforms and other designs.

Please read "Business — Overview" in Item 1 of this annual report and "Liquidity and Capital Resources" in this Item 7.

Results of Operations

The following table presents selected consolidated financial information by operating segment for the periods indicated.

	Year Ended December 31,					
	2002		2001		2000	
	(Dollars in thousands)					
Revenues:						
Gulf of Mexico	$ 165,419	13.0%	$ 418,850	27.7%	$ 327,368	27.9%
International offshore	642,319	50.6	507,139	33.5	395,336	33.7
International land	299,278	23.6	444,405	29.4	364,461	31.1
E&P services	73,000	5.7	142,501	9.4	85,873	7.3
Technical services	89,758	7.1	—	—	—	—
Total revenues	$1,269,774	100.0%	$1,512,895	100.0%	$1,173,038	100.%
Operating Costs:						
Gulf of Mexico	$ 141,766	17.5%	$ 212,401	23.5%	$ 183,348	25.4%
International offshore	322,777	40.0	250,464	27.8	209,349	29.0
International land	204,018	25.3	330,492	36.6	268,832	37.2
E&P services	52,176	6.5	108,910	12.1	60,774	8.4
Technical services	86,708	10.7	—	—	—	—
Total operating Costs	$ 807,445	100.0%	$ 902,267	100.0%	$ 722,303	100.0%
Gross Margin:						
Gulf of Mexico	$ 23,653	5.1%	$ 206,449	33.8%	$ 144,020	32.0%
International offshore	319,542	69.1	256,675	42.0	185,987	41.2
International land	95,260	20.6	113,913	18.7	95,629	21.2
E&P services	20,824	4.5	33,591	5.5	25,099	5.6
Technical services	3,050	0.7	—	—	—	—
Total gross margin	$ 462,329	100.0%	$ 610,628	100.0%	$ 450,735	100.0%

2002 Compared with 2001

Revenues. Revenues in 2002 decreased $243.1 million, or 16.1%, as compared to 2001, primarily due to reduced activity and day rates for our jackup and platform rigs in the U.S. Gulf of Mexico and a reduction in revenues in Argentina and Venezuela due to reduced activity levels for our land drilling and E&P services operations and the devaluation of their currencies. Additionally, one of our seven high-specification deepwater rigs, the *Pride South Pacific*, which worked throughout 2001, completed a contract in April 2002 and did not work again until the end of November 2002. These decreases were partially offset by a full year of operations for two of our semisubmersibles, the *Pride Carlos Walter* and *Pride Brazil*, which commenced working for Petrobras under five-year contracts in June and July 2001, increased jackup activity in Mexico, the commencement of land drilling operations in Chad and Kazakhstan and the start-up of operations for our technical services division.

Operating Costs. Operating costs in 2002 decreased $94.8 million, or 10.5%, as compared to 2001 due to decreased costs associated with rigs that were stacked or being upgraded during 2002 that operated during 2001 and a reduction in operating costs in Argentina and Venezuela due to reduced activity levels in those countries and the devaluation of their local currencies. These reductions in costs were partially offset by a full year of operating costs for the *Pride Carlos Walter* and *Pride Brazil* placed into service in June and July 2001, costs related to the commencement of operations in Chad and Kazakhstan and to the start-up of operations of our technical services division.

Depreciation and Amortization. Depreciation and amortization expense increased $27.5 million, or 13.8%, in 2002 as compared with 2001, due to incremental depreciation on newly acquired and constructed rigs and other rig refurbishments and upgrades. This increase was partially offset by the impact of a reassessment of residual values and estimated remaining useful lives of certain rigs during the third quarter of 2001 and the elimination of amortization of goodwill beginning in January 2002.

Selling, General and Administrative. Selling, general and administrative expenses for 2002 decreased $6.1 million, or 6.0%, as compared with 2001, primarily due to cost savings associated with the closure of duplicate facilities and staffing reductions following our September 2001 acquisition of Marine. Additionally, the devaluation of the currencies in Argentina and Venezuela favorably impacted expenses denominated in their local currencies.

Pooling and Merger Costs. Costs totaling $35.8 million were incurred in connection with the acquisition of Marine in September 2001. The costs consisted of investment advisory, legal and other professional fees totaling $24.4 million and costs associated with the closure of duplicate office facilities and employee terminations of $11.4 million

Other Income (Expense). Other expense in 2002 increased $9.3 million, or 7.7%, as compared to 2001. Interest expense increased by $15.8 million, principally due to interest on indebtedness added in the March 2001 acquisition of the remaining 73.6% ownership of the *Pride Carlos Walter* and *Pride Brazil* and interest on construction financing for the rigs that had been capitalized during their construction. During 2002, we capitalized $1.9 million of interest expense in connection with construction projects, as compared to $19.0 million of interest capitalized in 2001. Interest income declined $9.1 million due to lower cash balances available for investment and to a reduction in interest rates. Other expense in 2001 included net foreign exchange losses of $13.1 million and a $5.1 million charge in connection with the settlement of a wage-related antitrust lawsuit, partially offset by a gain from the sale of surplus assets. The 2001 foreign exchange losses included a pre-tax charge of $10.7 million (or $6.9 million net of estimated income taxes) to reduce the carrying value of our net monetary assets in Argentina following devaluation of the Argentine currency.

Income Tax Provision. Our consolidated effective income tax rate for 2002 decreased to 30.0% from 31.8% in 2001. The higher rate in 2001 was principally a result of approximately $19.0 million of the pooling and merger costs being estimated to be non-deductible for U.S. federal income tax purposes.

Minority Interest. Minority interest in 2002 increased $0.6 million, or 3.8%, as compared to 2001, primarily due to an increase in net income generated by our 51% owned drillships, the *Pride Africa* and *Pride Angola*, as a result of decreased downtime and increased performance bonuses received from our customer.

Extraordinary Item. We recognized an extraordinary loss in 2002 of $0.8 million, net of estimated income taxes, related to the early extinguishment of approximately $244.2 million accreted value, net of offering costs, of our zero coupon convertible senior and subordinated debentures. In 2001, we recognized an extraordinary gain of $1.3 million, net of estimated income taxes, related to the early extinguishment of approximately $58.2 million accreted value, net of offering costs, of our zero coupon convertible subordinated debentures.

2001 Compared with 2000

Revenues. Revenues in 2001 increased $339.9 million, or 29.0%, as compared to 2000, primarily due to increases in average day rates for our Gulf of Mexico jackup and platform rig fleets, full-period operations in 2001 for the drillship *Pride Angola*, revenues from the *Pride Carlos Walter* and the *Pride Brazil*, which entered into service in June and July 2001, respectively, revenues from the *Pride Venezuela* and the *Pride North Sea* semisubmersible rigs, which were acquired in February 2001, and increased revenues from our international land operations as a result of increased day rates for our rigs in South America and the addition of 14 drilling rigs during 2001. Additionally, revenues from E&P services increased primarily due to the inclusion of a full year of operations in 2001 as compared with only nine months of activity in 2000, following the acquisition of the division in April of that year.

Operating Costs. Operating costs in 2001 increased $180.0 million, or 24.9%, as compared to 2000. The increase was principally due to costs related to the newly acquired or constructed semisubmersible rigs, to increased costs of rigs that operated during 2001 that were being upgraded or were stacked in 2000, to costs for a full period in 2001 for the *Pride Angola* and the E&P services division as compared with partial periods in 2000 and to costs associated with integrated project management services and coiled tubing drilling.

Depreciation and Amortization. Depreciation and amortization expense increased $24.4 million, or 14.0%, in 2001 as compared with 2000, due to incremental depreciation recorded on newly acquired and constructed rigs and depreciation of the costs associated with significant rig refurbishments and upgrades. This increase was partially offset by the effect of a reassessment during the third quarter of 2001 of residual values and estimated remaining useful lives of certain rigs of $10.3 million.

Selling, General and Administrative. Selling, general and administrative expenses for 2001 increased $4.8 million, or 5.0%, as compared with 2000, primarily due to a full year of expenses for our E&P services division as compared with nine months of expenses in 2000 and our July 2001 acquisition of 14 additional rigs in Argentina and Venezuela. As a percentage of revenues, selling, general and administrative expenses decreased from 8.1% in 2000 to 6.6% in 2001.

Pooling and Merger Costs. Costs totaling $35.8 million were incurred in connection with the acquisition of Marine in September 2001. The costs consisted of investment advisory, legal and other professional fees totaling $24.4 million and costs associated with the closure of duplicate office facilities and employee terminations of $11.4 million.

Other Income (Expense). Other expense in 2001 increased $35.1 million, or 40.9%, as compared to 2000. Interest expense increased by $14.6 million, principally due to interest on indebtedness added in the March 2001 acquisition of the remaining 73.6% ownership of the *Pride Carlos Walter* and *Pride Brazil*, interest on construction financing for the rigs that had been capitalized during their construction and amortization of deferred financing costs relating to our zero coupon convertible debentures. The increase in interest expense was partially offset by the impact of a reduction in interest rates on floating rate debt. During 2001, we capitalized $19.0 million of interest expense in connection with construction projects, as compared to $11.2 million of interest capitalized in 2000.

Other expense in 2001 included foreign exchange losses of $13.1 million and a $5.1 million charge in connection with the settlement of a wage-related antitrust lawsuit, partially offset by a gain from the sale of surplus assets. The foreign exchange losses included a pre-tax charge of $10.7 million (or $6.9 million net of estimated income taxes) to reduce the carrying value of our net monetary assets in Argentina. Other income in 2000 included a gain from a litigation settlement partially offset by losses on foreign currency exchange contracts.

Income Tax Provision. Our consolidated effective income tax rate for 2001 decreased to 31.8% from 36.9% in 2000, principally as a result of increased income in foreign jurisdictions with low or zero effective tax rates. The decrease was partially offset as approximately $19.0 million of the pooling and merger costs is estimated to be non-deductible for U.S. federal income tax purposes. Exclusive of the effects of such non-deductible pooling and merger costs, the effective tax rate would have been approximately 28.9%.

Minority Interest. Minority interest in 2001 increased $4.7 million, or 43.4%, as compared to 2000 due to an increase in net income generated by our 51% owned drillship, the *Pride Angola*, which commenced operations in May 2000.

Extraordinary Item. We recognized an extraordinary gain in 2001 of $1.3 million, net of estimated income taxes, related to the early extinguishment of approximately $58.2 million accreted value, net of offering costs, of our zero coupon convertible subordinated debentures due 2018.

Liquidity and Capital Resources

We had net working capital of $122.5 million and $92.1 million as of December 31, 2002 and December 31, 2001, respectively. Our current ratio, the ratio of current assets to current liabilities, was 1.2 at both December 31, 2002 and December 31, 2001. The increase in net working capital was attributable primarily to an increase in cash received from our issuance of $300 million principal amount of 2½% convertible senior notes in March 2002 and from borrowings of $225 million under our new senior secured bank term loan, net of amounts used to retire other bank debt and repurchase our zero coupon convertible debentures.

In June 2002, we entered into senior secured credit facilities with a group of banks providing for aggregate availability of up to $450.0 million, consisting of a five-year $200.0 million term loan and a three-year $250.0 million revolving credit facility. Proceeds from the term loan were used to refinance a portion of the amounts outstanding under other credit facilities. Borrowings under the revolving credit facility are available for general corporate purposes. As of December 31, 2002, $25.0 million of borrowings and an additional $12.4 million of letters of credit were outstanding under the revolving credit facility. The facilities are collateralized by two deepwater semisubmersible rigs, the *Pride North America* and the *Pride South Pacific*, and 28 jackup rigs. Borrowings under the facilities currently bear interest at variable rates based on LIBOR plus a spread based on the credit rating of the facility or, if unrated, index debt. As of March 14, 2003, the spread was 3.5% for the term loan and 2.6% for the revolving credit facility. The interest rate on the term loan was 5.3% as of December 31, 2002. The credit facilities contain provisions that limit our ability and the ability of our subsidiaries, with certain exceptions, to pay dividends or make other restricted payments and investments; incur additional debt; create liens; incur dividend or other payment restrictions affecting subsidiaries; consolidate, merge or transfer all or substantially all of our assets; sell assets or subsidiaries; enter into speculative hedging arrangements outside the ordinary course of business; enter into transactions with affiliates; make maintenance capital expenditures and incur long-term operating leases. The credit facilities also require us to comply with specified financial tests, including a ratio of net debt to EBITDA, as defined, an interest coverage ratio, a ratio of net debt to total capitalization and a minimum net worth.

We also have a senior revolving credit facility with non-U.S. banks that provide aggregate availability of up to $95.0 million. The credit facility terminates in June 2005 and is collateralized by a semisubmersible rig, the *Pride South Atlantic*, a jackup rig, the *Pride Montana*, and a tender-assisted rig. Borrowings under the credit facility bear interest at variable rates based on LIBOR plus a spread ranging from 1.00% to 1.55%. As of December 31, 2002, there were borrowings of $85.0 million outstanding under this credit facility.

During 2002, we purchased on the open market and then extinguished $277.9 million principal amount at maturity of our zero coupon convertible senior debentures due 2021. The aggregate purchase price was $172.8 million, and the accreted value of the debentures, less offering costs, was $171.9 million. In January 2003, we were required by the terms of the debentures to make an offer to purchase them at the accreted value of the debentures on the purchase date. In connection with the offer, we repurchased and then cancelled all remaining outstanding debentures for $98.2 million. Also in 2002, we purchased on the open market and then extinguished a total of $153.3 million principal amount at maturity of our zero coupon convertible subordinated debentures due 2018. The total purchase price was $72.7 million, and the accreted value of the debentures, less offering costs, was $72.3 million. Holders have the right to require us to purchase the remaining outstanding zero coupon convertible subordinated debentures in April 2003 at an accreted price of $113.2 million based on the amount outstanding as of December 31, 2002. The debentures are convertible at any time into shares of our common stock at a conversion rate of 13.794 shares of common stock per $1,000 principal amount at maturity, which represents a conversion price of $28.35 per share. The closing price of our common stock on the New York Stock Exchange on March 14, 2003 was $13.11 per share. Based on current market conditions, we believe that we will likely be required to purchase for cash all the debentures on their initial put date. If we become obligated to repurchase the debentures, we intend to use available cash and credit facilities to make the purchases.

In March 2002, we issued $300.0 million principal amount of 2½% convertible senior notes due 2007. Net proceeds, after deducting underwriting discounts and offering costs, were $291.5 million. The notes are convertible into approximately 18.2 million shares of our common stock (equal to a conversion rate of 60.5694 shares of common stock per $1,000 principal amount, or $16.51 per share). The net proceeds were used to repay debt, including the repurchase of outstanding zero coupon debentures. In connection with the issuance of the notes, a private equity fund related to First Reserve Corporation purchased 7.9 million shares of our common stock from third parties. First Reserve manages private equity funds that specialize in the energy industry.

Additions to property and equipment during 2002 totaled $250.8 million, including $10.7 million for the completion of five mobile land rigs which have commenced operations in Chad, $84.3 million for upgrades to nine jackup rigs, one platform rig and one semisubmersible rig for work offshore Mexico and for two additional jackups to work in Nigeria and India, $25.2 million for upgrading and equipping two 3000 horsepower land rigs for work in Kazakhstan, $61.4 million for other rig upgrades, refurbishments and reactivations, and approximately $69.2 million for sustaining capital projects. Approximately $40.0 million of the above expenditures have been reimbursed by our customers.

We have a 51% ownership interest in and operate the ultra-deepwater drillships *Pride Africa* and *Pride Angola*, which are contracted to work for Elf Exploration Angola under contracts expiring in June 2005 and May 2005, respectively, each with two one-year extension options. Financing for approximately $400 million of the drillships' total construction cost of $495 million was provided by a group of banks. The loans are secured by the two drillships and the proceeds from the related drilling contracts and are non-recourse to us and the joint owner. As of December 31, 2002, a total of $232.0 million was outstanding under these loans. As a condition of the drillship loans, we entered into interest rate swap and cap agreements. The agreements effectively fixed the interest rate on the *Pride Africa* loan at 7.34% through December 2006, effectively fixed the interest rate on the *Pride Angola* loan at 6.52% through January 2003 and effectively capped the interest rate on the *Pride Angola* loan at 6.52% from February 2003 to January 2007.

In February 2001, we purchased a second-generation semisubmersible drilling rig (now the *Pride North Sea*) and a third-generation semisubmersible drilling rig (now the *Pride Venezuela*) for $44.7 million in cash and 3.0 million shares of our common stock valued at $78.9 million.

In March 2001, we increased from 26.4% to 100% our ownership in a joint venture that constructed two dynamically-positioned, deepwater semisubmersible drilling rigs. The *Pride Carlos Walter* commenced operations in June 2001, and the *Pride Brazil* commenced operations in July 2001. These rigs are operating for Petrobras under five-year charter and service rendering contracts, each with two one-year extension options. The purchase consideration for the interests we did not previously own consisted of approximately $86 million aggregate principal amount of senior convertible notes, which were issued to the Brazilian participant in the joint venture, and 519,468 shares of our common stock valued at approximately $14.0 million, which were issued to two investment funds managed by First Reserve Corporation pursuant to the funds' original investment in the joint venture. The acquisition added to our consolidated balance sheet approximately $443 million of assets represented by the two rigs, approximately $287 million of indebtedness incurred to finance the construction of the rigs and approximately $86 million of senior convertible notes issued to the Brazilian participant. The notes mature in March 2004, bear interest at 9% per annum and are convertible into approximately 4.0 million shares of our common stock.

In July 2001, we entered into a credit agreement with a group of foreign banks to provide loans totaling up to $250.0 million to refinance the construction loans for the *Pride Carlos Walter* and *Pride Brazil*. Borrowings under the facility bear interest at rates based on LIBOR plus an applicable margin of 1.50% to 1.85%. Principal and interest on the new loans are payable semi-annually from March 2002 through 2008.

Funding under the facility and repayment of the construction loans (which had interest rates of 11% per annum) was completed in November 2001. The loans are collateralized by, among other things, a first priority mortgage on the drilling rigs and assignment of the charters for the rigs. As required by the lenders, we entered into interest rate swap and cap agreements, which capped the interest rate on $50.0 million of the debt at 7% and which fixed the interest rate on the remainder of the debt at 5.58% from March 2002 through September 2006. As of December 31, 2002, there were borrowings of $215.4 million outstanding under this facility.

In 1997 and 1999, respectively, we issued $325.0 million of 9³/₈% senior notes due 2007 and $200.0 million of 10% senior notes due 2009. The notes contain provisions that limit our ability and the ability of our subsidiaries, with certain exceptions, to pay dividends or make other restricted payments; incur additional debt or issue preferred stock; create or permit to exist liens; incur dividend or other payment restrictions affecting subsidiaries; consolidate, merge or transfer all or substantially all our assets; sell assets; enter into transactions with affiliates and engage in sale and leaseback transactions.

In addition to the debt obligations described above, we had, as of December 31, 2002, approximately $26.0 million of other debt and capital lease obligations incurred primarily in connection with additions to our offshore rig fleet. These include a balance of $10.3 million principal amount of limited-recourse collateralized term loans made with two Japanese trading companies in 1994 to finance construction of our barge rigs, the *Pride I* and the *Pride II,* which term loans are being repaid from charter payments for the rigs in equal monthly installments of principal and interest (at 9.61% per annum) through July 2004.

As of December 31, 2002, we had approximately $4.3 billion in total assets and $1.9 billion of long-term debt and capital lease obligations. We also had aggregate availability under our senior credit facilities of $222.6 million as of December 31, 2002. Although we do not expect that our level of total indebtedness will have a material adverse impact on our financial position, results of operations or liquidity in future periods, it may limit our flexibility in certain areas. Please read "Risk Factors — We may be considered highly leveraged. Our significant debt levels and debt agreement restrictions may limit our flexibility in obtaining additional financing and in pursuing other business opportunities" in Item 1 of this annual report.

The following table summarizes our contractual cash obligations at December 31, 2002.

Contractual Cash Obligations(1)	Up to 1 Year	2-3 Years	4-5 Years	Over 5 Years	Total
	Payments Due by Period (In millions)				
Principal payments on long-term debt(2)	$305.3	$378.4	$ 977.5	$226.0	$1,887.2
Interest payments	108.6	178.7	117.6	29.4	434.3
Capital lease obligations	4.1	11.7	2.3	0.2	18.3
Operating leases — rigs(3)	13.3	24.1	29.8	65.8	133.0
Total cash obligations	$431.3	$592.9	$1,127.2	$321.4	$2,472.8

(1) Does not include unconditional purchase commitments to third parties for materials, goods and services incurred in the normal course of business.

(2) Assumes that we purchase $382.2 million principal amount at maturity of the outstanding zero coupon convertible debentures for cash on their initial put dates, including $153.6 million principal amount at maturity of our zero coupon convertible senior debentures purchased in January 2003 for $98.2 million, which was funded by borrowings under our existing senior credit facilities. The remaining $228.6 million principal amount at maturity of our zero coupon convertible subordinated debentures may, at the option of holders, be put to us in April 2003 at an accreted price of $113.2 million, which we expect to fund by additional borrowings under our existing senior credit facilities and by available cash.

(3) Primarily related to the Pride South America semisubmersible rig. In addition to rig operating leases, we have operating leases for other equipment, vehicles and various facilities. Rental expense under all operating leases for the years ended December 31, 2002, 2001 and 2000 was $41.1 million, $48.8 million and $39.4 million, respectively.

We own a 30% equity interest in a joint venture company that is constructing two dynamically positioned deepwater semisubmersible drilling rigs, currently referred to as the *Amethyst 4* and *Amethyst 5*. The rigs are being constructed at a shipyard in Maine, and we anticipate that they will be completed in late 2003. The joint venture company has financed 87.5% of the cost of construction of those rigs through credit facilities, with repayment of the borrowings under those facilities guaranteed by the United States Maritime Administration ("MARAD"). Advances under the credit facilities are being provided without recourse to any of the joint venture owners. The remaining 12.5% of the cost of construction is being provided by the joint venture company from equity contributions that have been made by the joint venture partners. Through December 31, 2002, our equity contributions to the joint venture totaled $29.6 million, including capitalized interest of $6.1 million. Based on the availability of funds under performance and payment bonds issued on behalf of a prior construction contractor and draws remaining under the MARAD-guaranteed credit facilities, we believe the *Amethyst 4* and *Amethyst 5* will be completed without requiring additional contributions by the joint venture partners.

In October 2002, the two First Reserve managed funds that collectively held an 11.9% interest in the joint venture transferred their interests to us in exchange for a total of 527,652 share of our common stock. The other joint venture partner exercised its option to acquire up to 70% of the interest we acquired in the First Reserve exchange, which reduced our interest to 30%. The exercise price of that option was 369,356 shares of our common stock. As a result of the exchange and other purchases of our common stock by First Reserve managed funds, First Reserve funds owned as of December 31, 2002 approximately 20.0 million shares of our common stock, or approximately 15% of the total shares outstanding.

The *Amethyst 4* and *Amethyst 5* are being built to operate under long-term charter and service rendering contracts with Petrobras; however, Petrobras has given notice of cancellation of those contracts for late delivery. We believe that Petrobras or another customer will employ the *Amethyst 4* and *Amethyst 5* under new or amended contracts. There can be no assurance, however, that either the *Amethyst 4* or *Amethyst 5* will be chartered to Petrobras or to any other customer.

We established the Pride International, Inc. Direct Stock Purchase Plan in 2000, which provides a convenient way for investors to purchase shares of our common stock without paying brokerage commissions or service charges. During 2001, we sold approximately 2.6 million shares of common stock under this plan for net proceeds of $62.0 million. No shares were sold under the plan in 2002.

As of December 31, 2002, $52.7 million of our cash balances, which amount is included in restricted cash, consists of funds held in trust in connection with our drillship and semisubmersible loans and our limited-recourse collateralized term loans and, accordingly, is not currently available for our use.

We believe that cash and cash equivalents on hand, together with the cash generated from our operations and borrowings under our credit facilities, will be adequate to fund normal ongoing capital expenditures, working capital and debt service requirements for the foreseeable future.

We expect to continue to redeploy assets to more active regions and to explore opportunities to expand our operations through acquisitions and rig upgrades from time to time. The timing, size or success of any acquisition effort and the associated potential capital commitments are unpredictable. From time to time, we have one or more bids outstanding for contracts that could require significant capital expenditures and mobilization costs. We expect to fund acquisitions and project opportunities primarily through a combination of working capital, cash flow from operations and full or limited recourse debt or equity financing.

Tax Matters

We have a U.S. deferred tax asset of $183.3 million relating to U.S. net operating loss ("NOL") carryforwards. Due to the acquisition of Marine, certain NOL carryforwards are subject to limitation under Sections 382 and 383 of the U.S. Internal Revenue Code. We have determined that such limitations should not affect our ability to realize the benefits associated with such NOL carryforwards. The U.S. NOL carryforwards total $523.8 million and expire in 2019 through 2022. We estimate that we will generate sufficient U.S. taxable income of approximately $524 million prior to the expiration dates of these NOL carryforwards to fully utilize them.

Historically, the difference between financial income (loss) and taxable income (loss) is primarily due to accelerated tax depreciation. Tax depreciation in excess of book depreciation for the years ended December 31, 2002, 2001, 2000 and 1999 was $106.5 million, $78.5 million, $60.5 million and $54.6 million, respectively.

We also have Argentine deferred tax assets of $6.5 million consisting primarily of NOL carryforwards. We expect to generate sufficient taxable income to fully utilize these NOL carryforwards. If the income from these operations is not sufficient to create sufficient taxable income to utilize NOL carryforwards, tax planning strategies exist that we believe would permit us to utilize these NOL carryforwards. The Argentina NOL carryforwards total $18.5 million and expire in 2004 through 2007.

Significant Accounting Policies

We consider policies concerning use of estimates, property and equipment, revenue recognition, periodic inspections and surveys and foreign currency translation to have the most significant impact on our consolidated financial statements.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, including realization of customer and insurance receivables and resolutions of tax claims. While we believe that such estimates are reasonable, actual results could differ from those estimates.

Property and equipment are carried at original cost or adjusted net realizable value, as applicable. Major renewals and improvements are capitalized and depreciated over the respective asset's remaining useful life. Maintenance and repair costs are charged to expense as incurred. When assets are sold or retired, the remaining costs and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in income.

Property and equipment held and used by us are reviewed for impairment whenever events or changes in circumstances indicate the carrying amounts may not be recoverable. Indicators of possible impairment include extended periods of idle time and/or an inability to contract specific assets or groups of assets, such as a specific type of drilling rig, or assets in a specific geographical region. However, the drilling, workover and related service industries in which we operate are highly cyclical and it is not unusual to find that assets that were idle, underutilized or contracted at sub-economic rates for significant periods of time resume activity at economic rates when market conditions improve. Additionally, most of our assets are mobile and we may mobilize rigs from one market to another to improve utilization or realize higher day rates. We estimate the future undiscounted cash flows of the affected assets to determine the recoverability of carrying amounts. In general, analyses are based on expected costs, utilization and day rates for the estimated remaining useful lives of the asset or group of assets being assessed.

Asset impairment evaluations are, by nature, highly subjective. They involve expectations about future cash flows generated by our assets, and reflect management's assumptions and judgements regarding future industry conditions and their effect on future utilization levels, day rates and costs. The use of different estimates and assumptions could result in materially different carrying values of our assets.

We recognize revenue as services are performed based upon contracted day rates and the number of operating days during the period. Revenue from turnkey contracts is generally recognized upon completion. Anticipated losses on turnkey contracts are recognized in operating results when known. Mobilization fees received and costs incurred to mobilize a rig in connection with a customer contract from one geographic area to another are deferred and recognized over the term of such contract. Construction contract revenues and related costs are recognized using the percentage of completion method. Fees received for capital improvements to rigs or other property and equipment are deferred and recognized over the period of the related drilling contract. The costs of such capital improvements are capitalized and depreciated over the useful lives of the assets.

We are required to obtain certifications from various regulatory bodies in order to operate our offshore drilling rigs and must maintain such certifications through periodic inspections and surveys. The costs associated with obtaining and maintaining such certifications, including inspections and surveys, drydock costs and remedial structural work to the rigs are deferred and amortized over the corresponding certification periods.

We account for translation of foreign currency in accordance with Statement of Financial Accounting Standards ("SFAS") No. 52, "Foreign Currency Translation." The majority of our revenues and expenditures are denominated in U.S. dollars to limit our exposure to foreign currency fluctuations, resulting in the use of the U.S. dollar as the functional currency. In addition, our operations in certain foreign jurisdictions are in "highly inflationary" economies resulting in the use of the U.S. dollar as the functional currency. As a result, certain assets and liabilities of foreign operations are translated at historical exchange rates, revenues and expenses in these countries are translated at the average rate of exchange for the period, and all translation gains or losses are reflected in the period's results of operations. In those countries where the U.S. dollar is not the functional currency, revenues and expenses are translated at the average rate of exchange for the period, assets and liabilities are translated at end-of-period exchange rates and all translation gains and losses are recorded in accumulated other comprehensive loss within stockholders' equity.

Effective January 1, 2002, we adopted SFAS No. 142, which eliminates the amortization of goodwill and requires that goodwill be reviewed annually for impairment. We ceased amortizing goodwill on January 1, 2002. We performed an impairment test of goodwill at year end 2002 and determined that the fair value exceeded the recorded cost as of December 31, 2002; accordingly, no impairment was recorded.

Recent Accounting Pronouncements

In August 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses financial accounting and reporting obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002 with early adoption encouraged.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of SFAS No. 13 and Technical Corrections." SFAS No. 145 eliminates the requirement that gains and losses from the extinguishment of debt be aggregated and classified as extraordinary items and requires sale-leaseback accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. SFAS No. 145 is effective for fiscal years beginning after May 15, 2002 with early adoption encouraged. Upon adoption, previously reported extraordinary items from the extinguishment of debt will be combined with other income (expense) and the related tax provision (benefit) will be reported with the income tax provision.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 requires that a liability for a cost that is associated with an exit or disposal activity be recognized when the liability is incurred. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002 with early application encouraged.

In November 2002, the FASB issued FASB Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No. 45 elaborates on required disclosures by a guarantor in its financial statements about obligations under certain guarantees that it has issued and requires a guarantor to recognize, at the inception of certain guarantees, a liability for the fair value of the obligation undertaken in issuing the guarantee. The provisions of FIN No. 45 relating to initial recognition and measurement of guarantor liabilities, are effective for qualifying guarantees entered into or modified after December 31, 2002. The disclosure provisions of FIN No. 45 for certain guarantees are effective immediately.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock Based Compensation — Transition and Disclosure — an Amendment of FASB Statement No. 123." SFAS No. 148 provides two alternative transition methods for the voluntary adoption of SFAS No. 123, "Accounting for Stock-Based Compensation." We have elected to continue to account for stock based compensation in accordance with APB No. 25. The disclosure provisions of SFAS No. 148 are effective immediately and require revised disclosures in both annual and interim financial statements about the method of accounting for stock-based compensation and the effect of the method on reported results. We adopted the new disclosure requirements for our fiscal year ended December 31, 2002. See Note 1 of the Notes to Consolidated Financial Statements included in Item 8 of this annual report.

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51." FIN No. 46 requires a company to consolidate a variable interest entity, as defined, when the company will absorb a majority of the variable interest entity's expected losses, receive a majority of the variable interest entity's expected residual returns, or both. FIN No. 46 also requires certain disclosures relating to consolidated variable interest entities and unconsolidated variable interest entities in which a company has a significant variable interest. The disclosure provisions of FIN No. 46 are effective for all financial statements issued after January 31, 2003. The consolidation provisions of FIN No. 46 apply immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which a company obtains an interest after January 31, 2003. With respect to variable interest entities in which a company holds a variable interest that is acquired before February 1, 2003, the consolidation provisions are required to be applied no later than the company's first fiscal year or interim period beginning after June 15, 2003.

SFAS Nos. 143, 145, 146 and 148 and FIN Nos. 45 and 46 are not expected to have a material impact on our consolidated financial position, results of operations or cash flows when adopted.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

We are exposed to certain market risks arising from the use of financial instruments in the ordinary course of business. These risks arise primarily as a result of potential changes in the fair market value of financial instruments that would result from adverse fluctuation in interest rates and foreign currency exchange rates as discussed below. We entered into these instruments other than for trading purposes. We incorporate by reference in response to this item the information set forth in Note 6 of the Notes to Consolidated Financial Statements included in Item 8 of this annual report.

Interest Rate Risk. We are exposed to interest rate risk through our convertible and fixed rate long-term debt. We have entered into agreements as required by the lenders under certain loan and credit agreements that effectively fixed or capped the interest rate on such debt. As of December 31, 2002, we held interest rate swap and cap agreements covering $447.3 million of our long-term debt. The fair market value of fixed rate debt will increase as prevailing interest rates decrease. The fair value of our long-term debt is estimated based on quoted market prices where applicable, or based on the present value of expected cash flows relating to the debt discounted at rates currently available to us for long-term borrowings with similar terms and maturities. The estimated fair value of our long-term debt as of December 31, 2002 and 2001 was approximately $1,962 million and $1,744 million, respectively, which is more than its carrying value as of December 31, 2002 and 2001 of $1,887 million and $1,725 million, respectively. A hypothetical 10% decrease in interest rates relative to market interest rates at December 31, 2002 would increase the fair market value of our long-term debt at December 31, 2002 by approximately $32 million.

Foreign Currency Exchange Rate Risk. We operate in a number of international areas and are involved in transactions denominated in currencies other than U.S. dollars, which expose us to foreign exchange rate risk. We utilize forward exchange and option contracts, local currency borrowings and the payment structure of customer contracts to selectively reduce our exposure to exchange rate fluctuations in connection with monetary assets, liabilities and cash flows denominated in certain foreign currencies. The estimated unrealized loss on our forward exchange and option contracts as of December 31, 2002 and 2001 was approximately $1.0 million and $6.6 million, respectively. A hypothetical 10% increase in the U.S. dollar relative to the Euro as of December 31, 2002 would result in an approximate $1.1 million decrease in the fair value of our forward exchange and option contracts. We do not hold or issue forward exchange contracts, option contracts or other derivative financial instruments for speculative purposes.

FORWARD-LOOKING STATEMENTS

This annual report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical fact, included in this annual report that address activities, events or developments that we expect, project, believe or anticipate will or may occur in the future are forward-looking statements. These include such matters as:

- market conditions, expansion and other development trends in the contract drilling industry
- utilization rates and contract rates for rigs
- future capital expenditures and investments in the construction, acquisition and refurbishment of rigs (including the amount and nature thereof and the timing of completion thereof)
- completion and employment of rigs under construction
- repayment of debt
- utilization of net operating loss carryforwards
- business strategies
- expansion and growth of operations
- future exposure to currency devaluations
- future operating results and financial condition and
- the effectiveness of our disclosure controls and procedures

We have based these statements on our assumptions and analyses in light of our experience and perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate in the circumstances. These statements are subject to a number of assumptions, risks and uncertainties, including those described under "Business — Risk Factors" in Item 1 of this annual report and the following:

- general economic business conditions
- prices of oil and gas and industry expectations about future prices
- foreign exchange controls and currency fluctuations
- political stability in the countries in which we operate
- the business opportunities (or lack thereof) that may be presented to and pursued by us
- changes in laws or regulations and
- the validity of the assumptions used in the design of our disclosure controls and procedures

Most of these factors are beyond our control. We caution you that forward-looking statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in these statements. We will not update these statements unless the securities laws require us to do so.

Item 8. ***Financial Statements and Supplementary Data***

REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and Board of Directors of Pride International, Inc.:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, stockholders' equity and cash flows present fairly, in all material respects, the consolidated financial position of Pride International, Inc. and Subsidiaries as of December 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America. 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. The consolidated financial statements give retroactive effect to the acquisition of Marine Drilling Companies, Inc. on September 13, 2001 in a transaction accounted for as a pooling of interests, as described in Note 1 to the consolidated financial statements. We did not audit the financial statements of Marine Drilling Companies, Inc., which reflect total revenue of $264 million for the year ended December 31, 2000. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Marine Drilling Companies, Inc., is based solely on the report of other auditors. 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 audits 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, "Accounting for Goodwill and Other Intangible Assets".

PRICEWATERHOUSECOOPERS LLP

Houston, Texas
March 25, 2003

PRIDE INTERNATIONAL, INC.

CONSOLIDATED BALANCE SHEET

	December 31, 2002	December 31, 2001
	(In thousands, except par values)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 133,986	$ 58,988
Restricted cash	52,700	55,400
Trade receivables, net	265,885	333,433
Parts and supplies, net	64,920	59,720
Deferred income taxes	3,332	2,096
Other current assets	148,561	122,503
Total current assets	669,384	632,140
PROPERTY AND EQUIPMENT, net	3,395,774	3,371,159
OTHER ASSETS		
Investments in and advances to affiliates	29,620	26,524
Goodwill, net	72,014	64,656
Other assets	158,203	111,211
Total other assets	259,837	202,391
	$4,324,995	$4,205,690
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 186,657	$ 188,686
Accrued expenses	243,190	206,488
Deferred income taxes	985	—
Short-term borrowings	17,724	42,379
Current portion of long-term debt	95,610	99,850
Current portion of long-term lease obligations	2,679	2,643
Total current liabilities	546,845	540,046
OTHER LONG-TERM LIABILITIES	91,145	128,293
LONG-TERM DEBT, net of current portion	1,791,619	1,624,888
LONG-TERM LEASE OBLIGATIONS, net of current portion	12,511	14,997
DEFERRED INCOME TAXES	100,966	134,253
MINORITY INTEREST	82,204	66,107
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred stock, $.01 par value; 50,000 shares authorized; none issued	—	—
Common stock, $.01 par value; 400,000 shares authorized; 134,453 and 132,793 shares issued; 134,084 and 132,793 shares outstanding	1,344	1,328
Paid-in capital	1,237,146	1,218,624
Treasury stock, at cost	(4,409)	—
Accumulated other comprehensive loss	(3,598)	(1,015)
Retained earnings	469,222	478,169
Total stockholders' equity	1,699,705	1,697,106
	$4,324,995	$4,205,690

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

PRIDE INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF OPERATIONS

	Year Ended December 31,		
	2002	2001	2000
	(In thousands, except per share amounts)		
REVENUES	$1,269,774	$1,512,895	$1,173,038
OPERATING COSTS	807,445	902,267	722,303
Gross Margin	462,329	610,628	450,735
DEPRECIATION AND AMORTIZATION	226,422	198,928	174,570
SELLING, GENERAL AND ADMINISTRATIVE	94,241	100,309	95,528
POOLING AND MERGER COSTS	—	35,766	—
EARNINGS FROM OPERATIONS	141,666	275,625	180,637
OTHER INCOME (EXPENSE)			
Interest expense	(132,551)	(116,785)	(102,233)
Interest income	2,084	11,148	12,682
Other income (expense), net	156	(15,375)	3,655
Total other expense, net	(130,311)	(121,012)	(85,896)
EARNINGS BEFORE INCOME TAXES AND MINORITY INTEREST	11,355	154,613	94,741
INCOME TAX PROVISION	3,407	49,231	34,928
MINORITY INTEREST	16,097	15,508	10,812
EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEM	(8,149)	89,874	49,001
EXTRAORDINARY ITEM, NET	(798)	1,332	—
NET EARNINGS (LOSS)	$ (8,947)	$ 91,206	$ 49,001
NET EARNINGS (LOSS) PER SHARE BEFORE EXTRAORDINARY ITEM			
Basic	$ (0.06)	$ 0.68	$ 0.40
Diluted	$ (0.06)	$ 0.67	$ 0.39
NET EARNINGS (LOSS) PER SHARE AFTER EXTRAORDINARY ITEM			
Basic	$ (0.07)	$ 0.69	$ 0.40
Diluted	$ (0.07)	$ 0.68	$ 0.39
WEIGHTED AVERAGE SHARES OUTSTANDING			
Basic	133,305	131,630	123,038
Diluted	133,305	142,778	126,664

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

PRIDE INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	Common Stock		Paid-In	Treasury Stock		Accumulated Other Comprehensive	Retained	Total Stockholders'
	Shares	Amount	Capital	Shares	Amount	Gain (Loss)	Earnings	Equity
				(In thousands)				
BALANCE — DECEMBER 31, 1999	117,601	$1,176	$ 898,876	—	$ —	$(1,546)	$337,962	$1,236,468
Net earnings	—	—	—	—	—	—	49,001	49,001
Foreign currency translation	—	—	—	—	—	444	—	444
Total comprehensive income				—	—			49,445
Issuance of common stock in connection with Direct Stock Purchase Plan	2,282	23	54,377	—	—	—	—	54,400
Issuance of common stock in connection with private investment	4,500	45	71,955	—	—	—	—	72,000
Issuance of stock for stock offering	1,000	10	18,451	—	—	—	—	18,461
Other issuance of common stock	101	1	2,081	—	—	—	—	2,082
Exercise of stock options	766	8	7,397	—	—	—	—	7,405
Tax benefit of non-qualified stock options	—	—	3,069	—	—	—	—	3,069
BALANCE — DECEMBER 31, 2000	126,250	1,263	1,056,206	—	—	(1,102)	386,963	1,443,330
Net earnings	—	—	—	—	—	—	91,206	91,206
Foreign currency translation	—	—	—	—	—	87	—	87
Total comprehensive income								91,293
Issuance of common stock in connection with Direct Stock Purchase Plan	2,596	26	62,000	—	—	—	—	62,026
Issuance of common stock in connection with private investments	3,555	35	92,971	—	—	—	—	93,006
Other issuance of common stock	43	1	996	—	—	—	—	997
Exercise of stock options	349	3	6,364	—	—	—	—	6,367
Tax benefit on non-qualified stock options	—	—	87	—	—	—	—	87
BALANCE — DECEMBER 31, 2001	132,793	1,328	1,218,624	—	—	(1,015)	478,169	1,697,106
Net loss	—	—	—	—	—	—	(8,947)	(8,947)
Foreign currency translation	—	—	—	—	—	(2,583)	—	(2,583)
Total comprehensive loss								(11,530)
Issuance of common stock in connection with private investments	528	5	6,295	369	(4,409)	—	—	1,891
Other issuance of common stock	37	—	476	—	—	—	—	476
Exercise of stock options	1,095	11	9,069	—	—	—	—	9,080
Tax benefit on non-qualified stock options	—	—	2,682	—	—	—	—	2,682
BALANCE — DECEMBER 31, 2002	134,453	$1,344	$1,237,146	369	$(4,409)	$(3,598)	$469,222	$1,699,705

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

PRIDE INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2002	2001	2000
		(In thousands)	
OPERATING ACTIVITIES			
Net earnings (loss)	$ (8,947)	$ 91,206	$ 49,001
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities —			
Depreciation and amortization	226,422	198,928	174,570
Discount amortization on zero coupon convertible debentures	11,062	16,204	10,388
Amortization of deferred loan costs	7,836	6,604	344
Gain on sale of assets	(438)	(1,393)	(3,718)
Deferred income taxes	(30,426)	6,535	14,518
Minority interest	16,097	15,508	10,812
Extraordinary item	798	(1,332)	—
Changes in assets and liabilities, net of effects of acquisitions —			
Trade receivables	53,436	(43,370)	(104,736)
Parts and supplies	(5,108)	(4,152)	(10,758)
Other current assets	(23,714)	(54,037)	32,280
Other assets	(47,146)	(28,230)	(23,099)
Accounts payable	(43,271)	(18,061)	6,332
Accrued expenses	29,903	29,709	26,923
Other liabilities	(34,536)	39,406	21,961
Net cash provided by operating activities	151,968	253,525	204,818
INVESTING ACTIVITIES			
Purchase of net assets of acquired entities, including acquisition costs, less cash acquired	(2,414)	(8,934)	(45,755)
Purchases of property and equipment	(215,490)	(307,714)	(215,372)
Proceeds from dispositions of property and equipment	1,256	2,737	5,115
Investments in and advances to affiliates	(1,205)	(17,788)	(8,408)
Proceeds from sales of short-term investments	—	—	72,931
Purchases of short-term investments	—	—	(30,054)
Net cash used in investing activities	(217,853)	(331,699)	(221,543)
FINANCING ACTIVITIES			
Proceeds from issuance of common stock	476	63,023	146,943
Proceeds from exercise of stock options	9,080	6,367	7,406
Proceeds from issuance of convertible senior debentures, net of issue costs	291,515	254,500	—
Proceeds from debt borrowings	385,000	194,039	129,222
Reduction of debt	(547,888)	(453,045)	(255,459)
Decrease (increase) in restricted cash	2,700	(4,900)	(33,800)
Net cash provided by financing activities	140,883	59,984	(5,688)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	74,998	(18,190)	(22,413)
CASH AND CASH EQUIVALENTS, beginning of year	58,988	77,178	99,591
CASH AND CASH EQUIVALENTS, end of year	$ 133,986	$ 58,988	$ 77,178

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

PRIDE INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Principles of Consolidation and Reporting

The consolidated financial statements include the accounts of Pride International, Inc. and its wholly-owned and majority-owned subsidiaries (the "Company" or "Pride"). All significant intercompany transactions and balances have been eliminated in consolidation. Investments in which the Company owns less than 50% and exercises significant influence are accounted for using the equity method of accounting, and investments in which the Company does not exercise significant influence are accounted for using the cost method of accounting. Certain reclassifications have been made to prior years' amounts to conform with the current year presentation.

In September 2001, Pride acquired Marine Drilling Companies, Inc. ("Marine") pursuant to a merger of Marine into a wholly owned subsidiary of Pride. Approximately 58.7 million shares of Pride common stock were issued to the former shareholders of Marine, which equaled approximately 44% of the outstanding common shares of the combined company immediately following the acquisition. The Marine merger was followed by a merger that changed Pride's state of incorporation from Louisiana to Delaware. The acquisition of Marine was accounted for as a pooling-of-interests for accounting and financial reporting purposes. Under this method of accounting, the recorded historical carrying amounts of the assets and liabilities of Pride and Marine are carried forward to the financial statements of the combined company at recorded amounts, results of operations of the combined company include the income and expenses of Pride and Marine for the entire fiscal period in which the combination occurred, and the historical results of operations of the separate companies for fiscal periods prior to the combination are combined and reported as the historical results of operations of the combined company. The results of operations of Pride and Marine for periods prior to the combination that are included in the combined company's recorded amounts are as follows (in thousands):

	Pride	Marine	Combined
Six Months Ended June 30, 2001			
Revenues	$561,414	$182,639	$ 744,053
Net earnings	30,071	52,562	82,633
Year Ended December 31, 2000			
Revenues	$909,007	$264,031	$1,173,038
Net earnings	736	48,265	49,001

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments having maturities of three months or less at the date of purchase to be cash equivalents.

Parts and Supplies

Parts and supplies consist of spare rig parts and supplies held for use in operations and are valued at the lower of weighted average cost or estimated market value.

Property and Equipment

Property and equipment are carried at original cost or adjusted net realizable value, as applicable. Major renewals and improvements are capitalized and depreciated over the respective asset's remaining useful life. Maintenance and repair costs are charged to expense as incurred. When assets are sold or retired, the remaining costs and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in income.

For financial reporting purposes, depreciation of property and equipment is provided using the straight-line method based upon expected useful lives of each class of assets. Estimated useful lives of the assets for financial reporting purposes are as follows:

	Years
Rigs and rig equipment	5-25
Transportation equipment	3-7
Buildings and improvements	10-20
Furniture and fixtures	5

Rigs and rig equipment have salvage values not exceeding 20% of the cost of the rig or rig equipment.

Interest is capitalized on construction in progress at the interest rate on debt incurred for construction or at the weighted average cost of debt outstanding during the period of construction.

Goodwill

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, which eliminates the amortization of goodwill and requires that goodwill be reviewed annually for impairment. The Company ceased amortizing goodwill on January 1, 2002, which was previously amortized using the straight-line method over ten to fifteen years. The Company performed an impairment test of goodwill in the fourth quarter of 2002 and determined that the fair value exceeded the recorded cost as of December 31, 2002; accordingly, no impairment was recorded.

The Company's net earnings and net earnings per share, adjusted to exclude goodwill amortization expense, for the years ended 2001 and 2000, are as follows:

	Year Ended December 31,	
	2001	2000
	(in thousands, except per share amounts)	
Net earnings as reported	$91,206	$49,001
Goodwill amortization, net of tax	2,737	1,875
Adjusted net earnings	$93,943	$50,876
Basic earnings per share		
Net basic earnings per share as reported	$ 0.69	$ 0.40
Goodwill amortization, net of tax	0.02	0.01
Adjusted basic earnings per share	$ 0.71	$ 0.41
Diluted earnings per share		
Net diluted earnings per share as reported	$ 0.68	$ 0.39
Goodwill amortization, net of tax	0.02	0.01
Adjusted diluted earnings per share	$ 0.70	$ 0.40

Long Lived Asset Impairment

Effective January 1, 2002, the Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This statement supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of", and the accounting and reporting provisions of Accounting Principles Board ("APB") Opinion No. 30 "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions". SFAS No. 144 retains the fundamental provisions of SFAS No. 121 and the basic requirements of APB No. 30; however, it establishes a single accounting model to be used for long-lived assets to be disposed of by sale and it expands the presentation of discontinued operations to include more disposal transactions.

The Company performed an impairment test on certain specific rigs and groups of rigs in the fourth quarter of 2002 and determined that the undiscounted future cash flows based on expected day rates and utilization rates exceeded the recorded cost as of December 31, 2002; accordingly, no impairment was recorded.

Revenue Recognition

The Company recognizes revenue as services are performed based upon contracted day rates and the number of operating days during the period. Revenue from turnkey contracts is generally recognized upon completion. Anticipated losses on turnkey contracts are recognized in operating results when known. Mobilization fees received and costs incurred to mobilize a rig in connection with a customer contract from one geographic area to another are deferred and recognized over the term of such contract. Costs incurred to mobilize a rig without a contract are expensed as incurred. Fees received for capital improvements to rigs or other property and equipment are deferred and recognized over the period of the related drilling contract. The costs of such capital improvements are capitalized and depreciated over the useful lives of the assets.

Rig Construction Contracts

The Company has historically only constructed drilling rigs for its own use. At the request of some of its significant customers, the Company entered into contracts to design, construct and mobilize specialized drilling rigs. The Company also entered into contracts to operate the rigs on behalf of the customers. Construction contract revenues and related costs are recognized using the percentage of completion method. Revenues recognized in excess of (less than) billings to the customer are accumulated and reported as part of other assets (other long-term liabilities), which as of December 31, 2002 and 2001 were $28.4 million and $(23.0 million), respectively.

Beginning October 1, 2002, the Company's technical services group is reported as a separate business segment, with the first three quarters of 2002 adjusted to reflect the change in presentation, which had no effect on consolidated gross margin, earnings from operations or net earnings (loss). Amounts related to prior periods were not significant.

Rig Certifications

The Company is required to obtain certifications from various regulatory bodies in order to operate its offshore drilling rigs and must maintain such certifications through periodic inspections and surveys. The costs associated with obtaining and maintaining such certifications, including inspections and surveys, drydock costs and remedial structural work to the rigs are deferred and amortized over the corresponding certification periods.

Income Taxes

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred tax liabilities and assets are determined based on the difference between the financial statement and the tax bases of assets and liabilities using enacted tax rates in effect for the year in which the asset is recovered or the liability is settled.

Foreign Currency Translation

The Company accounts for translation of foreign currency in accordance with SFAS No. 52, "Foreign Currency Translation." The majority of the Company's revenues and expenditures are denominated in U.S. dollars to limit the Company's exposure to foreign currency fluctuations, resulting in the use of the U.S. dollar as the functional currency. In addition, the Company's operations in certain foreign jurisdictions are in "highly inflationary" economies resulting in the use of the U.S. dollar as the functional currency. As a result, certain assets and liabilities of foreign operations are translated at historical exchange rates, revenues and expenses in these countries are translated at the average rate of exchange for the period, and all translation gains or losses are reflected in the period's results of operations. In those countries where the U.S. dollar is not the functional currency, revenues and expenses are translated at the average rate of exchange for the period, assets and liabilities are translated at end-of-period exchange rates and all translation gains and losses are included in accumulated other comprehensive loss within stockholders' equity.

Concentration of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash, cash equivalents and trade receivables. The Company places its cash and cash equivalents in U.S. Government securities and other high quality financial instruments. The Company limits the amount of credit exposure to any one financial institution or issuer. The Company's customer base consists primarily of major integrated and government-owned international oil companies, as well as smaller independent oil and gas producers. Management believes the credit quality of its customers is generally high. The Company has in place insurance to cover certain exposure in its foreign operations and provides allowances for potential credit losses when necessary.

Venezuela has recently implemented exchange controls which, together with recent employee dismissals and reorganization within Petroleos de Venezuela, S.A. ("PDVSA"), have led to a slower rate of collection of trade receivables, and which may limit the Company's ability to convert local currency to U.S. dollars and transfer funds out of the country. Management believes that all such receivables will ultimately be recovered.

Conditions Affecting Ongoing Operations

The Company's current business and operations are substantially dependent upon conditions in the oil and gas industry and, specifically, the exploration and production expenditures of oil and gas companies. The demand for contract drilling and related services is influenced by oil and gas prices, expectations about future prices, the cost of producing and delivering oil and gas, government regulations and local and international political and economic conditions. There can be no assurance that current levels of exploration and production expenditures of oil and gas companies will be maintained or that demand for the Company's services will reflect the level of such activities.

Stock-Based Compensation

The Company uses the intrinsic value based method of accounting for stock-based compensation prescribed by APB No. 25 "Accounting for Stock Issued to Employees" and related interpretations. Under this method, the Company records no compensation expense for stock options granted when the exercise price for options granted is equal to the fair market value of the Company's stock on the date of the grant.

In December 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 148, "Accounting for Stock Based Compensation-Transition and Disclosure-an Amendment of FASB Statement No. 123". SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based compensation. The disclosure provisions of SFAS No. 148 are effective immediately and require revised disclosures in both annual and interim financial statements about the method of accounting for stock-based compensation and the effect of the method used on reported results. The Company has adopted the new disclosure requirements for its fiscal year ended December 31, 2002, as reflected below.

Under SFAS No. 123, the fair value of stock-based awards is calculated using option pricing models. The Company's calculations were made using the Black-Sholes option pricing model with the following significant assumptions:

	2002	2001	2000
Dividend yield	0.00%	0.00%	0.00%
Volatility	59.45%	56.05%	54.64%
Risk free interest rate	4.73%	4.87%	6.26%
Expected term	5 years	5 years	5 years

The weighted average fair values per share of options granted during the years ended December 31, 2002, 2001 and 2000 were $7.94, $9.31 and $10.55, respectively.

If the fair value based method of accounting prescribed by SFAS No. 123 had been applied, the Company's pro forma net earnings (loss), net earnings (loss) per share and stock-based compensation cost would approximate the amounts indicated below. The effects of applying SFAS No. 123 in this pro forma disclosure are not indicative of future amounts.

	Year Ended December 31,		
	2002	2001	2000
	(In thousands, except per share amounts)		
Net earnings (loss), as reported	$ (8,947)	$ 91,206	$49,001
Add: Stock-based compensation included in reported net earnings (loss), net of tax	—	—	—
Deduct: Total stock-based employee compensation expense determined under the fair value method, net of tax	(8,538)	(18,197)	(9,896)
Pro forma net earnings (loss)	$(17,485)	$ 73,009	$39,105
Net earnings (loss) per share:			
Basic — as reported	$ (0.07)	$ 0.69	$ 0.40
Basic — pro forma	$ (0.13)	$ 0.55	$ 0.32
Diluted — as reported	$ (0.07)	$ 0.68	$ 0.39
Diluted — pro forma	$ (0.13)	$ 0.55	$ 0.31

Derivative Instruments and Hedging

The Company accounts for derivative instruments and hedging activities in accordance with SFAS No. 133, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" as amended by SFAS No. 138 (collectively "SFAS No. 133"). SFAS No. 133 requires that all derivative financial instruments, including certain derivative instruments imbedded in other contracts, be recognized in the balance sheet at fair value, and that changes in such fair value be recognized in earnings unless specific hedging criteria are met. The Company adopted SFAS No. 133, on January 1, 2001. Adoption of SFAS No. 133, has not had nor is it expected to have a material impact on the Company's consolidated results of operations or financial position.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, including realization of customer and insurance receivables and resolutions of tax claims. While it is believed that such estimates are reasonable, actual results could differ from those estimates.

New Accounting Pronouncements

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses financial accounting and reporting obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of SFAS No. 13 and Technical Corrections." SFAS No. 145 eliminates the requirement that gains and losses from the extinguishment of debt be aggregated and classified as extraordinary items and requires sale-leaseback accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. SFAS No. 145 is effective for fiscal years beginning after May 15, 2002. Upon adoption, previously reported extraordinary items from the extinguishment of debt will be combined with other income (expense) and the related tax provision (benefit) will be reported with the income tax provision.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 requires that a liability for a cost that is associated with an exit or disposal activity be recognized when the liability is incurred. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002.

In November 2002, the FASB issued FASB Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others". FIN No. 45 elaborates on required disclosures by a guarantor in its financial statements about obligations under certain guarantees that it has issued and requires a guarantor to recognize, at the inception of certain guarantees, a liability for the fair value of the obligation undertaken in issuing the guarantee. The provisions of FIN No. 45 relating to initial recognition and measurement of guarantor liabilities are effective for qualifying guarantees entered into or modified after December 31, 2002. The disclosure provisions of FIN No. 45 for certain guarantees are effective immediately.

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51". FIN 46 requires a company to consolidate a variable interest entity, as defined, when the company will absorb a majority of the variable interest entity's expected losses, receive a majority of the variable interest entity's expected residual returns, or both. FIN No. 46 also requires certain disclosures relating to consolidated variable interest entities and unconsolidated variable interest entities in which a company has a significant variable interest. The disclosure provisions of FIN No. 46 are effective for all financial statements issued after January 31, 2003. The consolidation provisions of FIN No. 46 apply immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which a company obtains an interest after January 31, 2003. With respect to variable interest entities in which a company holds a variable interest that is acquired before February 1, 2003, the consolidation provisions are required to be applied no later than the company's first fiscal year or interim period beginning after June 15, 2003.

SFAS Nos. 143, 145, 146 and FIN Nos. 45 and 46 are not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows when adopted.

2. Property and Equipment

Property and equipment consists of the following:

	December 31, 2002	December 31, 2001
	(In thousands)	
Rigs and rig equipment	$4,131,992	$3,814,593
Transportation equipment	28,125	25,501
Buildings	35,866	33,644
Other	44,102	38,675
Construction-in-progress	63,065	145,117
Land	8,752	8,752
	4,311,902	4,066,282
Accumulated depreciation and amortization	(916,128)	(695,123)
Net property and equipment	$3,395,774	$3,371,159

The Company capitalizes interest applicable to the construction of significant additions to property and equipment. For the years ended December 31, 2002, 2001 and 2000, total interest incurred was $134.5 million, $135.8 million and $113.4 million, respectively, of which $1.9 million, $19.0 million and $11.2 million, respectively, was capitalized.

During the years ended December 31, 2002, 2001 and 2000, maintenance and repair costs included in operating costs on the accompanying consolidated statement of operations were $81.6 million, $85.2 million and $116.5 million, respectively.

3. Acquisitions

In February 2001, the Company acquired a second-generation semisubmersible drilling rig (now the *Pride North Sea*) and a third-generation semisubmersible drilling rig (now the *Pride Venezuela*) for $44.7 million in cash and 3.0 million shares of the Company's common stock valued at $78.9 million.

In March 2001, the Company increased from 26.4% to 100% its ownership in a joint venture that constructed two dynamically-positioned, deepwater semisubmersible drilling rigs, the *Pride Carlos Walter* and the *Pride Brazil*. The purchase consideration for the interests the Company did not previously own consisted of approximately $86 million aggregate principal amount of senior convertible notes, convertible into approximately 4.0 million shares of the Company's common stock, which were issued to the Brazilian participant in the joint venture, and 519,468 shares of the Company's common stock valued at approximately $14 million, which were issued to two investment funds managed by First Reserve Corporation pursuant to the funds' original investment in the joint venture. The acquisition added to the Company's consolidated balance sheet approximately $443 million of assets represented by the two rigs, approximately $287 million of indebtedness incurred to finance the construction of the rigs ($215 million of which was outstanding as of December 31, 2002) and approximately $86 million of convertible senior notes issued to the Brazilian participant. See Note 4.

In July 2001, the Company acquired all the outstanding capital stock of Almeria Austral S.A. and an affiliate ("Almeria") for aggregate consideration of $48 million. Almeria operated 12 land drilling rigs in Argentina and two land drilling rigs in Venezuela.

In October 2002, the Company acquired Uniao Nacional De Perfuracao Limitada ("Unap") for aggregate consideration of $5.5 million. Unap manages one land-based drilling rig and seven land-based workover rigs and provides directional drilling and other related services onshore Brazil.

Each of the acquisitions discussed above was recorded using the purchase method of accounting. The operating results of each acquisition have been included in the Company's consolidated results of operations from the date of the acquisition.

In September 2001, the Company acquired Marine in a stock-for-stock transaction. Marine owned and operated a fleet of 17 offshore drilling rigs consisting of two semisubmersible units and 15 jackup units. Additionally, Marine owned one jackup rig configured as an accommodation unit. The acquisition of Marine was accounted for as a pooling-of-interests for accounting and financial reporting purposes. In connection with the acquisition, the estimated remaining useful lives and residual values of certain rigs were reassessed and, as a result, net income for 2001 increased $6.7 million (or $.05 per share on a basic and diluted basis). The Company incurred pooling and merger costs totaling $35.8 million associated with this acquisition which consisted of investment advisory, legal and other professional fees of $24.4 million and costs associated with the closure of duplicate office facilities and employee terminations of $11.4 million. During 2002 and 2001, the Company paid $12.0 million and $22.9 million, respectively, of such fees and acquisition costs.

4. Debt

Short-Term Borrowings

The Company has agreements with several banks for short-term lines of credit primarily denominated in U.S. dollars. The facilities are renewable annually and bear interest at variable rates based on LIBOR. The weighted average interest rates on such borrowings at December 31, 2002 was 3.1%. As of December 31, 2002, $17.7 million was outstanding under these facilities and $34.1 million was available.

Long-Term Debt

Long-term debt consists of the following:

	December 31, 2002	December 31, 2001
	(In thousands)	
Senior secured term loan	$ 198,500	$ —
Senior secured revolving credit facilities	110,000	100,000
$9^3/_8$% Senior Notes due 2007	325,000	325,000
10% Senior Notes due 2009	200,000	200,000
Drillship loans	231,966	288,687
Semisubmersible loans	215,371	250,000
$2^1/_2$% Convertible Senior Notes due 2007	300,000	—
Zero Coupon Convertible Senior Debentures Due 2021.	98,220	268,545
Zero Coupon Convertible Subordinated Debentures Due 2018	111,481	177,575
Senior convertible notes payable	85,853	85,853
Limited-recourse collateralized term loans	10,263	16,274
Note payable to seller	—	11,556
Other notes payable	575	1,248
	1,887,229	1,724,738
Current portion of long-term debt	95,610	99,850
Long-term debt, net of current portion	$1,791,619	$1,624,888

Senior Secured Term Loan and Senior Secured Revolving Credit Facilities

In June 2002, the Company entered into senior secured credit facilities with a group of banks providing for aggregate availability of up to $450.0 million, consisting of a five-year $200.0 million term loan and a three-year $250.0 million revolving credit facility. Proceeds from the term loan were used to refinance a portion of the amounts outstanding under other credit facilities. Borrowings under the revolving credit facility are available for general corporate purposes. The Company may issue up to $50.0 million of letters of credit under the facility. As of December 31, 2002, $25.0 million of borrowings and an additional $12.4 million of letters of credit were outstanding under the facility. The facilities are collateralized by two deepwater semisubmersible rigs, the *Pride North America* and the *Pride South Pacific,* and 28 jackup rigs. Borrowings under the facilities currently bear interest at variable rates based on LIBOR plus a spread based on the credit rating of the facility or, if unrated, index debt. As of March 14, 2003, the spread was 3.5% for the term loan and 2.6% for the revolving credit facility. The interest rate on the term loan was 5.3% at December 31, 2002. The credit facilities contain provisions that limit the ability of the Company and its subsidiaries, with certain exceptions, to pay dividends or make other restricted payments and investments; incur additional debt; create liens; incur dividend or other payment restrictions affecting subsidiaries; consolidate, merge or transfer all or substantially all of its assets; sell assets or subsidiaries; enter into speculative hedging arrangements outside the ordinary course of business; enter into transactions with affiliates; make maintenance capital expenditures and incur long-term operating leases. The credit facilities also require the Company to comply with specified financial tests, including a ratio of net debt to EBITDA, as defined, an interest coverage ratio, a ratio of net debt to total capitalization and a minimum net worth.

The Company also has a senior revolving credit facility with non-U.S. banks that provides aggregate availability of up to $95.0 million. The credit facility terminates in June 2005 and is collateralized by a semisubmersible rig, the *Pride South Atlantic*, a jackup rig, the *Pride Montana*, and a tender-assisted rig. Borrowings under the credit facility bear interest at variable rates based on LIBOR plus a spread ranging from 1.00% to 1.55%. As of December 31, 2002, there was $85.0 million outstanding under this credit facility. Together with the revolving credit facility discussed above, the Company had $222.6 million in aggregate availability under its senior revolving credit facilities as of December 31, 2002.

9 3/8% Senior Notes due 2007

In May 1997, the Company issued $325.0 million principal amount of 9 3/8% Senior Notes due May 1, 2007 (the "9 3/8% Senior Notes"). Interest on the 9 3/8% Senior Notes is payable semi-annually on May 1 and November 1 of each year. The 9 3/8% Senior Notes are redeemable, in whole or in part, at the option of the Company at redemption prices starting at 104.688% and declining to 100% by May 1, 2005. The indenture governing the 9 3/8% Senior Notes contains provisions that limit the ability of the Company and its subsidiaries, with certain exemptions, to pay dividends or make other restricted payments; incur additional debt or issue preferred stock; create or permit to exist liens; incur dividend or other payment restrictions affecting subsidiaries; consolidate, merge or transfer all or substantially all of its assets; sell assets; enter into transactions with affiliates and engage in sale and leaseback transactions.

10% Senior Notes due 2009

In May 1999, the Company issued $200.0 million principal amount of 10% Senior Notes due June 1, 2009 (the "10% Senior Notes"). Interest on the 10% Senior Notes is payable semi-annually on June 1 and December 1 of each year. The 10% Senior Notes are not redeemable prior to June 1, 2004, after which they will be redeemable, in whole or in part, at the option of the Company at redemption prices starting at 105% of the principal amount and declining to 100% by June 1, 2007. The indenture governing the 10% Senior Notes contains provisions that limit the ability of the Company and its subsidiaries, with certain exemptions, to pay dividends or make other restricted payments; incur additional debt or issue preferred stock; create or permit to exist liens; incur dividend or other payment restrictions affecting subsidiaries; consolidate, merge or transfer all or substantially all of its assets; sell assets; enter into transactions with affiliates and engage in sale and leaseback transactions.

Drillship Loans

In connection with the construction of two ultra-deepwater drillships, the *Pride Africa* and the *Pride Angola*, the Company and the two joint venture companies in which the Company has a 51% interest entered into financing arrangements with a group of banks that provided $400 million of the drillships' total cost of $495 million. The loans with respect to the *Pride Africa* and the *Pride Angola* are non-recourse to the Company and the joint owner. As of December 31, 2002, $97.8 million was outstanding under the loans for the *Pride Africa* and $134.2 million was outstanding under the loans for the *Pride Angola*. The loans are being repaid from the proceeds of the related charter contracts in semi-annual installments of principal and interest through December 2006 and July 2007 for the *Pride Africa* and *Pride Angola*, respectively. The payment terms of the *Pride Angola* loan were extended from July 2005 to July 2007 when the customer extended the drilling contract to five years in February 2002. The drillship loans bear interest at LIBOR plus 1.10% to 1.25%. As a condition of the drillship loans, the Company entered into interest rate swap and cap agreements with the lenders that fixed the interest rate on the *Pride Africa* loan at 7.34% through December 2006, fixed the interest rate on the *Pride Angola* loan at 6.52% through January 2003 and capped the interest rate on the *Pride Angola* loan at 6.52% from February 2003 to January 2007. As a result, the drillship loans had a weighted average interest rate of 6.9% at December 31, 2002. Such swap and cap agreements are not considered derivatives because (1) the swap and cap agreements were required by the lenders under the drillship loans; (2) the Company believes that such loans would not have been available to the Company without the related swap and cap agreements; and (3) the drillship loans prohibit the Company from selling or transferring the swap and cap agreements without the consent of the lenders, and the Company does not believe that the lenders would grant such consent as long as any principal amounts are outstanding. In accordance with the debt agreements, certain cash balances are held in trust to assure that timely interest and principal payments are made. At December 31, 2002 and 2001, $34.3 million and $48.4 million, respectively, of such cash balances, which amount is included in restricted cash, was held in trust and is not available for use by the Company.

Semisubmersible Loans

In July 2001, the Company entered into a credit agreement with a group of foreign banks to provide loans totaling up to $250 million to refinance the construction loans for the *Pride Carlos Walter* and *Pride Brazil*. Borrowings under the facility bear interest at rates based on LIBOR plus an applicable margin of 1.50% to 1.85%. Principal and interest are payable semi-annually from March 2002 through 2008. Funding under the facility and repayment of the construction loans (which had interest rates of 11% per annum) was completed in November 2001. As required by the lenders under the facility, the Company entered into interest rate swap and cap agreements with the lenders that capped the interest rate on $50.0 million of the debt at 7% and which fixed the interest rate on the remainder of the debt at 5.58% through September 2006. Such swap and cap agreements are not considered derivatives because (1) the swap and cap agreements were required by the lenders under the facility agreement; (2) the Company believes that such credit facility would not have been available to the Company without the related swap and cap agreements; and (3) the credit facility prohibits the Company from selling or transferring the swap and cap agreements without the consent of the lenders, and the Company does not believe that the lenders would grant such consent as long as any principal amounts are outstanding. The new loans are collateralized by, among other things, a first priority mortgage on the drilling rigs and assignment of the charters for the rigs. The debt agreement requires certain cash balance to be held in trust to assure that timely interest and principal payments are made. At December 31, 2002 and 2001, $16.0 million and $4.6 million, respectively, of such cash balances, which amount is included in restricted cash, was held in trust and is not available for use by the Company.

2½% Convertible Senior Notes Due 2007

In March 2002, the Company issued $300.0 million principal amount of 2½% convertible senior notes due March 1, 2007. The net proceeds to the Company, after deducting underwriting discounts and offering costs, were $291.5 million. The notes are convertible into approximately 18.2 million shares of common stock of the Company (equal to a conversion rate of 60.5694 shares of common stock per $1,000 principal amount, or $16.51 per share). Interest on the notes is payable semiannually on March 1 and September 1 of each year. On or after March 4, 2005, the notes are redeemable at the Company's option, in whole or in part, for cash at redemption prices starting at 101% and declining to 100% by March 1, 2007, in each case plus accrued and unpaid interest. The Company may redeem some or all of the notes at any time prior to March 4, 2005 at 100% of the principal amount, plus accrued and unpaid interest and an amount equal to 7.5% of the principal amount, less the amount of any interest actually paid on the notes on or prior to the redemption date, if the closing price of the Company's common stock has exceeded 150% of the conversion price per share then in effect for at least 20 trading days within a period of 30 consecutive trading days. In connection with the issuance of the notes, a private equity fund related to First Reserve Corporation purchased 7.9 million shares of the Company's common stock from third parties. First Reserve manages private equity funds that specialize in the energy industry.

Zero Coupon Convertible Senior Debentures Due 2021

In January 2001, the Company issued zero coupon convertible senior debentures due January 16, 2021 with a face amount of $431.5 million. The net proceeds to the Company in connection with the sale, after deducting underwriting discounts and offering expenses, amounted to approximately $254.5 million. The issue price of $608.41 for each debenture represents a yield to maturity of 2.50% per annum (computed on a semiannual bond equivalent basis) calculated from the issue date. The difference between the issue price and face amount of the debentures is recorded as a discount and amortized to interest expense using the effective interest method over the term of the debentures.

During 2002, the Company purchased on the open market and then extinguished $277.9 million face amount of the debentures. The total purchase price was $172.8 million and the accreted value of the debentures, less unamortized deferred offering costs, was $171.9 million, resulting in an extraordinary loss after estimated income taxes of $.6 million. As of December 31, 2002, the outstanding debentures had a face amount of $153.6 million. In January 2003, the Company purchased all of the outstanding zero coupon convertible senior debentures for $98.2 million.

Zero Coupon Convertible Subordinated Debentures Due 2018

In April 1998, the Company issued zero coupon convertible subordinated debentures due April 24, 2018 with a face amount of $588.1 million. The net proceeds to the Company in connection with the sale, after deducting underwriting discounts and offering expenses, amounted to approximately $222.6 million. The issue price of $391.06 for each debenture represents a yield to maturity of 4.75% per annum (computed on a semiannual bond equivalent basis) calculated from the issue date. The difference between the issue price and face amount of the debentures is recorded as a discount and amortized to interest expense using the effective interest method over the term of the debentures. The debentures are convertible into shares of common stock of the Company at a conversion rate of 13.794 shares of common stock per $1,000 principal amount at maturity. The Company will become obligated to purchase the debentures, at the option of the holders, in whole or in part, on April 24, 2003, 2008 and 2013 at a price per debenture equal to the issue price plus accrued original issue discount to the relevant purchase date, settled either in cash, common stock or a combination thereof at the option of the Company. On or subsequent to April 24, 2003, the debentures are redeemable at the option of the Company, in whole or in part, for cash at a price equal to the issue price plus accrued original issue discount to the date of redemption.

During 2001, the Company purchased on the open market and then extinguished $129.1 million face amount of the debentures. The total purchase price was $56.2 million and the accreted value of the debentures, less unamortized deferred offering costs, was $58.2 million, resulting in an extraordinary gain after estimated income taxes of $1.3 million.

During 2002, the Company purchased on the open market and then extinguished $153.3 million face amount of the debentures. The total purchase price was $72.7 million and the accreted value of the debentures, less unamortized deferred offering costs, was $72.3 million, resulting in an extraordinary loss after estimated income taxes of $.2 million. As of December 31, 2002, the outstanding debentures had a face amount of $228.6 million.

Senior Convertible Notes Payable

In March 2001, in connection with the acquisition of the interests the Company did not previously own in the *Pride Carlos Walter* and the *Pride Brazil*, the Company issued approximately $86 million aggregate principal amount of senior convertible notes. The notes, which mature in March 2004 and bear interest at 9% per annum, are convertible into approximately 4.0 million shares of the Company's common stock.

Limited-Recourse Collateralized Term Loans

The limited-recourse collateralized term loans are collateralized by two of the Company's drilling/workover barge rigs, the *Pride I* and the *Pride II*, and related charter contracts. The loans are being repaid from the proceeds of the related charter contracts in equal monthly installments of principal and interest through July 2004. These loans are non-interest bearing and have implied interest rates of 9.61%. In addition, a portion of contract proceeds is being held in trust to assure that timely payment of future debt service obligations is made. At December 31, 2002 and 2001, $2.4 million of such contract proceeds, which amount is included in restricted cash, was being held in trust as security for the lenders and is not available for use by the Company.

Note Payable to Seller

In connection with the acquisition in April 2000 of Services Especiales San Antonio S.A. ("San Antonio"), which is included in the Company's E&P services division, the Company issued a $26.0 million promissory note to the seller. The note was settled in full in June 2002.

Future Maturities

Future maturities of long-term debt at December 31, 2002 are as follows:

	Amount (In thousands)
2003	$ 95,610
2004	194,388
2005	393,709
2006	100,860
2007	876,683
Thereafter	225,979
Total long-term debt	$1,887,229

As of December 31, 2002, the fair value of long-term debt was approximately $1,962 million.

The Company purchased for cash all outstanding zero coupon convertible senior debentures due 2021 during January 2003. As required by the terms of the Company's zero coupon convertible subordinated debentures due 2018, the Company has made an offer to purchase the debentures for cash on April 24, 2003 at a price per debenture equal to the issue price plus accrued original issue discount to the purchase date. The debentures are convertible at any time into shares of the Company's common stock at a conversion rate of 13.794 shares of common stock per $1,000 principal amount at maturity, which represents a conversion price of $28.35 per share. The closing price of the Company's common stock on the New York Stock Exchange on March 14, 2003 was $13.11 per share. Based on current market conditions, the Company believes that it will likely be required to purchase all debentures outstanding on the initial put date. The accreted price on such put date of the debentures outstanding as of December 31, 2002 is $113.2 million. The future maturities of long-term debt in 2005 included in the above table reflect the accreted amount of both series of debentures as of December 31, 2002. These debentures are classified as long-term debt based on the Company's ability and intent to refinance the debentures using its existing senior credit facilities maturing in 2005 and available cash.

5. Leases

In February 1999, the Company completed the sale and leaseback of the *Pride South America* semisubmersible drilling rig with an unaffiliated entity pursuant to which it received $97.0 million as the sales price. The excess of funding over net book value of the rig has been deferred and is being amortized as a reduction of lease expense over the lease term. The lease is for a maximum term of 13.5 years, and the Company has options to purchase the rig at the end of 8.5 years and at the end of the maximum term. The lease has been classified as an operating lease for financial statement purposes. Rent expense on the rig ranges from $11.7 million to $15.9 million annually.

The Company has agreements with an unaffiliated financial institution for the sale and leaseback of up to $22.0 million of equipment to be used in the Company's business. The Company has received aggregate proceeds of $15.9 million pursuant to these facilities attributable to two offshore platform rigs placed in service in 1996. The Company has purchase and lease renewal options at projected future fair market values under the agreements. The leases have been classified as operating leases for financial statement purposes. The excess of funding over net book value has been deferred and is being amortized as a reduction of lease expense over the maximum lease term of five years. Rent expense on these transactions total $3.1 million annually.

Rental expense for operating leases for equipment, vehicles and various facilities of the Company for the years ended December 31, 2002, 2001 and 2000 were $41.1 million, $48.8 million and $39.4 million, respectively.

The Company has capital lease obligations pursuant to sale and leaseback agreements or financing arrangements with unaffiliated entities for three platform rigs and offices in France. The obligations are payable in semiannual installments through June 2006 and bear interest at a weighted average rate of 7.8%.

Future maturities of capital lease obligations, net of interest, at December 31, 2002 are as follows:

	Amount (In thousands)
2003	$ 2,679
2004	2,585
2005	7,704
2006	2,004
2007	81
Thereafter	137
Total capital lease obligations	$15,190

6. Financial Instruments

The Company's operations are subject to foreign exchange risks, including the risks of adverse foreign currency fluctuations and devaluations and of restrictions on currency repatriation.

The Company limits the risks of adverse currency fluctuations and restrictions on currency repatriation by obtaining contracts providing for payment in U.S. dollars or freely convertible currency. To the extent possible, the Company limits its exposure to potentially devaluating currencies by matching its acceptance of local currencies to its expense requirements in those currencies. Moreover, the Company enters into forward exchange contracts and option contracts to manage foreign currency exchange risk associated with its Euro-denominated expenses. These forward exchange contacts and option contracts have not been designated as hedging instruments under SFAS No. 133, as the forward or option contracts are not systematically identified as being the hedge of specific expenditures at inception.

Currency option contracts existing at December 31, 2002 consist of U.S. dollar calls/Euro puts sold by the Company. These contracts provide an economic hedge of the Company's exposure to fluctuations in the value of the Euro relative to the U.S. dollar. If the U.S. dollar strengthens during the period of the contracts, the counterparties will likely exercise their options and deliver Euro for U.S. dollars at the predetermined rate. In this case, the premium on the contract will offset part of the difference between the contractual strike rate on the option and the spot U.S. dollar/Euro rate at which the Company could otherwise have sold its U.S. dollars for Euro. If the U.S. dollar falls below the strike rate, the counterparties will tend not to exercise their options. In this case, the premium will partially offset the negative effect to the Company of the increase in the

U.S. dollar equivalent of its Euro-denominated expenditures. The counterparties to these contracts are all major European banks.

The unrealized loss on all forward exchange contracts and option contracts based on quoted market prices of comparable instruments was approximately $1.0 million and $6.6 million at December 31, 2002 and 2001, respectively. The net realized and unrealized gains (losses) on all forward and option contracts, included in other income (expense) for the years ended December 31, 2002, 2001 and 2000, were approximately $4.8 million, $(0.1) million and $(3.3) million, respectively.

The following table summarizes forward exchange contracts and option contracts outstanding at December 31, 2002:

Contract Type	Notional Amount (In thousands)	Notional Currency	Exchange Currency	Weighted Average Exchange Rate	Maturity	Gain (Loss) (In thousands)
Forward exchange contracts	$12,000	U.S. Dollar	Euro	0.8959	2003	$(1,046)
U.S. Dollar call options sold	8,000	U.S. Dollar	Euro	1.0700	2003	—
Total	$20,000					$(1,046)

The value of forward exchange contracts and option contracts upon ultimate settlement is dependent upon actual currency exchange rates at the various maturity or exercise dates. Upon maturity of forward exchange contracts, the Company delivers U.S. dollars and receives the Euro at the contractual rate or may pay or receive cash based on the notional amounts of the contracts and the difference between the contractual and market exchange rates on the maturity dates. In the case of sales of U.S. dollar call options, the Company is obliged to accept the Euro in exchange for U.S. dollars at the contractual rate on the exercise date notified by the counterparty or, by agreement, may pay cash based on the notional amounts of the contracts and the excess of market exchange rates over the contractual exchange rates on the exercise date.

7. Income Taxes

The components of the income tax provision were as follows:

	Year Ended December 31, 2002	2001	2000
	(In thousands)		
United States:			
Federal:			
Current	$ —	$15,694	$(1,457)
Deferred	(38,245)	8,947	14,360
Total — Federal	(38,245)	24,641	12,903
Foreign:			
Current	33,833	27,002	21,867
Deferred	7,819	(2,412)	158
Total — Foreign	41,652	24,590	22,025
Income tax provision	$ 3,407	$49,231	$34,928

The difference between the effective federal income tax rate reflected in the income tax provision and the amounts which would be determined by applying the statutory federal tax rate to earnings before income taxes and minority interest is summarized as follows:

	Year Ended December 31,		
	2002	2001	2000
U.S. statutory rate	35.0%	35.0%	35.0%
Foreign	(117.3)	(4.6)	1.6
Change in valuation allowance	108.9	(1.8)	—
Other	3.4	3.2	0.3
Effective tax rate	30.0%	31.8%	36.9%

The domestic and foreign components of earnings before income taxes and minority interest were as follows:

	Year Ended December 31,		
	2002	2001	2000
		(In thousands)	
Domestic	$(140,816)	$ 20,248	$(15,284)
Foreign	152,171	134,365	110,025
Earnings before income taxes and minority interest	$ 11,355	$154,613	$ 94,741

The tax effects of temporary differences that give rise to significant portions of the deferred tax liabilities and deferred tax assets were as follows:

	December 31,	
	2002	2001
	(In thousands)	
Deferred tax liabilities:		
Depreciation	$ 312,215	$ 295,186
Other	16,962	12,368
Total deferred tax liabilities	329,177	307,554
Deferred tax assets:		
Net operating loss carryforwards	(217,114)	(155,093)
Alternative Minimum Tax credits	(27,958)	(27,958)
Other	(9,271)	(3,763)
Total deferred tax assets	(254,343)	(186,814)
Valuation allowance for deferred tax assets	23,785	11,417
Net deferred tax assets	(230,558)	(175,397)
Net deferred tax liability	$ 98,619	$ 132,157

Applicable U.S. deferred income taxes and related foreign dividend withholding taxes have not been provided on approximately $388.0 million of undistributed earnings and profits of the Company's foreign subsidiaries. The Company considers such earnings to be permanently reinvested outside the United States. It is not practicable to estimate the amount of deferred income taxes associated with these unremitted earnings.

As of December 31, 2002, the Company had deferred tax assets of $217.1 million relating to $624.3 million of net operating loss (“NOL”) carryforwards and had $28.0 million of non-expiring Alternative Minimum Tax (“AMT”) credits. The NOL carryforwards and AMT credits can be used to reduce the Company’s federal and foreign income taxes payable in future years. The Company’s ability to realize the entire benefit of its deferred tax assets requires that the Company achieve certain future earnings levels prior to the expiration of its NOL carryforwards. U.S. NOL carryforwards total $523.8 million and expire in 2019 through 2022. Foreign NOL carryforwards include $41.9 million which do not expire and $58.6 million which expire in 2003 through 2013. The Company has recognized a partial valuation allowance due to the uncertainty of realizing certain foreign NOL carryforwards. The Company could be required to record an additional valuation allowance against certain or all of its remaining deferred tax assets if market conditions deteriorate or future earnings are below current estimates.

In connection with the acquisition of Marine, the Company determined that certain NOL carryforwards and AMT credits are subject to limitation under Sections 382 and 383 of the U.S. Internal Revenue Code as a result of the greater than 50% cumulative change in the Company’s ownership. However, the Company has determined that such limitations should not affect its ability to realize the benefits of the deferred tax assets associated with such NOL carryforwards and AMT credits.

8. Net Earnings Per Share

Basic net earnings per share has been computed based on the weighted average number of shares of common stock outstanding during the applicable period. Diluted net earnings per share has been computed based on the weighted average number of shares of common stock and common stock equivalents outstanding during the period, as if stock options, convertible debentures and other convertible debt were converted into common stock, after giving retroactive effect to the elimination of interest expense, net of income tax effect, applicable to the convertible debentures and other convertible debt.

The following table presents information necessary to calculate basic and diluted net earnings per share:

	Year Ended December 31,		
	2002	2001	2000
	(In thousands, except per share amounts)		
Earnings (loss) before extraordinary item	$ (8,149)	$ 89,874	$ 49,001
Extraordinary gain (loss)	(798)	1,332	—
Net earnings (loss) after extraordinary item	(8,947)	91,206	49,001
Interest expense on convertible debentures and notes	—	9,171	—
Income tax effect	—	(3,210)	—
Adjusted net earnings (loss) after extraordinary Item	$ (8,947)	$ 97,167	$ 49,001
Weighted average shares outstanding	133,305	131,630	123,038
Convertible debentures and notes	—	9,437	—
Stock options	—	1,711	3,626
Adjusted weighted average shares outstanding	133,305	142,778	126,664
Earnings (loss) per share before extraordinary item			
Basic	$ (0.06)	$ 0.68	$ 0.40
Diluted	$ (0.06)	$ 0.67	$ 0.39
Net earnings (loss) per share after extraordinary item			
Basic	$ (0.07)	$ 0.69	$ 0.40
Diluted	$ (0.07)	$ 0.68	$ 0.39

The calculation of diluted weighted average shares outstanding excludes 34.3 million, 13.2 million and 13.1 million common shares issuable pursuant to outstanding options, convertible notes and debentures for the years ended December 31, 2002, 2001 and 2000, respectively, because their effect was antidilutive.

9. Employee Benefits

The Company has 401(k) defined contribution plans for its employees, which allow eligible employees to defer up to 15% of their eligible annual compensation, with certain limitations. The Company may at its discretion match up to 100% of the first 6% of compensation. The Company's contributions to the plan for the years ended December 31, 2002, 2001 and 2000 were $1.6 million, $3.5 million and $2.9 million, respectively.

The Company has a deferred compensation plan, which provides its officers and key employees with the opportunity to participate in an unfunded, non-qualified plan. Eligible employees may defer up to 100% of compensation, including bonuses and net proceeds from the exercise of stock options.

10. Stockholders' Equity

Preferred Stock

The Company is authorized to issue 50 million shares of preferred stock, par value $0.01 per share. The Company's board of directors has the authority to issue shares of preferred stock in one or more series and to fix the number of shares, designations and other terms of each series. The board of directors has designated 4.0 million shares of preferred stock to constitute the Series A Junior Participating Preferred Stock in connection with the Company's stockholders' rights plan. As of December 31, 2002, no shares of preferred stock are outstanding.

Common Stock

In March 2000, the Company issued 4.5 million shares of common stock to a fund managed by First Reserve Corporation for approximately $72.0 million in order to finance the $35.0 million cash portion of the consideration paid for San Antonio (which constitutes the Company's E&P services division) and to improve the Company's overall liquidity.

In 2000, the Company established the Pride International, Inc. Direct Stock Purchase Plan, which provides a convenient way for investors to purchase shares of its common stock without paying brokerage commissions or service charges. For the years ended December 31, 2001 and 2000, the Company sold 2.6 million shares for $62.0 million and 2.3 million shares for $54.4 million, respectively. There were no shares sold under the plan in 2002.

In February 2001, the Company issued 3.0 million shares of common stock valued at $78.9 million in connection with the acquisition of the *Pride North Sea* and the *Pride Venezuela.*

In March 2001, the Company issued 519,468 shares of common stock valued at approximately $14.0 million to investment funds managed by First Reserve Corporation in connection with the Company's acquisition of the funds' equity ownership interest in the *Pride Carlos Walter* and *Pride Brazil* (see Note 3).

In October 2002, the Company issued 527,652 shares of common stock to two funds managed by First Reserve in exchange for an additional 11.9% investment in the Amethyst joint venture. Subsequently, in November 2002 the other joint venture partner exercised its option to acquire up to 70% of the interest acquired by the Company, in exchange for 369,356 shares of the Company's common stock. The shares of Company common stock acquired in the exchange are currently held as treasury shares.

Stockholders' Rights Plan

The Company has a preferred share purchase rights plan. Under the plan, each share of common stock includes one right to purchase preferred stock. The rights will separate from the common stock and become exercisable (1) ten days after public announcement that a person or group of affiliated or associated persons has acquired, or obtained the right to acquire, beneficial ownership of 15% of the Company's outstanding common stock or (2) ten business days following the start of a tender offer or exchange offer that would result in a person's acquiring beneficial ownership of 15% of the Company's outstanding common stock. A 15% beneficial owner is referred to as an "acquiring person" under the plan. Certain investment funds managed by First Reserve Corporation, their affiliates and certain related parties currently have the right to acquire beneficial ownership of up to 19% of the Company's common stock without becoming an acquiring person under the plan.

The Company's board of directors can elect to delay the separation of the rights from the common stock beyond the ten-day periods referred to above. The plan also confers on the board the discretion to increase or decrease the level of ownership that causes a person to become an acquiring person. Until the rights are separately distributed, the rights will be evidenced by the common stock certificates and will be transferred with and only with the common stock certificates.

After the rights are separately distributed, each right will entitle the holder to purchase from the Company one one-hundredth of a share of Series A Junior Participating Preferred Stock for a purchase price of $50. The rights will expire at the close of business on September 30, 2011, unless the Company redeems or exchanges them earlier as described below.

If a person becomes an acquiring person, the rights will become rights to purchase shares of the Company's common stock for one-half the current market price, as defined in the rights agreement, of the common stock. This occurrence is referred to as a "flip-in event" under the plan. After any flip-in event, all rights that are beneficially owned by an acquiring person, or by certain related parties, will be null and void. The Company's board of directors has the power to decide that a particular tender or exchange offer for all outstanding shares of the Company's common stock is fair to and otherwise in the best interests of its stockholders. If the board makes this determination, the purchase of shares under the offer will not be a flip-in event.

If, after there is an acquiring person, the Company is acquired in a merger or other business combination transaction or 50% or more of the Company's assets, earning power or cash flow are sold or transferred, each holder of a right will have the right to purchase shares of the common stock of the acquiring company at a price of one-half the current market price of that stock. This occurrence is referred to as a "flip-over event" under the plan. An acquiring person will not be entitled to exercise its rights, which will have become void.

Until ten days after the announcement that a person has become an acquiring person, the Company's board of directors may decide to redeem the rights at a price of $0.01 per right, payable in cash, shares of common stock or other consideration. The rights will not be exercisable after a flip-in event until the rights are no longer redeemable.

At any time after a flip-in event and prior to either a person's becoming the beneficial owner of 50% or more of the shares of common stock or a flip-over event, the Company's board of directors may decide to exchange the rights for shares of common stock on a one-for-one basis. Rights owned by an acquiring person, which will have become void, will not be exchanged.

Stock Option Plans

The Company has a long-term incentive plan which provides for the granting or awarding of stock options, restricted stock, stock appreciation rights and stock indemnification rights to officers and other key employees. The number of shares authorized and reserved for issuance under the long-term incentive plan is limited to 10% of total issued and outstanding shares, subject to adjustment in the event of certain changes in the Company's corporate structure or capital stock. Stock options may be exercised in whole or in part within 60 days of termination of employment or one year after retirement, total disability or death of an employee.

Options granted under the long-term incentive plan prior to 1998 were vested 25% immediately, 50% after one year, 75% after two years and 100% after three years. Options granted in 1998 were vested 20% after one year, 40% after two years, 60% after three years, 80% after four years and 100% after five years. Options granted in 1999 and thereafter were vested 20% immediately, 40% after six months, 60% after 18 months, 80% after two years and 100% after 30 months.

In 1993, the shareholders of the Company approved and ratified the 1993 Directors' Stock Option Plan. The purpose of the plan is to afford the Company's directors who are not full-time employees of the Company or any subsidiary of the Company an opportunity to acquire a greater proprietary interest in the Company. A maximum of 400,000 shares of the Company's common stock has been reserved for issuance upon the exercise of options granted pursuant to the plan. The exercise price of options is the fair market value per share on the date the option is granted. Directors' stock options vest over two years at the rate of 50% per year and expire ten years from date of grant.

Pursuant to the merger agreement with Marine, all options to acquire Marine common stock under various Marine stock option plans were deemed to be options to acquire the same number of shares of the Company's common stock and all Marine options became fully vested and exercisable pursuant to the "change of control" provisions of the Marine stock option plans.

Employee and director stock option transactions for the last three years are summarized as follows:

	Employee Stock Options		Director Stock Options	
	Price	Shares	Price	Shares
Outstanding as of December 31, 1999		7,402,920		287,665
Granted	$15.75-$28.66	1,454,700	$19.56-$29.25	48,500
Exercised	$ 1.25-$22.75	(737,873)	$ 4.00-$15.63	(28,000)
Forfeited	$ 6.19-$18.88	(121,385)	—	—
Outstanding as of December 31, 2000		7,998,362		308,165
Granted	$14.65-$29.63	2,159,500	$14.65-$28.10	66,500
Exercised	$ 2.50-$22.75	(322,689)	$ 4.00-$8.38	(26,000)
Forfeited	$ 8.00-$29.63	(39,488)	—	—
Outstanding as of December 31, 2001		9,795,685		348,665
Granted	$14.35-$19.14	1,225,000	$ 14.35	52,500
Exercised	$ 6.25-$16.50	(1,095,005)	—	—
Forfeited	$ 8.00-$29.63	(1,208,650)	—	—
Outstanding as of December 31, 2002		8,717,030		401,165
Exercisable as of December 31, 2002		6,596,235		331,915

The following table summarizes information on stock options outstanding and exercisable at December 31, 2002 pursuant to the employee stock option plans:

	Options Outstanding			Options Exercisable		
Range of Exercise Prices	Options Outstanding	Weighted Average Remaining Life	Weighted Average Exercise Price	Options Exercisable	Weighted Average Remaining Life	Weighted Average Exercise Price
$ 1.25-$12.00	2,858,261	5.1	$ 8.65	2,538,266	5.0	$ 8.62
$12.01-$29.63	5,858,769	7.2	$17.66	4,057,969	6.5	$18.79
$ 1.25-$29.63	8,717,030	6.5	$14.70	6,596,235	5.9	$14.88

The following table summarizes information on stock options outstanding and exercisable at December 31, 2002 pursuant to the directors' stock option plan:

	Options Outstanding			Options Exercisable		
Range of Exercise Prices	Options Outstanding	Weighted Average Remaining Life	Weighted Average Exercise Price	Options Exercisable	Weighted Average Remaining Life	Weighted Average Exercise Price
$ 1.25-$12.00	54,000	5.4	$ 9.56	54,000	5.4	$ 9.56
$12.01-$29.63	347,165	6.6	$19.51	277,915	6.0	$20.78
$ 1.25-$29.63	401,165	6.4	$18.17	331,915	5.9	$18.95

11. Commitments and Contingencies

In April 2002, the Company contributed $14.1 million to the settlement of a wage-related antitrust lawsuit, of which $5.1 million, not within the policy limits of the Company's insurance, had previously been recognized in 2001. The Company's insurance carrier has not yet agreed to pay the remaining amount, and the Company has commenced litigation against this insurer. The Company believes it will prevail in this matter and collect the approximately $10.2 million receivable, representing the insured settlement amount and legal costs, included in other assets in the accompanying balance sheet.

Since the second quarter of 2002, Venezuela has experienced political and economic turmoil, including prolonged labor strikes, demonstrations and an attempt to overthrow the government. Much of the turmoil has negatively impacted PDVSA, which is the Company's principal customer in Venezuela, and led to the dismissal of more than 12,000 PDVSA employees by the government. The implications and results of the political, economic and social instability in Venezuela are uncertain at this time, but the instability has had and is continuing to have an adverse effect on the Company's business. Currently 17 of the Company's 47 rigs in the country are working. Venezuela has also recently implemented exchange controls, which, together with recent employee dismissals and reorganization within PDVSA, have led to a slower rate of collection of the Company's trade receivables and could limit the Company's ability to convert local currency into U.S. dollars and transfer funds out of Venezuela. The exchange controls could result in an artificially high value being placed on the local currency.

The Company is routinely involved in other litigation, claims and disputes incidental to its business, which at times involves claims for significant monetary amounts, some of which would not be covered by insurance. In the opinion of management, none of the existing litigation will have a material adverse effect on the Company's financial position, results of operations or cash flows.

12. Investment in Amethyst Joint Venture

As of December 31, 2002, the Company had a 30.0% equity interest in a joint venture company that is constructing two dynamically-positioned, deepwater semisubmersible drilling rigs, currently referred to as the *Amethyst 4* and *Amethyst 5*. In October 2002, two funds managed by First Reserve Corporation that collectively held an 11.9% interest in the joint venture transferred their interests to the Company in exchange for a total of 527,652 shares of the Company's common stock. Subsequently, in November 2002, the other joint venture partner exercised its option to acquire 70% of the interest acquired by the Company in the First Reserve exchange, which reduced the Company's interest to 30%. The exercise price of that option was 369,356 shares of the Company's common stock. As a result of the exchange and other purchases of the Company's common stock by First Reserve managed funds, First Reserve funds owned as of December 31, 2002 approximately 20.0 million shares of the Company's common stock, or approximately 15% of the total shares outstanding.

The *Amethyst 4* and *Amethyst 5* are being constructed at a shipyard in Maine. The Company anticipates that the construction of the rigs will be completed in late 2003. The joint venture company has financed 87.5% of the cost of construction of these rigs through credit facilities, with repayment of the borrowings under those facilities guaranteed by the United States Maritime Administration ("MARAD"). Advances under the credit facilities are being provided without recourse to any of the joint venture owners. The remaining 12.5% of the cost of construction is being provided by the joint venture company from equity contributions that have been made by the joint venture partners. Through December 31, 2002, the Company's equity contributions to the joint venture totaled $29.6 million, including capitalized interest of $6.1 million. Based on the availability of funds under performance and payment bonds issued on behalf of a prior construction contractor and draws remaining under the MARAD-guaranteed credit facilities, the Company believes the *Amethyst 4* and *Amethyst 5* will be completed without requiring additional contributions by the joint venture partners.

13. Supplemental Financial Information

Other Current Assets

Other current assets consists of the following:

	December 31, 2002	December 31, 2001
	(In thousands)	
Deferred mobilization and inspection costs	$ 59,753	$ 34,275
Insurance receivables	33,982	26,426
Prepaid expenses	27,549	33,825
Other receivables	13,266	20,600
Deferred financing costs	11,121	1,816
Other	2,890	5,561
Total other current assets	$148,561	$122,503

Other Assets

Other assets consists of the following:

	December 31, 2002	December 31, 2001
	(In thousands)	
Deferred mobilization and inspection costs	$ 55,882	$ 38,177
Deferred financing costs	38,860	41,064
Employee savings plan	11,670	14,875
Project costs	28,351	—
Other	23,440	17,095
Total other assets	$158,203	$111,211

Accrued Expenses

Accrued expenses consists of the following:

	December 31, 2002	December 31, 2001
	(In thousands)	
Deferred mobilization and other revenue	$ 90,302	$ 39,182
Payroll and benefits	42,830	40,297
Interest	25,613	20,735
Current income taxes	22,334	11,545
Taxes, other than income	21,705	5,853
Insurance	7,147	13,623
Earn-out payment, current portion	3,000	3,000
Foreign currency contracts	1,116	6,573
Pooling and merger costs	886	12,912
Other	28,257	52,768
Total accrued expenses	$243,190	$206,488

Other Long-Term Liabilities

Other long-term liabilities consists of the following:

	December 31, 2002	December 31, 2001
	(In thousands)	
Deferred mobilization revenue	$47,457	$ 47,420
Deferred compensation	14,621	16,188
Deferred revenue, other	14,712	17,682
Earn-out payment, net of current portion	3,000	6,000
Deferred gain on sale/leaseback	2,666	2,839
Project costs	—	22,994
Other	8,689	15,170
Total other long-term liabilities	$91,145	$128,293

Other Income (Expense), net

Other income (expense), net consists of the following:

	Year Ended December 31, 2002	2001	2000
		(In thousands)	
Argentina writedown	$ —	$(10,679)	$ —
Foreign exchange losses	(1)	(2,375)	(7,404)
Insurance gains	—	1,299	1,800
Litigation settlement	—	(5,100)	5,000
Other, net	157	1,480	4,259
Total other income (expense), net	$156	$(15,375)	$ 3,655

Cash Flow Information

Supplemental cash flow and non-cash transactions are as follows:

	Year Ended December 31, 2002	2001	2000
		(In thousands)	
Cash paid during the year for:			
Interest	$111,576	$97,970	$97,166
Income taxes — U.S., net	—	13,165	—
Income taxes — foreign, net	22,728	25,704	14,884
Change in capital expenditures in account payable	35,863	55,346	21,244

14. Financial Data of Domestic and International Operations

The following table sets forth certain consolidated information with respect to the Company by operating segment:

	Gulf of Mexico	International Offshore	International Land	E&P Services	Technical Services	Other	Total
				(In thousands)			
2002							
Revenue	$165,419	$ 642,319	$299,278	$ 73,000	$89,758	$ —	$1,269,774
Earnings (loss) from operations	(36,664)	238,542	(42,338)	(1,614)	3,217	(19,477)	141,666
Total assets	726,832	2,501,039	721,843	159,695	37,887	177,699	4,324,995
Capital expenditures, including acquisitions	95,879	17,363	135,485	10,709	508	(4,118)	255,826
Depreciation and amortization	46,041	94,603	71,557	10,345	10	3,866	226,422
2001							
Revenue	$418,850	$ 507,139	$444,405	$142,501	—	$ —	$1,512,895
Earnings (loss) from operations	112,490	177,355	15,723	7,547	—	(37,490)	275,625
Total assets	929,550	2,214,653	767,769	147,967	—	145,751	4,205,690
Capital expenditures, including acquisitions	45,596	708,433	151,451	22,895	—	3,898	932,273
Depreciation and amortization	57,860	76,065	47,745	13,566	—	3,692	198,928
2000							
Revenue	$327,368	$ 395,336	$364,461	$ 85,873	—	$ —	$1,173,038
Earnings (loss) from operations	78,927	101,300	29,796	8,232	—	(37,618)	180,637
Total assets	969,722	1,470,816	523,420	145,076	—	228,599	3,337,633
Capital expenditures, including acquisitions	72,544	84,699	74,076	65,758	—	12,493	309,570
Depreciation and amortization	57,394	57,309	47,166	9,423	—	3,278	174,570

The following table sets forth certain information with respect to the Company by geographic area:

	North America	South America	Other International	Total
	(In thousands)			
2002				
Revenue	$252,127	$ 515,045	$ 502,602	$1,269,774
Earnings (loss) from operations	(43,016)	60,409	124,273	141,666
Long-term assets	536,762	624,304	2,494,545	3,655,611
Capital expenditures, including acquisitions	46,923	38,554	170,349	255,826
Depreciation and amortization	49,917	87,920	88,585	226,422
2001				
Revenue	$418,850	$ 716,572	$ 377,473	$1,512,895
Earnings from operations	75,000	77,436	123,189	275,625
Long-term assets	953,619	1,154,219	1,465,712	3,573,550
Capital expenditures, including acquisitions	49,494	612,741	270,038	932,273
Depreciation and amortization	61,552	82,557	54,819	198,928
2000				
Revenue	$327,368	$ 549,984	$ 295,686	$1,173,038
Earnings from operations	41,309	69,267	70,061	180,637
Long-term assets	787,830	648,117	1,366,200	2,802,147
Capital expenditures, including acquisitions	85,037	112,935	111,598	309,570
Depreciation and amortization	60,672	56,158	57,740	174,570

Revenue is classified in geographic areas based on the physical location of the rigs. Transactions between reportable segments are accounted for consistent with revenue and expense of external customers and are eliminated in consolidation.

Significant Customers

Two customers accounted for approximately 16% and 12%, respectively, of consolidated revenue for the year ended December 31, 2002, which amounts are included in South America and Other International geographic segments, respectively. One customer accounted for approximately 11% of consolidated revenue for the years ended December 31, 2001 and 2000, which amounts are included in the South America geographic segment for the respective years.

15. Quarterly Results of Operations (Unaudited)

Summarized quarterly financial data for the years ended December 31, 2002 and 2001 were as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands, except per share amounts)			
2002				
Revenue(1)	$298,557	$309,484	$312,750	$348,983
Earnings from operations	33,052	35,258	33,227	40,129
Net earnings (loss)	109	(4,313)	(5,723)	980
Net earnings (loss) per share				
Basic	$ —	$ (0.03)	$ (0.04)	$ 0.01
Diluted	$ —	$ (0.03)	$ (0.04)	$ 0.01
Weighted average common shares and equivalents outstanding				
Basic	132,863	133,094	133,212	134,041
Diluted	133,816	133,094	133,212	134,838
2001				
Revenue	$355,228	$388,825	$406,298	$362,544
Earnings from operations	76,223	99,794	45,555	54,053
Net earnings	35,921	46,712	5,443	3,130
Net earnings per share				
Basic	$ 0.28	$ 0.35	$ 0.04	$ 0.02
Diluted	$ 0.26	$ 0.32	$ 0.04	$ 0.02
Weighted average common shares and equivalents outstanding				
Basic	128,674	132,151	132,790	132,829
Diluted	147,213	154,803	133,865	133,717

(1) Includes revenues of $15.7 million, $26.0 million and $26.5 million for the first, second and third quarters, respectively, to reflect the separate presentation of the technical services segment. See Note 1.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

There have been no changes in or disagreements with our independent accountants regarding accounting and financial disclosure matters.

PART III

Item 10. ***Directors and Executive Officers of the Registrant***

The information required by this item is incorporated by reference to our definitive proxy statement, which is to be filed with the SEC pursuant to the Securities Exchange Act of 1934 within 120 days of the end of our fiscal year on December 31, 2002.

Information with respect to our executive officers is set forth under the caption "Executive Officers of the Registrant" in Part I of this annual report.

Item 11. ***Executive Compensation***

The information required by this item is incorporated by reference to our definitive proxy statement, which is to be filed with the SEC pursuant to the Exchange Act within 120 days of the end of our fiscal year on December 31, 2002.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management***

The information required by this item is incorporated by reference to our definitive proxy statement, which is to be filed with the SEC pursuant to the Exchange Act within 120 days of the end of our fiscal year on December 31, 2002.

Item 13. ***Certain Relationships and Related Transactions***

The information required by this item is incorporated by reference to our definitive proxy statement, which is to be filed with the SEC pursuant to the Exchange Act within 120 days of the end of our fiscal year on December 31, 2002.

Item 14. ***Controls and Procedures***

Within the 90 days prior to the date of this report, we carried out an evaluation, under the supervision and with the participation of our management, including our President and Chief Executive Officer and our Vice President and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-14 under the Exchange Act. In the course of this evaluation, management considered certain internal control areas in which we have made and are continuing to make changes to improve and enhance controls. Based upon that evaluation, our President and Chief Executive Officer and our Vice President and Chief Financial Officer concluded that our disclosure controls and procedures are effective, in all material respects, with respect to the recording, processing, summarizing and reporting, within the time periods specified in the SEC's rules and forms, of information required to be disclosed by us in the reports that we file or submit under the Exchange Act.

Beginning with the year ending December 31, 2003, Section 404 of the Sarbanes-Oxley Act of 2002, will require us to include an internal controls report with our annual report on Form 10-K. The internal controls report must assert (i) management's responsibilities to establish and maintain adequate internal controls and procedures for financial reporting and (ii) management's conclusions as to the effectiveness of these internal controls and procedures, based on management's evaluation of them at year end. Our auditors will be required to attest to and report on these assertions. In order to achieve compliance with Section 404 within the statutory period, management has formed an internal controls steering committee and adopted a detailed project work plan to assess the adequacy of our internal controls, remediate any control weaknesses that may be identified, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal controls. As a result of this initiative, we may make changes in our internal controls from time to time during the period prior to December 31, 2003. There have been no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to the date of the evaluation referred to above.

PART IV

Item 15. *Exhibits, Financial Statement Schedules and Reports on Form 8-K*

(a) The following documents are included as part of this report:

(1) *Financial Statements:*

(2) *Consolidated Financial Statement Schedules:*

All financial statement schedules have been omitted because they are not applicable or not required, or the information required thereby is included in the consolidated financial statements or the notes thereto included in this annual report.

(3) *Exhibits:*

Exhibit Number		Description
2.1	—	Agreement and Plan of Merger, dated as of May 23, 2001, among Pride International, Inc., a Louisiana corporation ("Old Pride"), PM Merger, Inc., a Delaware corporation renamed Pride International, Inc. ("Pride"), Marine Drilling Companies, Inc. ("Marine") and AM Merger, Inc. (incorporated by reference to Annex A to the Joint Proxy Statement/Prospectus included in the Registration Statement of Old Pride and Pride on Form S-4, Registration Nos. 333-66644 and 333-66644-01 (the "Registration Statement")).
2.2	—	Letter Agreement, dated as of August 3, 2001, among Old Pride, Pride, Marine and AM Merger, Inc. (incorporated by reference to Exhibit 2.2 to Pride's Current Report on Form 8-K filed with the SEC on September 28, 2001, File No. 1-13289 (the "Form 8-K")).
3.1	—	Certificate of Incorporation of Pride (incorporated by reference to Annex D to the Joint Proxy Statement/Prospectus included in the Registration Statement).
3.2	—	Bylaws of Pride (incorporated by reference to Annex E to the Joint Proxy Statement/Prospectus included in the Registration Statement).
4.1	—	Form of Common Stock Certificate (incorporated by reference to Exhibit 4.13 to the Registration Statement).
4.2	—	Rights Agreement, dated as of September 13, 2001, between Pride and American Stock Transfer & Trust Company, as Rights Agent (incorporated by reference to Exhibit 4.2 to the Form 8-K).
4.3	—	Certificate of Designations of Series A Junior Participating Preferred Stock of Pride (incorporated by reference to Exhibit 4.3 to the Form 8-K).

Exhibit Number		Description
4.4	—	Indenture, dated as of May 1, 1997, between Pride and JP Morgan Chase Bank (formerly The Chase Manhattan Bank), as trustee (the "Senior Trustee") (incorporated by reference to Exhibit 4.1 to Pride's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997, File No. 0-16963).
4.5	—	Fourth Supplemental Indenture, dated as of September 10, 2001, between Pride and the Senior Trustee (incorporated by reference to Exhibit 4.4 to the Form 8-K).
4.6	—	Revolving Credit Agreement, dated as of June 20, 2002 (the "Revolving Credit Agreement"), among Pride Offshore, Inc., Pride, certain subsidiaries of Pride, Credit Lyonnais New York Branch (as Administrative Agent, Collateral Agent, Issuing Bank and Swingline Lender), the revolving lenders and the issuing banks thereunder, Credit Mutuel — Credit Industriel Et Commercial (as Mandated Lead Arranger and Bookrunner), Natexis Banques Populaires (as Mandated Lead Arranger, Bookrunner and Issuing Bank), Nordea (as Lead Arranger, Bookrunner and Issuing Bank), and Nedship Bank (as Co-Underwriter) (incorporated by reference to Exhibit 4.1 of Pride's Current Report on Form 8-K filed with the SEC on June 26, 2002, File No. 1-13289).
4.7	—	Letter Agreement, dated as of June 20, 2002, among Pride Offshore, Inc., Pride, certain subsidiaries of Pride and Credit Lyonnais New York Branch, as Administrative Agent for itself and on behalf of the lenders under the Revolving Credit Agreement (incorporated by reference to Exhibit 4.2 to Pride's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, File No. 1-13289).
4.8	—	Amendment No. 1, dated effective as of September 29, 2002, to the Revolving Credit Agreement, among Pride Offshore, Inc., Pride, certain subsidiaries of Pride, Credit Lyonnais New York Branch, as administrative agent, and the revolving lenders thereunder (incorporated by reference to Exhibit 4.1 to Pride's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002, File No. 1-13289).
4.9	—	Term Loan Agreement, dated as of June 20, 2002 (the "Term Loan Agreement"), among Pride Offshore, Inc., Pride, certain subsidiaries of Pride, the term lenders thereunder, and Credit Lyonnais New York Branch, as Administrative Agent (incorporated by reference to Exhibit 4.2 of Pride's Current Report on Form 8-K filed with the SEC on June 26, 2002, File No. 1-13289).
4.10	—	Letter Agreement, dated as of June 20, 2002, among Pride Offshore, Inc., Pride, certain subsidiaries of Pride and Credit Lyonnais New York Branch, as Administrative Agent for itself and on behalf of the lenders under the Term Loan Agreement (incorporated by reference to Exhibit 4.4 to Pride's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, File No. 1-13289).
4.11	—	Amendment No. 1, dated effective as of September 29, 2002, to the Term Loan Agreement, among Pride Offshore, Inc., Pride, certain subsidiaries of Pride, the term lenders thereunder, and Credit Lyonnais New York Branch, as administrative agent (incorporated by reference to Exhibit 4.2 to Pride's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002, File No. 1-13289).

Pride and its subsidiaries are parties to several debt instruments under which the total amount of securities authorized does not exceed 10% of the total assets of Pride and its subsidiaries on a consolidated basis. Pursuant to paragraph 4(iii)(A) of Item 601(b) of Regulation S-K, Pride agrees to furnish a copy of such instruments to the SEC upon request.

10.1	—	Second Amended and Restated Shareholders Agreement, dated as of March 4, 2002, among Pride, First Reserve Fund VII, Limited Partnership, First Reserve Fund VIII, L.P. and First Reserve Fund IX, L.P. (incorporated by reference to Exhibit 10.11 to Pride's Annual Report on Form 10-K for the year ended December 31, 2001, File No. 1-13289).
†10.2	—	Form of Indemnity Agreement between Pride and certain executive officers and directors (incorporated by reference to Exhibit 10(g) to Pride's Registration Statement on Form S-1, Registration No. 33-33233).
†10.3	—	Pride International, Inc. Long-Term Incentive Plan (incorporated by reference to Exhibit 4A to Pride's Registration Statement on Form S-8, Registration No. 33-26854).

Exhibit Number	Description
†10.4	— First Amendment to Pride International, Inc. Long-Term Incentive Plan (incorporated by reference to Exhibit 4.7 to Pride's Registration Statement on Form S-8, Registration No. 333-35089).
†10.5	— Second Amendment to Pride International, Inc. Long-Term Incentive Plan (incorporated by reference to Exhibit 4.8 to Pride's Registration Statement on Form S-8, Registration No. 333-35089).
†10.6	— Third Amendment to Pride International, Inc. Long-Term Incentive Plan (incorporated by reference to Exhibit 10.5 to Pride's Annual Report on Form 10-K for the year ended December 31, 1997, File No. 1-13289).
†10.7	— Summary of Pride International, Inc. Group Life Insurance and Accidental Death and Dismemberment Insurance Plan (incorporated by reference to Exhibit 10(j) to Pride's Registration Statement on Form S-1, Registration No. 33-33233).
†10.8	— Pride International, Inc. 1993 Directors' Stock Option Plan (incorporated by reference to Exhibit 10(j) to Pride's Annual Report on Form 10-K for the year ended December 31, 1992, File No. 0-16963).
†10.9	— First Amendment to Pride International, Inc. 1993 Directors' Stock Option Plan (incorporated by reference to Exhibit 4.7 to Pride's Registration Statement on Form S-8, Registration No. 333-35093).
†10.10	— Second Amendment to Pride International, Inc. 1993 Directors' Stock Option Plan (incorporated by reference to Exhibit 10.10 to Pride's Annual Report on Form 10-K for the year ended December 31, 1997, File No. 1-13289).
†10.11	— Third Amendment to Pride International, Inc. 1993 Directors' Stock Option Plan (incorporated by reference to Exhibit 10.11 of Pride's Annual Report on Form 10-K for the year ended December 31, 1998, File No. 1-13289).
*†10.12	— Fourth Amendment to Pride International, Inc. 1993 Directors' Stock Option Plan.
*†10.13	— Fifth Amendment to Pride International, Inc. 1993 Directors' Stock Option Plan.
†10.14	— Pride International, Inc. 401(k) Restoration Plan (incorporated by reference to Exhibit 10(k) to Pride's Annual Report on Form 10-K for the year ended December 31, 1993, File No. 0-16963).
†10.15	— Pride International, Inc. Supplemental Executive Retirement Plan (incorporated by reference to Exhibit 10.15 to Pride's Annual Report on Form 10-K for the year ended December 31, 1997, File No. 1-13289).
†10.16	— First Amendment to Pride International, Inc. Supplemental Executive Retirement Plan (incorporated by reference to Exhibit 10.16 to Pride's Annual Report on Form 10-K for the year ended December 31, 1997, File No. 1-13289).
†10.17	— Second Amendment to Pride International, Inc. Supplemental Executive Retirement Plan (incorporated by reference to Exhibit 10.17 to Pride's Annual Report on Form 10-K for the year ended December 31, 1997, File No. 1-13289).
†10.18	— Pride International, Inc. 1998 Long-Term Incentive Plan (incorporated by reference to Appendix A to Pride's Proxy Statement on Schedule 14A for the 1998 Annual Meeting of Shareholders of Pride, File No. 1-13289).
†10.19	— Pride International, Inc. Employee Stock Purchase Plan (incorporated by reference to Exhibit 4.4 to Pride's Registration Statement on Form S-8, Registration No. 333-06825).
*†10.20	— Employment/Non-Competition/Confidentiality Agreement dated January 1, 2002 between Pride and Jorge E. Estrada.
†10.21	— Employment/Non-Competition/Confidentiality Agreement dated February 5, 1999 between Pride and Paul A. Bragg (incorporated by reference to Exhibit 10.19 of Pride's Annual Report on Form 10-K for the year ended December 31, 1998, File No. 1-13289).
†10.22	— Employment/Non-Competition/Confidentiality Agreement dated February 5, 1999 between Pride and James W. Allen (incorporated by reference to Exhibit 10.20 of Pride's Annual Report on Form 10-K for the year ended December 31, 1998, File No. 1-13289).

Exhibit Number	Description
†10.23	— Employment/Non-Competition/Confidentiality Agreement dated February 5, 1999 between Pride and John O'Leary (incorporated by reference to Exhibit 10.31 to Pride's Annual Report on Form 10-K for the year ended December 31, 2001, File No. 1-13289).
†10.24	— Employment/Non-Competition/Confidentiality Agreement dated October 15, 1998 between Pride and John R. Blocker, Jr. (incorporated by reference to Exhibit 10.24 to Pride's Annual Report on Form 10-K for the year ended December 31, 2000, File No. 1-13289).
†10.25	— Employment/Non-Competition/Confidentiality Agreement dated August 15, 1998 between Pride and Gary W. Casswell (incorporated by reference to Exhibit 10.23 to Pride's Annual Report on Form 10-K for the year ended December 31, 2000, File No. 1-13289).
†10.26	— Employment Agreement dated June 21, 1994 between Pride Offshore, Inc. and David A. Bourgeois (incorporated by reference to Exhibit 10.25 to Pride's Annual Report on Form 10-K for the year ended December 31, 2000, File No. 1-13289).
†10.27	— Employment/Non-Competition/Confidentiality Agreement dated March 1, 2000 between Pride and Marcelo D. Guiscardo (incorporated by reference to Exhibit 10.26 to Pride's Annual Report on Form 10-K for the year ended December 31, 2000, File No. 1-13289).
†10.28	— Employment/Non-Competition/Confidentiality Agreement dated February 5, 1999 between Pride and Earl W. McNiel (incorporated by reference to Exhibit 10.24 of Pride's Annual Report on Form 10-K for the year ended December 31, 1998, File No. 1-13289).
†10.29	— Employment/Non-Competition/Confidentiality Agreement dated February 5, 1999 between Pride and Robert W. Randall (incorporated by reference to Exhibit 10.23 of Pride's Annual Report on Form 10-K for the year ended December 31, 1998, File No. 1-13289).
*†10.30	— Employment/Non-Competition/Confidentiality Agreement dated October 31, 2002 between Pride and Nicolas J. Evanoff.
*21	— Subsidiaries of Pride.
*23.1	— Consent of PricewaterhouseCoopers LLP.
*23.2	— Consent of KPMG LLP.
*99.1	— Report of KPMG LLP to the Board of Directors and Shareholders of Marine Drilling Companies, Inc. dated January 23, 2001 with respect to the consolidated statements of operations, shareholders' equity and cash flows of Marine for the year ended December 31, 2000.
*99.2	— Certification of the Chief Executive Officer and the Chief Financial Officer of Pride pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

† Compensatory plan, contract or arrangement.

(b) *Reports on Form 8-K*

We filed no current reports on Form 8-K during the fourth quarter of 2002.

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, in the City of Houston, State of Texas, on March 28, 2003.

PRIDE INTERNATIONAL, INC.

By: /s/ PAUL A. BRAGG
Paul A. Bragg
President, Chief Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities indicated on March 28, 2003.

Signatures	Title
/s/ PAUL A. BRAGG Paul A. Bragg	President, Chief Executive Officer, and Director (Principal Executive Officer)
/s/ EARL W. MCNIEL Earl W. McNiel	Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ EDWARD G. BRANTLEY Edward G. Brantley	Vice President and Chief Accounting Officer (Principal Accounting Officer)
/s/ ROBERT L. BARBANELL Robert L. Barbanell	Chairman of the Board and Director
/s/ DAVID A.B. BROWN David A.B. Brown	Director
/s/ J.C. BURTON J.C. Burton	Director
/s/ JORGE E. ESTRADA M. Jorge E. Estrada M.	Director
/s/ WILLIAM E. MACAULAY William E. Macaulay	Director
/s/ RALPH D. MCBRIDE Ralph D. McBride	Director
/s/ DAVID B. ROBSON David B. Robson	Director

CERTIFICATIONS

I, Paul A. Bragg, certify that:

1. I have reviewed this annual report on Form 10-K of Pride International, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 28, 2003

By: /s/ PAUL A. BRAGG

Paul A. Bragg
President and Chief Executive Officer

I, Earl W. McNiel, certify that:

1. I have reviewed this annual report on Form 10-K of Pride International, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 28, 2003

By: /s/ EARL W. MCNIEL

Earl W. McNiel
Vice President and Chief Financial Officer