

Noble Corp plc
Form 10-Q
May 12, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: March 31, 2014

OR

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

For the transition period from _____ to _____

Commission file number: 001-36211

Noble Corporation plc
(Exact name of registrant as specified in its charter)

England and Wales (Registered Number 83549545)
(State or other jurisdiction of

incorporation or organization)

98-0619597
(I.R.S. employer

identification number)

Devonshire House, 1 Mayfair Place, London, England, W1J8AJ
(Address of principal executive offices) (Zip Code)
Registrant's Telephone Number, Including Area Code: +44 20 3300 2300

Commission file number: 001-31306

Noble Corporation

(Exact name of registrant as specified in its charter)

Cayman Islands
(State or other jurisdiction of

incorporation or organization)

98-0366361
(I.R.S. employer

identification number)

Suite 3D Landmark Square, 64 Earth Close, P.O. Box 31327 George Town, Grand Cayman, Cayman Islands,
KY1-1206

(Address of principal executive offices) (Zip Code)

Registrant's Telephone Number, Including Area Code: (345) 938-0293

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

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

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

Noble Corporation plc: Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Noble Corporation: Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

Number of shares outstanding and trading at April 25, 2014: Noble Corporation plc 254,232,771

Number of shares outstanding at April 25, 2014: Noble Corporation 261,245,693

Noble Corporation, a Cayman Islands company and a wholly owned subsidiary of Noble Corporation plc, a company registered under the laws of England and Wales, meets the conditions set forth in General Instructions H(1) (a) and (b) to Form 10-Q and is therefore filing this Form 10-Q with the reduced disclosure format contemplated by paragraphs (b) and (c) of General Instruction H(2) of Form 10-Q.

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This combined Quarterly Report on Form 10-Q is separately filed by Noble Corporation plc, a company registered under the laws of England and Wales (Noble-UK), and Noble Corporation, a Cayman Islands company (Noble-Cayman). Information in this filing relating to Noble-Cayman is filed by Noble-UK and separately by Noble-Cayman on its own behalf. Noble-Cayman makes no representation as to information relating to Noble-UK (except as it may relate to Noble-Cayman) or any other affiliate or subsidiary of Noble-UK. Since Noble-Cayman meets the conditions specified in General Instructions H(1)(a) and (b) to Form 10-Q, it is permitted to use the reduced disclosure format for wholly owned subsidiaries of reporting companies as stated in General Instructions H(2). Accordingly, Noble-Cayman has omitted from this report the information called for by Item 3 (Quantitative and Qualitative Disclosures about Market Risk) of Part I of Form 10-Q and the following items of Part II of Form 10-Q: Item 2 (Unregistered Sales of Equity Securities and Use of Proceeds) and Item 3 (Defaults upon Senior Securities).

This report should be read in its entirety as it pertains to each Registrant. Except where indicated, the Consolidated Financial Statements and related Notes are combined. References in this Quarterly Report on Form 10-Q to Noble, the Company, we, us, our and words of similar meaning refer collectively to Noble-UK and its consolidated subsidiaries including Noble-Cayman.

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****NOBLE CORPORATION PLC AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEET****(In thousands)****(Unaudited)**

| | March 31, 2014 | December 31, 2013 |
|---|---------------------------|------------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 114,735 | \$ 114,458 |
| Accounts receivable | 877,127 | 949,069 |
| Taxes receivable | 135,733 | 140,269 |
| Prepaid expenses and other current assets | 243,941 | 187,139 |
| Total current assets | 1,371,536 | 1,390,935 |
| Property and equipment, at cost | 19,691,578 | 19,198,767 |
| Accumulated depreciation | (4,866,009) | (4,640,677) |
| Property and equipment, net | 14,825,569 | 14,558,090 |
| Other assets | 247,392 | 268,932 |
| Total assets | \$ 16,444,497 | \$ 16,217,957 |
| LIABILITIES AND EQUITY | | |
| Current liabilities | | |
| Accounts payable | \$ 323,593 | \$ 347,214 |
| Accrued payroll and related costs | 117,153 | 151,161 |
| Taxes payable | 173,397 | 125,119 |
| Dividends payable | 64,580 | 128,249 |
| Other current liabilities | 215,792 | 300,172 |
| Total current liabilities | 894,515 | 1,051,915 |
| Long-term debt | 5,728,782 | 5,556,251 |
| Deferred income taxes | 221,380 | 225,455 |
| Other liabilities | 317,108 | 334,308 |

| | | |
|--|---------------|---------------|
| Total liabilities | 7,161,785 | 7,167,929 |
| Commitments and contingencies | | |
| Shareholders' equity | | |
| Shares; 254,194 and 253,448 shares outstanding | 2,542 | 2,534 |
| Additional paid-in capital | 814,868 | 810,286 |
| Retained earnings | 7,815,082 | 7,591,927 |
| Accumulated other comprehensive loss | (74,446) | (82,164) |
| Total shareholders' equity | 8,558,046 | 8,322,583 |
| Noncontrolling interests | 724,666 | 727,445 |
| Total equity | 9,282,712 | 9,050,028 |
| Total liabilities and equity | \$ 16,444,497 | \$ 16,217,957 |

See accompanying notes to the unaudited consolidated financial statements.

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NOBLE CORPORATION PLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

(In thousands, except per share amounts)

(Unaudited)

| | Three Months Ended March 31, | |
|---|---|-------------|
| | 2014 | 2013 |
| Operating revenues | | |
| Contract drilling services | \$ 1,206,304 | \$ 928,737 |
| Reimbursables | 36,653 | 21,174 |
| Labor contract drilling services | 8,212 | 21,054 |
| Other | 1 | 10 |
| | 1,251,170 | 970,975 |
| Operating costs and expenses | | |
| Contract drilling services | 561,131 | 480,126 |
| Reimbursables | 30,606 | 14,922 |
| Labor contract drilling services | 6,226 | 12,249 |
| Depreciation and amortization | 245,905 | 206,156 |
| General and administrative | 25,637 | 25,569 |
| Non-recurring spin-off related costs | 12,405 | 3,962 |
| Gain on contract extinguishment | | (1,800) |
| | 881,910 | 741,184 |
| Operating income | 369,260 | 229,791 |
| Other income (expense) | | |
| Interest expense, net of amount capitalized | (40,392) | (27,301) |
| Interest income and other, net | (1,190) | (425) |
| Income before income taxes | 327,678 | 202,065 |
| Income tax provision | (54,436) | (34,352) |
| Net income | 273,242 | 167,713 |
| Net income attributable to noncontrolling interests | (16,916) | (17,653) |
| Net income attributable to Noble Corporation | \$ 256,326 | \$ 150,060 |
| Net income per share | | |
| Basic | \$ 0.99 | \$ 0.59 |
| Diluted | \$ 0.99 | \$ 0.59 |

See accompanying notes to the unaudited consolidated financial statements.

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NOBLE CORPORATION PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In thousands)

(Unaudited)

| | Three Months Ended March 31, | |
|---|---|-------------------|
| | 2014 | 2013 |
| Net income | \$ 273,242 | \$ 167,713 |
| Other comprehensive income (loss), net of tax | | |
| Foreign currency translation adjustments | 1,009 | 2,657 |
| Foreign currency forward contracts | 5,946 | (1,202) |
| Amortization of deferred pension plan amounts (net of tax provision of \$252 in 2014 and \$730 in 2013) | 763 | 1,642 |
| Other comprehensive income, net | 7,718 | 3,097 |
| Net comprehensive income attributable to noncontrolling interests | (16,916) | (17,653) |
| Comprehensive income attributable to Noble Corporation | \$ 264,044 | \$ 153,157 |

See accompanying notes to the unaudited consolidated financial statements.

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NOBLE CORPORATION PLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands)

(Unaudited)

| | Three Months Ended March 31, | |
|--|---|-------------------|
| | 2014 | 2013 |
| Cash flows from operating activities | | |
| Net income | \$ 273,242 | \$ 167,713 |
| Adjustments to reconcile net income to net cash from operating activities: | | |
| Depreciation and amortization | 245,905 | 206,156 |
| Deferred income taxes | (3,255) | (2,735) |
| Amortization of share-based compensation | 13,022 | 10,155 |
| Net change in other assets and liabilities | (23,118) | (178,737) |
| Net cash from operating activities | 505,796 | 202,552 |
| Cash flows from investing activities | | |
| Capital expenditures | (517,283) | (371,990) |
| Change in accrued capital expenditures | (43,505) | (66,312) |
| Net cash from investing activities | (560,788) | (438,302) |
| Cash flows from financing activities | | |
| Net change in borrowings outstanding on bank credit facilities | 422,402 | 209,680 |
| Repayment of long-term debt | (250,000) | |
| Dividends paid to noncontrolling interests | (19,695) | |
| Financing costs on credit facilities | (381) | (1,895) |
| Dividend payments | (96,840) | (33,335) |
| Employee stock transactions | (217) | 473 |
| Repurchases of employee shares surrendered for taxes | | (6,737) |
| Net cash from financing activities | 55,269 | 168,186 |
| Net change in cash and cash equivalents | 277 | (67,564) |
| Cash and cash equivalents, beginning of period | 114,458 | 282,092 |
| Cash and cash equivalents, end of period | \$ 114,735 | \$ 214,528 |

See accompanying notes to the unaudited consolidated financial statements.

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NOBLE CORPORATION PLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF EQUITY

(In thousands)

(Unaudited)

| | Shares | | Additional | Retained | Treasury | Accumulated Other Comprehensive | Noncontrolling | Total |
|---|----------------|-------------------|--------------------|---------------------|--------------------|---------------------------------------|-------------------|---------------------|
| | Balance | Par Value | Paid-in Capital | Earnings | Shares | Loss | Interests | Equity |
| Balance at December 31, 2012 | 253,348 | \$ 710,130 | \$ 83,531 | \$ 7,066,023 | \$ (21,069) | \$ (115,449) | \$ 765,124 | \$ 8,488,290 |
| Employee related equity activity | | | | | | | | |
| Amortization of share-based compensation | | | 10,155 | | | | | 10,155 |
| Issuance of share-based compensation shares | 592 | 1,663 | (1,649) | | | | | 14 |
| Exercise of stock options | 74 | 207 | 1,702 | | | | | 1,909 |
| Tax benefit of stock options exercised | | | (1,450) | | | | | (1,450) |
| Restricted shares forfeited or repurchased for taxes | | | | | (6,737) | | | (6,737) |
| Net income | | | | 150,060 | | | 17,653 | 167,713 |
| Dividends | | | | (306) | | | | (306) |
| Other comprehensive income, net | | | | | | 3,097 | | 3,097 |
| Balance at March 31, 2013 | 254,014 | \$ 712,000 | \$ 92,289 | \$ 7,215,777 | \$ (27,806) | \$ (112,352) | \$ 782,777 | \$ 8,662,685 |
| Balance at December 31, 2013 | 253,448 | \$ 2,534 | \$ 810,286 | \$ 7,591,927 | \$ | \$ (82,164) | \$ 727,445 | \$ 9,050,028 |

| | | | | | | | | | |
|---|----------------|-----------------|-------------------|---------------------|-----------|--------------------|-------------------|---------------------|--|
| Employee related equity activity | | | | | | | | | |
| Amortization of share-based compensation | | | 13,022 | | | | | 13,022 | |
| Issuance of share-based compensation shares | 675 | 6 | (8,215) | | | | | (8,209) | |
| Exercise of stock options | 71 | 2 | 1,396 | | | | | 1,398 | |
| Tax benefit of stock options exercised | | | (1,621) | | | | | (1,621) | |
| Net income | | | | 256,326 | | | 16,916 | 273,242 | |
| Dividends paid to noncontrolling interests | | | | | | | (19,695) | (19,695) | |
| Dividends | | | | (33,171) | | | | (33,171) | |
| Other comprehensive income, net | | | | | | | 7,718 | 7,718 | |
| Balance at | | | | | | | | | |
| March 31, 2014 | 254,194 | \$ 2,542 | \$ 814,868 | \$ 7,815,082 | \$ | \$ (74,446) | \$ 724,666 | \$ 9,282,712 | |

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**NOBLE CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEET****(In thousands)****(Unaudited)**

| | March 31, 2014 | December 31, 2013 |
|---|---------------------------|------------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 111,795 | \$ 110,382 |
| Accounts receivable | 877,127 | 949,069 |
| Taxes receivable | 135,457 | 140,029 |
| Prepaid expenses and other current assets | 241,863 | 184,348 |
| Total current assets | 1,366,242 | 1,383,828 |
| Property and equipment, at cost | 19,653,161 | 19,160,350 |
| Accumulated depreciation | (4,856,414) | (4,631,678) |
| Property and equipment, net | 14,796,747 | 14,528,672 |
| Other assets | 247,469 | 269,014 |
| Total assets | \$ 16,410,458 | \$ 16,181,514 |
| LIABILITIES AND EQUITY | | |
| Current liabilities | | |
| Accounts payable | \$ 314,943 | \$ 345,910 |
| Accrued payroll and related costs | 110,637 | 143,346 |
| Taxes payable | 168,803 | 120,588 |
| Other current liabilities | 215,792 | 300,172 |
| Total current liabilities | 810,175 | 910,016 |
| Long-term debt | 5,728,782 | 5,556,251 |
| Deferred income taxes | 221,380 | 225,455 |
| Other liabilities | 317,110 | 334,308 |
| Total liabilities | 7,077,447 | 7,026,030 |
| Commitments and contingencies | | |
| Shareholder equity | | |
| Ordinary shares; 261,246 shares outstanding | 26,125 | 26,125 |

| | | |
|--------------------------------------|----------------------|----------------------|
| Capital in excess of par value | 506,369 | 497,316 |
| Retained earnings | 8,150,297 | 7,986,762 |
| Accumulated other comprehensive loss | (74,446) | (82,164) |
| Total shareholder equity | 8,608,345 | 8,428,039 |
| Noncontrolling interests | 724,666 | 727,445 |
| Total equity | 9,333,011 | 9,155,484 |
| Total liabilities and equity | \$ 16,410,458 | \$ 16,181,514 |

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**NOBLE CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF INCOME****(In thousands)****(Unaudited)**

| | Three Months Ended March 31, | |
|---|---|-------------------|
| | 2014 | 2013 |
| Operating revenues | | |
| Contract drilling services | \$ 1,206,304 | \$ 928,737 |
| Reimbursables | 36,653 | 21,174 |
| Labor contract drilling services | 8,212 | 21,054 |
| Other | 1 | 10 |
| | 1,251,170 | 970,975 |
| Operating costs and expenses | | |
| Contract drilling services | 558,828 | 476,561 |
| Reimbursables | 30,606 | 14,922 |
| Labor contract drilling services | 6,226 | 12,249 |
| Depreciation and amortization | 245,310 | 205,751 |
| General and administrative | 11,932 | 14,843 |
| Gain on contract extinguishment | | (1,800) |
| | 852,902 | 722,526 |
| Operating income | 398,268 | 248,449 |
| Other income (expense) | | |
| Interest expense, net of amount capitalized | (40,392) | (27,301) |
| Interest income and other, net | (1,317) | 63 |
| Income before income taxes | 356,559 | 221,211 |
| Income tax provision | (54,328) | (34,014) |
| Net income | 302,231 | 187,197 |
| Net income attributable to noncontrolling interests | (16,916) | (17,653) |
| Net income attributable to Noble Corporation | \$ 285,315 | \$ 169,544 |

See accompanying notes to the unaudited consolidated financial statements.

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NOBLE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In thousands)

(Unaudited)

| | Three Months Ended March 31, | |
|---|---|-------------------|
| | 2014 | 2013 |
| Net income | \$ 302,231 | \$ 187,197 |
| Other comprehensive income (loss), net of tax | | |
| Foreign currency translation adjustments | 1,009 | 2,657 |
| Foreign currency forward contracts | 5,946 | (1,202) |
| Amortization of deferred pension plan amounts (net of tax provision of \$252 in 2014 and \$730 in 2013) | 763 | 1,642 |
| Other comprehensive income, net | 7,718 | 3,097 |
| Net comprehensive income attributable to noncontrolling interests | (16,916) | (17,653) |
| Comprehensive income attributable to Noble Corporation | \$ 293,033 | \$ 172,641 |

See accompanying notes to the unaudited consolidated financial statements.

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NOBLE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands)

(Unaudited)

| | Three Months Ended | |
|--|---------------------------|-------------------|
| | March 31, | |
| | 2014 | 2013 |
| Cash flows from operating activities | | |
| Net income | \$ 302,231 | \$ 187,197 |
| Adjustments to reconcile net income to net cash from operating activities: | | |
| Depreciation and amortization | 245,310 | 205,751 |
| Deferred income taxes | (3,255) | (2,735) |
| Capital contribution by parent share-based compensation | 9,053 | 5,960 |
| Net change in other assets and liabilities | (21,684) | (181,915) |
| Net cash from operating activities | 531,655 | 214,258 |
| Cash flows from investing activities | | |
| Capital expenditures | (517,283) | (371,953) |
| Change in accrued capital expenditures | (43,505) | (66,312) |
| Net cash from investing activities | (560,788) | (438,265) |
| Cash flows from financing activities | | |
| Net change in borrowings outstanding on bank credit facilities | 422,402 | 209,680 |
| Repayment of long-term debt | (250,000) | |
| Dividends paid to noncontrolling interests | (19,695) | |
| Financing costs on credit facilities | (381) | (1,895) |
| Distributions to parent company, net | (121,780) | (53,110) |
| Net cash from financing activities | 30,546 | 154,675 |
| Net change in cash and cash equivalents | 1,413 | (69,332) |
| Cash and cash equivalents, beginning of period | 110,382 | 277,375 |
| Cash and cash equivalents, end of period | \$ 111,795 | \$ 208,043 |

See accompanying notes to the unaudited consolidated financial statements.

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NOBLE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF EQUITY

(In thousands)

(Unaudited)

| | Shares Balance | Par Value | Capital in Excess of Par Value | Retained Earnings | Accumulated Other Comprehensive Loss | Noncontrolling Interests | Total Equity |
|--|-------------------|------------------|--------------------------------------|----------------------|---|-----------------------------|---------------------|
| Balance at December 31, 2012 | 261,246 | \$ 26,125 | \$ 470,454 | \$ 7,384,828 | \$ (115,449) | \$ 765,124 | \$ 8,531,082 |
| Net income | | | | 169,544 | | 17,653 | 187,197 |
| Capital contributions by parent share-based compensation | | | 5,960 | | | | 5,960 |
| Distributions to parent | | | | (53,110) | | | (53,110) |
| Other comprehensive income, net | | | | | 3,097 | | 3,097 |
| Balance at March 31, 2013 | 261,246 | \$ 26,125 | \$ 476,414 | \$ 7,501,262 | \$ (112,352) | \$ 782,777 | \$ 8,674,226 |
| Balance at December 31, 2013 | 261,246 | \$ 26,125 | \$ 497,316 | \$ 7,986,762 | \$ (82,164) | \$ 727,445 | \$ 9,155,484 |
| Net income | | | | 285,315 | | 16,916 | 302,231 |
| Capital contributions by parent share-based compensation | | | 9,053 | | | | 9,053 |
| Distributions to parent | | | | (121,780) | | | (121,780) |
| Dividends paid to noncontrolling interests | | | | | | (19,695) | (19,695) |
| Other comprehensive income, net | | | | | 7,718 | | 7,718 |
| Balance at March 31, 2014 | 261,246 | \$ 26,125 | \$ 506,369 | \$ 8,150,297 | \$ (74,446) | \$ 724,666 | \$ 9,333,011 |

See accompanying notes to the unaudited consolidated financial statements.

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NOBLE CORPORATION PLC AND SUBSIDIARIES

NOBLE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise indicated, dollar amounts in tables are in thousands, except per share data)

Note 1 Organization and Basis of Presentation

On November 20, 2013, pursuant to the Merger Agreement dated as of June 30, 2013 between Noble Corporation, a Swiss corporation (Noble-Swiss), and Noble Corporation plc, a company registered under the laws of England and Wales (Noble-UK), Noble-Swiss merged with and into Noble-UK, with Noble-UK as the surviving company (the Transaction). In the Transaction, all of the outstanding ordinary shares of Noble-Swiss were cancelled, and Noble-UK issued, through an exchange agent, one ordinary share of Noble-UK in exchange for each ordinary share of Noble-Swiss.

The Transaction effectively changed the place of incorporation of our publicly traded parent holding company from Switzerland to the United Kingdom. As a result of the Transaction, Noble-UK owns and conducts the same businesses through the Noble group as Noble-Swiss conducted prior to the Transaction, except that Noble-UK is the parent company of the Noble group of companies.

Noble-UK is a leading offshore drilling contractor for the oil and gas industry. We perform contract drilling services with our fleet of mobile offshore drilling units located worldwide. We also own one floating production storage and offloading unit. Currently, our fleet consists of 14 semisubmersibles, 14 drillships and 49 jackups, including five units under construction as follows:

two dynamically positioned, ultra-deepwater, harsh environment drillships; and

three high-specification, heavy-duty, harsh environment jackups.

Our fleet is located in the United States, Mexico, Brazil, Argentina, the North Sea, the Mediterranean, West Africa, the Middle East, India, Asia and Australia. Noble and its predecessors have been engaged in the contract drilling of oil and gas wells since 1921.

Noble Corporation, a Cayman Islands company (Noble-Cayman), is a direct, wholly-owned subsidiary of Noble-UK, our publicly-traded parent company. Noble-UK 's principal asset is all of the shares of Noble-Cayman. Noble-Cayman has no public equity outstanding. The consolidated financial statements of Noble-UK include the accounts of Noble-Cayman, and Noble-UK conducts substantially all of its business through Noble-Cayman and its subsidiaries.

The accompanying unaudited consolidated financial statements of Noble-UK and Noble-Cayman have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (SEC) as they pertain to Form 10-Q. Accordingly, certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) have been condensed or omitted pursuant to such rules and regulations. The unaudited financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the financial position and

results of operations for the interim periods, on a basis consistent with the annual audited consolidated financial statements. All such adjustments are of a recurring nature. The December 31, 2013 Consolidated Balance Sheets presented herein are derived from the December 31, 2013 audited consolidated financial statements. These interim financial statements should be read in conjunction with the consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2013, filed by both Noble-UK and Noble-Cayman. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

Certain amounts in prior periods have been reclassified to conform to the current year presentation.

Note 2 Consolidated Joint Ventures

We maintain a 50 percent interest in two joint ventures, each with a subsidiary of Royal Dutch Shell plc (Shell) that own and operate the two *Bully*-class drillships. We have determined that we are the primary beneficiary. Accordingly, we consolidate the entities in our consolidated financial statements after eliminating intercompany transactions. Shell s equity interests are presented as noncontrolling interests on our Consolidated Balance Sheets.

Table of Contents**NOBLE CORPORATION PLC AND SUBSIDIARIES****NOBLE CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Unless otherwise indicated, dollar amounts in tables are in thousands, except per share data)

During the three months ended March 31, 2014, the Bully joint ventures approved and paid dividends totaling \$39 million, of which \$20 million was paid to our joint venture partner. No dividends were approved or paid during the three months ended March 31, 2013.

The combined carrying amount of the *Bully*-class drillships at both March 31, 2014 and December 31, 2013 totaled \$1.4 billion. These assets were primarily funded through partner equity contributions. During 2012, these rigs commenced the operating phases of their contracts. Cash held by the Bully joint ventures totaled approximately \$32 million at March 31, 2014 as compared to approximately \$50 million at December 31, 2013. Operational results for the three months ended March 31, 2014 and 2013 are as follows:

| | Three months ended March 31, | |
|--------------------|---|-------------|
| | 2014 | 2013 |
| Operating revenues | \$ 87,186 | \$ 90,295 |
| Net income | \$ 37,720 | \$ 37,498 |

Note 3 Share Data***Share capital***

As of March 31, 2014, Noble-UK had approximately 254.2 million shares outstanding and trading as compared to approximately 253.4 million shares outstanding and trading at December 31, 2013. Our Board of Directors may increase our share capital through the issuance of up to 53 million authorized shares (at current nominal value of \$0.01 per share) without obtaining shareholder approval.

In April 2013, our shareholders approved the payment of a dividend aggregating \$1.00 per share to be paid in four equal installments. As of March 31, 2014, we had \$65 million of dividends payable outstanding on this obligation. In April 2014, our Board of Directors declared an additional dividend of \$0.125 per share in accordance with our current dividend policy. The total estimated payment related to the \$0.375 per share dividend is approximately \$97 million and is scheduled to be paid in May 2014.

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Earnings per share

The following table sets forth the computation of basic and diluted earnings per share for Noble-UK:

| | Three months ended March 31, | |
|--|---|-------------------|
| | 2014 | 2013 |
| Allocation of net income | | |
| Basic | | |
| Net income attributable to Noble Corporation | \$ 256,326 | \$ 150,060 |
| Earnings allocated to unvested share-based payment awards | (4,274) | (1,667) |
| Net income to common shareholders - basic | \$ 252,052 | \$ 148,393 |
| Diluted | | |
| Net income attributable to Noble Corporation | \$ 256,326 | \$ 150,060 |
| Earnings allocated to unvested share-based payment awards | (4,272) | (1,664) |
| Net income to common shareholders - diluted | \$ 252,054 | \$ 148,396 |
| Weighted average shares outstanding - basic | 253,940 | 253,073 |
| Incremental shares issuable from assumed exercise of stock options | 135 | 268 |
| Weighted average shares outstanding - diluted | 254,075 | 253,341 |
| Weighted average unvested share-based payment awards | 4,188 | 2,844 |
| Earnings per share | | |
| Basic | \$ 0.99 | \$ 0.59 |
| Diluted | \$ 0.99 | \$ 0.59 |
| Dividends per share | \$ 0.38 | \$ 0.13 |

Only those items having a dilutive impact on our basic earnings per share are included in diluted earnings per share. For the three months ended March 31, 2014 and 2013, approximately 1 million shares underlying stock options were excluded from the diluted earnings per share as such stock options were not dilutive.

Note 4 Receivables from Customers

At March 31, 2014, we had receivables of approximately \$14 million related to the *Noble Max Smith*, which are being disputed by our customer, Petróleos Mexicanos (Pemex). These receivables have been classified as long-term and are included in Other assets on our Consolidated Balance Sheet. The disputed amounts relate to lost revenues for downtime that occurred after our rig was damaged when one of Pemex's supply boats collided with our rig in 2010. In January 2012, we filed a lawsuit against Pemex in Mexican court seeking recovery of these amounts. This matter is currently proceeding through the Mexican judicial system. While we can make no assurances as to the outcome of this dispute, we believe we are entitled to the disputed amounts.

Note 5 Property and Equipment

Property and equipment, at cost, as of March 31, 2014 and December 31, 2013 for Noble-UK consisted of the following:

| | March 31, 2014 | December 31, 2013 |
|-----------------------------------|---------------------------|------------------------------|
| Drilling equipment and facilities | \$ 17,765,708 | \$ 17,130,986 |
| Construction in progress | 1,703,940 | 1,854,434 |
| Other | 221,930 | 213,347 |
| Property and equipment, at cost | \$ 19,691,578 | \$ 19,198,767 |

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Capital expenditures, including capitalized interest, totaled \$517 million and \$372 million for the three months ended March 31, 2014 and 2013, respectively. Capitalized interest was \$14 million for the three months ended March 31, 2014 as compared to \$30 million for the three months ended March 31, 2013.

Note 6 Debt

Long-term debt consisted of the following at March 31, 2014 and December 31, 2013:

| | March 31, 2014 | December 31, 2013 |
|-------------------------------------|---------------------------|------------------------------|
| Senior unsecured notes: | | |
| 7.375% Senior Notes due 2014 | \$ | \$ 249,964 |
| 3.45% Senior Notes due 2015 | 350,000 | 350,000 |
| 3.05% Senior Notes due 2016 | 299,970 | 299,967 |
| 2.50% Senior Notes due 2017 | 299,895 | 299,886 |
| 7.50% Senior Notes due 2019 | 201,695 | 201,695 |
| 4.90% Senior Notes due 2020 | 499,054 | 499,022 |
| 4.625% Senior Notes due 2021 | 399,588 | 399,576 |
| 3.95% Senior Notes due 2022 | 399,199 | 399,178 |
| 6.20% Senior Notes due 2040 | 399,894 | 399,893 |
| 6.05% Senior Notes due 2041 | 397,655 | 397,646 |
| 5.25% Senior Notes due 2042 | 498,289 | 498,283 |
| Total senior unsecured notes | 3,745,239 | 3,995,110 |
| Commercial paper program | 1,983,543 | 1,561,141 |
| Total long-term debt | \$ 5,728,782 | \$ 5,556,251 |

Credit Facilities and Commercial Paper Program

We currently have three separate credit facilities with an aggregate maximum available capacity of \$2.9 billion (together referred to as the Credit Facilities). We have established a commercial paper program, which allows us to issue up to \$2.7 billion in unsecured commercial paper notes. Amounts issued under the commercial paper program are supported by the unused capacity under our Credit Facilities and, therefore, are classified as long-term on our Consolidated Balance Sheet. The outstanding amounts of commercial paper reduce availability under our Credit Facilities.

The Credit Facilities provide us with the ability to issue up to \$375 million in letters of credit in the aggregate. The issuance of letters of credit under the Credit Facilities reduces the amount available for borrowing. At March 31, 2014, we had no letters of credit issued under the Credit Facilities.

Senior Unsecured Notes

In March 2014, we repaid our \$250 million 7.375% Senior Notes using issuances under our commercial paper program.

Covenants

The Credit Facilities are guaranteed by our indirect wholly-owned subsidiaries, Noble Holding International Limited (NHIL) and Noble Drilling Corporation (NDC). The covenants and events of default under the Credit Facilities are substantially similar, and each facility contains a covenant that limits our ratio of debt to total tangible capitalization, as defined in the Credit Facilities, to 0.60. At March 31, 2014, our ratio of debt to total tangible capitalization was approximately 0.38. We were in compliance with all covenants under the Credit Facilities as of March 31, 2014.

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In addition to the covenants from the Credit Facilities noted above, the indentures governing our outstanding senior unsecured notes contain covenants that place restrictions on certain merger and consolidation transactions, unless we are the surviving entity or the other party assumes the obligations under the indenture, and on the ability to sell or transfer all or substantially all of our assets. In addition, there are restrictions on incurring or assuming certain liens and sale and lease-back transactions. At March 31, 2014, we were in compliance with all of our debt covenants. We continually monitor compliance with the covenants under our notes and expect to remain in compliance during the remainder of 2014.

Fair Value of Debt

Fair value represents the amount at which an instrument could be exchanged in a current transaction between willing parties. The estimated fair value of our senior notes was based on the quoted market prices for similar issues or on the current rates offered to us for debt of similar remaining maturities (Level 2 measurement).

The following table presents the estimated fair value of our long-term debt as of March 31, 2014 and December 31, 2013, respectively:

| | March 31, 2014 | | December 31, 2013 | |
|-------------------------------------|------------------|----------------------|-------------------|----------------------|
| | Carrying Value | Estimated Fair Value | Carrying Value | Estimated Fair Value |
| Senior unsecured notes: | | | | |
| 7.375% Senior Notes due 2014 | \$ | \$ | \$ 249,964 | \$ 253,634 |
| 3.45% Senior Notes due 2015 | 350,000 | 361,307 | 350,000 | 363,019 |
| 3.05% Senior Notes due 2016 | 299,970 | 310,359 | 299,967 | 309,878 |
| 2.50% Senior Notes due 2017 | 299,895 | 306,056 | 299,886 | 302,891 |
| 7.50% Senior Notes due 2019 | 201,695 | 236,566 | 201,695 | 232,839 |
| 4.90% Senior Notes due 2020 | 499,054 | 535,805 | 499,022 | 528,597 |
| 4.625% Senior Notes due 2021 | 399,588 | 419,976 | 399,576 | 413,868 |
| 3.95% Senior Notes due 2022 | 399,199 | 396,059 | 399,178 | 390,520 |
| 6.20% Senior Notes due 2040 | 399,894 | 435,821 | 399,893 | 421,720 |
| 6.05% Senior Notes due 2041 | 397,655 | 427,624 | 397,646 | 417,312 |
| 5.25% Senior Notes due 2042 | 498,289 | 488,115 | 498,283 | 476,873 |
| Total senior unsecured notes | 3,745,239 | 3,917,688 | 3,995,110 | 4,111,151 |
| Commercial paper program | 1,983,543 | 1,983,543 | 1,561,141 | 1,561,141 |

| | | | | |
|----------------------|--------------|--------------|--------------|--------------|
| Total long-term debt | \$ 5,728,782 | \$ 5,901,231 | \$ 5,556,251 | \$ 5,672,292 |
|----------------------|--------------|--------------|--------------|--------------|

Note 7 Income Taxes

At December 31, 2013, the reserves for uncertain tax positions totaled \$127 million (net of related tax benefits of \$2 million). At March 31, 2014, the reserves for uncertain tax positions totaled \$116 million (net of related tax benefits of \$2 million). If the March 31, 2014 reserves are not realized, the provision for income taxes would be reduced by \$116 million.

It is reasonably possible that our existing liabilities related to our reserve for uncertain tax positions may increase or decrease in the next 12 months primarily due to the completion of open audits or the expiration of statutes of limitation. However, we cannot reasonably estimate a range of changes in our existing liabilities due to various uncertainties, such as the unresolved nature of various audits.

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Note 8 Employee Benefit Plans

Pension costs include the following components:

| | Three Months Ended March 31, 2014 | | 2013 | |
|------------------------------------|--------------------------------------|----------|----------|----------|
| | Non-U.S. | U.S. | Non-U.S. | U.S. |
| Service cost | \$ 1,420 | \$ 2,541 | \$ 1,379 | \$ 2,681 |
| Interest cost | 1,456 | 2,714 | 1,282 | 2,262 |
| Return on plan assets | (1,835) | (3,846) | (1,471) | (3,276) |
| Amortization of prior service cost | (5) | 56 | | 57 |
| Recognized net actuarial loss | 313 | 651 | 405 | 1,910 |
| Net pension expense | \$ 1,349 | \$ 2,116 | \$ 1,595 | \$ 3,634 |

During the three months ended March 31, 2014 and 2013, we made contributions to our pension plans totaling \$0.7 million and \$3 million, respectively.

Note 9 Derivative Instruments and Hedging Activities

We periodically enter into derivative instruments to manage our exposure to fluctuations in interest rates and foreign currency exchange rates. We have documented policies and procedures to monitor and control the use of derivative instruments. We do not engage in derivative transactions for speculative or trading purposes, nor are we a party to leveraged derivatives.

For foreign currency forward contracts, hedge effectiveness is evaluated at inception based on the matching of critical terms between derivative contracts and the hedged item. Any change in fair value resulting from ineffectiveness is recognized immediately in earnings.

Cash Flow Hedges

Our North Sea, Mexico and Brazil operations have a significant amount of their cash operating expenses payable in local currencies. To limit the potential risk of currency fluctuations, we periodically enter into forward contracts during the first quarter of each year, which settle monthly in the operations' respective local currencies. All of these contracts have a maturity of less than 12 months. The forward contract settlements in the remainder of 2014 represent approximately 52 percent of these forecasted local currency requirements. The notional amount of the forward

contracts outstanding, expressed in U.S. Dollars, was approximately \$284 million at March 31, 2014. Total unrealized gains related to these forward contracts were approximately \$6 million as of March 31, 2014 and was recorded as part of Accumulated other comprehensive loss (AOCL).

The balance of the net unrealized gain/(loss) related to our cash flow hedges included in AOCL and related activity is as follows:

| | Three Months Ended March 31, | |
|--|---|-------------|
| | 2014 | 2013 |
| Net unrealized gain/(loss) at beginning of period | \$ | \$ |
| Activity during period: | | |
| Net unrealized gain/(loss) on outstanding foreign currency forward contracts | 5,946 | (1,202) |
| Net unrealized gain/(loss) at end of period | \$ 5,946 | \$ (1,202) |

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Financial Statement Presentation

The following table, together with Note 10, summarizes the financial statement presentation and fair value of our derivative positions as of March 31, 2014 and December 31, 2013:

| | Balance sheet classification | Estimated fair value | |
|---|---|-----------------------------|------------------------------|
| | | March 31, 2014 | December 31, 2013 |
| Asset derivatives | | | |
| Cash flow hedges | | | |
| Short-term foreign currency forward contracts | Other current assets | \$ 5,946 | \$ |

To supplement the fair value disclosures in Note 10, the following summarizes the recognized gains and losses of cash flow hedges and non-designated derivatives through AOCL or through other income for the three months ended March 31, 2014 and 2013:

| | Gain/(loss) recognized through AOCL | | Gain/(loss) reclassified from AOCL to other income | | Gain/(loss) recognized through other income | |
|------------------------------------|--|-------------|---|-------------|--|-------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Cash flow hedges | | | | | | |
| Foreign currency forward contracts | \$ 4,752 | \$ (1,316) | \$ 1,194 | \$ 114 | \$ | \$ |

Note 10 Fair Value of Financial Instruments

The following table presents the carrying amount and estimated fair value of our financial instruments recognized at fair value on a recurring basis:

**March 31, 2014
Estimated Fair Value Measurements**

| | Carrying Amount | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|------------------------------------|----------------------------|--|--|--|
| Assets - | | | | |
| Marketable securities | \$ 8,110 | \$ 8,110 | \$ | \$ |
| Foreign currency forward contracts | 5,946 | | 5,946 | |

| | December 31, 2013 Estimated Fair Value Measurements | | | |
|-----------------------|--|--|--|--|
| | Carrying Amount | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets - | | | | |
| Marketable securities | \$ 7,230 | \$ 7,230 | \$ | \$ |

The foreign currency forward contracts have been valued using actively quoted prices and quotes obtained from the counterparties to the contracts. Our cash and cash equivalents, accounts receivable and accounts payable are by their nature short-term. As a result, the carrying values included in the accompanying Consolidated Balance Sheets approximate fair value.

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Note 11 Accumulated Other Comprehensive Loss

The following table sets forth the changes in the accumulated balances for each component of AOCL, net of tax.

| | Gains / (Losses) on Cash Flow Hedges ⁽¹⁾ | Defined Benefit Pension Items ⁽²⁾ | Foreign Currency Items | Total |
|--|---|---|------------------------------|--------------|
| Balance at December 31, 2012 | \$ | \$ (95,071) | \$ (20,378) | \$ (115,449) |
| Activity during period: | | | | |
| Other comprehensive income (loss) before reclassifications | (1,316) | | 2,657 | 1,341 |
| Amounts reclassified from AOCL | 114 | 1,642 | | 1,756 |
| Net other comprehensive income (loss) | (1,202) | 1,642 | 2,657 | 3,097 |
| Balance at March 31, 2013 | \$ (1,202) | \$ (93,429) | \$ (17,721) | \$ (112,352) |
| Balance at December 31, 2013 | \$ | \$ (58,598) | \$ (23,566) | \$ (82,164) |
| Activity during period: | | | | |
| Other comprehensive income before reclassifications | 4,752 | | 1,009 | 5,761 |
| Amounts reclassified from AOCL | 1,194 | 763 | | 1,957 |
| Net other comprehensive income | 5,946 | 763 | 1,009 | 7,718 |
| Balance at March 31, 2014 | \$ 5,946 | \$ (57,835) | \$ (22,557) | \$ (74,446) |

- (1) Gains on cash flow hedges are related to our foreign currency forward contracts. Reclassifications from AOCL are recognized through other income on our Consolidated Statement of Income. See Note 9 for additional information.

- (2) Defined benefit pension items relate to actuarial losses and the amortization of prior service costs. Reclassifications from AOCL are recognized as expense on our Consolidated Statement of Income through either contract drilling services or general and administrative. See Note 8 for additional information.

Note 12 Commitments and Contingencies

The *Noble Homer Ferrington* was under contract with a subsidiary of ExxonMobil Corporation (ExxonMobil), which entered into an assignment agreement with BP for a two-well farmout of the rig in Libya after successfully drilling two wells with the rig for ExxonMobil. In August 2010, BP attempted to terminate the assignment agreement claiming that the rig was not in the required condition, and ExxonMobil informed us that we must look to BP for payment of the dayrate during the assignment period. In August 2010, we initiated arbitration proceedings under the drilling contract against both BP and ExxonMobil. We do not believe BP had the right to terminate the assignment agreement and believe the rig was ready to operate under the drilling contract. The rig operated under farmout arrangements from March 2011 to the conclusion of the contract in the second quarter of 2012. We believe we are owed dayrate by either or both of these clients. The operating dayrate was approximately \$538,000 per day for the work in Libya. The arbitration process is proceeding, and we intend to vigorously pursue these claims. As a result of the uncertainties noted above, we have not recognized any revenue during the assignment period and the matter could have a material positive effect on our results of operations or cash flows in the period the matter is resolved should the arbitration panel ultimately rule in our favor.

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In November 2012, the U.S. Coast Guard in Alaska conducted an inspection of our drillship, the *Noble Discoverer*, and cited a number of deficiencies to be remediated, including issues relating to the main propulsion and safety management system. We initiated a comprehensive effort to address the deficiencies identified by the Coast Guard and worked with the agency to keep it apprised of our progress. We began an internal investigation in conjunction with the Coast Guard inspection, and the Coast Guard then began its own investigation. We reported certain potential violations of applicable law to the Coast Guard identified as a result of our internal investigation. These related to what we believe were certain unauthorized disposals of collected deck and sea water from the *Noble Discoverer*, collected, treated deck water from the *Kulluk* and potential record-keeping issues with the oil record books for the *Noble Discoverer* and *Kulluk* and other matters. The Coast Guard referred the *Noble Discoverer* and *Kulluk* matters to the U.S. Department of Justice (DOJ) for further investigation. We are cooperating with the DOJ in connection with their investigation, which relates to the items described above, hazardous condition allegations with respect to the *Noble Discoverer* and other matters. We cannot predict when the DOJ will conclude the investigation and cannot provide any assurances with respect to the outcome. The DOJ is seeking criminal sanctions, including monetary penalties, against us, as well as some form of ongoing assurance of our operational compliance programs, and we are maintaining a dialogue with the DOJ. We believe it is probable that we will have to pay some amount in fines and penalties to resolve this matter and have reserved \$7 million.

During the fourth quarter of 2007, our Nigerian subsidiary received letters from the Nigerian Maritime Administration and Safety Agency, or NIMASA, seeking to collect a 2 percent surcharge on contract amounts under contracts performed by vessels, within the meaning of Nigeria's cabotage laws, engaged in the Nigerian coastal shipping trade. Although we do not believe that these laws apply to our ownership of drilling rigs, NIMASA is seeking to apply a provision of the Nigerian cabotage laws (which became effective on May 1, 2004) to our offshore drilling rigs by considering these rigs to be vessels within the meaning of those laws and therefore subject to the surcharge, which is imposed only upon vessels. Our offshore drilling rigs are not engaged in the Nigerian coastal shipping trade and are not in our view vessels within the meaning of Nigeria's cabotage laws. In January 2008, we filed an originating summons against NIMASA and the Minister of Transportation in the Federal High Court of Lagos, Nigeria seeking, among other things, a declaration that our drilling operations do not constitute coastal trade or cabotage within the meaning of Nigeria's cabotage laws and that our offshore drilling rigs are not vessels within the meaning of those laws. In February 2009, NIMASA filed suit against us in the Federal High Court of Nigeria seeking collection of the cabotage surcharge with respect to one of our rigs. In August 2009, the court issued a favorable ruling in response to our originating summons stating that drilling operations do not fall within the cabotage laws and that drilling rigs are not vessels for purposes of those laws. The court also issued an injunction against the defendants prohibiting their interference with our drilling rigs or drilling operations. NIMASA appealed the court's ruling on procedural grounds, and the court dismissed NIMASA's lawsuit filed against us in February 2009. In December 2013, the court of appeals ruled in favor of NIMASA and quashed the High Court's decision in our favor, although there is no adverse ruling against us with respect to the merits. We intend to appeal this latest decision and take further appropriate legal action to resist the application of Nigeria's cabotage laws to our drilling rigs. The outcome of any such legal action and the extent to which we may ultimately be responsible for the surcharge is uncertain. If it is ultimately determined that

offshore drilling rigs constitute vessels within the meaning of the Nigerian cabotage laws, we may be required to pay the surcharge and comply with other aspects of the Nigerian cabotage laws, which could adversely affect future operations in Nigerian waters and require us to incur additional costs of compliance.

Under the Nigerian Industrial Training Fund Act of 2004, as amended (the Act), Nigerian companies with five or more employees must contribute annually 1 percent of their payroll to the Industrial Training Fund, or ITF, established under the Act to be used for the training of Nigerian nationals with a view towards generating a pool of indigenously trained manpower. We have not paid this amount on our expatriate workers employed by our non-Nigerian employment entity in the past as we did not believe the contribution obligation was applicable to them. In October 2012, we received a demand from the ITF for payments going back to 2004 and associated penalties in respect of these expatriate employees. In February 2013, the ITF filed suit seeking payment of these amounts. We do not believe that we owe the amount claimed. We have had discussions with the ITF to resolve the issue and do not believe the resolution of this matter will have a material adverse effect on our financial position, results of operations or cash flows.

We are from time to time a party to various lawsuits that are incidental to our operations in which the claimants seek an unspecified amount of monetary damages for personal injury, including injuries purportedly resulting from exposure to asbestos on drilling rigs and associated facilities. At March 31, 2014, there were 37 asbestos related lawsuits in which we are one of many defendants. These lawsuits have been filed in the United States in the states of Louisiana, Mississippi and Texas. We intend to vigorously defend against the litigation. We do not believe the ultimate resolution of these matters will have a material adverse effect on our financial position, results of operations or cash flows.

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We are a defendant in certain claims and litigation arising out of operations in the ordinary course of business, including a certain dispute with a customer over receivables discussed in Note 4, the resolution of which, in the opinion of management, will not be material to our financial position, results of operations or cash flows. There is inherent risk in any litigation or dispute and no assurance can be given as to the outcome of these claims.

We operate in a number of countries throughout the world and our tax returns filed in those jurisdictions are subject to review and examination by tax authorities within those jurisdictions. During 2013, the IRS completed its examination of our tax reporting for the taxable year ended December 31, 2008 and concluded that we were entitled to a refund. The congressional Joint Committee on Taxation took no exception to the conclusions reached by the IRS, and the refund, plus interest, was received in March 2014. The IRS also completed its examination of our tax reporting for the taxable year ended December 31, 2009, and informed us that it made no changes to our reported tax. During the first quarter of 2014, the IRS began its examination of our tax reporting for the taxable years ended December 31, 2010 and 2011. We believe that we have accurately reported all amounts in our 2010 and 2011 tax returns. Furthermore, we are currently contesting several non-U.S. tax assessments and may contest future assessments. We believe the ultimate resolution of the outstanding assessments, for which we have not made any accrual, will not have a material adverse effect on our consolidated financial statements. We recognize uncertain tax positions that we believe have a greater than 50 percent likelihood of being sustained. We cannot predict or provide assurance as to the ultimate outcome of any existing or future assessments.

Audit claims of approximately \$335 million attributable to income, customs and other business taxes have been assessed against us. We have contested, or intend to contest, these assessments, including through litigation if necessary, and we believe the ultimate resolution, for which we have not made any accrual, will not have a material adverse effect on our consolidated financial statements. Tax authorities may issue additional assessments or pursue legal actions as a result of tax audits and we cannot predict or provide assurance as to the ultimate outcome of such assessments and legal actions.

We maintain certain insurance coverage against specified marine perils, which includes physical damage and loss of hire. Damage caused by hurricanes has negatively impacted the energy insurance market, resulting in more restrictive and expensive coverage for U.S. named windstorm perils. Accordingly, we have elected to significantly reduce the named windstorm insurance on our rigs operating in the U.S. Gulf of Mexico. Presently, we insure the *Noble Jim Thompson*, *Noble Amos Runner* and *Noble Driller* for total loss only when caused by a named windstorm. For the *Noble Bully I*, our customer assumes the risk of loss due to a named windstorm event, pursuant to the terms of the drilling contract, through the purchase of insurance coverage (provided that we are responsible for any deductible under such policy) or, at its option, the assumption of the risk of loss up to the insured value in lieu of the purchase of such insurance. The remaining rigs in the U.S. Gulf of Mexico are self-insured for named windstorm perils. Our rigs located in the Mexico portion of the Gulf of Mexico remain covered by commercial insurance for windstorm damage. In addition, we maintain a physical damage deductible on our rigs of \$25 million per occurrence. The loss of hire coverage applies only to our rigs operating under contract with a dayrate equal to or greater than \$200,000 a day and is

subject to a 45-day waiting period for each unit and each occurrence.

Although we maintain insurance in the geographic areas in which we operate, pollution, reservoir damage and environmental risks generally are not fully insurable. Our insurance policies and contractual rights to indemnity may not adequately cover our losses or may have exclusions of coverage for some losses. We do not have insurance coverage or rights to indemnity for all risks, including loss of hire insurance on most of the rigs in our fleet. Uninsured exposures may include expatriate activities prohibited by U.S. laws and regulations, radiation hazards, certain loss or damage to property on board our rigs and losses relating to shore-based terrorist acts or strikes. If a significant accident or other event occurs and is not fully covered by insurance or contractual indemnity, it could materially adversely affect our financial position, results of operations or cash flows. Additionally, there can be no assurance that those parties with contractual obligations to indemnify us will necessarily be financially able to indemnify us against all these risks.

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We carry protection and indemnity insurance covering marine third party liability exposures, which also includes coverage for employer's liability resulting from personal injury to our offshore drilling crews. Our protection and indemnity policy currently has a standard deductible of \$10 million per occurrence, with maximum liability coverage of \$750 million.

In connection with our capital expenditure program, we had outstanding commitments, including shipyard and purchase commitments of approximately \$1.7 billion at March 31, 2014.

We have entered into agreements with certain of our executive officers, as well as certain other employees. These agreements become effective upon a change of control of Noble-UK (within the meaning set forth in the agreements) or a termination of employment in connection with or in anticipation of a change of control, and remain effective for three years thereafter. These agreements provide for compensation and certain other benefits under such circumstances.

Note 13 Segment and Related Information

We report our contract drilling operations as a single reportable segment, Contract Drilling Services, which reflects how we manage our business, and the fact that all of our drilling fleet is dependent upon the worldwide oil industry. The mobile offshore drilling units comprising our offshore rig fleet operate in a single, global market for contract drilling services and are often redeployed globally due to changing demands of our customers, which consist largely of major non-U.S. and government owned/controlled oil and gas companies throughout the world. Our contract drilling services segment conducts contract drilling operations in the United States, Mexico, Brazil, Argentina, the North Sea, the Mediterranean, West Africa, the Middle East, India, Asia and Australia.

We evaluate the performance of our operating segment based on revenues from external customers and segment profit. Summarized financial information of our reportable segment for the three months ended March 31, 2014 and 2013 is shown in the following table. The Other column includes results of labor contract drilling services in Canada and Alaska, as well as corporate related items. The consolidated financial statements of Noble-UK include the accounts of Noble-Cayman, and Noble-UK conducts substantially all of its business through Noble-Cayman and its subsidiaries. As a result, the summarized financial information for Noble-Cayman is substantially the same as Noble-UK.

| | Three Months Ended March 31, | |
|------------------------------|-------------------------------------|------------------------------|
| | 2014 | 2013 |
| Contract Drilling | | Contract Drilling |

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| | Services | Other | Total | Services | Other | Total |
|---|-----------------|--------------|--------------|-----------------|--------------|--------------|
| Revenues from external customers | \$ 1,242,438 | \$ 8,732 | \$ 1,251,170 | \$ 949,458 | \$ 21,517 | \$ 970,975 |
| Depreciation and amortization | 241,574 | 4,331 | 245,905 | 202,619 | 3,537 | 206,156 |
| Segment operating income/ (loss) | 383,867 | (14,607) | 369,260 | 228,987 | 804 | 229,791 |
| Interest expense, net of amount capitalized | (73) | (40,319) | (40,392) | (120) | (27,181) | (27,301) |
| Income tax (provision)/ benefit | (63,656) | 9,220 | (54,436) | (38,897) | 4,545 | (34,352) |
| Segment profit/ (loss) | 302,611 | (46,285) | 256,326 | 172,248 | (22,188) | 150,060 |
| Total assets (at end of period) | 15,648,678 | 795,819 | 16,444,497 | 14,212,435 | 677,523 | 14,889,958 |

Table of Contents**NOBLE CORPORATION PLC AND SUBSIDIARIES****NOBLE CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Unless otherwise indicated, dollar amounts in tables are in thousands, except per share data)

Note 14 Accounting Pronouncements

In April 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-08, which amends FASB Accounting Standards Codification (ASC) Topic 205, Presentation of Financial Statements and ASC Topic 360, Property, Plant, and Equipment. This ASU alters the definition of a discontinued operation to cover only asset disposals that are a strategic shift with a major effect on an entity's operations and finances, and calls for more extensive disclosures about a discontinued operation's assets, liabilities, income and expenses. The guidance is effective for all disposals, or classifications as held-for-sale, of components of an entity that occur within annual periods beginning on or after December 15, 2014. We are still evaluating what impact, if any, the adoption of this guidance will have on our financial condition, results of operations, cash flows or financial disclosures.

Note 15 Net Change in Other Assets and Liabilities

The net effect of changes in other assets and liabilities on cash flows from operating activities is as follows:

| | Noble-UK | | Noble-Cayman | |
|---------------------------|---------------------------|---------------------|---------------------------|---------------------|
| | Three months ended | | Three months ended | |
| | March 31, | | March 31, | |
| | 2014 | 2013 | 2014 | 2013 |
| Accounts receivable | \$ 91,226 | \$ (125,192) | \$ 91,226 | \$ (125,192) |
| Other current assets | (46,320) | (47,920) | (46,997) | (49,017) |
| Other assets | 19,801 | 1,101 | 19,805 | 1,099 |
| Accounts payable | (5,350) | 12,901 | (12,696) | 12,970 |
| Other current liabilities | (70,001) | (18,947) | (60,550) | (21,095) |
| Other liabilities | (12,474) | (680) | (12,472) | (680) |
| | \$ (23,118) | \$ (178,737) | \$ (21,684) | \$ (181,915) |

Note 16 Information about Noble-Cayman***Guarantees of Registered Securities***

Noble-Cayman or one or more subsidiaries of Noble-Cayman are a co-issuer, guarantor or otherwise obligated as of March 31, 2014 with respect to the following securities as follows:

| Notes | Issuer (Co-Issuer(s)) | Guarantor(s) |
|---|--|--|
| \$350 million 3.845% Senior Notes due 2015 | NHIL | Noble-Cayman |
| \$300 million 3.05% Senior Notes due 2016 | NHIL | Noble-Cayman |
| \$300 million 2.50% Senior Notes due 2017 | NHIL | Noble-Cayman |
| \$202 million 7.50% Senior Notes due 2019 | NDC; Noble Drilling Services 6 LLC (NDS6 | Noble-Cayman; Noble Holding (U.S.) Corporation (NHC); Noble Drilling Holding LLC (NDH) |
| \$500 million 4.90% Senior Notes due 2020 | NHIL | Noble-Cayman |
| \$400 million 4.625% Senior Notes due 2021 | NHIL | Noble-Cayman |
| \$400 million 3.95% Senior Notes | NHIL | Noble-Cayman |

| | | |
|--|------|--------------|
| due 2022 \$400 million 6.20% Senior Notes due 2040 | NHIL | Noble-Cayman |
| \$400 million 6.05% Senior Notes due 2041 | NHIL | Noble-Cayman |
| \$500 million 5.25% Senior Notes due 2042 | NHIL | Noble-Cayman |

The following condensed consolidating financial statements of Noble-Cayman, NHC and NDH combined, NDC, NHIL, NDS6 and all other subsidiaries present investments in both consolidated and unconsolidated affiliates using the equity method of accounting.

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NOBLE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEET

March 31, 2014

(in thousands)

| | Noble- Cayman | NHC and NDH Combined | NDC | NHIL | NDS6 | Other Non-guarantor Subsidiaries of Noble | Consolidating Adjustments | Total |
|---|------------------|-------------------------|----------------|---------------|---------------|--|------------------------------|-------------------|
| ASSETS | | | | | | | | |
| Current assets | | | | | | | | |
| Cash and cash equivalents | \$ 5 | \$ 124 | \$ | \$ 5 | \$ | \$ 111,661 | \$ | \$ 111,795 |
| Accounts receivable | | 53,786 | 3,331 | | | 820,010 | | 877,127 |
| Taxes receivable | | 37,956 | | | | 97,501 | | 135,457 |
| Short-term notes receivable from affiliates | | 1,456,245 | | | 19,500 | 166,760 | (1,642,505) | |
| Accounts receivable from affiliates | 1,163,230 | 122,759 | 791,922 | 82,362 | 22,967 | 6,153,853 | (8,337,093) | |
| Prepaid expenses and other current assets | | 2,822 | 172 | 13 | | 238,856 | | 241,863 |
| Total current assets | 1,163,235 | 1,673,692 | 795,425 | 82,380 | 42,467 | 7,588,641 | (9,979,598) | 1,366,242 |
| Property and equipment, at cost | | | | | | | | |
| Accumulated depreciation | | 2,249,576 | 76,132 | | | 17,327,453 | | 19,653,161 |
| | | (231,409) | (62,039) | | | (4,562,966) | | (4,856,414) |
| Property and equipment, net | | 2,018,167 | 14,093 | | | 12,764,487 | | 14,796,747 |
| Notes receivable | 3,304,753 | 124,215 | 223,059 | 1,980,391 | 5,000 | 1,322,500 | (6,959,918) | |

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| | | | | | | | | |
|----------------------------------|----------------------|----------------------|---------------------|----------------------|---------------------|----------------------|------------------------|----------------------|
| From affiliates | | | | | | | | |
| Investments in | | | | | | | | |
| affiliates | 8,977,664 | 9,645,314 | 2,061,305 | 10,107,669 | 5,612,195 | | (36,404,147) | |
| Other assets | 4,589 | 6,872 | 115 | 21,967 | 607 | 213,319 | | 247,469 |
| Total assets | \$ 13,450,241 | \$ 13,468,260 | \$ 3,093,997 | \$ 12,192,407 | \$ 5,660,269 | \$ 21,888,947 | \$ (53,343,663) | \$ 16,410,458 |
| LIABILITIES AND EQUITY | | | | | | | | |
| Current liabilities | | | | | | | | |
| Short-term | | | | | | | | |
| Notes payable | | | | | | | | |
| From affiliates | \$ | \$ 52,611 | \$ 114,149 | \$ | \$ 750,000 | \$ 725,745 | \$ (1,642,505) | \$ |
| Accounts payable | | 4,704 | 677 | | | 309,562 | | 314,943 |
| Accrued | | | | | | | | |
| Payroll and related costs | | 5,316 | 782 | | | 104,539 | | 110,637 |
| Accounts payable to affiliates | 1,068,444 | 4,848,721 | 4,904 | 243,031 | 20,596 | 2,151,397 | (8,337,093) | |
| Taxes payable | | 18,125 | 9 | | | 150,669 | | 168,803 |
| Other current liabilities | 915 | 22,833 | 200 | 16,359 | 630 | 174,855 | | 215,792 |
| Total current liabilities | 1,069,359 | 4,952,310 | 120,721 | 259,390 | 771,226 | 3,616,767 | (9,979,598) | 810,175 |
| Long-term | | | | | | | | |
| Debt | 1,983,543 | | | 3,543,544 | 201,695 | | | 5,728,782 |
| Notes payable | | | | | | | | |
| From affiliates | 1,769,064 | 421,263 | | 975,000 | 192,216 | 3,602,375 | (6,959,918) | |
| Deferred | | | | | | | | |
| Income taxes | | | 4,245 | | | 217,135 | | 221,380 |
| Other liabilities | 19,930 | 32,151 | | | | 265,029 | | 317,110 |
| Total liabilities | 4,841,896 | 5,405,724 | 124,966 | 4,777,934 | 1,165,137 | 7,701,306 | (16,939,516) | 7,077,447 |
| Commitments and contingencies | | | | | | | | |
| Total shareholder equity | 8,608,345 | 8,062,536 | 2,969,031 | 7,414,473 | 4,495,132 | 12,939,108 | (35,880,280) | 8,608,345 |
| Noncontrolling interests | | | | | | 1,248,533 | (523,867) | 724,666 |

| | | | | | | | | |
|-------------------------------------|---------------|---------------|--------------|---------------|--------------|---------------|-----------------|---------------|
| total equity | 8,608,345 | 8,062,536 | 2,969,031 | 7,414,473 | 4,495,132 | 14,187,641 | (36,404,147) | 9,333,011 |
| total liabilities and equity | \$ 13,450,241 | \$ 13,468,260 | \$ 3,093,997 | \$ 12,192,407 | \$ 5,660,269 | \$ 21,888,947 | \$ (53,343,663) | \$ 16,410,458 |

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NOBLE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEET

December 31, 2013

(in thousands)

| | Noble- Cayman | NHC and NDH Combined | NDC | NHIL | NDS6 | Other Non-guarantor Subsidiaries of Noble | Consolidating Adjustments | Total |
|---|------------------|-------------------------|-----------|-----------|--------|--|------------------------------|-------------|
| ASSETS | | | | | | | | |
| Current assets | | | | | | | | |
| Cash and cash equivalents | \$ 1 | \$ 402 | \$ | \$ 4 | \$ | \$ 109,975 | \$ | \$ 110,382 |
| Accounts receivable | | 34,038 | 3,325 | | | 911,706 | | 949,069 |
| Taxes receivable | | 52,307 | | | | 87,722 | | 140,029 |
| Short-term notes receivable from affiliates | | 1,456,245 | | 139,195 | 19,500 | 166,760 | (1,781,700) | |
| Accounts receivable from affiliates | 1,244,019 | 108,208 | 1,137,137 | 210,868 | 27,537 | 6,302,784 | (9,030,553) | |
| Prepaid expenses and other current assets | | 6,336 | 204 | | | 177,808 | | 184,348 |
| Total current assets | 1,244,020 | 1,657,536 | 1,140,666 | 350,067 | 47,037 | 7,756,755 | (10,812,253) | 1,383,828 |
| Property and equipment, at cost | | | | | | | | |
| Accumulated depreciation | | 2,340,216 | 75,856 | | | 16,744,278 | | 19,160,350 |
| Property and equipment, net | | (310,171) | (60,950) | | | (4,260,557) | | (4,631,678) |
| Notes receivable | 3,304,753 | 124,216 | | 2,367,555 | 5,000 | 1,390,500 | (7,192,024) | |

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| | | | | | | | | |
|----------------------------------|----------------------|----------------------|---------------------|----------------------|---------------------|----------------------|------------------------|----------------------|
| From affiliates | | | | | | | | |
| Investments in | | | | | | | | |
| affiliates | 8,601,712 | 9,502,970 | 2,523,808 | 9,456,735 | 5,440,004 | | (35,525,229) | |
| Other assets | 6,256 | 6,332 | 173 | 22,681 | 639 | 232,933 | | 269,014 |
| Total assets | \$ 13,156,741 | \$ 13,321,099 | \$ 3,679,553 | \$ 12,197,038 | \$ 5,492,680 | \$ 21,863,909 | \$ (53,529,506) | \$ 16,181,514 |
| LIABILITIES AND EQUITY | | | | | | | | |
| Current | | | | | | | | |
| liabilities | | | | | | | | |
| Short-term | | | | | | | | |
| Notes payable | | | | | | | | |
| From affiliates | \$ | \$ 191,806 | \$ 114,149 | \$ | \$ 750,000 | \$ 725,745 | \$ (1,781,700) | \$ |
| Accounts payable | | 5,310 | 452 | | | 340,148 | | 345,910 |
| Accrued | | | | | | | | |
| Payroll and related costs | | 8,582 | 9,141 | | | 125,623 | | 143,346 |
| Accounts payable to affiliates | 1,104,410 | 4,685,825 | 292,354 | 216,866 | 21,173 | 2,709,925 | (9,030,553) | |
| Taxes payable | | 827 | 9 | | | 119,752 | | 120,588 |
| Other current liabilities | 412 | 22,106 | 240 | 62,431 | 4,412 | 210,571 | | 300,172 |
| Total current liabilities | 1,104,822 | 4,914,456 | 416,345 | 279,297 | 775,585 | 4,231,764 | (10,812,253) | 910,016 |
| Long-term | | | | | | | | |
| Debt | 1,561,141 | | | 3,793,414 | 201,696 | | | 5,556,251 |
| Notes payable | | | | | | | | |
| From affiliates | 2,042,808 | 534,683 | | 975,000 | 260,216 | 3,379,317 | (7,192,024) | |
| Deferred | | | | | | | | |
| Income taxes | | | 3,275 | | | 222,180 | | 225,455 |
| Other liabilities | 19,931 | 24,502 | | | | 289,875 | | 334,308 |
| Total liabilities | 4,728,702 | 5,473,641 | 419,620 | 5,047,711 | 1,237,497 | 8,123,136 | (18,004,277) | 7,026,030 |
| Commitments and contingencies | | | | | | | | |
| Total shareholder equity | 8,428,039 | 7,847,458 | 3,259,933 | 7,149,327 | 4,255,183 | 12,502,531 | (35,014,432) | 8,428,039 |
| Noncontrolling interests | | | | | | 1,238,242 | (510,797) | 727,445 |

| | | | | | | | | |
|-------------------------------------|---------------|---------------|--------------|---------------|--------------|---------------|-----------------|---------------|
| total equity | 8,428,039 | 7,847,458 | 3,259,933 | 7,149,327 | 4,255,183 | 13,740,773 | (35,525,229) | 9,155,484 |
| total liabilities and equity | \$ 13,156,741 | \$ 13,321,099 | \$ 3,679,553 | \$ 12,197,038 | \$ 5,492,680 | \$ 21,863,909 | \$ (53,529,506) | \$ 16,181,514 |

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NOBLE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF INCOME

Three Months Ended March 31, 2014

(in thousands)

| | Noble- Cayman | NHC and NDH Combined | NDC | NHIL | NDS6 | Other Non-guarantor Subsidiaries of Noble | Consolidating Adjustments | Total |
|-------------------------------------|------------------|----------------------------|----------|----------|---------|--|------------------------------|--------------|
| Operating revenues | | | | | | | | |
| Contract drilling services | \$ | \$ 85,582 | \$ 5,667 | \$ | \$ | \$ 1,157,987 | \$ (42,932) | \$ 1,206,304 |
| Reimbursables | | 767 | 81 | | | 35,805 | | 36,653 |
| Labor contract drilling services | | | | | | 8,212 | | 8,212 |
| Other | | | | | | 1 | | 1 |
| Total operating revenues | | 86,349 | 5,748 | | | 1,202,005 | (42,932) | 1,251,170 |
| Operating costs and expenses | | | | | | | | |
| Contract drilling services | 10,071 | 42,103 | 2,449 | 26,116 | | 521,021 | (42,932) | 558,828 |
| Reimbursables | | 909 | 78 | | | 29,619 | | 30,606 |
| Labor contract drilling services | | | | | | 6,226 | | 6,226 |
| Depreciation and amortization | | 15,952 | 1,131 | | | 228,227 | | 245,310 |
| General and administrative | 573 | 1,847 | 1 | 6,961 | | 2,550 | | 11,932 |
| Total operating costs and expenses | 10,644 | 60,811 | 3,659 | 33,077 | | 787,643 | (42,932) | 852,902 |
| Operating income (loss) | (10,644) | 25,538 | 2,089 | (33,077) | | 414,362 | | 398,268 |
| Other income (expense) | | | | | | | | |
| Equity earnings in affiliates, net | 320,213 | 179,887 | 69,071 | 318,759 | 172,191 | | | |

of tax