ROWAN COMPANIES, INC. 1991 ANNUAL REPORT

PROFILE. Rowan Companies, Inc., founded in 1923, primarily serves the petroleum industry as an international offshore drilling contractor and has engaged in charter aviation services since 1967.

DRILLING. Rowan operates a superior fleet of 24 marine units in widespread areas of the world including three heavy-duty "Gorilla" jack-ups, 17 deep-water jack-ups, one semi-submersible and three submersible barge rigs. In addition, Rowan has six specialized arctic land rigs in Alaska, seven deep-well land rigs in western Texas and Oklahoma, and two deep-well land rigs and three smaller land rigs in Venezuela.

AVIATION. Era Aviation, Inc., headquartered in Anchorage, Alaska, operates a fleet of aircraft as follows: 46 helicopters serving Alaska and the western United States, 46 helicopters in coastal Louisiana and Texas serving the Gulf of Mexico market and 16 fixed-wing aircraft engaged in charter and scheduled airline service in Alaska. KLM/ERA Helicopters B.V., a 49%-owned joint venture company headquartered in Amsterdam, The Netherlands, operates a fleet of 14 helicopters (two of which are leased from Era Aviation, Inc.) as follows: 12 in the Dutch sector of the North Sea, one in Canada and one offshore Thailand.

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FINANCIAL HIGHLIGHTS

Rowan Companies, Inc. and Subsidiaries
(In thousands except per share amounts and ratios)

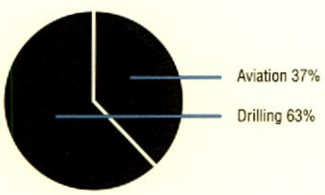
For the Years Ended December 31,	**1991**	1990	1989
Revenues	**$ 272,172**	$ 292,110	$ 226,264
Net Income (Loss)	**$ (44,368)** (1)	$ 1,959	$ (37,777)
Earnings (Loss) Per Share of Common Stock	**$ (.61)** (1)	$ .03	$ (.52)
Net Cash Provided by Operations	**$ 26,256**	$ 39,548	$ 20,129
Price Range of Common Stock	**4¾–11⅜**	9⅞–15⅞	5⅝–11⅞
Capital Expenditures	**$ 85,618**	$ 59,905	$ 22,945
At December 31,			
Working Capital	**$ 125,996**	$ 134,393	$ 143,963
Current Ratio	**1.71** (2)	4.00	4.55
Current Maturities of Long-Term Debt	**$ 132,857** (2)	$ 7,857	$ 7,857
Long-Term Debt	**$ 220,764**	$ 153,621	$ 163,473
Long-Term Debt/Stockholders' Equity	**.50**	.32	.34
Stockholders' Equity	**$ 445,368**	$ 485,748	$ 479,287
Property and Equipment – Net	**$ 552,481**	$ 549,608	$ 542,995
Shares of Common Stock Outstanding	**72,869**	72,630	72,148
Book Value per Share of Common Stock	**$ 6.11**	$ 6.69	$ 6.64

(1) Includes an extraordinary charge of $5,627,000, or $.08 per share, due to the call for redemption of the Company's 13¾% Senior Notes.

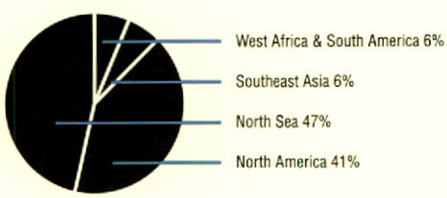
(2) In December 1991, the Company called for the redemption of its 13¾% Senior Notes in January 1992. As a result, the $125,000,000 principal amount of the notes is included in Current Maturities of Long-Term Debt at December 31, 1991. If redemption had occurred before year-end, the current ratio would have been 3.61.

Revenues
12 months ended December 31, 1991

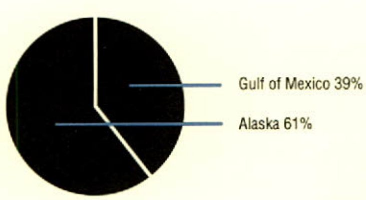
Total



Drilling

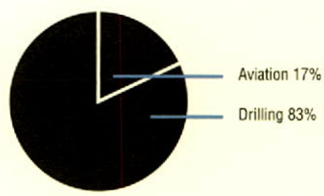


Aviation

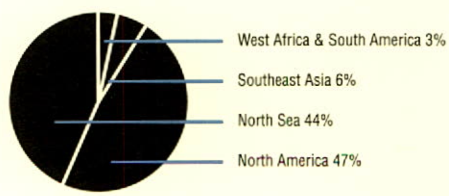


Property and Equipment – Net
December 31, 1991

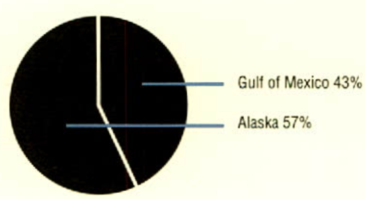
Total



Drilling



Aviation



As Rowan enters its 69th year of operations, we do so with near-term caution and longer-term confidence.

In spite of unsettled oil and gas prices, most of our customers are financially sound, and some are optimistic about the future and are willing to spend money for exploration and development.

Rowan stands stronger than at any time in its history. Rowan's organization and equipment are in prime condition and its cash position is very strong. The outlook for 1992 in terms of revenues and cash generated from operations is very uncertain, but we believe it is possible to see improvements during 1992.

Left to right– C. den Hartog, *Managing Director of KLM Royal Dutch Airlines*, looks on as C. R. Palmer and P. Bouw, KLM President, sign the acquisition agreement providing for Rowan's 49% interest in KLM/ERA Helicopters.

Capital investments during 1991 were $85.6 million, of which $48.9 million was for the aviation division. We will continue to allocate substantial manpower and financial resources to increase our involvement in aviation.

The purchase of 49 percent of KLM Helikopters in November should provide the foundation for even greater expansion, particularly in the North Sea. Further, KLM/ERA Helicopters has recently expanded international operations to Southeast Asia with a helicopter contract offshore Thailand.

We look forward to a long and profitable relationship with KLM. As KLM Royal Dutch Airlines enters its 72nd year of operation, we see ourselves as two enterprises working together to accomplish common goals, each with the proven ability to survive crisis without panic and to enjoy success with caution.

I believe Rowan is uniquely positioned to capture new business opportunities. We possess the Men, Money, Machinery, Management and Motivation to Act and Act Decisively.

We continue to view Rowan principally as a drilling contractor and, at some point in the not too distant future, we believe our vision will be rewarded by a return to profitability. If so, we may once again witness a dramatic increase in shareholder value.

CRPalmer

C.R. Palmer

CHAIRMAN OF THE BOARD AND PRESIDENT

March 2, 1992

The drilling division's results for 1991 reflect the continuing adverse economic conditions in the contract drilling industry. While activity for the Company's drilling rigs improved throughout 1991, the first quarter utilization of 55% for its major mobile offshore units was a low point not experienced since the second quarter of 1987. As a result, the drilling division's operating profit of $9.1 million experienced in 1990 returned to an operating loss amounting to $17.7 million in 1991; however, as the adjoining table indicates, the Company's offshore rigs experienced a gradual improvement in utilization as the year progressed.

1991 offshore rig utilization as the year progressed

Utilization

	No. Units	Quarter First	Second	Third	Fourth	Year 1991
Gorilla Jack-ups:						
North Sea	2	50%	50%	83%	100%	71%
Canada	1	100%	100%	100%	100%	100%
Other Jack-ups:						
Gulf of Mexico	11	35%	67%	70%	68%	60%
North Sea	5	81%	69%	63%	75%	72%
Southeast Asia	1	71%	3%	100%	100%	69%
Semi-submersible:						
Gulf of Mexico	1	84%	96%	62%	49%	73%
Total	21	55%	66%	72%	75%	67%

In the Gulf of Mexico, depressed natural gas prices caused a significant slowdown in activity as energy companies delayed drilling plans. At the beginning of 1991, the contract drilling industry had 208 rigs in the Gulf of Mexico with 143 rigs contracted, for a utilization rate of 69%. At December 31, 1991, the industry had 180 rigs in the Gulf of Mexico with 101 contracted, for a 56% utilization rate.

In an effort to maintain high utilization in a shrinking market, several drilling contractors began reducing rates in the first quarter of 1991, particularly rates on shallow-water jack-ups. Rowan attempted to maintain price stability, but in March, with nine of its eleven jack-ups in the area idle, the Company reduced day rates on its 250' rigs. By the end of April, nine of the eleven jack-up rigs were working. As a result, the Company's rig utilization in the Gulf of Mexico was only 42% in the first quarter, but recovered to an average of 68% during the remainder of 1991.

Since year-end, the number of rigs contracted in the Gulf of Mexico has fallen below 70 rigs as most energy companies have curtailed drilling as oil and natural gas prices declined. The number of drilling rigs available in the Gulf of Mexico should continue to decline as demand for drilling rigs increases in international areas, where energy companies have projected an increase in oil and gas exploration and production expenditures of about 9% in 1992.

I LIKE THE OFFSHORE DRILLING BUSINESS. I PARTICULARLY LIKE A BUSINESS WHOSE TRADING SYMBOL IS RDC. I BELIEVE THE LONG-TERM OUTLOOK IS GOOD. I JUST WISH THE LONG TERM WOULD HURRY.

C.R. PALMER

In the second quarter of 1991, the Rowan-Fourchon, a submersible barge rig, was mobilized to Gabon, where the rig worked continuously until late January of 1992. The Company is presently discussing future operations with several operators in the general area and is optimistic the rig will return to work in the second quarter of 1992.

In Southeast Asia, the Gilbert Rowe, a cantilever jack-up, was active 69% of the year. The rig is presently idle. The Company anticipates the rig will return to work by June. Exploration in Southeast Asia should continue to improve over the next several years as the Indonesian government attempts to maintain the country's role as the major producer in the area. To attract energy investments, the Indonesian government has improved production sharing agreements and has increased leasing in new areas.

The Rowan Gorilla III worked the entire year on a development drilling program in the Cohasset and Panuke oilfields offshore Nova Scotia. The Company anticipates the rig will continue to work in the area for several more years.

The Company continues to concentrate on the southern North Sea drilling market, where jack-ups drill primarily for natural gas and where demand and prices for natural gas remain more stable than in the Gulf of Mexico. During 1991, the Company's North Sea rigs were active 72% of the year with the fourth quarter activity of 82% being the highest. Six of the Company's seven rigs in the area were active during that quarter. The Company expects activity in the North Sea area to decline during the first quarter and early second quarter of 1992, with a substantial recovery in May and June as energy companies begin their 1992 drilling programs.

THE ROWAN VALUE SYSTEM AND POLICIES REMAIN UNCHANGED: EMPLOYEE LOYALTY, CUSTOMER TRUST, PREMIUM EQUIPMENT, A STRONG BALANCE SHEET AND FINANCIAL REWARDS FOR OUR LONG-TERM INVESTORS.

C.R. PALMER

The Company's six arctic land rigs in Alaska were idle during 1991. Late in the fourth quarter, the Company mobilized one arctic land rig for a contract in the Big Lake area of Alaska. Drilling operations began in early January of 1992 and are expected to continue for several months. The Company is currently bidding for other work within the state; however, the Company does not believe the Alaska land rig market will improve significantly in the near future due to the failure by the United States Congress and the Bush Administration to grant permission to drill in the Arctic National Wildlife Refuge.

In April, the Company began a three-year contract in the Orinoco area in northeast Venezuela using two of the Company's existing deep-well land rigs previously located in Oklahoma and three smaller, mobile-type rigs purchased on the used market. The remaining seven rigs in western Texas and Oklahoma were idle during 1991 as day rates in the area have been inadequate. The cost of maintaining the rigs is modest and the remaining investment is not significant.

The Company's aviation division generated revenues of $101.4 million and an operating profit of $6.7 million in 1991. This represents a decline in revenues of $10.6 million and operating profit of $6.6 million from 1990. The decline was a direct result of a reduction in flying activity associated with the cleanup of the Prince William Sound area which was substantially completed in 1990, reduced need for forest fire control, and depressed drilling activity in the Gulf of Mexico affecting the need for related support services.

At year-end, the division operated 109 aircraft. The adjoining table sets forth the number of aircraft operated by location at December 31 and the number of revenue hours flown during the year then ended.

Number of aircraft operated by location at December 31 and number of revenue hours flown during the year then ended

	1991	1990	1989	1988	1987
Alaska					
Number of Helicopters	47	56	57	45	48
Revenue Hours	21,652	28,221	27,779	24,242	16,807
Number of Fixed-Wing Aircraft	16	15	12	13	12
Revenue Hours	20,098	19,459	18,676	18,437	16,832
Gulf of Mexico					
Number of Helicopters	46	38	37	44	48
Revenue Hours	32,383	41,137	36,101	37,872	31,507

In the fourth quarter of 1991, Rowan completed the acquisition of a 49% interest in KLM Helikopters B.V., a wholly-owned subsidiary of KLM Royal Dutch Airlines. The company operates as KLM/ERA Helicopters B.V. and is headquartered in Amsterdam, The Netherlands. The fleet of seven Sikorsky S-61N and five Sikorsky S-76B helicopters owned by KLM/ERA enables Rowan to pursue its policy of operating, in market niches, aircraft which are state-of-the-art, high-capacity, twin engine and capable of flying under instrument conditions (IFR).

As Rowan already has the majority of this market in Alaska and a

significant part of the Gulf of Mexico market, the addition of KLM/ERA gives the Company a dominant position in an existing market in the Dutch sector of the North Sea. The Company's decision to expand into international markets has been reinforced by the continuing trend by most energy companies to reduce exploration and development budgets in the United States due to low oil and natural gas prices and the continued moratorium imposed by the United States Congress and the Bush Administration on drilling in most of the frontier areas outside the Gulf of Mexico.

ROWAN HAS BEEN IN THE AVIATION BUSINESS 24 YEARS. WE LIKE IT. IT IS CHALLENGING; IT IS ENJOYABLE; IT IS COMPATIBLE; IT IS SYNERGISTIC; IT IS A GREAT BUSINESS; AND IT IS PROFITABLE!

C.R. PALMER

The acquisition of KLM/ERA Helicopters will not have a dramatic impact on Rowan's results of operations initially. However, the Company believes that after access to the European Community is achieved in 1993, it will provide an increasingly significant contribution, as KLM/ERA will be in a strategic position to move into certain other areas of the North Sea. In the meantime, the Company is actively marketing helicopter services in other international areas.

In the fourth quarter of 1991, the Company mobilized a Bell 412 to the Netherlands to be operated by KLM/ERA, and another Bell 412 was mobilized to Thailand for operations beginning in the first quarter of 1992.

In the third quarter, the Company announced the signing of a contract in excess of $5 million to provide external auxiliary fuel tanks and related support equipment used on Bell 412, 212, and 205 series helicopters. The addition of these Company-designed tanks allows the helicopters to increase their range of activity without a loss of passenger or cargo space. Delivery of the fuel tanks began in October 1991 and should be completed during the second quarter of 1992.

Financially, Rowan continues to be one of the stronger offshore drilling contractors.

In the fourth quarter of 1991, the Company took additional steps to maintain its strong balance sheet, provide the liquidity necessary to take advantage of arising market opportunities, and benefit from reduced borrowing costs currently available.

- **The first step was to obtain a $35 million unsecured line of credit having a termination date of March 31, 1994.**

- **The second step, and the most significant, was the issuance of $200 million of 11 7/8% Senior Notes due 2001.**

- **The third step was to call for redemption of the Company's outstanding $125 million of 13 3/4% Senior Notes due 1996.**

Utilizing a portion of the proceeds of the 11 7/8% Senior Notes, the 13 3/4% Senior Notes were redeemed on January 13, 1992.

With the residual amounts received from the 11 7/8% Senior Notes added to the balance sheet and the availability of the line of credit, Rowan is ready if business conditions improve, and, if business conditions worsen, we are prepared.

1 Capable of operating in hostile environments. Gorilla units are capable of operating in extreme hostile environments.
2 Units equipped with a "top-drive" drilling system.
3 Units equipped with leg extensions.
4 Units equipped with a "skid base" unit.
5 Units sold and leased back for 15-year periods. (See Note 9 to Consolidated Financial Statements.)

MARINE RIGS (December 31, 1991)

Rig Name	Marathon LeTourneau Class	Location	Rated Depth In Current Location: Water	Drilling
JACK-UPS:				
CANTILEVER JACK-UPS:				
Gorilla IV [1,2]	200-C	North Sea	328'	30,000'
Gorilla III [1,2]	200-C	Eastern Canada	328'	30,000'
Gorilla II [1,2]	200-C	North Sea	328'	30,000'
Rowan-California [1,2]	116-C	North Sea	225'	30,000'
Rowan-Halifax [1,2,5]	116-C	North Sea	225'	30,000'
Cecil Provine [1,2,5]	116-C	North Sea	225'	30,000'
Arch Rowan [1,2]	116-C	North Sea	225'	30,000'
Charles Rowan [1,2]	116-C	North Sea	225'	30,000'
Gilbert Rowe [1,2,3]	116-C	Southeast Asia	350'	30,000'
Rowan-Middletown [2,3]	116-C	Gulf of Mexico	350'	30,000'
Rowan-Paris [2]	116-C	Gulf of Mexico	350'	30,000'
Rowan-Fort Worth [2,3]	116-C	Gulf of Mexico	350'	30,000'
CONVENTIONAL JACK-UPS:				
Rowan-Juneau [1,2,4]	116	Gulf of Mexico	350'	30,000'
Rowan-Odessa [2,3,4]	116	Gulf of Mexico	350'	30,000'
Rowan-Alaska [2,3,4]	84	Gulf of Mexico	350'	30,000'
Rowan-Louisiana [2,3,4]	84	Gulf of Mexico	350'	30,000'
Rowan-Texas	52	Gulf of Mexico	250'	20,000'
Rowan-Anchorage	52	Gulf of Mexico	250'	20,000'
Rowan-New Orleans	52	Gulf of Mexico	250'	20,000'
Rowan-Houston	52	Gulf of Mexico	250'	20,000'
SEMI-SUBMERSIBLE:				
Rowan-Midland		Gulf of Mexico	1,000'	25,000'
SUBMERSIBLE BARGES:				
Rowan-Fourchon		West Africa	24'	30,000'
Rowan-Fairbanks		Southeast Asia	26'	25,000'
Rowan-Morgan City		Southeast Asia	26'	25,000'

LAND RIGS (December 31, 1991)

Number of Rigs	Location	Drilling Depth
7	West Texas/Oklahoma	18,000'/30,000'
6	Alaska	20,000'
5	Venezuela	10,000'/30,000'

AIRCRAFT (December 31, 1991)

Type	Passengers	Number of Aircraft
HELICOPTERS:		
TWIN ENGINE TURBINE:		
Sikorsky S-61N	26	7*
Aerospatiale 332L Super Puma	19	2
Bell 212	14	14
Bell 412	14	17
Sikorsky S-76B	13	5*
Aerospatiale 355F-1 Twin Star	6	2
MBB BO-105CBS	5	33
		80

Type	Passengers	Number of Aircraft
HELICOPTERS (CONTINUED):		
SINGLE ENGINE TURBINE:		
Bell 206B	4	4
Bell 206B-III	4	6
Bell 206L-I	6	5
Aerospatiale 350B AStar	5	6
Aerospatiale 350B-I AStar	5	5
		26
Total		*106*
FIXED-WING:		
Convair 580	44	4
DeHavilland Twin Otter	9-19	10
DeHavilland Dash 8	37	2**
Total		16

* 49% Owned ** One aircraft is leased

Rowan Companies, Inc. and Subsidiaries

RESULTS OF OPERATIONS

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

	1991	1990	1989
Revenues:			
Drilling	$ 170.8	$ 180.1	$ 128.8
Aviation	101.4	112.0	97.5
Total	$ 272.2	$ 292.1	$ 226.3
Operating Profit (Loss)*:			
Drilling	$ (17.7)	$ 9.1	$ (32.9)
Aviation	6.7	13.3	12.0
Total	$ (11.0)	$ 22.4	$ (20.9)
Net Income (Loss)	$ (44.4)	$ 2.0	$ (37.8)

* Profit or loss from operations before deducting general and administrative expenses.

The volatile conditions prevailing in the drilling and aviation markets are reflected in all three categories of financial data shown above. Also contributing to the impairment of net income (loss) for 1991, when compared to 1990, are the following: an extraordinary charge of $5.6 million in 1991 attributable to the redemption of debt, a decrease in interest income of $3.9 million and a decrease in the gain on disposals of property and equipment of $2.3 million.

DRILLING OPERATIONS. The Company's drilling operating results are dependent on rig rates and the level of utilization in its offshore drilling business, conducted primarily in the Gulf of Mexico and the North Sea. In turn, the rates for and utilization of the Company's offshore rigs are dependent on the availability of competing rigs and the level of offshore expenditures by energy companies.

The offshore drilling market experienced a series of fluctuations during the 1989-1991 period. Beginning in mid-1989, industry demand and day rates began to improve in the Gulf of Mexico primarily due to increased gas drilling, while utilization declined in the North Sea as a result of softening demand for drilling services. By December 1989, demand and day rates in the North Sea had improved based upon a more favorable pricing and regulatory outlook. Throughout 1990, both the North Sea and the Gulf of Mexico markets experienced a gradual increase in rig utilization and improved day rates; however, during 1991, demand weakened in both markets due to depressed energy prices. In the Gulf of Mexico, curtailed drilling activity by energy companies as a result of low natural gas prices significantly reduced utilization and day rates beginning in the first quarter. In the North Sea, energy prices remained more stable and, as a result, utilization and day rates were not affected to the same extent.

Market conditions generally permitted the Company to price its rigs during the 1989-1991 period at rates that allowed operating revenues from the Company's offshore rigs to exceed their direct operating costs.

The effects of fluctuations in utilization, drilling rates and number of rigs are reflected in the following analysis of revenue changes (in millions):

	1990 to 1991	1989 to 1990
Utilization	$ (30.4)	$ 22.8
Drilling Rates	19.8	27.9
Number of Rigs	1.3	.6
Total	$ (9.3)	$ 51.3
Percentage Change	(5)%	40%

The comparable percentage changes in drilling operations expenses were a 13% and 10% increase in 1991 and 1990, respectively. Fluctuations in drilling revenues do not necessarily result in corresponding changes in expenses, primarily due to the Company's policy of maintaining its offshore rigs fully manned and operational even when the rigs are idle.

Thirteen of the Company's 18 land rigs were idle in 1991. Two of the existing land rigs and three smaller land rigs purchased early in 1991 commenced a three-year assignment in Venezuela in the second quarter. The cost of maintaining the other 13 land rigs is modest and the remaining investment is insignificant.

The number of marine rigs operated by the Company at the end of each year in the 1989-1991 period and the rig utilization percentages (number of days under contract as a percent of days the rig was available for service) for each of those years are reflected in the schedule below. A submersible barge rig, reactivated in 1990, has been included in the utilization percentages for 1990 and 1991.

	1991	1990	1989
Jack-ups:			
Number	20	20	20
Utilization	67%	84%	75%
Semi-submersible:			
Number	1	1	1
Utilization	73%	87%	79%
Submersible Barges:			
Number	3	3	2
Utilization	30%	9%	0%

In recent years, energy companies have concentrated their offshore domestic drilling activity in the Gulf of Mexico due to the government-imposed moratoriums on drilling in most of the other domestic offshore areas. However, depressed oil and natural gas prices have caused energy companies to continue shifting their exploration and development expenditures to foreign markets. As a result, the number of mobile drilling rigs available for operation in the Gulf of Mexico market has begun to decline as reflected in the year-end counts: 1989–216, 1990–208 and 1991–180. Despite the reduction in available rigs, the utilization of mobile rigs in the Gulf of Mexico also declined as evidenced by year-end utilization percentages: 1989–73%, 1990–69% and 1991–56%.

Because the Company has 12 of its 21 offshore drilling rigs in the Gulf of Mexico market, this decline has adversely affected operating results. Until oil and natural gas prices increase to levels sufficient to encourage additional investment by energy companies, the market is not likely to improve. The Company is unable to predict when any improvement might occur.

Perceptible trends existing in the Company's offshore drilling markets are as shown below:

Gulf of Mexico – Weak market demand due to depressed natural gas prices in the near term

North Sea – Declining activity during the first quarter and early second quarter, with a substantial recovery in May and June as energy companies begin their 1992 drilling programs

Southeast Asia – Increasing drilling activity due to government policies encouraging production

Eastern Canada – Stable demand

The continuing instability of the various factors affecting the level of offshore expenditures by energy companies and shifts of such expenditures from domestic to foreign markets prevent the Company from being able to predict whether these market trends will continue, or their impact on the results of drilling operations for 1992.

The drilling markets in which the Company competes frequently experience significant changes in supply and demand. Drilling utilization and day rates achievable in offshore markets are affected by material changes in overall exploration and development expenditures, as well as by shifts of such expenditures between markets. These expenditures, in turn, are driven by significant changes in oil and natural gas prices, major discoveries of oil and natural gas reserves, shifts in the political climate, regulatory changes, seasonal weather patterns and drilling requirements under leases or concessions. The Company can, as it has done in the past, relocate its drilling rigs from one geographic area to another in response to such changing market dynamics, but only when these moves are economically justified.

AVIATION OPERATIONS. Although the Company is continuing to make progress in diversifying the flight services it offers, such as forest fire control, crew changes for commercial fishing, flightseeing, etc., the aviation segment's operating results are primarily dependent upon helicopter activity associated with oil and natural gas exploration and production, principally in Alaska and the Gulf of Mexico. Thus, like the drilling segment, the aviation segment's level of activity and rates for its services depend largely upon the level of expenditures by energy companies.

Aviation division revenues declined $10.6 million or 9% in 1991 compared to 1990 and increased $14.5 million or 15% in 1990 compared to 1989. Demand for the Company's aircraft generally strengthened during the years 1989 and 1990 but declined in 1991. The strengthening of demand in 1989 and 1990 was the result of helicopter flight activity associated with the cleanup of the Prince William Sound area in Alaska and with an increased need for forest fire control in the American Northwest. Because the Prince William Sound cleanup was completed in 1990 and the need for forest fire control diminished in 1991, demand for helicopter support declined in 1991. Activity associated with helicopter support of production facilities in the Gulf of Mexico increased in 1989 and 1990, substantially due to increased expenditures by energy companies in combination with a reduction in the number of smaller, competing aviation companies, but declined in 1991 due to depressed drilling activity.

Aviation division expenses declined 7% in 1991 compared to 1990 while increasing 16% in 1990 compared to 1989. The cost of aircraft fuel fluctuated significantly during 1990; however, the Company's aviation operations during that period were not significantly impacted, because its contracts generally provide for fuel cost adjustments.

As discussed more fully under Liquidity and Capital Resources, the Company completed the acquisition of a 49% interest in a Dutch-based helicopter company in November 1991. The transaction had no significant effect on the Company's results of operations in 1991.

The number of aircraft operated by the aviation division of the Company at the end of each year in the 1989-1991 period and the revenue hours for each of those years are reflected in the schedule below (excluding twelve twin engine helicopters owned by KLM/ERA Helicopters B.V.):

	1991	1990	1989
Twin Engine Helicopters:			
Number	**67**	68	63
Revenue Hours	**45,262**	58,067	50,856
Single Engine Helicopters:			
Number	**26**	26	31
Revenue Hours	**8,773**	11,291	13,024
Fixed-Wing Aircraft:			
Number	**16**	15	12
Revenue Hours	**20,098**	19,459	18,676

Perceptible trends existing in the aviation markets in which the Company operates are as shown below:

Alaska – Stable demand in all domestic markets served except support for drilling activities which will remain weak in the near term

Gulf of Mexico – Weak market demand for drilling activity support due to depressed natural gas prices in the near term

North Sea – Declining activity during the first quarter and early second quarter, with a recovery in May and June as energy companies begin their 1992 drilling programs

The Company cannot predict whether these market trends will continue, but if they do, operating results will be adversely affected in 1992. Material increases or decreases in energy company exploration and production activities, as well as shifts of such activities from one market to another, can result in significant changes in demand for flight services in the aviation markets in which the Company competes. Seasonal weather patterns can also affect demand. To address these market fluctuations, the Company can, as it has done in the past, move aircraft from one market to another, but only when the likelihood of higher returns makes such action beneficial.

LIQUIDITY AND CAPITAL RESOURCES

Key balance sheet amounts and ratios for 1991 and 1990 were as follows (dollars in millions):

December 31,	1991	1990
Cash and cash equivalents	$ 234.6	$ 108.5
Current assets	$ 302.9	$ 179.2
Current liabilities	$ 176.9	$ 44.9
Current ratio	1.71	4.00
Current maturities of long-term debt	$ 132.9	$ 7.9
Long-term debt	$ 220.8	$ 153.6
Stockholders' equity	$ 445.4	$ 485.7
Long-term debt/stockholders' equity	.50	.32

The Company entered into several strategic transactions in the fourth quarter of 1991 as follows: the issuance of $200 million of 11⅞% Senior Notes due 2001, the call for redemption in January 1992 of $125 million of 13¾% Senior Notes due 1996, and the purchase of a 49% interest in KLM Helikopters for approximately $26 million. Because the call and redemption of the 13¾% Senior Notes straddled year-end 1991, the $125 million principal amount of the notes was included in current maturities of long-term debt, thereby affecting certain other amounts and ratios. See Footnote 2 of the Notes to Consolidated Financial Statements for an analysis of how certain balance sheet amounts and the current ratio would have changed if the redemption had occurred prior to year-end.

During the 1989-1991 period, aggregate capital expenditures and repayments of borrowings totalled $217.1 million ($93.5 million in 1991, $67.8 million in 1990 and $55.8 million in 1989) which exceeded by $54.2 million the cash provided by operations in such period of $85.9 million ($26.3 million in 1991, $39.5 million in 1990 and $20.1 million in 1989) plus the $77.0 million insurance proceeds received in 1989 from the loss of a Gorilla rig.

The Company estimates 1992 capital expenditures at between $40 and $60 million compared with $85.6 million and $59.9 million in 1991 and 1990, respectively. Included in this amount are expenditures for modifications to the Company's North Sea rig fleet to meet new safety standards being implemented in the United Kingdom, modifications to the jack-up *Rowan-Juneau* and the purchase of five single engine helicopters. The Company may also spend amounts to acquire additional aircraft as market conditions justify and to upgrade existing offshore rigs. The Company's intent is to use cash provided by operations, if any, and cash on hand to fund the capital expenditures in 1992.

In November 1991, the Company entered into a $35 million unsecured revolving credit agreement expiring March 31, 1994. Additionally, at December 31, 1991, the provisions of the Company's existing indebtedness would allow the Company to enter into sale/leaseback transactions with a maximum value of approximately $84.3 million. The Company presently does not foresee the need to obtain additional funds by incurring debt.

Given current market conditions, net cash provided by operations, if any, in 1992 may not be sufficient to cover capital expenditures and debt service during the year. However, in the opinion of management, cash provided by operations, existing working capital and the $35 million unsecured revolving line of credit with a major bank will be adequate to sustain planned capital expenditures and debt service requirements for the foreseeable future.

The Company did not pay any dividends on common stock during the 1989-1991 period, and the covenant calculations under the terms of its then-existing indebtedness prohibited such payments. Although the covenant calculations under the terms of the Company's indebtedness now outstanding do not prohibit the payment of cash dividends on the common stock, the Company currently has no plans to pay any such dividends.

The Company believes inflation has not had a material effect on its operations or its financial condition, but there can be no assurances that future increases in the inflation rate would not have an adverse effect.

In recent years, the Financial Accounting Standards Board has promulgated several new standards that will require adoption in 1993. These standards are discussed fully in Footnotes 1 and 6 of the Notes to Consolidated Financial Statements.

Rowan Companies, Inc. and Subsidiaries

(In thousands except per share amounts and ratios)	1991	1990	1989
OPERATIONS			
Revenues:			
Drilling operations	$ 170,739	$ 180,118	$ 128,818
Aircraft operations	101,433	111,992	97,446
Total	272,172	292,110	226,264
Costs and expenses:			
Drilling operations	147,853	130,845	119,182
Aircraft operations	82,364	88,182	75,943
Depreciation, depletion and amortization	52,954	50,702	52,062
General and administrative	11,739	9,549	7,690
Total	294,910	279,278	254,877
Income (loss) from operations	(22,738)	12,832	(28,613)
Other income (expense):			
Interest expense	(21,379)	(21,601)	(23,682)
Less interest capitalized			
Gain on disposals of property and equipment	1,660	3,996	2,320
Interest income	4,763	8,635	12,709
Other–net	127	178	161
Other income (expense)–net	(14,829)	(8,792)	(8,492)
Income (loss) before income taxes	(37,567)	4,040	(37,105)
Provision (credit) for income taxes	1,174	2,081	672
Income (loss) before extraordinary charge	(38,741)	1,959	(37,777)
Extraordinary charge from redemption of debt	(5,627)		
Net income (loss)	$ (44,368)	$ 1,959	$ (37,777)
Per share of common stock:			
Net income (loss):			
Primary	$ (.61)*	$ .03	$ (.52)
Fully diluted	$ (.61)*	$ .03	$ (.52)
Cash dividends	$ –	$ –	$ –
FINANCIAL POSITION			
Working capital	$ 125,996	$ 134,393	$ 143,963
Property and equipment–at cost:			
Drilling equipment	913,379	885,264	867,540
Aircraft and related equipment	158,361	138,327	107,985
Other	76,251	73,504	70,598
Construction in progress			
Total	1,147,991	1,097,095	1,046,123
Property and equipment–net	552,481	549,608	542,995
Total assets	895,889	739,133	737,826
Capital expenditures	85,618	59,905	22,945
Long-term debt	220,764	153,621	163,473
Common stockholders' equity	445,368	485,748	479,287
STATISTICAL INFORMATION			
Current ratio	1.71 **	4.00	4.55
Long-term debt/common stockholders' equity	.50	.32	.34
Book value per share of common stock	$ 6.11	$ 6.69	$ 6.64

* Includes $.08 per share effect of extraordinary charge.

** At December 31, 1991, the $125,000,000 principal amount of the Company's 13¾% Senior Notes had been called for redemption and appeared as a current liability. If redemption had occurred prior to year-end, the current ratio would have been 3.61.

1988	1987	1986	1985	1984	1983	1982
$ 144,018	$ 90,145	$ 113,651	$ 198,937	$ 143,094	$ 161,204	$ 354,482
72,667	52,984	53,512	73,581	55,281	45,273	47,151
216,685	143,129	167,163	272,518	198,375	206,477	401,633
126,288	113,348	139,177	151,878	109,489	118,922	146,054
62,571	48,996	52,846	57,583	46,093	31,499	34,636
60,324	61,312	62,525	60,504	53,750	46,394	40,448
7,313	6,766	7,100	8,157	8,279	8,987	7,903
256,496	230,422	261,648	278,122	217,611	205,802	229,041
(39,811)	(87,293)	(94,485)	(5,604)	(19,236)	675	172,592
(23,920)	(23,463)	(17,208)	(19,242)	(24,443)	(11,032)	(15,174)
237	319	2,013	410	13,239	10,830	8,615
27,578	1,814	962	4,857	2,026	1,798	11,273
4,002	4,917	6,786	5,501	4,201	3,998	11,019
345	407	399	192	294	280	301
8,242	(16,006)	(7,048)	(8,282)	(4,683)	5,874	16,034
(31,569)	(103,299)	(101,533)	(13,886)	(23,919)	6,549	188,626
32	(34,009)	(53,002)	(10,189)	(27,149)	(9,980)	70,683
(31,601)	(69,290)	(48,531)	(3,697)	3,230	16,529	117,943
$ (31,601)	$ (69,290)	$ (48,531)	$ (3,697)	$ 3,230	$ 16,529	$ 117,943
$ (.44)	$ (1.12)	$ (.93)	$ (.07)	$ .06	$ .27	$ 2.33
$ (.44)	$ (1.12)	$ (.93)	$ (.07)	$ .06	$ .27	$ 2.18
$ –	$ –	$ .06	$ .11	$ .08	$ .08	$ .08
$ 152,335	$ 76,779	$ 77,265	$ 109,805	$ 77,750	$ 88,423	$ 67,934
863,450	946,127	941,726	857,862	879,561	744,088	606,551
97,500	98,860	100,339	98,568	99,946	96,159	94,788
88,039	88,113	90,795	89,493	80,491	71,452	70,900
			2,075		54,443	47,852
1,048,989	1,133,100	1,132,860	1,047,998	1,059,998	966,142	820,091
585,365	697,144	751,225	726,366	786,071	740,939	638,760
800,684	827,785	875,004	916,885	928,985	888,748	788,832
18,318	14,123	102,094	53,039	152,034	158,988	185,577
181,330	184,187	200,125	143,750	186,549	157,766	71,536
515,491	546,078	505,115	561,569	569,176	576,305	506,723
4.07	2.88	3.46	2.60	2.46	2.96	2.06
.35	.34	.40	.26	.33	.28	.14
$ 7.16	$ 7.59	$ 9.28	$ 10.28	$ 10.46	$ 10.48	$ 10.48

CONSOLIDATED BALANCE SHEET

Rowan Companies, Inc. and Subsidiaries

(In thousands)	December 31, 1991	1990
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (NOTE 2)	$ 234,581	$ 108,461
Receivables–trade and other	50,747	53,536
Materials and supplies–at cost	15,884	16,165
Prepaid expenses	1,732	1,086
Total current assets	302,944	179,248
INVESTMENT IN AND ADVANCES TO 49% OWNED COMPANIES	30,075	
PROPERTY AND EQUIPMENT–AT COST:		
Drilling equipment	913,379	885,264
Aircraft and related equipment	158,361	138,327
Other property and equipment	76,251	73,504
Total	1,147,991	1,097,095
Less accumulated depreciation, depletion and amortization	595,510	547,487
Property and equipment–net	552,481	549,608
OTHER ASSETS AND DEFERRED CHARGES	10,389	10,277
TOTAL	$ 895,889	$ 739,133
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt (NOTE 2)	$ 132,857	$ 7,857
Accounts payable–trade	12,950	11,378
Other current liabilities (NOTE 4)	31,141	25,620
Total current liabilities	176,948	44,855
LONG-TERM DEBT–LESS CURRENT MATURITIES (NOTE 2)	220,764	153,621
OTHER LIABILITIES (NOTES 6 AND 9)	21,906	18,638
DEFERRED CREDITS:		
Income taxes	5,139	5,327
Gain on sale/leaseback transactions (NOTE 9)	25,148	28,346
Other	616	2,598
Total deferred credits	30,903	36,271
COMMITMENTS AND CONTINGENT LIABILITIES (NOTE 9)		
STOCKHOLDERS' EQUITY:		
Preferred stock, $1.00 par value:		
Authorized 5,000,000 shares issuable in series:		
Series I Preferred Stock, authorized 6,500 shares, none issued		
Series II Preferred Stock, authorized 6,000 shares, none issued		
Common stock, $.125 par value; authorized 150,000,000 shares; issued 74,326,669 shares at December 31, 1991 and 74,087,444 shares at December 31, 1990 (NOTE 3)	9,291	9,261
Additional paid-in capital	285,371	281,413
Retained earnings (NOTE 5)	153,191	197,559
Less cost of treasury stock–1,457,919 shares in 1991 and 1990	2,485	2,485
Total stockholders' equity	445,368	485,748
TOTAL	$ 895,889	$ 739,133

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF OPERATIONS

Rowan Companies, Inc. and Subsidiaries

(In thousands except per share amounts)	1991	1990	1989
	For the Years Ended December 31,		
REVENUES:			
Drilling operations	**$170,739**	$ 180,118	$ 128,818
Aircraft operations	**101,433**	111,992	97,446
Total	**272,172**	292,110	226,264
COSTS AND EXPENSES:			
Drilling operations	**147,853**	130,845	119,182
Aircraft operations	**82,364**	88,182	75,943
Depreciation, depletion and amortization	**52,954**	50,702	52,062
General and administrative	**11,739**	9,549	7,690
Total	**294,910**	279,278	254,877
INCOME (LOSS) FROM OPERATIONS	**(22,738)**	12,832	(28,613)
OTHER INCOME (EXPENSE):			
Interest expense	**(21,379)**	(21,601)	(23,682)
Gain on disposals of property and equipment	**1,660**	3,996	2,320
Interest income	**4,763**	8,635	12,709
Other–net	**127**	178	161
Other income (expense)–net	**(14,829)**	(8,792)	(8,492)
INCOME (LOSS) BEFORE INCOME TAXES	**(37,567)**	4,040	(37,105)
Provision for income taxes (NOTE 7)	**1,174**	2,081	672
INCOME (LOSS) BEFORE EXTRAORDINARY CHARGE	**(38,741)**	1,959	(37,777)
Extraordinary charge from redemption of debt (NOTE 2)	**(5,627)**		
NET INCOME (LOSS)	**$ (44,368)**	$ 1,959	$ (37,777)
EARNINGS (LOSS) PER SHARE OF COMMON STOCK (NOTE 1)			
Income (loss) before extraordinary charge	**$ (.53)**	$ .03	$ (.52)
Extraordinary charge	**(.08)**		
NET INCOME (LOSS)	**$ (.61)**	$ .03	$ (.52)

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

Rowan Companies, Inc. and Subsidiaries

For the Years Ended December 31, 1991, 1990 and 1989

(In thousands)	Common Stock Issued Shares	Common Stock Issued Amount	Common Stock In Treasury Shares	Common Stock In Treasury Amount	Additional Paid-In Capital	Retained Earnings
Balance, January 1, 1989	73,495	$ 9,187	1,458	$ 2,485	$ 275,412	$ 233,377
Exercise of stock options	111	14			97	
Value of services rendered by participants in the Nonqualified Stock Option Plans (NOTE 3)					1,462	
Net loss						(37,777)
Balance, December 31, 1989	73,606	9,201	1,458	2,485	276,971	195,600
Exercise of stock options	191	24			167	
Value of services rendered by participants in the Nonqualified Stock Option Plans (NOTE 3)					2,317	
Conversion of subordinated debentures	290	36			1,958	
Net income						1,959
Balance, December 31, 1990	74,087	9,261	1,458	2,485	281,413	197,559
Exercise of stock options	240	30			209	
Value of services rendered by participants in the Nonqualified Stock Option Plans (NOTE 3)					3,749	
Net loss						(44,368)
Balance, December 31, 1991 (NOTES 3 AND 5)	**74,327**	**$ 9,291**	**1,458**	**$ 2,485**	**$ 285,371**	**$ 153,191**

See Notes to Consolidated Financial Statements.

Rowan Companies, Inc. and Subsidiaries

(In thousands)	1991	1990	1989
	For the Years Ended December 31,		
Cash Provided By (Used In):			
Operations:			
Net income (loss)	**$ (44,368)**	$ 1,959	$ (37,777)
Noncash charges (credits) to net income (loss):			
Depreciation, depletion and amortization	**52,954**	50,702	52,062
Gain on disposals of property and equipment	**(1,660)**	(3,996)	(2,320)
Compensation expense	**3,749**	2,317	1,462
Change in sale/leaseback payable	**1,360**	1,888	1,662
Amortization of sale/leaseback gain	**(3,198)**	(3,198)	(3,198)
Other–net	**4,452**	3,016	2,755
Changes in current assets and liabilities:			
Receivables–trade and other	**2,789**	(14,328)	(1,424)
Other current assets	**(365)**	(3,035)	(1,396)
Current liabilities	**7,093**	4,351	5,822
Net changes in other noncurrent assets and liabilities	**3,450**	(128)	2,481
Net cash provided by operations	**26,256**	39,548	20,129
Investing activities:			
Capital expenditures:			
Property and equipment additions	**(57,619)**	(59,905)	(22,945)
Investment in subsidiaries and affiliates	**(27,999)**		
Advances to affiliates	**(5,074)**		
Proceeds from disposals of property and equipment	**2,602**	5,442	92,193
Purchases of short-term investments		(27,649)	(99,626)
Proceeds from sales of short-term investments		53,053	76,256
Net cash provided by (used in) investing activities	**(88,090)**	(29,059)	45,878
Financing activities:			
Proceeds from issuance of 11 7/8% Senior Notes, net of issue costs	**195,572**		
Proceeds from revolving credit arrangements	**15,000**		
Payments on revolving credit arrangements	**(15,000)**		
Repayments of other borrowings	**(7,857)**	(7,858)	(32,857)
Other–net	**239**	191	112
Net cash provided by (used in) financing activities	**187,954**	(7,667)	(32,745)
Increase in Cash and Cash Equivalents	**126,120**	2,822	33,262
Cash and Cash Equivalents, Beginning of Year	**108,461**	105,639	72,377
Cash and Cash Equivalents, End of Year	**$234,581**	$ 108,461	$ 105,639

See Notes to Consolidated Financial Statements.

[1] Summary of Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include the accounts of Rowan Companies, Inc. and all of its wholly and majority owned subsidiaries (the "Company").

The Company records its investment in less-than-50% owned companies at amounts equal to its equity in the companies' net assets, and recognizes as income its proportionate share of the companies' net income or losses.

The excess of cost over the net assets of subsidiaries at dates of acquisitions ($8,452,000) is being amortized over a thirty-year period. At December 31, 1991, the unamortized cost was $4,075,000.

Material intercompany transactions are eliminated in consolidation.

Revenue recognition. Substantially all drilling contracts are on a day rate basis, and revenues and expenses are recognized as the work progresses. The Company's aviation services generally are provided under master service agreements (which provide for incremental payments based on usage), term contracts, or day-to-day charter arrangements. Aviation revenues and expenses are recognized as services are rendered.

Reclassifications. Certain reclassifications have been made in the 1990 and 1989 amounts to conform with 1991 presentations.

Statement of Cash Flows. The Company generally considers all highly liquid instruments with a maturity of three months or less when purchased to be cash equivalents.

Noncash financing activities included the following (each of which occurred during 1990): a) the conversion of $1,094,000 principal amount of Series I Floating Rate Convertible Subordinated Debentures into 190,000 shares of common stock, and b) the conversion of $900,000 principal amount of the Series II Floating Rate Convertible Subordinated Debenture into 100,000 shares of common stock. See Notes 2 and 3.

Property and Depreciation. For financial reporting purposes, the Company computes depreciation using the straight-line method over the estimated useful lives of the related assets as follows:

	Years	Salvage Value
Marine drilling equipment:		
Semi-submersible	15	20%
Cantilever jack-ups	15	20%
Conventional jack-ups	12	20%
Barges	12	20%
Land drilling equipment	8 to 12	20%
Drill pipe and tubular equipment	4	10%
Aviation equipment:		
Aircraft	7 to 10	15% to 25%
Other	2 to 10	various
Other property and equipment	3 to 40	various

The Company depreciates its equipment from the date placed in service until the equipment is sold or becomes fully depreciated.

The Company capitalizes, during the construction period, an allocation of the interest cost incurred during the period required to complete the asset. Engineering salaries and other expenses directly related to the construction of drilling equipment are also capitalized.

Expenditures for betterments are capitalized. Costs of assets sold or retired and related amounts of depreciation and amortization are eliminated from the accounts and the resulting gains or losses on disposal of the assets are recorded in operations. Expenditures for maintenance and repairs are charged to operations as incurred. Maintenance and repairs for 1991, 1990 and 1989 amounted to $38,310,000, $38,096,000 and $33,002,000, respectively.

Income Taxes. A provision for deferred federal and state income taxes is made for timing differences between financial and taxable income. A provision for federal income taxes is made on the earnings of foreign subsidiaries to the extent that such earnings are currently taxable or will be distributed. No provision for federal income taxes is made on the remaining undistributed earnings of foreign subsidiaries since such earnings are reinvested in working capital or in construction of additional drilling equipment.

In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." The statement requires an asset and liability approach for financial accounting and reporting for income taxes. The Company intends to adopt this statement in 1993, the required year of implementation; however, the Company has not yet determined the impact of adopting this statement on financial position or results of operations.

Earnings (Loss) Per Common Share. Earnings (loss) per share amounts are computed by dividing net income (loss) by the weighted average number of common shares outstanding during the year. Shares issuable upon conversion of the Series I and Series II Floating Rate Convertible Subordinated Debentures are excluded from the average number of shares for the computation of per share amounts since their effect is antidilutive. Additionally, shares issuable upon the exercise of stock options are excluded since their effect is insignificant.

[2] Long-Term Debt

Long-term debt consisted of (in thousands):

December 31,	1991	1990
$11\frac{7}{8}\%$ Senior Notes due 2001	**$ 200,000**	
$13\frac{3}{4}\%$ Senior Notes due 1996	**125,000**	$ 125,000
Nonrecourse note payable in quarterly installments through 1994 at various rates collateralized by the drilling rig Rowan Gorilla IV costing approximately $81,500,000	**23,571**	31,428
Series I subordinated convertible debentures due 1996 bearing interest at $\frac{1}{2}\%$ above prime rate	**1,450**	1,450
Series II subordinated convertible debenture due 1997 bearing interest at $\frac{1}{2}\%$ above prime rate	**3,600**	3,600
Total	**353,621**	161,478
Less current maturities	**132,857**	7,857
Remainder	**$ 220,764**	$ 153,621

Long-term debt maturities for the five years ending December 31, 1996 are as follows: 1992–$132,857,000, 1993–$7,857,000, 1994–$7,857,000, 1995–none and 1996–$1,450,000.

In December 1991, the Company concurrently issued $200,000,000 principal amount of $11\frac{7}{8}\%$ Senior Notes maturing in December 2001 (the "$11\frac{7}{8}\%$ Notes") and called its outstanding $13\frac{3}{4}\%$ Senior Notes due 1996 (the "$13\frac{3}{4}\%$ Notes"). The $13\frac{3}{4}\%$ Notes were redeemed in January 1992 at an aggregate redemption price of $128,750,000 from the net proceeds from the sale of the $11\frac{7}{8}\%$ Notes. This redemption of the $13\frac{3}{4}\%$ Notes resulted in an extraordinary charge of $5,627,000, or $.08 per share, comprised of a $3,750,000 call premium and unamortized issue costs of $1,877,000. If the redemption had occurred prior to year-end, the current ratio would have been 3.61 and balance sheet amounts would have changed as follows (in thousands):

December 31, 1991	Actual	Pro Forma
Assets		
Cash and cash equivalents	$ 234,581	$ 105,831
Other current assets	68,363	68,363
Total current assets	302,944	174,194
Noncurrent assets	592,945	592,945
Total	$ 895,889	$ 767,139
Liabilities and Stockholders' Equity		
Current maturities of long-term debt	$ 132,857	$ 7,857
Other current liabilities	44,091	40,341
Total current liabilities	176,948	48,198
Noncurrent liabilities and stockholders' equity	718,941	718,941
Total	$ 895,889	$ 767,139

The $11\frac{7}{8}\%$ Notes may be redeemed early, in whole or in part from time to time at the Company's option, beginning December 1, 1996, upon payment of a premium of 6% and descending 2% annually from that date to December 1, 1999, when the Company may redeem them at the principal amount.

The nonrecourse note payable bears interest at the following rates, depending on the Company's election: a) $\frac{3}{8}\%$ above the London Interbank offered rate, b) $\frac{5}{8}\%$ to $\frac{7}{8}\%$ above the New York certificate of deposit dealer rate, or c) $\frac{1}{4}\%$ above the prime rate. At December 31, 1991, the interest rate was $6\frac{1}{16}\%$.

The $1,450,000 principal amount of Series I Floating Rate Convertible Subordinated Debentures is convertible into $1,450,000 Series I Preferred Stock, which may be converted into an aggregate of 252,174 shares of the Company's common stock at an initial conversion price of $5.75 per share. At December 31, 1991, the interest rate was $8\frac{1}{2}\%$. See Note 3 for further information.

The $3,600,000 principal amount of the Series II Floating Rate Convertible Subordinated Debenture is convertible into $3,600,000 Series II Preferred Stock, which may be converted into an aggregate of 400,000 shares of the Company's common stock at an initial conversion price of $9.00 per share. At December 31, 1991, the interest rate was $8\frac{1}{2}\%$. See Note 3 for further information.

In November 1991, the Company entered into a $35,000,000 unsecured revolving credit agreement which extends through March 31, 1994. The Company received a $15,000,000 advance, bearing interest at $6\frac{5}{16}\%$, under this facility in November 1991 which was repaid the following month. At December 31, 1991, there were no outstanding advances. The credit agreement requires a commitment fee of $\frac{1}{2}$ of 1% on the average daily unused portion of the commitment.

In May 1991, the Company guaranteed the indebtedness of an unconsolidated affiliate under a $3,000,000 revolving credit agreement which expires in 1994.

Interest payments for 1991, 1990 and 1989 were $19,780,000, $21,193,000 and $25,646,000, respectively.

Certain debt agreements of the Company contain various provisions that require an excess of current assets over current liabilities, require an excess of stockholders' equity over consolidated funded indebtedness, require maintenance of minimum consolidated cash balances and consolidated tangible net worth amounts, and restrict investments, sale/leaseback transactions, mergers, consolidations, sales of assets, borrowings, creation of liens, purchases of the Company's capital stock, and present and future common stock dividend payments. See Note 5 for further information.

[3] Stockholders' Equity

The Company has two nonqualified stock option plans through which options have been granted to certain key employees. Under the terms of the Company's 1980 Nonqualified Stock Option Plan (the "1980 Plan"), the Board of Directors granted options to purchase a total of 1,000,000 shares of the Company's common stock. The Board of Director's authority to grant additional options under the 1980 Plan expired on January 25, 1990.

Under the terms of the 1988 Nonqualified Stock Option Plan (the "1988 Plan"), the Board of Directors may grant before January 21, 1998 options to purchase a total of 2,000,000 shares of the Company's common stock.

At December 31, 1991, options for 2,764,504 shares had been granted at an exercise price of $1.00 per share. At December 31, 1991, 226 active, key employees had been granted options. Options are exercisable to the extent of 25% after one year from date of grant, 50% after two years, 75% after three years and 100% after four years. Under the 1980 Plan, substantially all options not exercised expire five years after the date of grant. Under the 1988 Plan, all options not exercised expire ten years after the date of grant.

For financial accounting purposes, the Company recognizes compensation expense with respect to any given nonqualified option in an amount equal to the difference between the market price per share and the option price per share on the date of grant, multiplied by the number of shares granted. The compensation is recorded as expense to the Company over the period of time during which the employee performs services to earn the right to exercise the option and an equal amount is credited to additional paid-in capital. The income tax effect related to this compensation is recorded as an increase or decrease to the provision for income taxes in the same period the compensation is recorded as expense.

Stock option activity during 1991, 1990 and 1989 was as follows:

	Number of Shares		
	1991	1990	1989
Stock options outstanding, beginning of year, at $1.00 per share	**1,357,375**	909,725	390,450
Changes during the year:			
Granted, at $1.00 per share	**444,000**	681,000	647,000
Exercised	**(239,225)**	(190,850)	(111,725)
Expired	**(69,250)**	(42,500)	(16,000)
Stock options outstanding, end of year	**1,492,900**	1,357,375	909,725
Stock options exercisable, end of year	**263,900**	105,375	99,475
Stock options available for grant, end of year:			
1980 Plan			4,500
1988 Plan	**393,571**	779,321	1,427,821
Total	**393,571**	779,321	1,432,321

The Rowan Companies, Inc. 1986 Convertible Debenture Incentive Plan (the "Plan") provides for the issuance to key employees of up to $20,000,000 in aggregate principal amount of the Company's floating rate subordinated convertible debentures. The debentures are initially convertible into preferred stock which has no voting rights (except as required by law or the Company's charter), no dividend and a nominal liquidation preference. The preferred stock is immediately convertible into common stock.

Since inception of the Plan, debentures in the aggregate principal amount of $9,625,000 have been issued by the Company. Out of the initial issue of $5,125,000 principal amount of debentures in 1986, $1,450,000 were outstanding at December 31, 1991 and are ultimately convertible into common stock at $5.75 per share for each $1,000 principal amount of debenture at any time through June 13, 1996, unless earlier redeemed or the conversion privilege is terminated. In 1987, the Company issued a debenture in the principal amount of $4,500,000, of which $3,600,000 was outstanding at December 31, 1991. This residual amount is ultimately convertible into common stock at $9.00 per share for each $1,000 principal amount of the debenture at any time through September 10, 1997, unless earlier redeemed or the conversion privilege is terminated.

On February 25, 1992, the Company adopted a Stockholder Rights Agreement to protect against coercive takeover tactics. The agreement provides for the distribution to the Company's stockholders of one Right for each outstanding share of common stock. Each Right entitles the holder to purchase from the Company one one-hundredth of a share of new Series A Junior Preferred Stock of the Company at an exercise price of $30. In addition, under certain circumstances, each Right will entitle the holder to purchase securities of the Company or an acquiring entity at ½ market value. The Rights are exercisable only if a person or group acquires 15% or more of the Company's outstanding common stock or makes a tender offer for 30% or more of the Company's outstanding common stock. The Rights will expire on February 25, 2002. The Company may generally redeem the Rights at a price of $.01 per Right at any time until the 10th day following public announcement that a 15% position has been acquired. One million five hundred thousand shares of the Company's preferred stock have been designated Series A Junior Preferred Stock and reserved for issuance upon exercise of the Rights.

[4] Other Current Liabilities

Other current liabilities consisted of (in thousands):

December 31	**1991**	1990
Gain on sale/leaseback transactions	**$ 3,198**	$ 3,198
Accrued liabilities:		
Income taxes	**1,222**	1,599
Compensation and related employee costs	**8,666**	8,936
Interest	**9,167**	7,925
Premium on redemption of debt	**3,750**	
Taxes and other	**5,138**	3,962
Total	**$31,141**	$25,620

[5] Restrictions on Retained Earnings

Under the terms of certain debt agreements, the Company was prohibited from paying dividends on its common stock during 1990 and 1991. However, due to debt restructuring accomplished in late 1991 and early 1992 (as discussed more fully in Footnote 2), the payment of such dividends is currently permitted, subject to the following restriction: the Company cannot declare dividends or make any distribution on its common stock unless the total dividends or distributions subsequent to December 31, 1991 are less than the sum of: a) $20,000,000, plus b) 50% of cumulative consolidated net income, if positive, subsequent to December 31, 1991, plus c) subject to certain exceptions, the net proceeds from the sale of any class of capital stock after December 31, 1991, less d) 100% of cumulative consolidated net income, if negative, subsequent to December 31, 1991.

The Board of Directors will determine payment, if any, of future dividends or distributions, in light of conditions then existing, including the Company's earnings, financial condition and requirements, opportunities for reinvesting earnings, business conditions and other factors.

[6] Benefit Plans

Since 1952, the Company has sponsored a defined benefit pension plan covering substantially all of its employees. The benefits are based on an employee's years of service and average earnings for the five highest consecutive calendar years of compensation during the ten years immediately preceding retirement. The Company's policy is to fund the minimum amount required by the Internal Revenue Code. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

The following table sets forth the plan's status and the amounts recognized in the Company's consolidated balance sheet (in thousands):

	1991	1990	1989
Actuarial present value of benefit obligations: Accumulated benefit obligation,			
Vested benefits	**$ 56,954**	$ 51,858	$ 48,591
Total benefits	**$ 61,296**	$ 56,141	$ 52,690
Plan assets at fair value	**$ 78,883**	$ 82,218	$ 80,307
Projected benefit obligation for service rendered to date	**74,778**	67,350	62,819
Plan assets in excess of projected benefit obligation	**4,105**	14,868	17,488
Unrecognized net gain	**(1,759)**	(9,689)	(9,938)
Unrecognized net benefits being recognized over 15 years	**(9,691)**	(10,902)	(12,113)
Unrecognized prior service cost	**1,156**	1,288	733
Unpaid pension cost included in Other Liabilities	**$ (6,189)**	$ (4,435)	$ (3,830)

Plan assets consist primarily of equity securities and U.S. Treasury bonds and notes. At December 31, 1991, included in the equity securities were 1,500,000 shares of the Company's common stock at an average cost of $4.81 per share.

At December 31, 1991, $14,700,000 of plan assets at fair value were invested in a dedicated bond fund. The plan had a basis in these assets of $12,600,000 yielding approximately 6.5% to maturity.

Net pension costs included the following components (in thousands):

	1991	1990	1989
Service cost–benefits earned during the period	**$ 3,743**	$ 3,390	$ 2,969
Interest cost on projected benefit obligation	**6,007**	5,388	4,994
Actual return on plan assets	**157**	(4,905)	(17,285)
Net amortization and deferral	**(8,153)**	(3,268)	10,660
Net periodic pension cost	**$ 1,754**	$ 605	$ 1,338

Assumptions used in calculations were:

	1991	1990	1989
Discount rate	**9.0%**	9.0%	9.0%
Rate of compensation increase	**6.0%**	6.0%	6.0%
Expected rate of return on plan assets	**8.5%**	8.5%	8.5%

In addition to providing pension benefits, the Company provides certain health care and life insurance benefits for retired employees. Substantially all of the Company's employees may become eligible for those benefits if they reach normal retirement age while working for the Company. The cost of retiree health care and life insurance benefits is currently recognized as expense as claims are paid. For 1991, 1990 and 1989, these costs totaled $1,143,000, $597,000 and $419,000, respectively.

In December 1990, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." This Statement requires accrual of postretirement benefits (such as health care benefits) during the years an employee provides services. The impact of this new standard has not been fully determined, but the change will likely result in significantly greater expense being recognized for provision of these benefits. The Company plans to adopt this Statement in 1993, the required year of implementation.

[7] Income Taxes

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

	1991	1990	1989
Current:			
Federal	**$ 40**	$ 92	$ (220)
Foreign	**1,100**	1,823	940
State	**3**	30	
Total current provision	**1,143**	1,945	720
Deferred:			
Federal			
Foreign	**31**	136	(48)
Total deferred provision (credit)	**31**	136	(48)
Total	**$ 1,174**	$ 2,081	$ 672

Total income taxes shown in the consolidated statement of operations differ from the amount that would be computed if the income (loss) before income taxes and the extraordinary charge was multiplied by the federal income tax rate (statutory rate) applicable in each year. The reasons for this difference are as follows (in thousands):

	1991	1990	1989
Tax at statutory rate	**$ (12,773)**	$ 1,374	$ (12,616)
Increase (decrease) in taxes resulting from:			
Book net operating loss carryforward	**12,108**	(1,031)	12,336
Additional taxes on foreign source income	**1,131**	1,590	295
Nondeductible compensation expense	**655**	79	241
Other–net	**53**	69	416
Total	**$ 1,174**	$ 2,081	$ 672

Deferred income taxes relating to timing differences between reported income and taxable income were as follows (in thousands):

	1991	1990	1989
Depreciation	$ (9,246)	$ (10,350)	$ (12,113)
Oil and gas exploration costs	(389)	(298)	(47)
Deferred gain on sale/leaseback of drilling rigs	1,080	1,087	1,087
Net operating loss carryforward	9,591	9,350	13,577
Pension provision	(645)	(402)	(323)
Gain on disposals of assets	(24)	225	(2,222)
Other–net	(336)	524	(7)
Total deferred taxes	$ 31	$ 136	$ (48)

At December 31, 1991, the Company had $56,412,000 of regular investment tax credits and $5,658,000 of ESOP (Employee Stock Ownership Plan) tax credits available for application against future federal taxes payable. Total credits, if not utilized, will expire as follows: 1992–$700,000, 1993–$3,113,000, 1994–$1,807,000, 1995–$6,954,000, 1996–$12,772,000, 1997–$11,069,000, 1998–$8,027,000, 1999–$10,110,000, 2000–$2,017,000 and 2001–$5,501,000.

At December 31, 1991, the Company had net operating loss carryforwards of approximately $105,785,000 (domestic) and $9,402,000 (foreign) for financial reporting purposes which can be used to reduce future years' income tax provisions.

At December 31, 1991, the Company had net operating loss carryforwards of approximately $217,191,000 for federal income tax purposes which will expire, if not utilized, as follows: 2001–$88,259,000 and 2002–$128,932,000.

At December 31, 1991, foreign tax credit carryovers existed in the amount of $748,000 which will expire, if not utilized, as follows: 1992–$174,000, 1993–$429,000 and 1996–$145,000.

At December 31, 1991, undistributed earnings of foreign companies for which deferred federal taxes were not provided amounted to $50,937,000. Such amounts, if distributed, would generate federal income tax expense at an approximate rate of 7.75% in 1992. This approximate tax rate is lower than the federal statutory corporate rate as a result of previously paid or accrued foreign income taxes which would become available as foreign tax credits.

Income (loss) before income taxes and the extraordinary charge consisted of $(28,608,000), $1,989,000, and $(38,803,000) of domestic income (loss), and $(8,959,000), $2,051,000 and $1,698,000 of foreign income (loss) for 1991, 1990 and 1989, respectively.

Income tax payments exceeded refunds by $1,518,000 in 1991, $2,240,000 in 1990 and $678,000 in 1989.

[8] Loss of Rowan Gorilla I

As previously reported, on December 15, 1988, the Rowan Gorilla I jack-up capsized and sank in the North Atlantic Ocean during severe weather while being towed to the North Sea from Halifax, Nova Scotia. The rig was fully insured for its original cost of $90,000,000. Proceeds totaling $13,000,000 were received in 1988 and the remaining $77,000,000 in 1989.

[9] Commitments and Contingent Liabilities

During 1984, the Company entered into a sale/leaseback transaction whereby the Company sold the Rowan-Halifax, a cantilever jack-up, for $66,500,000 in cash and leased the rig back under a 15-year operating lease at an effective interest rate of about 9.3%. In 1985, the Company sold a similar jack-up, the Cecil Provine, for $60,000,000 in cash and entered into a 15-year operating lease at an effective interest rate of about 8.0%. Under each lease agreement, at the end of the basic 15-year lease, the Company has an option to purchase the rig at the then fair market value, terminate the lease, or renew the lease at the lesser of a) a fixed rental renewal of 50% of the weighted average amount of the semi-annual installments during the basic term, or b) a fair market rental renewal. Each transaction has resulted in a gain which has been deferred for financial statement purposes and is being recognized over its respective lease term.

Total payments to be made under the sale/leaseback agreements are being expensed on a straight-line basis. However, the payments themselves are variable and generally increase over the respective lease terms. The excess of inception-to-date expenses over related payments is included among Other Liabilities on the balance sheet. At December 31, this amount was $15,558,000 and $14,198,000 for 1991 and 1990, respectively.

In addition to the sale/leaseback agreements, the Company has operating leases covering aircraft, related hangars, offices and computer equipment. Net rental expense under all operating leases was $19,797,000 in 1991, $22,273,000 in 1990 and $19,646,000 in 1989. As of December 31, 1991, the future minimum rental payments to be made under noncancellable operating leases were (in thousands):

1992	$ 17,895
1993	17,737
1994	18,588
1995	18,302
1996	18,122
Later Years	77,831
Total	$168,475

The Company estimates 1992 capital expenditures at between $40,000,000 and $60,000,000. Included in this amount is a commitment by the Company to purchase five Aerospatiale 350B-II Astar helicopters.

In the Company's opinion, at December 31, 1991, there were no contingencies, claims or lawsuits against the Company which could have a significant effect on its financial position or results of operations.

[10] Segments of Business

The Company has two principal segments of business: contract drilling of oil and gas wells ("Drilling"), and charter helicopter and fixed-wing aircraft services ("Aviation"). Drilling operations include contract drilling on land and in offshore waters, utilizing mobile drilling rigs. Each of these operating activities is performed in both domestic and foreign areas. Aviation operations relate primarily to oil and gas related activities in Alaska and the Gulf of Mexico. Total revenues reported by industry segments consist principally of revenues from unaffiliated customers, as reported in the Company's consolidated statement of operations, as intersegment revenues are not significant.

The Company had revenues, primarily from drilling operations, in excess of 10% of consolidated revenues from two customers (23% and 12%) in 1991, from two customers (16% and 14%) in 1990 and from two customers (14% and 13%) in 1989.

The Company believes that it has no significant concentrations of credit risk. Its revenues are derived primarily by contracting with large energy companies and governmental bodies, with whom the Company has never experienced any significant credit losses. Geographically, the Company over the years has been able to relocate its assets over significant distances on a timely basis in response to changing market conditions.

Certain financial information for drilling and aviation operations is summarized as follows (in thousands):

	1991	1990	1989
Depreciation, depletion and amortization:			
Drilling	**$40,612**	$ 40,163	$ 42,578
Aviation	**12,342**	10,539	9,484
Capital expenditures:			
Drilling	**36,686**	25,129	5,947
Aviation	**48,932**	34,776	16,998

Assets are identified to a segment by their direct use. The Company classifies its drilling rigs for segment purposes as domestic or foreign based upon the drilling rig's country of registry. Accordingly, drilling rigs registered in the United States are classified with domestic operations, and revenues generated from foreign operations of these rigs are considered export revenues. Revenues generated by foreign-registered drilling rigs from operations offshore the United States are classified as foreign revenues. Assuming revenues derived from all operations within the United States, onshore and offshore, were treated as domestic revenues and export revenues were treated as foreign revenues, revenues from foreign operations would have been $119,172,000 in 1991.

Domestic drilling operations included export revenues of $118,839,000 in 1991, $107,847,000 in 1990 and $74,703,000 in 1989. Except for $39,761,000 in 1991 and $13,193,000 in 1990 from other foreign areas, the export revenues were generated from North Sea operations.

At December 31, 1991, 25 drilling rigs, 12 of which were offshore rigs, with a net book value of $147,396,000 were located in the United States, and 17 drilling rigs, 12 of which were offshore rigs, having a net book value of $292,104,000, were located in foreign jurisdictions.

Information concerning the Company's operations is summarized as follows (in thousands):

	1991	1990	1989
Revenues from unaffiliated customers:			
Drilling operations:			
Domestic	**$163,456**	$167,963	$118,864
Foreign	**7,283**	12,155	9,954
Aviation operations	**101,433**	111,992	97,446
Consolidated	**$272,172**	$292,110	$226,264
Operating profit (loss):			
Drilling operations:			
Domestic	**$ (7,101)**	$ 14,485	$ (28,094)
Foreign	**(10,625)**	(5,374)	(4,848)
Aviation operations	**6,727**	13,270	12,019
Consolidated	**(10,999)**	22,381	(20,923)
Gain on disposals of property and equipment	**1,660**	3,996	2,320
Interest and other income	**4,890**	8,813	12,870
General and administrative	**(11,739)**	(9,549)	(7,690)
Interest expense	**(21,379)**	(21,601)	(23,682)
Income (loss) before income taxes	**$ (37,567)**	$ 4,040	$ (37,105)
Identifiable assets at December 31:			
Drilling operations:			
Domestic	**$677,947**	$520,040	$559,276
Foreign	**67,887**	102,482	90,256
Aviation operations:			
Domestic	**123,965**	116,611	88,294
Foreign	**26,090**		
Total assets at December 31	**$895,889**	$739,133	$737,826

[11] Related Party Transactions

A director of the Company is also an investment banker with one of the underwriters of the Company's 11⅞% Notes. That underwriter received $1,333,000 in commissions from the Company in connection with the sale of the 11⅞% Notes during 1991.

A director of the Company is also chairman of the board of one of the Company's drilling customers. Operating in the Gulf of Mexico, the Company entered into contracts with this customer at rates which it believes were comparable to those received from third parties for similar rigs in that area. Related revenues were $2,369,000 in 1991, $1,351,000 in 1990 and $7,066,000 in 1989. In addition, amounts included in trade receivables at December 31 were $1,276,000 and $862,000 for 1991 and 1990, respectively. Because of the aforementioned relationship, each drilling contract between the Company and the customer is reviewed and ratified by the Board of Directors of the Company.

INDEPENDENT AUDITORS' REPORT

Rowan Companies, Inc. and Subsidiaries:

We have audited the accompanying consolidated balance sheet of Rowan Companies, Inc. and Subsidiaries as of December 31, 1991 and 1990, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1991. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 1991 and 1990, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1991 in conformity with generally accepted accounting principles.

Deloitte & Touche

Houston, Texas
March 2, 1992

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following unaudited information for the quarters ended March 31, June 30, September 30 and December 31, 1990 and 1991 includes, in the Company's opinion, all adjustments (which comprise only normal recurring accruals) necessary for fair presentation of such amounts (in thousands except per share amounts):

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1990:				
Revenues	$ 59,423	$70,826	$86,157	$ 75,704
Operating profit (loss)	(2,084)	3,440	13,591	7,434
Net income (loss)	(6,163)	(2,227)	7,420	2,929
Earnings (loss) per common share	(.09)	(.03)	.10	.04
1991:				
Revenues	$ 60,247	$67,062	$77,512	$ 67,351
Operating profit (loss)	(5,248)	(3,187)	1,369	(3,933)
Income (loss) before extraordinary charge	(12,030)	(9,775)	(4,806)	(12,130)
Net income (loss)	(12,030)	(9,775)	(4,806)	(17,757)
Earnings (loss) per common share:				
Income (loss) before extraordinary charge	(.17)	(.13)	(.07)	(.16)
Net income (loss)	(.17)	(.13)	(.07)	(.24)

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

COMMON STOCK PRICE RANGE, CASH DIVIDENDS AND STOCK SPLITS

The price range below is as reported by the New York Stock Exchange on the Composite Tape. On February 26, 1992, there were approximately 4,900 holders of record.

Quarter	1991		1990	
	High	Low	High	Low
First	$11.38	$ 8.75	$14.00	$ 9.88
Second	10.25	8.25	14.13	10.75
Third	9.25	6.75	15.88	10.88
Fourth	8.00	4.75	14.13	9.88

The Company did not pay any dividends on its common stock during 1990 and 1991. See Note 5 of the Notes to Consolidated Financial Statements for restrictions on dividends.

Stock splits and stock dividends since the Company became publicly owned in 1967 have been as follows: 2 for 1 stock splits on January 25, 1973, December 16, 1976 and May 13, 1980; 2 for 1 stock splits effected in the form of a stock dividend on February 6, 1978 and January 20, 1981; and a 5% stock dividend on May 21, 1975.

On the basis of these splits and dividends, each share acquired prior to January 25, 1973 would be represented by 33.6 shares if still owned at present.

Corporate Offices

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5450 Transco Tower
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Drilling Division Offices

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Rowan International, Inc.
Rowandrill, Inc.
Rowan Drilling (U.K.) Ltd.
British American Offshore Ltd.
N.Z.D. Noordzee Drill B.V.
Rowan Drilling-U.S.
Rowan Drilling de Venezuela, C.A.
Rowan International Gabon, Inc.

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The information in this report is not given in connection with any sale or offer of, or solicitation of, or offer to buy, any securities.

Rowan Companies, Inc.'s continuing policy is to provide equal opportunity in all aspects of employment to each individual regardless of sex, color, race, religion or national origin.

Seaforth Centre
30 Waterloo Quay
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The Netherlands
Telephone: 011-31-20-659-7356
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Telecopier: 011-31-20-659-7950

La Noria Tower
Enrique Eraso
10th Floor, Offices B1,2
Caracas, Venezuela
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Telex: 23388
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Aviation Division Offices

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Era Helicopters
Era Aviation Center
Era Aviation Services
KLM/ERA Helicopters B.V.

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Telex: 314253244
Telecopier: (907) 266-8350

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70606-6550
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Telecopier: (318) 474-3918

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1117 ZL Schiphol Airport East
The Netherlands
Telephone: 011-31-20-649-1858
Telex: 14233
Telecopier: 011-31-20-649-3843

Annual Stockholders Meeting

Friday, April 24, 1992
9:00 A.M.
Transco Auditorium
Level 2, Transco Tower
2800 Post Oak Boulevard
Houston, Texas

Form 10-K Report and Financial Statements

A COPY OF THE COMPANY'S 1991 FORM 10-K AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION WILL BE FURNISHED WITHOUT CHARGE TO ANY STOCKHOLDER UPON REQUEST. ADDITIONALLY, FINANCIAL STATEMENTS AND OTHER CORPORATE INFORMATION MAY BE OBTAINED FROM THE:

Corporate Secretary
5450 Transco Tower
2800 Post Oak Boulevard
Houston, Texas 77056-6196
Telephone: (713) 960-7683

Stockholder Assistance

Requests for information concerning common stock certificates should be made directly to the Transfer Agent and Registrar:

First City Texas-Houston, N.A.
Corporate Trust Department
P. O. Box 809
Houston, Texas 77001
Telephone: (713) 658-7633

Requests for information on the 11⅞% Senior Notes due 2001 should be made to the Corporate Secretary or directly to the Trustee:

Bankers Trust Company
Four Albany Street
P. O. Box 318
Church Street Station
New York, New York 10015
Telephone: (212) 250-6568

Investor Relations Contact

R. E. McWilliams
Vice President
Telephone: (713) 960-7575

Stock Exchange Listings

New York Stock Exchange
Pacific Stock Exchange

Trading Symbol

Common Stock: RDC

11⅞% Senior Notes due 2001
(OTC)

Officers

C. R. Palmer
Chairman of the Board,
President and Chief
Executive Officer

R. G. Croyle
Vice President, Legal

Paul L. Kelly
Vice President,
Special Projects

D. F. McNease
Vice President, Drilling

R. E. McWilliams
Vice President, Drilling
Assistant to the President,
Investor Relations

E. E. Thiele
Vice President,
Administration and Finance

William R. Frasure
Controller

A. G. Holt
Treasurer

Mark H. Hay
Secretary

Directors

Robert W. Baldwin
Consultant–
Energy/Management

Henry O. Boswell
Retired President,
Amoco Production Company

Carl F. Brady
Investments

H. E. Lentz
Investment Banker,
Wasserstein Perella
& Co., Inc.

James R. Lesch
Retired Chairman
of the Board,
Hughes Tool Company

C. R. Palmer
Chairman, President and
Chief Executive Officer

Charles P. Siess, Jr.
Chairman and
Chief Executive Officer,
Cabot Oil & Gas Corporation

Peter Simonis
Chairman of the Board,
British American
Offshore Limited

J. C. Walter, Jr.
Chairman of the Board,
Walter Oil & Gas Corporation

C. W. Yeargain
Retired Executive Vice
President of the Company

Executive Committee

C. R. Palmer,
Chairman
Robert W. Baldwin
Henry O. Boswell
James R. Lesch
C. W. Yeargain

Audit Committee

Robert W. Baldwin,
Chairman
Henry O. Boswell
James R. Lesch
Charles P. Siess, Jr.
J. C. Walter, Jr.

Compensation Committee

James R. Lesch,
Chairman
Robert W. Baldwin
Henry O. Boswell
Carl F. Brady
H. E. Lentz
Peter Simonis
Charles P. Siess, Jr.
J. C. Walter, Jr.

Board of Directors
(left to right):
C. W. Yeargain
C. R. Palmer
James R. Lesch
Robert W. Baldwin
Peter Simonis
Carl F. Brady
J. C. Walter, Jr.
Henry O. Boswell
H. E. Lentz
Charles P. Siess, Jr.

ROWAN COMPANIES, INC.

5450 TRANSCO TOWER

2800 POST OAK BOULEVARD

HOUSTON, TEXAS 77056-6196