

Noble Corp plc  
Form 10-Q  
May 07, 2015  
Table of Contents

**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, 2015**

**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 08354954)**  
**(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 24, 2015: Noble Corporation plc 241,963,110

Number of shares outstanding at April 24, 2015: Noble Corporation 261,245,693

**Noble Corporation, a Cayman Islands company and a wholly owned subsidiary of Noble Corporation plc, a public limited company incorporated 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 Quarterly Report on Form 10-Q with the reduced disclosure format contemplated by paragraphs (b) and (c) of General Instruction H(2) of Form 10-Q.**

**Table of Contents****TABLE OF CONTENTS**

|  | <b>Page</b> |
|--|-------------|
| <b>PART I <u>FINANCIAL INFORMATION</u></b>   |             |
| <b>Item 1 <u>Financial Statements</u></b>  |             |
| <b>Noble Corporation plc (Noble-UK) Financial Statements:</b>  |             |
| <u>Consolidated Balance Sheets as of March 31, 2015 and December 31, 2014</u>                              | 3           |
| <u>Consolidated Statements of Income for the three months ended March 31, 2015 and 2014</u>                | 4           |
| <u>Consolidated Statements of Comprehensive Income for the three months ended March 31, 2015 and 2014</u>  | 5           |
| <u>Consolidated Statements of Cash Flows for the three months ended March 31, 2015 and 2014</u>            | 6           |
| <u>Consolidated Statements of Equity for the three months ended March 31, 2015 and 2014</u>                | 7           |
| <b>Noble Corporation (Noble-Cayman) Financial Statements:</b>  |             |
| <u>Consolidated Balance Sheets as of March 31, 2015 and December 31, 2014</u>                              | 8           |
| <u>Consolidated Statements of Income for the three months ended March 31, 2015 and 2014</u>                | 9           |
| <u>Consolidated Statements of Comprehensive Income for the three months ended March 31, 2015 and 2014</u>  | 10          |
| <u>Consolidated Statements of Cash Flows for the three months ended March 31, 2015 and 2014</u>            | 11          |
| <u>Consolidated Statements of Equity for the three months ended March 31, 2015 and 2014</u>                | 12          |
| <u>Notes to Combined Consolidated Financial Statements</u>   | 13          |
| <b>Item 2 <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b> | 35          |
| <b>Item 3 <u>Quantitative and Qualitative Disclosures About Market Risk</u></b>                            | 45          |
| <b>Item 4 <u>Controls and Procedures</u></b>   | 46          |
| <b>PART II <u>OTHER INFORMATION</u></b>  |             |
| <b>Item 1 <u>Legal Proceedings</u></b>   | 47          |
| <b>Item 2 <u>Unregistered Sales of Equity Securities and Use of Proceeds</u></b>                           | 47          |
| <b>Item 6 <u>Exhibits</u></b>  | 48          |
| <b><u>SIGNATURES</u></b>   | 49          |
| <b><u>Index to Exhibits</u></b>  | 50          |

This combined Quarterly Report on Form 10-Q is separately filed by Noble Corporation plc, a public limited company incorporated 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 SHEETS****(In thousands)****(Unaudited)**

|   | <b>March 31,<br/>2015</b> | <b>December 31,<br/>2014</b> |
|---|---------------------------|------------------------------|
| <b>ASSETS</b>                             |                           |                              |
| Current assets                            |                           |                              |
| Cash and cash equivalents                 | \$ 82,203                 | \$ 68,510                    |
| Accounts receivable                       | 594,720                   | 569,096                      |
| Taxes receivable                          | 59,743                    | 107,490                      |
| Prepaid expenses and other current assets | 125,697                   | 183,466                      |
| <b>Total current assets</b>               | <b>862,363</b>            | <b>928,562</b>               |
| Property and equipment, at cost           | 14,529,740                | 14,442,922                   |
| Accumulated depreciation                  | (2,483,057)               | (2,330,413)                  |
| Property and equipment, net               | 12,046,683                | 12,112,509                   |
| Other assets                              | 248,927                   | 245,751                      |
| <b>Total assets</b>                       | <b>\$ 13,157,973</b>      | <b>\$ 13,286,822</b>         |
| <b>LIABILITIES AND EQUITY</b>             |                           |                              |
| Current liabilities                       |                           |                              |
| Accounts payable                          | \$ 246,539                | \$ 265,389                   |
| Accrued payroll and related costs         | 71,451                    | 102,520                      |
| Taxes payable                             | 126,582                   | 94,230                       |
| Interest payable                          | 19,681                    | 61,964                       |
| Other current liabilities                 | 121,170                   | 144,571                      |
| <b>Total current liabilities</b>          | <b>585,423</b>            | <b>668,674</b>               |
| Long-term debt                            | 4,862,361                 | 4,869,020                    |
| Deferred income taxes                     | 111,122                   | 120,589                      |
| Other liabilities                         | 326,669                   | 341,505                      |

|  |               |               |
|--|---------------|---------------|
| <b>Total liabilities</b>                       | 5,885,575     | 5,999,788     |
| <b>Commitments and contingencies</b>           |               |               |
| Shareholders' equity                           |               |               |
| Shares; 241,962 and 247,501 shares outstanding | 2,420         | 2,475         |
| Additional paid-in capital                     | 600,194       | 695,638       |
| Retained earnings                              | 6,021,583     | 5,936,035     |
| Accumulated other comprehensive loss           | (74,781)      | (69,418)      |
| <b>Total shareholders' equity</b>              | 6,549,416     | 6,564,730     |
| Noncontrolling interests                       | 722,982       | 722,304       |
| <b>Total equity</b>                            | 7,272,398     | 7,287,034     |
| <b>Total liabilities and equity</b>            | \$ 13,157,973 | \$ 13,286,822 |

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

## NOBLE CORPORATION PLC AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)

(Unaudited)

|  | <b>Three Months Ended<br/>March 31,</b> |             |
|--|---|-------------|
|  | <b>2015</b>                             | <b>2014</b> |
| <b>Operating revenues</b>                                    |   |             |
| Contract drilling services                                   | \$ 779,361                              | \$ 770,637  |
| Reimbursables  | 24,981                                  | 24,550      |
|  | 804,342                                 | 795,187     |
| <b>Operating costs and expenses</b>                          |   |             |
| Contract drilling services                                   | 321,750                                 | 352,880     |
| Reimbursables  | 20,157                                  | 21,504      |
| Depreciation and amortization                                | 154,138                                 | 146,198     |
| General and administrative                                   | 23,938                                  | 25,637      |
|  | 519,983                                 | 546,219     |
| <b>Operating income</b>                                      | 284,359                                 | 248,968     |
| <b>Other income (expense)</b>                                |   |             |
| Interest expense, net of amount capitalized                  | (49,044)                                | (40,392)    |
| Interest income and other, net                               | 6,582                                   | (1,268)     |
| <b>Income from continuing operations before income taxes</b> | 241,897                                 | 207,308     |
| Income tax provision   | (43,447)                                | (35,578)    |
| Net income from continuing operations                        | 198,450                                 | 171,730     |
| Net income from discontinued operations, net of tax          |   | 101,512     |
| <b>Net income</b>  | 198,450                                 | 273,242     |
| Net income attributable to noncontrolling interests          | (20,047)                                | (16,916)    |
| <b>Net income attributable to Noble Corporation plc</b>      | \$ 178,403                              | \$ 256,326  |
| Net income attributable to Noble Corporation plc             |   |             |
| Income from continuing operations                            | \$ 178,403                              | \$ 154,814  |
| Income from discontinued operations                          |   | 101,512     |
| Net income attributable to Noble Corporation plc             | \$ 178,403                              | \$ 256,326  |



**Per share data:**

## Basic:

|                                     |         |         |
|-------------------------------------|---------|---------|
| Income from continuing operations   | \$ 0.72 | \$ 0.60 |
| Income from discontinued operations |         | 0.39    |

|  |         |         |
|--|---------|---------|
| Net income attributable to Noble Corporation plc | \$ 0.72 | \$ 0.99 |
|--|---------|---------|

## Diluted:

|                                     |         |         |
|-------------------------------------|---------|---------|
| Income from continuing operations   | \$ 0.72 | \$ 0.60 |
| Income from discontinued operations |         | 0.39    |

|  |         |         |
|--|---------|---------|
| Net income attributable to Noble Corporation plc | \$ 0.72 | \$ 0.99 |
|--|---------|---------|

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

**NOBLE CORPORATION PLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(In thousands)

(Unaudited)

|   | <b>Three Months Ended</b> |                   |
|---|---------------------------|-------------------|
|   | <b>March 31,</b>          |                   |
|   | <b>2015</b>               | <b>2014</b>       |
| <b>Net income</b>   | \$ 198,450                | \$ 273,242        |
| <b>Other comprehensive income (loss), net of tax</b>  |                           |                   |
| Foreign currency translation adjustments  | (3,299)                   | 1,009             |
| Foreign currency forward contracts  | (3,145)                   | 5,946             |
| Amortization of deferred pension plan amounts (net of tax provision of \$566 in 2015 and \$252 in 2014) | 1,081                     | 763               |
| Other comprehensive income (loss), net  | (5,363)                   | 7,718             |
| Net comprehensive income attributable to noncontrolling interests                                       | (20,047)                  | (16,916)          |
| <b>Comprehensive income attributable to Noble Corporation plc</b>                                       | <b>\$ 173,040</b>         | <b>\$ 264,044</b> |

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

**NOBLE CORPORATION PLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

(Unaudited)

|  | <b>Three Months Ended</b> |                   |
|--|---------------------------|-------------------|
|  | <b>March 31,</b>          |                   |
|  | <b>2015</b>               | <b>2014</b>       |
| <b>Cash flows from operating activities</b>                                |                           |                   |
| Net income   | \$ 198,450                | \$ 273,242        |
| Adjustments to reconcile net income to net cash from operating activities: |                           |                   |
| Depreciation and amortization  | 154,138                   | 245,905           |
| Deferred income taxes  | (10,164)                  | (3,255)           |
| Amortization of share-based compensation                                   | 11,400                    | 13,022            |
| Net change in other assets and liabilities                                 | 14,758                    | (23,118)          |
| Net cash from operating activities   | 368,582                   | 505,796           |
| <b>Cash flows from investing activities</b>                                |                           |                   |
| Capital expenditures   | (89,307)                  | (517,283)         |
| Change in accrued capital expenditures                                     | (29,010)                  | (43,505)          |
| Net cash from investing activities   | (118,317)                 | (560,788)         |
| <b>Cash flows from financing activities</b>                                |                           |                   |
| Net change in borrowings outstanding on bank credit facilities             | (1,099,497)               | 422,402           |
| Repayment of long-term debt  |                           | (250,000)         |
| Issuance of senior notes   | 1,092,728                 |                   |
| Debt issuance costs on senior notes and credit facilities                  | (14,775)                  | (381)             |
| Dividends paid to noncontrolling interests                                 | (19,369)                  | (19,695)          |
| Repurchases of shares  | (100,630)                 |                   |
| Dividend payments  | (92,855)                  | (96,840)          |
| Employee stock transactions  | (2,174)                   | (217)             |
| Net cash from financing activities   | (236,572)                 | 55,269            |
| Net change in cash and cash equivalents                                    | 13,693                    | 277               |
| <b>Cash and cash equivalents, beginning of period</b>                      | <b>68,510</b>             | <b>114,458</b>    |
| <b>Cash and cash equivalents, end of period</b>                            | <b>\$ 82,203</b>          | <b>\$ 114,735</b> |

See accompanying notes to the unaudited consolidated financial statements.



Table of Contents

## NOBLE CORPORATION PLC AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF EQUITY

(In thousands)

(Unaudited)

|  | Shares         |                 | Additional         | Retained            | Accumulated<br>Other  | Noncontrolling    | Total               |
|--|----------------|-----------------|--------------------|---------------------|-----------------------|-------------------|---------------------|
|  | Balance        | Par Value       | Paid-in<br>Capital | Earnings            | Comprehensive<br>Loss | Interests         | Equity              |
| <b>Balance at<br/>December 31, 2013</b>        | <b>253,448</b> | <b>\$ 2,534</b> | <b>\$ 810,286</b>  | <b>\$ 7,591,927</b> | <b>\$ (82,164)</b>    | <b>\$ 727,445</b> | <b>\$ 9,050,028</b> |
| Employee related<br>equity activity            |                |                 |                    |                     |                       |                   |                     |
| Amortization of<br>share-based<br>compensation |                |                 | 13,022             |                     |                       |                   | 13,022              |
| Issuance of share-based<br>compensation shares | 675            | 6               | (8,215)            |                     |                       |                   | (8,209)             |
| Exercise of stock<br>options                   | 71             | 2               | 1,396              |                     |                       |                   | 1,398               |
| Tax benefit of equity<br>transactions          |                |                 | (1,621)            |                     |                       |                   | (1,621)             |
| Net income                                     |                |                 |                    | 256,326             |                       | 16,916            | 273,242             |
| Dividends paid to<br>noncontrolling interests  |                |                 |                    |                     |                       | (19,695)          | (19,695)            |
| Dividends                                      |                |                 |                    | (33,171)            |                       |                   | (33,171)            |
| Other comprehensive<br>income, net             |                |                 |                    |                     | 7,718                 |                   | 7,718               |
| <b>Balance at March 31,<br/>2014</b>           | <b>254,194</b> | <b>\$ 2,542</b> | <b>\$ 814,868</b>  | <b>\$ 7,815,082</b> | <b>\$ (74,446)</b>    | <b>\$ 724,666</b> | <b>\$ 9,282,712</b> |
| <b>Balance at<br/>December 31, 2014</b>        | <b>247,501</b> | <b>\$ 2,475</b> | <b>\$ 695,638</b>  | <b>\$ 5,936,035</b> | <b>\$ (69,418)</b>    | <b>\$ 722,304</b> | <b>\$ 7,287,034</b> |
| Employee related<br>equity activity            |                |                 |                    |                     |                       |                   |                     |
| Amortization of<br>share-based<br>compensation |                |                 | 11,400             |                     |                       |                   | 11,400              |
| Issuance of share-based<br>compensation shares | 670            | 7               | (4,095)            |                     |                       |                   | (4,088)             |
| Tax benefit of equity<br>transactions          |                |                 | (2,181)            |                     |                       |                   | (2,181)             |

Edgar Filing: Noble Corp plc - Form 10-Q

|  |         |      |           |          |  |          |           |
|--|---------|------|-----------|----------|--|----------|-----------|
| Repurchases of shares                      | (6,209) | (62) | (100,568) |          |  |          | (100,630) |
| Net income                                 |         |      |           | 178,403  |  | 20,047   | 198,450   |
| Dividends paid to noncontrolling interests |         |      |           |          |  | (19,369) | (19,369)  |
| Dividends                                  |         |      |           | (92,855) |  |          | (92,855)  |
| Other comprehensive loss, net              |         |      |           |          |  | (5,363)  | (5,363)   |

**Balance at March 31, 2015**                      **241,962**    **\$ 2,420**    **\$ 600,194**    **\$ 6,021,583**    **\$ (74,781)**    **\$ 722,982**    **\$ 7,272,398**

See accompanying notes to the unaudited consolidated financial statements.

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

|   | <b>March 31,<br/>2015</b> | <b>December 31,<br/>2014</b> |
|---|---------------------------|------------------------------|
| <b>ASSETS</b>                             |                           |                              |
| Current assets                            |                           |                              |
| Cash and cash equivalents                 | \$ 78,976                 | \$ 65,780                    |
| Accounts receivable                       | 594,720                   | 569,096                      |
| Taxes receivable                          | 59,507                    | 107,289                      |
| Prepaid expenses and other current assets | 107,506                   | 139,669                      |
| <b>Total current assets</b>               | <b>840,709</b>            | <b>881,834</b>               |
| Property and equipment, at cost           | 14,491,189                | 14,404,371                   |
| Accumulated depreciation                  | (2,470,591)               | (2,318,220)                  |
| Property and equipment, net               | 12,020,598                | 12,086,151                   |
| Other assets                              | 225,431                   | 222,254                      |
| <b>Total assets</b>                       | <b>\$ 13,086,738</b>      | <b>\$ 13,190,239</b>         |
| <b>LIABILITIES AND EQUITY</b>             |                           |                              |
| Current liabilities                       |                           |                              |
| Accounts payable                          | \$ 242,770                | \$ 261,012                   |
| Accrued payroll and related costs         | 61,605                    | 91,487                       |
| Taxes payable                             | 124,200                   | 91,471                       |
| Interest payable                          | 19,681                    | 61,964                       |
| Other current liabilities                 | 116,593                   | 139,950                      |
| <b>Total current liabilities</b>          | <b>564,849</b>            | <b>645,884</b>               |
| Long-term debt                            | 4,862,361                 | 4,869,020                    |
| Deferred income taxes                     | 111,122                   | 120,589                      |
| Other liabilities                         | 321,127                   | 335,964                      |
| <b>Total liabilities</b>                  | <b>5,859,459</b>          | <b>5,971,457</b>             |
| Commitments and contingencies             |                           |                              |
| Shareholder equity                        |                           |                              |

Edgar Filing: Noble Corp plc - Form 10-Q

|   |                      |                      |
|---|----------------------|----------------------|
| Ordinary shares; 261,246 shares outstanding | 26,125               | 26,125               |
| Capital in excess of par value              | 538,005              | 530,657              |
| Retained earnings                           | 6,014,948            | 6,009,114            |
| Accumulated other comprehensive loss        | (74,781)             | (69,418)             |
| <b>Total shareholder equity</b>             | <b>6,504,297</b>     | <b>6,496,478</b>     |
| Noncontrolling interests                    | 722,982              | 722,304              |
| <b>Total equity</b>                         | <b>7,227,279</b>     | <b>7,218,782</b>     |
| <b>Total liabilities and equity</b>         | <b>\$ 13,086,738</b> | <b>\$ 13,190,239</b> |

See accompanying notes to the unaudited consolidated financial statements.



Table of Contents

**NOBLE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

(In thousands)

(Unaudited)

|  | <b>Three Months Ended<br/>March 31,</b> |             |
|--|---|-------------|
|  | <b>2015</b>                             | <b>2014</b> |
| <b>Operating revenues</b>                                    |   |             |
| Contract drilling services                                   | \$ 779,361                              | \$ 770,637  |
| Reimbursables  | 24,981                                  | 24,550      |
|  | 804,342                                 | 795,187     |
| <b>Operating costs and expenses</b>                          |   |             |
| Contract drilling services                                   | 319,479                                 | 350,577     |
| Reimbursables  | 20,157                                  | 21,504      |
| Depreciation and amortization                                | 153,866                                 | 145,603     |
| General and administrative                                   | 12,208                                  | 11,932      |
|  | 505,710                                 | 529,616     |
| <b>Operating income</b>                                      | 298,632                                 | 265,571     |
| <b>Other income (expense)</b>                                |   |             |
| Interest expense, net of amount capitalized                  | (49,044)                                | (40,392)    |
| Interest income and other, net                               | 6,448                                   | (1,395)     |
| <b>Income from continuing operations before income taxes</b> | 256,036                                 | 223,784     |
| Income tax provision   | (43,558)                                | (35,470)    |
| <b>Net income from continuing operations</b>                 | 212,478                                 | 188,314     |
| Net income from discontinued operations, net of tax          |   | 113,917     |
| <b>Net income</b>  | 212,478                                 | 302,231     |
| Net income attributable to noncontrolling interests          | (20,047)                                | (16,916)    |
| <b>Net income attributable to Noble Corporation</b>          | \$ 192,431                              | \$ 285,315  |

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

**NOBLE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(In thousands)

(Unaudited)

|   | <b>Three Months Ended<br/>March 31,</b> |                   |
|---|---|-------------------|
|   | <b>2015</b>                             | <b>2014</b>       |
| <b>Net income</b>   | \$ 212,478                              | \$ 302,231        |
| <b>Other comprehensive income (loss), net of tax</b>  |   |                   |
| Foreign currency translation adjustments  | (3,299)                                 | 1,009             |
| Foreign currency forward contracts  | (3,145)                                 | 5,946             |
| Amortization of deferred pension plan amounts (net of tax provision of \$566 in 2015 and \$252 in 2014) | 1,081                                   | 763               |
| Other comprehensive income (loss), net  | (5,363)                                 | 7,718             |
| Net comprehensive income attributable to noncontrolling interests                                       | (20,047)                                | (16,916)          |
| <b>Comprehensive income attributable to Noble Corporation</b>   | <b>\$ 187,068</b>                       | <b>\$ 293,033</b> |

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

**NOBLE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

(Unaudited)

|  | <b>Three Months Ended</b> |                   |
|--|---------------------------|-------------------|
|  | <b>March 31,</b>          |                   |
|  | <b>2015</b>               | <b>2014</b>       |
| <b>Cash flows from operating activities</b>                                |                           |                   |
| Net income   | \$ 212,478                | \$ 302,231        |
| Adjustments to reconcile net income to net cash from operating activities: |                           |                   |
| Depreciation and amortization  | 153,866                   | 245,310           |
| Deferred income taxes  | (10,164)                  | (3,255)           |
| Capital contribution by parent - share-based compensation                  | 7,348                     | 9,053             |
| Net change in other assets and liabilities                                 | (4,505)                   | (21,684)          |
| Net cash from operating activities   | 359,023                   | 531,655           |
| <b>Cash flows from investing activities</b>                                |                           |                   |
| Capital expenditures   | (89,307)                  | (517,283)         |
| Change in accrued capital expenditures                                     | (29,010)                  | (43,505)          |
| Net cash from investing activities   | (118,317)                 | (560,788)         |
| <b>Cash flows from financing activities</b>                                |                           |                   |
| Net change in borrowings outstanding on bank credit facilities             | (1,099,497)               | 422,402           |
| Repayment of long-term debt  |                           | (250,000)         |
| Issuance of senior notes   | 1,092,728                 |                   |
| Debt issuance costs on senior notes and credit facilities                  | (14,775)                  | (381)             |
| Dividends paid to noncontrolling interests                                 | (19,369)                  | (19,695)          |
| Distributions to parent company, net                                       | (186,597)                 | (121,780)         |
| Net cash from financing activities   | (227,510)                 | 30,546            |
| Net change in cash and cash equivalents                                    | 13,196                    | 1,413             |
| <b>Cash and cash equivalents, beginning of period</b>                      | <b>65,780</b>             | <b>110,382</b>    |
| <b>Cash and cash equivalents, end of period</b>                            | <b>\$ 78,976</b>          | <b>\$ 111,795</b> |

See accompanying notes to the unaudited consolidated financial statements.



Table of Contents

## NOBLE CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF EQUITY

(In thousands)

(Unaudited)

|  | Shares         |                  | Capital<br>in<br>Excess of<br>Par<br>Value | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Loss | Noncontrolling<br>Interests | Total<br>Equity     |
|--|----------------|------------------|--|----------------------|---|-----------------------------|---------------------|
|  | Balance        | Par Value        | Value                                      |                      |   |                             |                     |
| <b>Balance at<br/>December 31, 2013</b>                          | <b>261,246</b> | <b>\$ 26,125</b> | <b>\$ 497,316</b>                          | <b>\$ 7,986,762</b>  | <b>\$ (82,164)</b>                            | <b>\$ 727,445</b>           | <b>\$ 9,155,484</b> |
| Distributions to parent  |                |                  |  | (121,780)            |   |                             | (121,780)           |
| Capital contributions<br>by parent - share-based<br>compensation |                |                  | 9,053                                      |                      |   |                             | 9,053               |
| Net income   |                |                  |  | 285,315              |   | 16,916                      | 302,231             |
| Dividends paid to<br>noncontrolling<br>interests                 |                |                  |  |                      |   | (19,695)                    | (19,695)            |
| Other comprehensive<br>income, net                               |                |                  |  |                      | 7,718   |                             | 7,718               |
| <b>Balance at March 31,<br/>2014</b>                             | <b>261,246</b> | <b>\$ 26,125</b> | <b>\$ 506,369</b>                          | <b>\$ 8,150,297</b>  | <b>\$ (74,446)</b>                            | <b>\$ 724,666</b>           | <b>\$ 9,333,011</b> |
| <b>Balance at<br/>December 31, 2014</b>                          | <b>261,246</b> | <b>\$ 26,125</b> | <b>\$ 530,657</b>                          | <b>\$ 6,009,114</b>  | <b>\$ (69,418)</b>                            | <b>\$ 722,304</b>           | <b>\$ 7,218,782</b> |
| Distributions to parent  |                |                  |  | (186,597)            |   |                             | (186,597)           |
| Capital contributions<br>by parent - share-based<br>compensation |                |                  | 7,348                                      |                      |   |                             | 7,348               |
| Net income   |                |                  |  | 192,431              |   | 20,047                      | 212,478             |
| Dividends paid to<br>noncontrolling<br>interests                 |                |                  |  |                      |   | (19,369)                    | (19,369)            |
| Other comprehensive<br>loss, net                                 |                |                  |  |                      | (5,363)                                       |                             | (5,363)             |
| <b>Balance at March 31,<br/>2015</b>                             | <b>261,246</b> | <b>\$ 26,125</b> | <b>\$ 538,005</b>                          | <b>\$ 6,014,948</b>  | <b>\$ (74,781)</b>                            | <b>\$ 722,982</b>           | <b>\$ 7,227,279</b> |

See accompanying notes to the unaudited consolidated financial statements.



---

**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 1 Organization and Basis of Presentation**

Noble Corporation plc, a public limited company incorporated under the laws of England and Wales ( Noble-UK ), is a leading offshore drilling contractor for the oil and gas industry. We perform contract drilling services with our global fleet of mobile offshore drilling units. As of the filing date of this Quarterly Report on Form 10-Q, our fleet consisted of 15 jackups, nine drillships and eight semisubmersibles, including one high-specification, harsh environment jackup under construction.

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 and gas industry. The mobile offshore drilling units comprising our offshore rig fleet operate in a global market for contract drilling services and are often redeployed to different regions due to changing demands of our customers, which consist largely of major independent and government owned/controlled oil and gas companies throughout the world. As of March 31, 2015, our contract drilling services segment conducts operations in the United States, Brazil, Argentina, the North Sea, the Mediterranean Sea, the Black Sea, the Middle East, 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 an indirect, 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 Quarterly Reports on 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, 2014 Consolidated Balance Sheets presented herein are derived from the December 31, 2014 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, 2014, 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 Spin-off of Paragon Offshore plc ( Paragon Offshore )**

On August 1, 2014, Noble-UK completed the separation and spin-off of a majority of its standard specification offshore drilling business (the Spin-off ) through a pro rata distribution of all of the ordinary shares of its wholly-owned subsidiary, Paragon Offshore, to the holders of Noble's ordinary shares. Our shareholders received one share of Paragon Offshore for every three shares of Noble owned as of July 23, 2014, the record date for the distribution. Through the Spin-off, we disposed of most of our standard specification drilling units and related assets, liabilities and business. Prior to the Spin-off, Paragon Offshore issued approximately \$1.7 billion of long-term debt. We used the proceeds from this debt to repay certain amounts outstanding under our commercial paper program.



**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)

Prior to the completion of the Spin-off, Noble and Paragon Offshore entered into a series of agreements to effect the separation and Spin-off and govern the relationship between the parties after the Spin-off.

*Master Separation Agreement ( MSA )*

The general terms and conditions relating to the separation and Spin-off are set forth in the MSA. The MSA identifies the assets transferred, liabilities assumed and contracts assigned either to Paragon Offshore by us or by Paragon Offshore to us in the separation and describes when and how these transfers, assumptions and assignments would occur. The MSA provides for, among other things, Paragon Offshore's responsibility for liabilities relating to its business and the responsibility of Noble for liabilities related to our, and in certain limited cases, Paragon Offshore's business, in each case irrespective of when the liability arose. The MSA also contains indemnification obligations and ongoing commitments by us and Paragon Offshore.

*Employee Matters Agreement ( EMA )*

The EMA allocates liabilities and responsibilities between us and Paragon Offshore relating to employment, compensation and benefits and other employment related matters.

*Tax Sharing Agreement ( TSA )*

The TSA provides for the allocation of tax liabilities and benefits between us and Paragon Offshore and governs the parties' assistance with tax-related claims.

*Transition Services Agreements*

Under two transition services agreements, we agreed to continue, for a limited period of time, to provide various interim support services to Paragon Offshore, and Paragon Offshore agreed to provide various interim support services to us, including providing operational and administrative support for our remaining Brazilian operations.

**Note 3 Discontinued Operations**

Paragon Offshore, which had been reflected as continuing operations in our consolidated financial statements prior to the Spin-Off, meets the criteria for being reported as discontinued operations and has been reclassified as such in our results of operations. The results of discontinued operations for the three months ended March 31, 2014 include the historical results of Paragon Offshore, including \$12 million of non-recurring costs incurred by Noble related to the Spin-Off.

The following table provides the components of net income from discontinued operations, net of tax for Noble-UK for the three months ended March 31, 2014:

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)

|   | <b>Three months ended<br/>March 31,<br/>2014</b> |          |
|---|--|----------|
| <b>Operating revenues</b>                               |  |          |
| Contract drilling services                              | \$   | 435,667  |
| Reimbursables   |  | 12,103   |
| Labor contract drilling services                        |  | 8,212    |
| Other   |  | 1        |
| <b>Operating revenues from discontinued operations</b>  |  |          |
|   | \$   | 455,983  |
| <b>Income from discontinued operations</b>              |  |          |
| Income from discontinued operations before income taxes | \$   | 120,370  |
| Income tax provision                                    |  | (18,858) |
| Net income from discontinued operations                 | \$   | 101,512  |

**Note 4 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 of the joint ventures. 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.

During each of the three months ended March 31, 2015 and 2014, the Bully joint ventures approved and paid dividends totaling \$39 million. Of these amounts, 50 percent were paid to our joint venture partner.

The combined carrying amount of the *Bully*-class drillships at both March 31, 2015 and December 31, 2014 totaled \$1.4 billion. These assets were primarily funded through partner equity contributions. Cash held by the Bully joint ventures was approximately \$58 million at March 31, 2015 as compared to approximately \$47 million at December 31, 2014.

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 5 Share Data***Earnings per share*

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

|  | <b>Three months ended<br/>March 31,</b> |                   |
|--|---|-------------------|
|  | <b>2015</b>                             | <b>2014</b>       |
| <b>Numerator:</b>  |   |                   |
| <b>Basic</b>   |   |                   |
| Income from continuing operations                                      | \$ 178,403                              | \$ 154,814        |
| Earnings allocated to unvested share-based payment awards              | (3,931)                                 | (2,512)           |
| Income from continuing operations to common shareholders               | 174,472                                 | 152,302           |
| Income from discontinued operations                                    |   | 101,512           |
| Earnings allocated to unvested share-based payment awards              |   | (1,762)           |
| Income from discontinued operations, net of tax to common shareholders |   | 99,750            |
| Net income attributable to Noble-UK                                    | 178,403                                 | 256,326           |
| Earnings allocated to unvested share-based payment awards              | (3,931)                                 | (4,274)           |
| <b>Net income to common shareholders - basic</b>                       | <b>\$ 174,472</b>                       | <b>\$ 252,052</b> |
| <b>Diluted</b>   |   |                   |
| Income from continuing operations                                      | 178,403                                 | 154,814           |
| Earnings allocated to unvested share-based payment awards              | (3,931)                                 | (2,510)           |

Edgar Filing: Noble Corp plc - Form 10-Q

|  |                   |                   |
|--|-------------------|-------------------|
| Income from continuing operations to common shareholders               | 174,472           | 152,304           |
| Income from discontinued operations                                    |                   | 101,512           |
| Earnings allocated to unvested share-based payment awards              |                   | (1,762)           |
| Income from discontinued operations, net of tax to common shareholders |                   | 99,750            |
| Net income attributable to Noble-UK                                    | 178,403           | 256,326           |
| Earnings allocated to unvested share-based payment awards              | (3,931)           | (4,272)           |
| <b>Net income to common shareholders - diluted</b>                     | <b>\$ 174,472</b> | <b>\$ 252,054</b> |
| <b>Denominator:</b>  |                   |                   |
| <b>Weighted average shares outstanding - basic</b>                     | <b>242,685</b>    | <b>253,940</b>    |
| Incremental shares issuable from assumed exercise of stock options     |                   | 135               |
| <b>Weighted average shares outstanding - diluted</b>                   | <b>242,685</b>    | <b>254,075</b>    |
| <b>Weighted average unvested share-based payment awards</b>            | <b>5,468</b>      | <b>4,188</b>      |
| <b>Earnings per share</b>  |                   |                   |
| Basic  |                   |                   |
| Continuing operations  | \$ 0.72           | \$ 0.60           |
| Discontinued operations  |                   | 0.39              |
| Net income attributable to Noble-UK                                    | \$ 0.72           | \$ 0.99           |
| Diluted  |                   |                   |
| Continuing operations  | \$ 0.72           | \$ 0.60           |
| Discontinued operations  |                   | 0.39              |
| Net income attributable to Noble-UK                                    | \$ 0.72           | \$ 0.99           |
| <b>Dividends per share</b>   | <b>\$ 0.375</b>   | <b>\$ 0.375</b>   |

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, 2015 and 2014, approximately 2 million and 1 million shares underlying stock options, respectively, were excluded from the diluted earnings per share as such stock options were not dilutive.

**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)

***Share capital***

As of March 31, 2015, Noble-UK had approximately 242.0 million shares outstanding and trading as compared to approximately 247.5 million shares outstanding and trading at December 31, 2014. The decrease in shares outstanding is primarily related to the repurchase of 6.2 million shares pursuant to our approved share repurchase program, discussed below. 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.

Our most recent quarterly dividend payment to shareholders, totaling approximately \$93 million (or \$0.375 per share), was declared on January 30, 2015 and paid on February 20, 2015 to holders of record on February 10, 2015.

***Share repurchases***

Under UK law, the company is only permitted to purchase its own shares by way of an off-market purchase in a plan approved by shareholders. In December 2014, we received shareholder approval to repurchase up to 37,000,000 ordinary shares, or approximately 15 percent of our outstanding ordinary shares at the time of the shareholder approval. Any repurchases are expected to be funded using cash on hand, cash from operations or short-term borrowings under our Credit Facilities. The authority to make such repurchases will expire on the later of April 2016 or the end of the Company's 2016 annual general meeting of shareholders, at which time we could seek shareholder approval for further repurchases. During the three months ended March 31, 2015, we repurchased 6.2 million of our ordinary shares covered by this authorization for a total cost of approximately \$101 million.

**Note 6 Receivables from Customers**

At March 31, 2015, we had receivables of approximately \$14 million related to the *Noble Max Smith* that are being disputed by our former 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 a Mexican court seeking recovery of these amounts. While we can make no assurances as to the outcome of this dispute, we believe we are entitled to the disputed amounts.

**Note 7 Property and Equipment**

Property and equipment, at cost, as of March 31, 2015 and December 31, 2014 for Noble-UK consisted of the following:

|                                   | <b>March 31,<br/>2015</b> | <b>December 31,<br/>2014</b> |
|-----------------------------------|---------------------------|------------------------------|
| Drilling equipment and facilities | \$ 13,348,942             | \$ 13,254,240                |
| Construction in progress          | 948,905                   | 969,985                      |
| Other                             | 231,893                   | 218,697                      |
| Property and equipment, at cost   | \$ 14,529,740             | \$ 14,442,922                |

Capital expenditures, including capitalized interest, totaled \$89 million and \$517 million for the three months ended March 31, 2015 and 2014, respectively. Capitalized interest was \$5 million and \$14 million for the three months ended March 31, 2015 and 2014, respectively.

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)

Capital expenditures related to Paragon Offshore for the three months ended March 31, 2014 totaled \$53 million. Depreciation expense for Paragon Offshore that was classified as discontinued operations totaled \$100 million for the three months ended March 31, 2014.

**Note 8 Debt**

Long-term debt consisted of the following at March 31, 2015 and December 31, 2014:

|   | <b>March 31,<br/>2015</b> | <b>December 31,<br/>2014</b> |
|---|---------------------------|------------------------------|
| <b>Senior unsecured notes:</b>                          |                           |                              |
| 3.45% Senior Notes due August 2015                      | \$ 350,000                | \$ 350,000                   |
| 3.05% Senior Notes due March 2016                       | 299,986                   | 299,982                      |
| 2.50% Senior Notes due March 2017                       | 299,929                   | 299,920                      |
| 4.00% Senior Notes due March 2018                       | 249,474                   |                              |
| 7.50% Senior Notes due March 2019                       | 201,695                   | 201,695                      |
| 4.90% Senior Notes due August 2020                      | 499,184                   | 499,151                      |
| 4.625% Senior Notes due March 2021                      | 399,640                   | 399,627                      |
| 3.95% Senior Notes due March 2022                       | 399,286                   | 399,264                      |
| 5.95% Senior Notes due April 2025                       | 448,744                   |                              |
| 6.20% Senior Notes due August 2040                      | 399,895                   | 399,895                      |
| 6.05% Senior Notes due March 2041                       | 397,691                   | 397,681                      |
| 5.25% Senior Notes due March 2042                       | 498,317                   | 498,310                      |
| 6.95% Senior Notes due April 2045                       | 394,522                   |                              |
| <b>Total senior unsecured notes</b>                     | <b>4,838,363</b>          | <b>3,745,525</b>             |
| <b>Credit facilities &amp; commercial paper program</b> | <b>23,998</b>             | <b>1,123,495</b>             |
| <b>Total long-term debt</b>                             | <b>\$ 4,862,361</b>       | <b>\$ 4,869,020</b>          |

***Credit Facilities and Commercial Paper Program***

We currently have two credit facilities with an aggregate maximum capacity of \$2.7 billion, which are comprised of a five year \$2.4 billion senior unsecured credit facility that matures in January 2020 and a \$225 million 364-day senior unsecured credit facility that matures in January 2016 (together, the Credit Facilities ).



We have a commercial paper program that allows us to issue up to \$2.4 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 \$2.4 billion facility provides us with the ability to issue up to \$500 million in letters of credit. The issuance of letters of credit under the facility reduces the amount available for borrowing. At March 31, 2015, we had no letters of credit issued under the facility.

### ***Senior Unsecured Notes***

In March 2015, our indirect wholly-owned subsidiary, Noble Holding International Limited ( NHIL ), issued \$1.1 billion aggregate principal amount of senior notes in three separate tranches, comprised of \$250 million of 4.00% Senior Notes due 2018, \$450 million of 5.95% Senior Notes due 2025, and \$400 million of 6.95% Senior Notes due 2045. The weighted average coupon of all three tranches is 5.87%. The interest rate on these senior notes may be increased if the credit rating applicable to the notes is downgraded below certain specified levels. The net proceeds of approximately \$1.08 billion, after expenses, were used to repay indebtedness outstanding under our Credit Facilities and commercial paper program.

**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)

Our \$350 million 3.45% Senior Notes mature during the third quarter of 2015 and our \$300 million 3.05% Senior Notes mature during the first quarter of 2016. We anticipate using availability under our Credit Facilities or commercial paper issuances to repay the outstanding balances; therefore, we continue to report these balances as long-term at March 31, 2015.

***Covenants***

The Credit Facilities are guaranteed by NHIL and Noble Holding Corporation ( NHC ). The covenants and events of default under the two 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, 2015, our ratio of debt to total tangible capitalization was approximately 0.40. We were in compliance with all covenants under the Credit Facilities as of March 31, 2015.

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 on entering into sale and lease-back transactions. At March 31, 2015, 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 2015.

***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). All remaining fair value disclosures are presented in Note 12.

The following table presents the estimated fair value of our long-term debt as of March 31, 2015 and December 31, 2014, respectively:

|                                    | <b>March 31, 2015</b> |                             | <b>December 31, 2014</b> |                             |
|------------------------------------|-----------------------|-----------------------------|--------------------------|-----------------------------|
|                                    | <b>Carrying Value</b> | <b>Estimated Fair Value</b> | <b>Carrying Value</b>    | <b>Estimated Fair Value</b> |
| <b>Senior unsecured notes:</b>     |                       |                             |                          |                             |
| 3.45% Senior Notes due August 2015 | \$ 350,000            | \$ 351,762                  | \$ 350,000               | \$ 354,992                  |

Edgar Filing: Noble Corp plc - Form 10-Q

|   |                     |                     |                     |                     |
|---|---------------------|---------------------|---------------------|---------------------|
| 3.05% Senior Notes due March 2016                       | 299,986             | 302,086             | 299,982             | 302,515             |
| 2.50% Senior Notes due March 2017                       | 299,929             | 296,105             | 299,920             | 287,014             |
| 4.00% Senior Notes due March 2018                       | 249,474             | 251,865             |                     |                     |
| 7.50% Senior Notes due March 2019                       | 201,695             | 222,709             | 201,695             | 212,068             |
| 4.90% Senior Notes due August 2020                      | 499,184             | 484,871             | 499,151             | 471,095             |
| 4.625% Senior Notes due March 2021                      | 399,640             | 375,376             | 399,627             | 363,837             |
| 3.95% Senior Notes due March 2022                       | 399,286             | 354,679             | 399,264             | 346,425             |
| 5.95% Senior Notes due April 2025                       | 448,744             | 440,169             |                     |                     |
| 6.20% Senior Notes due August 2040                      | 399,895             | 343,607             | 399,895             | 350,351             |
| 6.05% Senior Notes due March 2041                       | 397,691             | 335,873             | 397,681             | 343,653             |
| 5.25% Senior Notes due March 2042                       | 498,317             | 385,725             | 498,310             | 385,181             |
| 6.95% Senior Notes due April 2045                       | 394,522             | 380,219             |                     |                     |
| <b>Total senior unsecured notes</b>                     | <b>4,838,363</b>    | <b>4,525,046</b>    | <b>3,745,525</b>    | <b>3,417,131</b>    |
| <b>Credit facilities &amp; commercial paper program</b> | <b>23,998</b>       | <b>23,998</b>       | <b>1,123,495</b>    | <b>1,123,495</b>    |
| <b>Total long-term debt</b>                             | <b>\$ 4,862,361</b> | <b>\$ 4,549,044</b> | <b>\$ 4,869,020</b> | <b>\$ 4,540,626</b> |

**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 9 Income Taxes**

At March 31, 2015, the reserves for uncertain tax positions totaled \$112 million (net of related tax benefits of \$1 million). If the March 31, 2015 reserves are not realized, the provision for income taxes would be reduced by \$112 million. At December 31, 2014, the reserves for uncertain tax positions totaled \$116 million (net of related tax benefits of \$1 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.

**Note 10 Employee Benefit Plans**

Pension costs include the following components for the three months ended March 31, 2015 and 2014:

|                                    | <b>Three Months Ended March 31,</b> |             |                 |             |
|------------------------------------|-------------------------------------|-------------|-----------------|-------------|
|                                    | <b>2015</b>                         |             | <b>2014</b>     |             |
|                                    | <b>Non-U.S.</b>                     | <b>U.S.</b> | <b>Non-U.S.</b> | <b>U.S.</b> |
| Service cost                       | \$ 874                              | \$ 2,149    | \$ 1,420        | \$ 2,541    |
| Interest cost                      | 642                                 | 2,300       | 1,456           | 2,714       |
| Return on plan assets              | (926)                               | (3,286)     | (1,835)         | (3,846)     |
| Amortization of prior service cost | 27                                  | 36          | (5)             | 56          |
| Recognized net actuarial loss      | 45                                  | 1,539       | 313             | 651         |
| Net pension expense                | \$ 662                              | \$ 2,738    | \$ 1,349        | \$ 2,116    |

Included in net pension expense for the three months ended March 31, 2014 for our non-U.S. and U.S. plans was approximately \$0.8 million and \$0.4 million, respectively, related to Paragon Offshore that was classified as discontinued operations.

During the three months ended March 31, 2015 and 2014, we made contributions to our pension plans totaling \$0.2 million and \$0.7 million, respectively.

**Note 11 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***

Several of our regional shorebases, including our North Sea, Australian and Brazilian 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, 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 2015 represent approximately 60 percent of these forecasted local currency requirements. The notional amount of the forward contracts outstanding, expressed in U.S. Dollars, was approximately \$69 million at March 31, 2015. Total unrealized losses related to these forward contracts were approximately \$3 million as of March 31, 2015 and were recorded as part of Accumulated other comprehensive loss ( AOCL ).

**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)

**Financial Statement Presentation**

The following table, together with Note 12, summarizes the financial statement presentation and fair value of our derivative positions as of March 31, 2015 and December 31, 2014:

|   | Balance sheet<br>classification | Estimated fair value |                      |
|---|---------------------------------|----------------------|----------------------|
|   |                                 | March 31,<br>2015    | December 31,<br>2014 |
| <b>Liability derivatives</b>                  |                                 |                      |                      |
| Cash flow hedges                              |                                 |                      |                      |
| Short-term foreign currency forward contracts | Other current liabilities       | \$ 3,145             | \$                   |

To supplement the fair value disclosures in Note 12, the following summarizes the recognized gains and losses of cash flow hedges and non-designated derivatives through AOCL or through contract drilling services expense for the three months ended March 31, 2015 and 2014:

|                                    | Gain/(loss) recognized through AOCL |          | Gain/(loss) reclassified from AOCL to contract drilling services expense |          | Gain/(loss) recognized through contract drilling services expense |      |
|------------------------------------|-------------------------------------|----------|--|----------|---|------|
|                                    | 2015                                | 2014     | 2015   | 2014     | 2015  | 2014 |
| <b>Cash flow hedges</b>            |                                     |          |  |          |   |      |
| Foreign currency forward contracts | \$ (3,111)                          | \$ 4,752 | \$ (34)  | \$ 1,194 | \$  | \$   |

**Note 12 Fair Value of Financial Instruments**

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

|                 | March 31, 2015                    |                   |                          |  |
|-----------------|-----------------------------------|-------------------|--------------------------|--|
|                 | Estimated Fair Value Measurements |                   |                          |  |
| Carrying Amount | Quoted Prices in                  | Significant Other | Significant Unobservable |  |

|                                    |          | <b>Active<br/>Markets<br/>(Level 1)</b> | <b>Observable<br/>Inputs<br/>(Level 2)</b> | <b>Inputs<br/>(Level 3)</b> |
|------------------------------------|----------|---|--|-----------------------------|
| <b>Assets -</b>                    |          |   |  |                             |
| Marketable securities              | \$ 6,739 | \$ 6,739                                | \$   | \$                          |
| <b>Liabilities -</b>               |          |   |  |                             |
| Foreign currency forward contracts | \$ 3,145 | \$                                      | \$ 3,145                                   | \$                          |

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

|                       | <b>Carrying<br/>Amount</b> | <b>Quoted<br/>Prices<br/>in<br/>Active<br/>Markets<br/>(Level 1)</b> | <b>Significant<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</b> | <b>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</b> |
|-----------------------|----------------------------|--|--|--|
| <b>Assets -</b>       |                            |  |  |  |
| Marketable securities | \$ 6,175                   | \$ 6,175   | \$   | \$   |

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)

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.

**Note 13 Accumulated Other Comprehensive Loss**

The following tables set forth the components of, and changes in the accumulated balances for each component of, AOCL for the three months ended March 31, 2015 and 2014. All amounts within the tables are shown net of tax.

|   | <b>Gains /<br/>(Losses) on<br/>Cash<br/>Flow<br/>Hedges<sup>(1)</sup></b> | <b>Defined<br/>Benefit<br/>Pension<br/>Items<sup>(2)</sup></b> | <b>Foreign<br/>Currency<br/>Items</b> | <b>Total</b>       |
|---|---|--|---------------------------------------|--------------------|
| <b>Balance at December 31, 2013</b>                 | <b>\$</b>   | <b>\$ (58,598)</b>   | <b>\$ (23,566)</b>                    | <b>\$ (82,164)</b> |
| 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              |
| <b>Balance at March 31, 2014</b>                    | <b>\$ 5,946</b>   | <b>\$ (57,835)</b>   | <b>\$ (22,557)</b>                    | <b>\$ (74,446)</b> |
| <b>Balance at December 31, 2014</b>                 | <b>\$</b>   | <b>\$ (58,440)</b>   | <b>\$ (10,978)</b>                    | <b>\$ (69,418)</b> |
| Activity during period:                             |   |  |                                       |                    |
| Other comprehensive income before reclassifications | (3,111)   |  | (3,299)                               | (6,410)            |
| Amounts reclassified from AOCL                      | (34)  | 1,081  |                                       | 1,047              |
| Net other comprehensive income (loss)               | (3,145)   | 1,081  | (3,299)                               | (5,363)            |
| <b>Balance at March 31, 2015</b>                    | <b>\$ (3,145)</b>   | <b>\$ (57,359)</b>   | <b>\$ (14,277)</b>                    | <b>\$ (74,781)</b> |



- (1) Gains / (losses) on cash flow hedges are related to our foreign currency forward contracts. Reclassifications from AOCL are recognized through contract drilling services expense on our Consolidated Statements of Income. See Note 11 for additional information.
- (2) Defined benefit pension items relate to actuarial changes, the amortization of prior service costs and curtailment and settlement expenses. Reclassifications from AOCL are recognized as expense on our Consolidated Statements of Income through either contract drilling services or general and administrative. See Note 10 for additional information.

**Note 14 Commitments and Contingencies**

The *Noble Homer Ferrington* was under contract with a subsidiary of ExxonMobil Corporation (ExxonMobil), which entered into an assignment agreement with British Petroleum plc (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.

---

**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)

In December 2014, one of our subsidiaries reached a settlement with the U.S. Department of Justice ( DOJ ) regarding our drillship, the *Noble Discoverer*, and the *Kulluk* in respect of violations of applicable law discovered in connection with a 2012 coast guard inspection in Alaska and our own subsequent internal investigation. Under the terms of the agreement, the subsidiary pled guilty to oil record book, ballast record and required hazardous condition reporting violations with respect to the *Noble Discoverer* and an oil record book violation with respect to the *Kulluk*. The subsidiary paid \$8.2 million in fines and \$4 million in community service payments, and was placed on probation for four years, provided that we may petition the court for early dismissal of probation after three years. If during the term of probation, the subsidiary fails to adhere to the terms of the plea agreement, the DOJ may withdraw from the plea agreement and would be free to prosecute the subsidiary on all charges arising out of its investigation, including any charges dismissed pursuant to the terms of the plea agreement, as well as potentially other charges. We also implemented a comprehensive environmental compliance plan in connection with the settlement.

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, 2015, there were 45 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.

We are a defendant in certain claims and litigation arising out of operations in the ordinary course of business, 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 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. 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 \$65 million attributable to income, customs and other business taxes have been assessed against us. We have received tax assessments of approximately \$148 million related to Paragon Offshore assets that operated through Noble-retained entities in Mexico, and Paragon Offshore has received tax assessments of approximately \$145 million for Noble assets that operated through a Paragon Offshore-retained entity in Brazil. Of

these tax assessments in Mexico and Brazil, approximately \$21 million and \$44 million, respectively, relate to Noble's share of the tax liability. Under the TSA, Paragon Offshore has an obligation to indemnify us for all assessed amounts that are related to Paragon Offshore's Mexico assets, approximately \$127 million, and we have an obligation to indemnify Paragon Offshore for all assessed amounts that are related to Noble's Brazil assets, approximately \$44 million, in each case, if and when such payments become due. 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.

---

**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)

On January 23, 2015, Noble received an official notification of a ruling from the Second Chamber of the Supreme Court in Mexico. The ruling settled an ongoing dispute in Mexico relating to the classification of a Noble subsidiary's business activity and the applicable rate of depreciation under the Mexican law. The ruling did not result in any additional tax liability to Noble. Additionally, the ruling does not constitute mandatory jurisprudence in Mexico, and thus is only applicable to the Noble subsidiary named in the ruling. We will continue to contest future assessments received. Any claim by the tax authorities relating to this issue is subject to a full indemnification from Paragon Offshore under the TSA.

We have been notified by Petróleo Brasileiro S.A. ( Petrobras ) that it is currently challenging assessments by Brazilian tax authorities of withholding taxes associated with the provision of drilling rigs for its operations in Brazil during 2008 and 2009. Petrobras has also notified us that if Petrobras must ultimately pay such withholding taxes, it will seek reimbursement from us for the portion allocable to our drilling rigs. The amount of withholding tax that Petrobras indicates may be allocable to Noble drilling rigs is R\$79 million (approximately \$24 million). We believe that our contract with Petrobras requires Petrobras to indemnify us for these withholding taxes. We will, if necessary, vigorously defend our rights.

We maintain certain insurance coverage against specified marine perils, which includes physical damage and loss of hire. The rigs in the U.S. Gulf of Mexico are self-insured for named windstorm perils. 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, strikes or cyber risks. 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.

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 \$676 million at March 31, 2015.

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 15 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

**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)

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. This standard was not early adopted in connection with the Spin-Off. The adoption of this guidance did not have a material impact on our financial condition, results of operations, cash flows or financial disclosures.

In May 2014, the FASB issued ASU No. 2014-09, which amends ASC Topic 606, Revenue from Contracts with Customers. The amendments in this ASU are intended to provide a more robust framework for addressing revenue issues, improve comparability of revenue recognition practices and improve disclosure requirements. In April 2015, the FASB proposed a one-year deferral of the effective date of the new revenue standard. Under the proposal, the new guidance will be effective for interim and annual reporting periods beginning after December 15, 2017. 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.

In June 2014, the FASB issued ASU No. 2014-12, which amends ASC Topic 718, Compensation-Stock Compensation. The guidance requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition and should not be reflected in the estimate of the grant-date fair value of the award. The guidance is effective for annual periods beginning after December 15, 2015. The guidance can be applied prospectively for all awards granted or modified after the effective date or retrospectively to all awards with performance targets outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. 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.

In August 2014, the FASB issued ASU No. 2014-15, which amends ASC Subtopic 205-40, Disclosure of Uncertainties about an Entity's Ability to continue as a Going Concern. The amendments in this ASU provide guidance related to management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The amendments are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. 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.

In January 2015, the FASB issued ASU No. 2015-01, which amends ASC Subtopic 225-20, Income Statement Extraordinary and Unusual Items. The amendment in this ASU eliminates from GAAP the concept of extraordinary items. The amendments in this update are effective for interim and annual reporting periods beginning after December 15, 2015. 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.

In February 2015, the FASB issued ASU No. 2015-02 which amends ASC Subtopic 810, Consolidations. This amendment affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. Specifically, the amendments modify the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities; eliminate the presumption that a general partner should consolidate a limited partnership; affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships. The standard is effective for interim and annual reporting periods beginning after December 15, 2015. The standard may be applied retrospectively or through a cumulative effect adjustment to retained earnings as of the beginning of the year of adoption. 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.

In April 2015, the FASB issued ASU No. 2015-03 which amends ASC Subtopic 835-30, Interest Imputation of Interest. The guidance requires debt issuance costs to be presented in the balance sheet as a direct reduction from the associated debt liability. The standard is effective for interim and annual reporting periods beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued. The new guidance will be applied on a retrospective basis. We are still evaluating what impact the adoption of this guidance will have on our financial condition, results of operations, cash flows or financial disclosures.

In April 2015, the FASB issued ASU No. 2015-04 which amends ASC Topic 715, Compensation Retirement Benefits. The guidance gives an employer whose fiscal year end does not coincide with a calendar month end the ability, as a practical expedient, to measure defined benefit retirement obligations and related plan assets as of the month end that is closest to its fiscal year end. The ASU also provides a similar practical expedient for interim remeasurements of significant events. The standard is effective for interim and annual reporting periods beginning after December 15, 2015. Early adoption is permitted. 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.

**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 16 Supplemental Financial Information*****Consolidated Balance Sheets Information***

Deferred revenues from drilling contracts totaled \$243 million and \$263 million at March 31, 2015 and December 31, 2014, respectively. Such amounts are included in either Other current liabilities or Other liabilities in the accompanying Consolidated Balance Sheets, based upon our expected time of recognition. Related expenses deferred under drilling contracts totaled \$91 million at March 31, 2015 as compared to \$94 million at December 31, 2014, and are included in either Prepaid expenses and other current assets or Other assets in the accompanying Consolidated Balance Sheets, based upon our expected time of recognition.

Subsequent to March 31, 2015, we agreed to contract dayrate reductions for five rigs working for Saudi Arabian Oil Company (Aramco), which are effective from January 1, 2015 through December 31, 2015. In accordance with accounting guidance, we are recognizing the reductions on a straight-line basis over the remaining life of the existing Aramco contracts. At March 31, 2015, revenues recorded in excess of billings as a result of this recognition totaled \$21 million, and are included in Other assets in the accompanying Consolidated Balance Sheets.

***Consolidated Statements of Cash Flows Information***

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

|                           | <b>Noble-UK</b>           |                    | <b>Noble-Cayman</b>       |                    |
|---------------------------|---------------------------|--------------------|---------------------------|--------------------|
|                           | <b>Three months ended</b> |                    | <b>Three months ended</b> |                    |
|                           | <b>March 31,</b>          |                    | <b>March 31,</b>          |                    |
|                           | <b>2015</b>               | <b>2014</b>        | <b>2015</b>               | <b>2014</b>        |
| Accounts receivable       | \$ (24,890)               | \$ 91,226          | \$ (24,890)               | \$ 91,226          |
| Other current assets      | 102,206                   | (46,320)           | 76,635                    | (46,997)           |
| Other assets              | 13,827                    | 19,801             | 13,825                    | 19,805             |
| Accounts payable          | 676                       | (5,350)            | 1,284                     | (12,696)           |
| Other current liabilities | (58,682)                  | (70,001)           | (52,979)                  | (60,550)           |
| Other liabilities         | (18,379)                  | (12,474)           | (18,380)                  | (12,472)           |
|                           | <b>\$ 14,758</b>          | <b>\$ (23,118)</b> | <b>\$ (4,505)</b>         | <b>\$ (21,684)</b> |

**Note 17 Information about Noble-Cayman**



***Guarantees of Registered Securities***

In May 2014, as part of the separation of Paragon Offshore, NHC assumed all of the obligations of Noble Drilling Corporation ( NDC ) under the Senior Notes due 2019, and NDC was released from those obligations. As a

**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)

result, we removed NDC from the guarantor financial statements and NHC is no longer combined with Noble Drilling Holding, LLC ( NDH ) because the two entities are now issuers and guarantors on separate debt instruments. We have recast prior periods to conform to the guarantor structure as it exists at March 31, 2015.

**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)

Noble-Cayman, or one or more wholly-owned subsidiaries of Noble-Cayman, are a co-issuer or full and unconditional guarantor or otherwise obligated as of March 31, 2015 as follows:

| <b>Notes</b>                               | <b>Issuer (Co-Issuer(s))</b>           | <b>Guarantor</b> |
|--|--|------------------|
| \$350 million 3.45% 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     |
| \$250 million 4.00% Senior Notes due 2018  | NHIL                                   | Noble-Cayman     |
| \$202 million 7.50% Senior Notes due 2019  | NHC                                    | Noble-Cayman     |
|  | NDH                                    |                  |
|  | Noble Drilling Services 6 LLC ( NDS6 ) |                  |
| \$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 due 2022  | NHIL                                   | Noble-Cayman     |
| \$450 million 5.95% Senior Notes due 2025  | NHIL                                   | Noble-Cayman     |
| \$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     |
| \$400 million 6.95% Senior Notes due 2045  | NHIL                                   | Noble-Cayman     |

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

Table of Contents

**NOBLE CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING BALANCE SHEET**

**March 31, 2015**

(in thousands)

|   | Noble-<br>Cayman | NHC            | NDH              | NHIL             | NDS6           | Other<br>Non-guarantor<br>Subsidiaries of<br>Noble | Consolidating<br>Adjustments | Total          |
|---|------------------|----------------|------------------|------------------|----------------|--|------------------------------|----------------|
| <b>ASSETS</b>                               |                  |                |                  |                  |                |  |                              |                |
| Current assets                              |                  |                |                  |                  |                |  |                              |                |
| Cash and cash equivalents                   | \$ 5             |                | \$ 271           |                  |                | \$ 78,700  |                              | \$ 78,976      |
| Accounts receivable                         |                  |                | 49,393           |                  |                | 545,327  |                              | 594,720        |
| Taxes receivable                            |                  | 3,054          | 1,026            |                  |                | 55,427   |                              | 59,507         |
| Short-term notes receivable from affiliates | 123,988          |                | 1,077,965        |                  | 333,966        | 171,925  | (1,707,844)                  |                |
| Accounts receivable from affiliates         | 740,367          | 446,083        | 192,379          | 1,156,277        | 120,032        | 4,238,483  | (6,893,621)                  |                |
| Prepaid expenses and other current assets   | 8,163            |                | 4,831            |                  |                | 94,512   |                              | 107,506        |
| <b>Total current assets</b>                 | <b>872,523</b>   | <b>449,137</b> | <b>1,325,865</b> | <b>1,156,277</b> | <b>453,998</b> | <b>5,184,374</b>                                   | <b>(8,601,465)</b>           | <b>840,709</b> |
| Property and equipment, at cost             |                  |                |                  |                  |                |  |                              |                |
|   |                  |                | 2,060,898        |                  |                | 12,430,291   |                              | 14,491,189     |
| Accumulated depreciation                    |                  |                | (294,885)        |                  |                | (2,175,706)  |                              | (2,470,591)    |
| Property and equipment, net                 |                  |                | 1,766,013        |                  |                | 10,254,585   |                              | 12,020,598     |
| Notes receivable                            | 3,304,653        |                | 236,921          | 1,980,391        | 5,000          | 1,582,492  | (7,109,457)                  |                |

Edgar Filing: Noble Corp plc - Form 10-Q

|   |                     |                     |                     |                      |                     |                      |                        |                      |
|---|---------------------|---------------------|---------------------|----------------------|---------------------|----------------------|------------------------|----------------------|
| from affiliates                           |                     |                     |                     |                      |                     |                      |                        |                      |
| Investments in affiliates                 | 4,784,403           | 1,315,628           | 2,976,634           | 8,556,204            | 6,469,968           |                      | (24,102,837)           |                      |
| Other assets                              | 7,566               |                     | 5,858               | 27,422               | 486                 | 184,099              |                        | 225,431              |
| <b>Total assets</b>                       | <b>\$ 8,969,145</b> | <b>\$ 1,764,765</b> | <b>\$ 6,311,291</b> | <b>\$ 11,720,294</b> | <b>\$ 6,929,452</b> | <b>\$ 17,205,550</b> | <b>\$ (39,813,759)</b> | <b>\$ 13,086,738</b> |
| <b>LIABILITIES AND EQUITY</b>             |                     |                     |                     |                      |                     |                      |                        |                      |
| Current liabilities                       |                     |                     |                     |                      |                     |                      |                        |                      |
| Short-term notes payables from affiliates | \$                  | \$ 171,925          | \$                  | \$                   | \$ 371,720          | \$ 1,164,199         | \$ (1,707,844)         | \$                   |
| Accounts payable                          | 600                 |                     | 6,930               |                      |                     | 235,240              |                        | 242,770              |
| Accrued payroll and related costs         |                     |                     | 7,010               |                      |                     | 54,595               |                        | 61,605               |
| Accounts payable to affiliates            | 646,710             | 64,621              | 3,500,077           | 70,264               | 19,635              | 2,592,314            | (6,893,621)            |                      |
| Taxes payable                             |                     |                     | 752                 |                      |                     | 123,448              |                        | 124,200              |
| Interest payable                          | 1                   |                     |                     | 19,050               | 630                 |                      |                        | 19,681               |
| Other current liabilities                 | 4,546               |                     | 10,293              |                      |                     | 101,754              |                        | 116,593              |
| <b>Total current liabilities</b>          | <b>651,857</b>      | <b>236,546</b>      | <b>3,525,062</b>    | <b>89,314</b>        | <b>391,985</b>      | <b>4,271,550</b>     | <b>(8,601,465)</b>     | <b>564,849</b>       |
| Long-term debt                            | 23,998              |                     |                     | 4,636,668            | 201,695             |                      |                        | 4,862,361            |
| Notes payable to affiliates               | 1,769,064           |                     | 599,781             | 1,169,180            | 192,216             | 3,379,216            | (7,109,457)            |                      |
| Deferred income taxes                     |                     |                     |                     |                      |                     | 111,122              |                        | 111,122              |
| Other liabilities                         | 19,929              |                     | 28,159              | 1                    |                     | 273,038              |                        | 321,127              |
| <b>Total liabilities</b>                  | <b>2,464,848</b>    | <b>236,546</b>      | <b>4,153,002</b>    | <b>5,895,163</b>     | <b>785,896</b>      | <b>8,034,926</b>     | <b>(15,710,922)</b>    | <b>5,859,459</b>     |
| Commitments and contingencies             |                     |                     |                     |                      |                     |                      |                        |                      |
| <b>Total shareholder equity</b>           | <b>6,504,297</b>    | <b>1,528,219</b>    | <b>2,158,289</b>    | <b>5,825,131</b>     | <b>6,143,556</b>    | <b>8,034,005</b>     | <b>(23,689,200)</b>    | <b>6,504,297</b>     |
|   |                     |                     |                     |                      |                     | 1,136,619            | (413,637)              | 722,982              |

Noncontrolling  
interests

|                     |           |           |           |           |           |           |              |           |
|---------------------|-----------|-----------|-----------|-----------|-----------|-----------|--------------|-----------|
| <b>Total equity</b> | 6,504,297 | 1,528,219 | 2,158,289 | 5,825,131 | 6,143,556 | 9,170,624 | (24,102,837) | 7,227,279 |
|---------------------|-----------|-----------|-----------|-----------|-----------|-----------|--------------|-----------|

**Total  
liabilities and  
equity**

|  |              |              |              |               |              |               |                 |               |
|--|--------------|--------------|--------------|---------------|--------------|---------------|-----------------|---------------|
|  | \$ 8,969,145 | \$ 1,764,765 | \$ 6,311,291 | \$ 11,720,294 | \$ 6,929,452 | \$ 17,205,550 | \$ (39,813,759) | \$ 13,086,738 |
|--|--------------|--------------|--------------|---------------|--------------|---------------|-----------------|---------------|

**Table of Contents**

**NOBLE CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING BALANCE SHEET**

**December 31, 2014**

(in thousands)

|   | Noble-<br>Cayman | NHC            | NDH              | NHIL           | NDS6           | Other<br>Non-guarantor<br>Subsidiaries<br>of Noble | Consolidating<br>Adjustments | Total          |
|---|------------------|----------------|------------------|----------------|----------------|--|------------------------------|----------------|
| <b>ASSETS</b>                               |                  |                |                  |                |                |  |                              |                |
| Current assets                              |                  |                |                  |                |                |  |                              |                |
| Cash and cash equivalents                   | \$ 5             |                | \$ 254           |                |                | \$ 65,521  |                              | \$ 65,780      |
| Accounts receivable                         |                  |                | 37,655           | 2,336          |                | 529,105  |                              | 569,096        |
| Taxes receivable                            |                  | 63,373         | 752              |                |                | 43,164   |                              | 107,289        |
| Short-term notes receivable from affiliates | 123,449          |                | 1,077,965        |                | 333,966        | 171,925  | (1,707,305)                  |                |
| Accounts receivable from affiliates         | 2,019,319        | 374,012        | 192,771          | 157,164        | 125,834        | 4,191,406  | (7,060,506)                  |                |
| Prepaid expenses and other current assets   | 14,274           |                | 1,764            |                |                | 123,631  |                              | 139,669        |
| <b>Total current assets</b>                 | <b>2,157,047</b> | <b>437,385</b> | <b>1,311,161</b> | <b>159,500</b> | <b>459,800</b> | <b>5,124,752</b>                                   | <b>(8,767,811)</b>           | <b>881,834</b> |
| Property and equipment, at cost             |                  |                |                  |                |                |  |                              |                |
| Accumulated depreciation                    |                  |                | 2,040,168        |                |                | 12,364,203   |                              | 14,404,371     |
|   |                  |                | (278,147)        |                |                | (2,040,073)  |                              | (2,318,220)    |
| Property and equipment, net                 |                  |                | 1,762,021        |                |                | 10,324,130   |                              | 12,086,151     |
| Notes receivable                            | 3,304,654        |                | 236,921          | 1,980,391      | 5,000          | 1,581,429  | (7,108,395)                  |                |

Edgar Filing: Noble Corp plc - Form 10-Q

|   |                      |                     |                     |                      |                     |                      |                        |                      |
|---|----------------------|---------------------|---------------------|----------------------|---------------------|----------------------|------------------------|----------------------|
| from affiliates                           |                      |                     |                     |                      |                     |                      |                        |                      |
| Investments in affiliates                 | 4,567,335            | 1,318,239           | 2,921,452           | 8,266,444            | 6,290,918           |                      | (23,364,388)           |                      |
| Other assets                              | 2,908                |                     | 6,212               | 19,826               | 517                 | 192,791              |                        | 222,254              |
| <b>Total assets</b>                       | <b>\$ 10,031,944</b> | <b>\$ 1,755,624</b> | <b>\$ 6,237,767</b> | <b>\$ 10,426,161</b> | <b>\$ 6,756,235</b> | <b>\$ 17,223,102</b> | <b>\$ (39,240,594)</b> | <b>\$ 13,190,239</b> |
| <b>LIABILITIES AND EQUITY</b>             |                      |                     |                     |                      |                     |                      |                        |                      |
| Current liabilities                       |                      |                     |                     |                      |                     |                      |                        |                      |
| Short-term notes payables from affiliates | \$                   | \$ 171,925          | \$                  | \$                   | \$ 371,720          | \$ 1,163,660         | \$ (1,707,305)         | \$                   |
| Accounts payable                          | 600                  |                     | 10,130              |                      |                     | 250,282              |                        | 261,012              |
| Accrued payroll and related costs         |                      |                     | 7,738               |                      |                     | 83,749               |                        | 91,487               |
| Accounts payable to affiliates            | 606,224              | 63,602              | 3,513,705           | 61,982               | 16,869              | 2,798,124            | (7,060,506)            |                      |
| Taxes payable                             |                      |                     |                     |                      |                     | 91,471               |                        | 91,471               |
| Interest payable                          | 499                  |                     |                     | 57,053               | 4,412               |                      |                        | 61,964               |
| Other current liabilities                 | 15,651               |                     | 13,409              |                      |                     | 110,890              |                        | 139,950              |
| <b>Total current liabilities</b>          | <b>622,974</b>       | <b>235,527</b>      | <b>3,544,982</b>    | <b>119,035</b>       | <b>393,001</b>      | <b>4,498,176</b>     | <b>(8,767,811)</b>     | <b>645,884</b>       |
| Long-term debt                            | 1,123,495            |                     |                     | 3,543,830            | 201,695             |                      |                        | 4,869,020            |
| Notes payable to affiliates               | 1,769,068            |                     | 598,715             | 1,169,180            | 192,216             | 3,379,216            | (7,108,395)            |                      |
| Deferred income taxes                     |                      |                     |                     |                      |                     | 120,589              |                        | 120,589              |
| Other liabilities                         | 19,929               |                     | 29,093              |                      |                     | 286,942              |                        | 335,964              |
| <b>Total liabilities</b>                  | <b>3,535,466</b>     | <b>235,527</b>      | <b>4,172,790</b>    | <b>4,832,045</b>     | <b>786,912</b>      | <b>8,284,923</b>     | <b>(15,876,206)</b>    | <b>5,971,457</b>     |
| Commitments and contingencies             |                      |                     |                     |                      |                     |                      |                        |                      |
| <b>Total shareholder equity</b>           | <b>6,496,478</b>     | <b>1,520,097</b>    | <b>2,064,977</b>    | <b>5,594,116</b>     | <b>5,969,323</b>    | <b>7,812,656</b>     | <b>(22,961,169)</b>    | <b>6,496,478</b>     |
|   |                      |                     |                     |                      |                     | 1,125,523            | (403,219)              | 722,304              |



Noncontrolling  
interests

|                     |           |           |           |           |           |           |              |           |
|---------------------|-----------|-----------|-----------|-----------|-----------|-----------|--------------|-----------|
| <b>Total equity</b> | 6,496,478 | 1,520,097 | 2,064,977 | 5,594,116 | 5,969,323 | 8,938,179 | (23,364,388) | 7,218,782 |
|---------------------|-----------|-----------|-----------|-----------|-----------|-----------|--------------|-----------|

**Total  
liabilities and  
equity**

|  |               |              |              |               |              |               |                 |               |
|--|---------------|--------------|--------------|---------------|--------------|---------------|-----------------|---------------|
|  | \$ 10,031,944 | \$ 1,755,624 | \$ 6,237,767 | \$ 10,426,161 | \$ 6,756,235 | \$ 17,223,102 | \$ (39,240,594) | \$ 13,190,239 |
|--|---------------|--------------|--------------|---------------|--------------|---------------|-----------------|---------------|

Table of Contents

**NOBLE CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING STATEMENT OF INCOME**

**Three Months Ended March 31, 2015**

(in thousands)

|  | Noble-<br>Cayman | NHC      | NDH       | NHIL     | NDS6    | Other<br>Non-guarantor<br>Subsidiaries<br>of Noble | Consolidating<br>Adjustments | Total      |
|--|------------------|----------|-----------|----------|---------|--|------------------------------|------------|
| <b>Operating revenues</b>  |                  |          |           |          |         |  |                              |            |
| Contract drilling services   | \$               | \$       | \$ 75,059 | \$       | \$      | \$ 737,807   | \$ (33,505)                  | \$ 779,361 |
| Reimbursables  |                  |          | 2,379     |          |         | 22,602   |                              | 24,981     |
| Total operating revenues   |                  |          | 77,438    |          |         | 760,409  | (33,505)                     | 804,342    |
| <b>Operating costs and expenses</b>  |                  |          |           |          |         |  |                              |            |
| Contract drilling services   | 1,815            | 8,291    | 29,378    | 22,839   |         | 290,661  | (33,505)                     | 319,479    |
| Reimbursables  |                  |          | 1,482     |          |         | 18,675   |                              | 20,157     |
| Depreciation and amortization  |                  |          | 17,368    |          |         | 136,498  |                              | 153,866    |
| General and administrative   | 457              | 3,388    |           | 8,349    |         | 14   |                              | 12,208     |
| Total operating costs and expenses   | 2,272            | 11,679   | 48,228    | 31,188   |         | 445,848  | (33,505)                     | 505,710    |
| <b>Operating income (loss)</b>   | (2,272)          | (11,679) | 29,210    | (31,188) |         | 314,561  |                              | 298,632    |
| <b>Other income (expense)</b>  |                  |          |           |          |         |  |                              |            |
| Income (loss) of unconsolidated affiliates                                   | 216,726          | 32,081   | 55,024    | 289,758  | 179,050 |  | (772,639)                    |            |
| Income (loss) of unconsolidated affiliates - discontinued operations, net of |                  |          |           |          |         |  |                              |            |

tax

|   |            |          |           |            |            |            |              |            |
|---|------------|----------|-----------|------------|------------|------------|--------------|------------|
| Total income (loss) of unconsolidated affiliates              | 216,726    | 32,081   | 55,024    | 289,758    | 179,050    |            | (772,639)    |            |
| Interest expense, net of amounts capitalized                  | (24,753)   | (1,019)  | (3,255)   | (48,336)   | (6,216)    | (13,727)   | 48,262       | (49,044)   |
| Interest income and other, net                                | 2,730      | 4,832    | 12,712    | 20,779     | 1,399      | 12,258     | (48,262)     | 6,448      |
| <b>Income from continuing operations before income taxes</b>  | 192,431    | 24,215   | 93,691    | 231,013    | 174,233    | 313,092    | (772,639)    | 256,036    |
| Income tax provision  |            | (16,093) | (379)     |            |            |            | (27,086)     | (43,558)   |
| Net income from continuing operations                         | 192,431    | 8,122    | 93,312    | 231,013    | 174,233    | 286,006    | (772,639)    | 212,478    |
| Net income from discontinued operations, net of tax           |            |          |           |            |            |            |              |            |
| <b>Net Income</b>   | 192,431    | 8,122    | 93,312    | 231,013    | 174,233    | 286,006    | (772,639)    | 212,478    |
| Net income attributable to noncontrolling interests           |            |          |           |            |            |            | (30,464)     | 10,417     |
| <b>Net income attributable to Noble Corporation</b>           | 192,431    | 8,122    | 93,312    | 231,013    | 174,233    | 255,542    | (762,222)    | 192,431    |
| Other comprehensive loss, net                                 | (5,363)    |          |           |            |            | (5,363)    | 5,363        | (5,363)    |
| <b>Comprehensive income attributable to Noble Corporation</b> | \$ 187,068 | \$ 8,122 | \$ 93,312 | \$ 231,013 | \$ 174,233 | \$ 250,179 | \$ (756,859) | \$ 187,068 |

Table of Contents

**NOBLE CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING STATEMENT OF INCOME**

**Three Months Ended March 31, 2014**

(in thousands)

|   | Noble-<br>Cayman | NHC     | NDH       | NHIL     | NDS6    | Other<br>Non-guarantor<br>Subsidiaries<br>of Noble | Consolidating<br>Adjustments | Total      |
|---|------------------|---------|-----------|----------|---------|--|------------------------------|------------|
| <b>Operating revenues</b>                                 |                  |         |           |          |         |  |                              |            |
| Contract drilling services                                | \$               | \$      | \$ 76,953 | \$       | \$      | \$ 735,942   | \$ (42,258)                  | \$ 770,637 |
| Reimbursables   |                  |         | 678       |          |         | 23,872   |                              | 24,550     |
| Total operating revenues                                  |                  |         | 77,631    |          |         | 759,814  | (42,258)                     | 795,187    |
| <b>Operating costs and expenses</b>                       |                  |         |           |          |         |  |                              |            |
| Contract drilling services                                | 10,071           | 7,219   | 34,574    | 26,116   |         | 314,855  | (42,258)                     | 350,577    |
| Reimbursables   |                  |         | 831       |          |         | 20,673   |                              | 21,504     |
| Depreciation and amortization                             |                  |         | 14,634    |          |         | 130,969  |                              | 145,603    |
| General and administrative                                | 573              | 1,847   |           | 6,961    |         | 2,551  |                              | 11,932     |
| Total operating costs and expenses                        | 10,644           | 9,066   | 50,039    | 33,077   |         | 469,048  | (42,258)                     | 529,616    |
| <b>Operating income (loss)</b>                            | (10,644)         | (9,066) | 27,592    | (33,077) |         | 290,766  |                              | 265,571    |
| <b>Other income (expense)</b>                             |                  |         |           |          |         |  |                              |            |
| Income (loss) of unconsolidated affiliates                | 206,296          | 45,755  | 98,114    | 255,558  | 170,149 |  | (775,872)                    |            |
| Income (loss) of unconsolidated affiliates - discontinued | 113,917          | 24,978  | 11,040    | 63,201   | 2,042   |  | (215,178)                    |            |

operations, net of  
tax

|   |            |           |            |            |            |            |              |            |
|---|------------|-----------|------------|------------|------------|------------|--------------|------------|
| Total income<br>(loss) of<br>unconsolidated<br>affiliates                     | 320,213    | 70,733    | 109,154    | 318,759    | 172,191    |            | (991,050)    |            |
| Interest expense,<br>net of amounts<br>capitalized                            | (25,884)   | (227)     | (5,823)    | (46,493)   | (7,949)    | (12,294)   | 58,278       | (40,392)   |
| Interest income<br>and other, net   | 1,630      |           | 13,680     | 25,957     | 313        | 15,303     | (58,278)     | (1,395)    |
| <b>Income from<br/>continuing<br/>operations<br/>before income<br/>taxes</b>  | 285,315    | 61,440    | 144,603    | 265,146    | 164,555    | 293,775    | (991,050)    | 223,784    |
| Income tax<br>provision   |            | (30,194)  | (684)      |            |            | (4,592)    |              | (35,470)   |
| Net income from<br>continuing<br>operations                                   | 285,315    | 31,246    | 143,919    | 265,146    | 164,555    | 289,183    | (991,050)    | 188,314    |
| Net income from<br>discontinued<br>operations, net of<br>tax                  |            |           | 6,689      |            |            | 107,228    |              | 113,917    |
| <b>Net Income</b>   | 285,315    | 31,246    | 150,608    | 265,146    | 164,555    | 396,411    | (991,050)    | 302,231    |
| Net income<br>attributable to<br>noncontrolling<br>interests                  |            |           |            |            |            | (29,986)   | 13,070       | (16,916)   |
| <b>Net income<br/>attributable to<br/>Noble<br/>Corporation</b>               | 285,315    | 31,246    | 150,608    | 265,146    | 164,555    | 366,425    | (977,980)    | 285,315    |
| Other<br>comprehensive<br>income, net   | 7,718      |           |            |            |            | 7,718      | (7,718)      | 7,718      |
| <b>Comprehensive<br/>income<br/>attributable to<br/>Noble<br/>Corporation</b> | \$ 293,033 | \$ 31,246 | \$ 150,608 | \$ 265,146 | \$ 164,555 | \$ 374,143 | \$ (985,698) | \$ 293,033 |



Table of Contents

**NOBLE CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**

**Three Months Ended March 31, 2015**

(in thousands)

|  | Noble-<br>Cayman | NHC       | NDH       | NHIL         | NDS6       | Other<br>Non-guarantor<br>Subsidiaries<br>of Consolidating<br>Noble Adjustments | Total       |
|--|------------------|-----------|-----------|--------------|------------|---|-------------|
| <b>Cash flows from operating activities</b>                    |                  |           |           |              |            |   |             |
| Net cash from operating activities                             | \$ (27,097)      | \$ 36,360 | \$ 33,705 | \$ (102,007) | \$ (8,568) | \$ 426,630  | \$ 359,023  |
| <b>Cash flows from investing activities</b>                    |                  |           |           |              |            |   |             |
| Capital expenditures   |                  |           | (27,344)  |              |            | (90,973)  | (118,317)   |
| Net cash from investing activities                             |                  |           | (27,344)  |              |            | (90,973)  | (118,317)   |
| <b>Cash flows from financing activities</b>                    |                  |           |           |              |            |   |             |
| Net change in borrowings outstanding on bank credit facilities | (1,099,497)      |           |           |              |            |   | (1,099,497) |
| Issuance of senior notes                                       |                  |           |           | 1,092,728    |            |   | 1,092,728   |
| Debt issuance costs on senior notes and credit facilities      | (6,392)          |           |           | (8,383)      |            |   | (14,775)    |
| Dividends paid to noncontrolling                               |                  |           |           |              |            | (19,369)  | (19,369)    |

|  |           |          |         |           |       |           |    |           |
|--|-----------|----------|---------|-----------|-------|-----------|----|-----------|
| interests                                      |           |          |         |           |       |           |    |           |
| Distributions to parent company, net           | (186,597) |          |         |           |       |           |    | (186,597) |
| Advances (to) from affiliates                  | 1,319,583 | (36,360) | (6,344) | (982,338) | 8,568 | (303,109) |    |           |
| Net cash from financing activities             | 27,097    | (36,360) | (6,344) | 102,007   | 8,568 | (322,478) |    | (227,510) |
| Net change in cash and cash equivalents        |           |          | 17      |           |       | 13,179    |    | 13,196    |
| Cash and cash equivalents, beginning of period | 5         |          | 254     |           |       | 65,521    |    | 65,780    |
| Cash and cash equivalents, end of period       | \$ 5      | \$       | \$ 271  | \$        | \$    | \$ 78,700 | \$ | \$ 78,976 |



Table of Contents

**NOBLE CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**

**Three Months Ended March 31, 2014**

(in thousands)

|  | Noble-<br>Cayman | NHC        | NDH       | NHIL        | NDS6        | Other<br>Non-guarantor<br>Subsidiaries<br>of<br>Noble | Consolidating<br>Adjustments | Total      |
|--|------------------|------------|-----------|-------------|-------------|---|------------------------------|------------|
| <b>Cash flows from operating activities</b>                    |                  |            |           |             |             |   |                              |            |
| Net cash from operating activities                             | \$ (23,676)      | \$ (7,842) | \$ 45,140 | \$ (98,984) | \$ (11,386) | \$ 628,403  | \$                           | \$ 531,655 |
| <b>Cash flows from investing activities</b>                    |                  |            |           |             |             |   |                              |            |
| Capital expenditures   |                  |            | (331,096) |             |             | (229,692)   |                              | (560,788)  |
| Notes receivable from affiliates                               |                  |            |           | 273,744     |             |   | (273,744)                    |            |
| Net cash from investing activities                             |                  |            | (331,096) | 273,744     |             | (229,692)   | (273,744)                    | (560,788)  |
| <b>Cash flows from financing activities</b>                    |                  |            |           |             |             |   |                              |            |
| Net change in borrowings outstanding on bank credit facilities | 422,402          |            |           |             |             |   |                              | 422,402    |
| Repayment of long-term debt                                    |                  |            |           | (250,000)   |             |   |                              | (250,000)  |
| Debt issuance costs on credit facilities                       | (381)            |            |           |             |             |   |                              | (381)      |

Edgar Filing: Noble Corp plc - Form 10-Q

|  |           |       |         |           |        |            |         |            |
|--|-----------|-------|---------|-----------|--------|------------|---------|------------|
| Dividends paid to noncontrolling interests     |           |       |         |           |        | (19,695)   |         | (19,695)   |
| Distributions to parent company, net           | (121,780) |       |         |           |        |            |         | (121,780)  |
| Advances (to) from affiliates                  | (2,817)   | 7,842 | 285,678 | 75,241    | 11,386 | (377,330)  |         |            |
| Notes payable to affiliates                    | (273,744) |       |         |           |        |            | 273,744 |            |
| Net cash from financing activities             | 23,680    | 7,842 | 285,678 | (174,759) | 11,386 | (397,025)  | 273,744 | 30,546     |
| Net change in cash and cash equivalents        | 4         |       | (278)   | 1         |        | 1,686      |         | 1,413      |
| Cash and cash equivalents, beginning of period | 1         |       | 402     | 4         |        | 109,975    |         | 110,382    |
| Cash and cash equivalents, end of period       | \$ 5      | \$    | \$ 124  | \$ 5      | \$     | \$ 111,661 | \$      | \$ 111,795 |

---

**Table of Contents****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion is intended to assist you in understanding our financial position at March 31, 2015, and our results of operations for the three months ended March 31, 2015 and 2014. The following discussion should be read in conjunction with the consolidated financial statements and related notes contained in this Quarterly Report on Form 10-Q and the consolidated financial statements and notes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2014 filed by Noble Corporation plc, a public limited company incorporated under the laws of England and Wales ( Noble-UK ), and Noble Corporation, a Cayman Islands company ( Noble-Cayman ).

As a result of the spin-off of Paragon Offshore plc, a public limited company incorporated under the laws of England and Wales ( Paragon Offshore ), on August 1, 2014, the results of operations for Paragon Offshore are reported as discontinued operations in this report. The terms earnings and loss as used in this Management's Discussion and Analysis of Financial Condition and Results of Operations refer to income/(loss) from continuing operations. Income/(loss) from continuing operations is representative of the Company's current business operations and focus.

**Forward-Looking Statements**

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts included in this report, including those regarding rig demand, the offshore drilling market, oil prices, contract backlog, fleet status, our financial position, business strategy, impairments, repayment of debt, timing or number of share repurchases, borrowings under our credit facilities or other instruments, sources of funds, completion, delivery dates and acceptance of our newbuild rigs, future capital expenditures, contract commitments, dayrates, contract amendments, commencements, extensions, renewals, renegotiations or terminations, contract tenders, the outcome of any dispute, litigation, audit or investigation, plans and objectives of management for future operations, foreign currency requirements, results of joint ventures, indemnity and other contract claims, construction and upgrade of rigs, industry conditions, access to financing, impact of competition, governmental regulations and permitting, availability of labor, worldwide economic conditions, taxes and tax rates, indebtedness covenant compliance, dividends and distributable reserves, timing or results of acquisitions or dispositions, and timing for compliance with any new regulations are forward-looking statements. When used in this report, the words anticipate, believe, estimate, expect, intend, may, plan, project, should and similar are intended to be among the statements that identify forward-looking statements. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we cannot assure you that such expectations will prove to be correct. These forward-looking statements speak only as of the date of this report on Form 10-Q and we undertake no obligation to revise or update any forward-looking statement for any reason, except as required by law. We have identified factors including but not limited to operating hazards and delays, risks associated with operations outside the U.S., actions by regulatory authorities, customers, joint venture partners, contractors, lenders and other third parties, market conditions, legislation and regulations affecting drilling operations, costs and difficulties relating to the integration of businesses, factors affecting the level of activity in the oil and gas industry, supply and demand of drilling rigs, factors affecting the duration of contracts, the actual amount of downtime, factors that reduce applicable dayrates, violations of anti-corruption laws, hurricanes and other weather conditions and the future price of oil and gas that could cause actual plans or results to differ materially from those included in any forward-looking statements. These factors include those referenced or described in Part I, Item 1A. Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2014, our Quarterly Reports on Form 10-Q and in our other filings with the U.S. Securities and Exchange Commission ( SEC ). We cannot control such risk factors and other uncertainties, and in many cases, we cannot predict the risks and uncertainties that could cause our actual results to differ materially from those indicated by the forward-looking statements. You should consider these risks and uncertainties when you are evaluating us.

## **Executive Overview**

We are a leading offshore drilling contractor for the oil and gas industry. We perform contract drilling services with our global fleet of mobile offshore drilling units. As of the filing date of this Quarterly Report on Form 10-Q, our fleet consisted of 15 jackups, nine drillships and eight semisubmersibles, including one high-specification, harsh environment jackup under construction.

## **Table of Contents**

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 and gas industry. The mobile offshore drilling units comprising our offshore rig fleet operate in a global market for contract drilling services and are often redeployed to different regions due to changing demands of our customers, which consist largely of major independent and government owned/controlled oil and gas companies throughout the world. As of March 31, 2015, our contract drilling services segment conducts operations in the United States, Brazil, Argentina, the North Sea, the Mediterranean Sea, the Black Sea, the Middle East, Asia and Australia. Noble and its predecessors have been engaged in the contract drilling of oil and gas wells since 1921.

## **Outlook**

The business environment for offshore drillers during the first three months of 2015 has been challenging. The supply of offshore drilling rigs from newbuilds and rigs completing current contracts increased while demand for these rigs has decreased. Beginning in June 2014, the price of oil, a key factor in determining customer activity levels, began to decline rapidly, with the Brent crude price declining from approximately \$112 per barrel on June 30, 2014 to approximately \$55 per barrel on March 31, 2015. In this environment, operators reacted quickly and began to curtail drilling programs, resulting in a dramatic reduction in dayrates for new contracts as well as lower rig utilization and the retirement and impairment of a significant number of rigs in the worldwide fleet.

We expect that the business environment for the remainder of 2015 and into 2016 will remain challenging and could potentially deteriorate further. The present level of global economic activity, high levels of US onshore oil production and a lack of production cuts within OPEC are contributing to the uncertainty. Current conditions do not support the current supply of offshore drilling rigs resulting from capital expenditures that the offshore drilling industry has undertaken in recent years or the continuation of capital expenditures at similar levels. We cannot give any assurances as to when these conditions in the offshore drilling market will improve, or when there will be higher demand for contract drilling services or a decline in the supply of available drilling rigs. While current market conditions persist, we intend to continue to focus on operating efficiency and cost control, which could include stacking additional drilling rigs.

We continue to believe in the long-term fundamentals for the industry, especially for those contractors with a modern fleet of high-specification rigs like ours. Also, we believe the ultimate recovery will benefit from any sustained under-investment by clients during this current market phase.

Consistent with our policy, we evaluate property and equipment for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Further sustained declines in the offshore drilling market, or lack of recovery in market conditions, to the extent actual results do not meet our estimated assumptions, may lead to potential impairments losses in the future.

## **Results and Strategy**

Our business strategy has focused on reshaping our fleet to emphasize our deepwater drilling and high-specification jackup capabilities and the deployment of our drilling assets in important oil and gas producing areas throughout the world.

We have actively expanded our offshore deepwater drilling and high-specification jackup capabilities in recent years through the construction of rigs. Currently, we have one newbuild project remaining, the heavy-duty, harsh environment jackup, *Noble Lloyd Noble*, which is scheduled to commence operations under a four-year contract in the North Sea in mid-2016. Although we plan to focus on capital preservation and liquidity based on current market

conditions, we also plan to continue to evaluate opportunities to enhance our fleet to achieve greater technological capability, which we believe will lead to increased drilling efficiencies and an enhanced ability to execute the increasingly more complex drilling programs required by our customers.

**Table of Contents**

While we cannot predict the future level of demand or dayrates for our services or future conditions in the offshore contract drilling industry, we believe we are strategically well positioned.

**Spin-off of Paragon Offshore plc**

On August 1, 2014, Noble-UK completed the separation and spin-off of a majority of its standard specification offshore drilling business (the Spin-Off) through a pro rata distribution of all of the ordinary shares of its wholly-owned subsidiary, Paragon Offshore, to the holders of Noble's ordinary shares. Our shareholders received one share of Paragon Offshore for every three shares of Noble owned as of July 23, 2014, the record date for the distribution. Through the Spin-Off, we disposed of most of our standard specification drilling units and related assets, liabilities and business. Prior to the Spin-off, Paragon Offshore issued approximately \$1.7 billion of long-term debt. We used the proceeds from this debt to repay certain amounts outstanding under our commercial paper program. The results of operations for Paragon Offshore prior to the Spin-off date and incremental Spin-off related costs have been classified as discontinued operations for all periods presented in this Quarterly Report on Form 10-Q. For additional information regarding the Spin-off, see Note 2 to the consolidated financial statements included in this report.

**Contract Drilling Services Backlog**

We maintain a backlog (as defined below) of commitments for contract drilling services. The following table sets forth, as of March 31, 2015, the amount of our contract drilling services backlog and the percent of available operating days committed for the periods indicated:

|  | Total    | 2015 <sup>(1)</sup> | Year Ending December 31,<br>2016 2017 2018 2019-2023 |          |        |          |
|--|----------|---------------------|--|----------|--------|----------|
|  |          |                     | (In millions)  |          |        |          |
| <b>Contract Drilling Services Backlog</b>                |          |                     |  |          |        |          |
| Semisubmersibles/Drillships <sup>(2) (5)</sup>           | \$ 7,379 | \$ 1,769            | \$ 1,803   | \$ 1,102 | \$ 704 | \$ 2,001 |
| Jackups  | 2,046    | 503                 | 620  | 409      | 252    | 262      |
| Total <sup>(3)</sup>                                     | \$ 9,425 | \$ 2,272            | \$ 2,423   | \$ 1,511 | \$ 956 | \$ 2,263 |
| <b>Percent of Available Days Committed<sup>(4)</sup></b> |          |                     |  |          |        |          |
| Semisubmersibles/Drillships                              |          | 78%                 | 58%  | 35%      | 24%    | 14%      |
| Jackups  |          | 77%                 | 62%  | 40%      | 19%    | 2%       |
| Total  |          | 78%                 | 60%  | 37%      | 21%    | 8%       |

(1) Represents a nine-month period beginning April 1, 2015.

(2) Our drilling contract with Petróleo Brasileiro S.A. (Petrobras) provides an opportunity for us to earn performance bonuses based on reaching targets for downtime experienced for our rig operating offshore Brazil. Our backlog includes an amount equal to 50 percent of potential performance bonuses for this rig, or approximately \$7 million.

The drilling contracts with Royal Dutch Shell, plc (Shell) for the *Noble Globetrotter I*, *Noble Globetrotter II*, *Noble Clyde Boudreaux*, *Noble Don Taylor* and the *Noble Jim Day* provide opportunities for us to earn performance bonuses

based on key performance indicators as defined by the contracts. Our backlog includes an amount equal to 25 percent of potential performance bonuses for these rigs, or approximately \$133 million.

- (3) Some of our drilling contracts provide the customer with certain early termination rights and, in certain cases, these termination rights require minimal or no notice and financial penalties. However, as of April 27, 2015, we have not received any notification of contract cancellations.
- (4) Percent of available days committed is calculated by dividing the total number of days our rigs are operating under contract for such period, or committed days, by the product of the total number of our rigs, including cold stacked rigs, and the number of calendar days in such period. Committed days do not include the days that a rig is stacked or the days that a rig is expected to be out of service for significant overhaul, repairs or maintenance. Percentages take into account additional capacity from the estimated dates of deployment of our newbuild rigs that are scheduled to commence operations during 2015 and 2016.



---

## **Table of Contents**

(5) Noble and a subsidiary of Shell are involved in joint ventures that own and operate both the *Noble Bully I* and the *Noble Bully II*. Under the terms of the joint venture agreements, each party has an equal 50 percent share in both rigs. As of March 31, 2015, the combined amount of backlog for these rigs totals approximately \$1.5 billion, all of which is included in our backlog. Noble's proportional interest in the backlog for these rigs totals \$763 million. Subsequent to March 31, 2015, we agreed to contract dayrate reductions for five rigs working for Saudi Arabian Oil Company (Aramco), which are effective from January 1, 2015 through December 31, 2015. In accordance with accounting guidance, we are recognizing the reductions on a straight-line basis over the remaining life of the existing Aramco contracts. At March 31, 2015, revenues recorded in excess of billings as a result of this recognition totaled \$21 million, and are included in Other assets in the accompanying Consolidated Balance Sheets. The backlog as of March 31, 2015 included above does not include the effect of these reductions, which is expected to be \$67 million.

Our contract drilling services backlog reflects estimated future revenues attributable to both signed drilling contracts and letters of intent that we expect to result in binding drilling contracts. A letter of intent is generally subject to customary conditions, including the execution of a definitive drilling contract. It is possible that some customers that have entered into letters of intent will not enter into signed drilling contracts. As of March 31, 2015, our contract drilling services backlog did not include any letters of intent.

We calculate backlog for any given unit and period by multiplying the full contractual operating dayrate for such unit by the number of days remaining in the period. The reported contract drilling services backlog does not include amounts representing revenues for mobilization, demobilization and contract preparation, which are not expected to be significant to our contract drilling services revenues, amounts constituting reimbursables from customers or amounts attributable to uncommitted option periods under drilling contracts or letters of intent.

The amount of actual revenues earned and the actual periods during which revenues are earned may be materially different than the backlog amounts and backlog periods set forth in the table above due to various factors, including, but not limited to, shipyard and maintenance projects, unplanned downtime, achievement of bonuses, weather conditions and other factors that result in applicable dayrates lower than the full contractual operating dayrate. In addition, amounts included in the backlog may change because drilling contracts may be varied or modified by mutual consent or customers may exercise early termination rights contained in some of our drilling contracts or decline to enter into a drilling contract after executing a letter of intent. As a result, our backlog as of any particular date may not be indicative of our actual operating results for the periods for which the backlog is calculated. See Part I, Item 1A,

**Risk Factors** We can provide no assurance that our current backlog of contract drilling revenue will be ultimately realized in our Annual Report on Form 10-K for the year ended December 31, 2014.

As of March 31, 2015, we estimate Shell and Freeport-McMoRan Inc. represented approximately 61 percent and 12 percent of our backlog, respectively.

## **Results of Operations**

### **For the Three Months Ended March 31, 2015 and 2014**

Net income from continuing operations attributable to Noble-UK for the three months ended March 31, 2015 (the Current Quarter) was \$178 million, or \$0.72 per diluted share, on operating revenues of \$804 million, compared to net income from continuing operations for the three months ended March 31, 2014 (the Comparable Quarter) of \$155 million, or \$0.60 per diluted share, on operating revenues of \$795 million.

As a result of Noble-UK conducting all of its business through Noble-Cayman and its subsidiaries, the financial position and results of operations for Noble-Cayman, and the reasons for material changes in the amount of revenue

and expense items between the Current Quarter and the Comparable Quarter, would be the same as the information presented below regarding Noble-UK in all material respects, except operating income for Noble-Cayman for the three months ended March 31, 2015 and 2014 was \$14 million and \$17 million higher, respectively,

**Table of Contents**

than operating income for Noble-UK for the same periods. The operating income difference is primarily a result of executive costs directly attributable to Noble-UK for operations support and stewardship related services. In addition, we had non-recurring costs of \$12 million during the three months ended March 31, 2014 related to the Spin-off, which we recognized as part of discontinued operations at the Noble-UK level.

**Rig Utilization, Operating Days and Average Dayrates**

Operating results from continuing operations for our contract drilling services segment are dependent on three primary metrics: rig utilization, operating days and dayrates. The following table sets forth the average rig utilization, operating days and average dayrates for our rig fleet for the three months ended March 31, 2015 and 2014:

|                  | Average Rig Utilization (1) |            | Operating Days (2) |              |            | Average Dayrates   |                   |           |
|------------------|-----------------------------|------------|--------------------|--------------|------------|--------------------|-------------------|-----------|
|                  | Three Months Ended          |            | Three Months Ended |              |            | Three Months Ended |                   |           |
|                  | March 31, 2015              | 2014       | 2015               | 2014         | % Change   | 2015               | 2014              | % Change  |
| Jackups          | 92%                         | 98%        | 990                | 870          | 14%        | \$ 172,700         | \$ 163,091        | 6%        |
| Semisubmersibles | 65%                         | 82%        | 493                | 814          | -39%       | 392,777            | 418,558           | -6%       |
| Drillships       | 100%                        | 100%       | 810                | 630          | 29%        | 512,259            | 457,665           | 12%       |
| Other            | N/A                         | 0%         | N/A                |              | **         | N/A                |                   | **        |
| <b>Total</b>     | <b>86%</b>                  | <b>91%</b> | <b>2,293</b>       | <b>2,314</b> | <b>-1%</b> | <b>\$ 339,961</b>  | <b>\$ 333,061</b> | <b>2%</b> |

(1) We define utilization for a specific period as the total number of days our rigs are operating under contract, divided by the product of the total number of our rigs, including cold stacked rigs, and the number of calendar days in such period. Information reflects our policy of reporting on the basis of the number of available rigs in our fleet, excluding newbuild rigs under construction.

(2) Information reflects the number of days that our rigs were operating under contract.

\*\* Not a meaningful percentage.

**Contract Drilling Services**

The following table sets forth the operating results from continuing operations for our contract drilling services segment for the three months ended March 31, 2015 and 2014 (dollars in thousands):

|                            | Three Months Ended |            | Change   |    |
|----------------------------|--------------------|------------|----------|----|
|                            | March 31, 2015     | 2014       | \$       | %  |
| <b>Operating revenues:</b> |                    |            |          |    |
| Contract drilling services | \$ 779,361         | \$ 770,637 | \$ 8,724 | 1% |
| Reimbursables (1)          | 24,981             | 24,550     | 431      | 2% |
|                            | \$ 804,342         | \$ 795,187 | \$ 9,155 | 1% |

|                                      |                   |                   |                  |            |
|--------------------------------------|-------------------|-------------------|------------------|------------|
| <b>Operating costs and expenses:</b> |                   |                   |                  |            |
| Contract drilling services           | \$ 321,750        | \$ 352,880        | \$ (31,130)      | -9%        |
| Reimbursables (1)                    | 20,157            | 21,503            | (1,346)          | -6%        |
| Depreciation and amortization        | 148,208           | 141,888           | 6,320            | 4%         |
| General and administrative           | 23,938            | 25,428            | (1,490)          | -6%        |
|                                      | 514,053           | 541,699           | (27,646)         | -5%        |
| <b>Operating income</b>              | <b>\$ 290,289</b> | <b>\$ 253,488</b> | <b>\$ 36,801</b> | <b>15%</b> |

- (1) We record reimbursements from customers for out-of-pocket expenses as operating revenues and the related direct costs as operating expenses. Changes in the amount of these reimbursables generally do not have a material effect on our financial position, results of operations or cash flows.

**Operating Revenues.** Changes in contract drilling services revenues for the Current Quarter as compared to the Comparable Quarter were driven by an increase in average dayrates, partially offset by a decrease in operating days. The 2 percent increase in average dayrates increased revenues by approximately \$16 million, while the 1 percent decrease in operating days decreased revenues by \$7 million.

---

**Table of Contents**

The increase in contract drilling services revenues relates to our drillships and jackups, which generated approximately \$127 million and \$29 million more revenue, respectively in the Current Quarter. This was partially offset by decreased revenues related to our semisubmersibles, which declined \$147 million from the Comparable Quarter.

The increase in drillship revenues was driven by a 29 percent increase in operating days and a 12 percent increase in average dayrates, resulting in an \$83 million and a \$44 million increase in revenues, respectively, from the Comparable Quarter. The increase in both average dayrates and operating days was the result of the newbuilds *Noble Sam Croft* and the *Noble Tom Madden*, which commenced their contracts in July 2014 and November 2014, respectively.

The increase in jackup revenues was driven by a 14 percent increase in operating days and a 6 percent increase in average dayrates, resulting in a \$19 million and a \$10 million increase in revenues, respectively, from the Comparable Quarter. The increase in both operating days and average dayrates was the result of the commencements of the following newbuilds: *Noble Regina Allen*, *Noble Houston Colbert* and *Noble Sam Turner* in January 2014, March 2014 and August 2014, respectively. This was partially offset by the *Noble Mick O'Brien*, which was off contract during the Current Quarter but experienced full utilization during the Comparable Quarter.

The decrease in semisubmersible revenues was driven by a 39 percent decline in operating days and a 6 percent decline in average dayrates, resulting in a \$134 million and a \$13 million decrease in revenues, respectively, from the Comparable Quarter. The decrease in both operating days and average dayrates was primarily attributable to the retirement of the *Noble Jim Thompson*, the *Noble Driller* and the *Noble Paul Wolff* during the Current Quarter as a result of our decision to discontinue marketing these rigs based on current market conditions. Additionally, the *Noble Max Smith* was fully operational during the Comparable Quarter but was off contract during the Current Quarter.

***Operating Costs and Expenses.*** Contract drilling services operating costs and expenses decreased \$31 million for the Current Quarter as compared to the Comparable Quarter. Crew-up and operating expenses for our newbuild rigs as they commenced, or prepared to commence, operating under contracts, added approximately \$52 million in expense in the Current Quarter. This increase was more than offset by decreased other operating costs and expenses of \$83 million, which was primarily driven by a \$24 million decrease in labor costs, a \$19 million decrease in other rig-related expenses, a \$17 million decrease in mobilization and transportation expenses, an \$11 million decrease in repair and maintenance expense, a \$10 million decrease in operations support and a \$2 million decrease in insurance costs related to our policy renewal in March 2015.

The increase in depreciation and amortization in the Current Quarter from the Comparable Quarter was primarily attributable to assets placed in service, including the newbuilds noted above.

***Other Income and Expenses***

***General and administrative expenses.*** Overall, general and administrative expenses decreased \$2 million in the Current Quarter as compared to the Comparable Quarter primarily as a result of decreased legal and other professional fees.

***Interest Expense, net of amount capitalized.*** Interest expense, net of amount capitalized, increased \$9 million in the Current Quarter as compared to the Comparable Quarter. The increase is a result of a reduction in capitalized interest in the Current Quarter as compared to the Comparable Quarter due primarily to the completion of construction on four of our newbuild drillships and four of our newbuild jackups. During the Current Quarter, we capitalized approximately 10 percent of total interest charges versus approximately 26 percent during the Comparable Quarter.

***Income Tax Provision.*** Our income tax provision increased \$8 million in the Current Quarter. A 17 percent increase in pre-tax earnings generated a \$6 million increase in income tax expense. Additionally, a 5 percent

## **Table of Contents**

increase in the worldwide effective tax rate generated a \$2 million increase in income tax expense. The increase in the worldwide effective tax rate was primarily a result of a change in the geographic mix of pre-tax earnings offset by favorable changes in discrete items.

**Discontinued Operations.** Net income from discontinued operations for the Comparable Quarter was \$102 million. Revenues reported within discontinued operations were \$456 million during the Comparable Quarter. Operating income included within discontinued operations was \$120 million during the Comparable Quarter. There was no activity related to discontinued operations during the Current Quarter.

## **Liquidity and Capital Resources**

### ***Overview***

Cash flows from discontinued operations are combined with cash flows from continuing operations within each cash flow statement category on our Consolidated Statements of Cash Flows for the three months ended March 31, 2014 included in this Quarterly Report on Form 10-Q. Net cash from operating activities was \$369 million in the Current Quarter and \$506 million in the Comparable Quarter. We had working capital of \$277 million and \$260 million at March 31, 2015 and December 31, 2014, respectively.

Net cash used in investing activities in the Current Quarter was \$118 million as compared to \$561 million in the Comparable Quarter. The variance primarily relates to lower newbuild expenditures, coupled with expenditures for Paragon Offshore in the Comparable Quarter.

Net cash used in financing activities in the Current Quarter was \$237 million as compared to net cash from financing activities of \$55 million in the Comparable Quarter. The variance primarily relates to the Current Quarter proceeds of \$1.1 billion from the senior notes offering, which we used to repay indebtedness outstanding on our credit facilities and commercial paper program, while the Comparable Quarter includes the repayment of our \$250 million 7.375% Senior Notes. Additionally, during the Current Quarter we repurchased 6.2 million shares as part of our share repurchase program. Our total debt as a percentage of total debt plus equity was 40.1 percent at both March 31, 2015 and December 31, 2014. Although we issued \$1.1 billion senior notes in March 2015, this amount was substantially offset by a net reduction in indebtedness outstanding on our Credit Facilities and commercial paper program during the Current Quarter as a result of the application of proceeds from the senior note offering.

Our principal sources of capital in the Current Quarter were our \$1.1 billion senior notes offering in March 2015 and the cash generated from operating activities noted above. Cash generated during the Current Quarter was primarily used for the following:

repay indebtedness outstanding under our Credit Facilities and commercial paper program;

normal recurring operating expenses;

repurchase 6.2 million shares;

payment of our quarterly dividend; and

capital expenditures.

Our currently anticipated cash flow needs, both in the short-term and long-term, may include the following:

normal recurring operating expenses;

committed and discretionary capital expenditures;

payments of dividends;

repayment of maturing debt; and

repurchase of shares.

We currently expect to fund these cash flow needs with cash generated by our operations, cash on hand, borrowings under our existing or future credit facilities and commercial paper program, potential issuances of long-term debt, or asset sales. However, to adequately cover our expected cash flow needs, we may require capital in excess of the amount available from these sources, and we may seek additional sources of liquidity and/or delay or cancel certain discretionary capital expenditures or other payments as necessary.



## **Table of Contents**

At March 31, 2015, we had a total contract drilling services backlog of approximately \$9.4 billion. Our backlog as of March 31, 2015 includes a commitment of 78 percent of available days for the remainder of 2015 and 60 percent of available days for 2016. For additional information regarding our backlog, see [Contract Drilling Services Backlog](#).

### ***Capital Expenditures***

Capital expenditures, including capitalized interest, totaled \$89 million and \$517 million for the three months ended March 31, 2015 and 2014, respectively. Capital expenditures during the first three months of 2015 consisted of the following:

\$70 million for major projects, subsea related expenditures and upgrades and replacements to drilling equipment;

\$14 million on newbuilds, including costs for the *Noble Lloyd Noble* and trailing costs on our recently completed newbuilds; and

\$5 million in capitalized interest.

Our total capital expenditure estimate for 2015 is approximately \$563 million. In addition, we anticipate recording capitalized interest, which may fluctuate as a result of the timing of completion of ongoing projects.

In connection with our capital expenditure program, as of March 31, 2015, we had outstanding commitments, including shipyard and purchase commitments, for approximately \$676 million, of which we expect to spend approximately \$673 million within the next twelve months.

From time to time we consider possible projects that would require expenditures that are not included in our capital budget, and such unbudgeted expenditures could be significant. In addition, we will continue to evaluate acquisitions of drilling units from time to time. Other factors that could cause actual capital expenditures to materially exceed plan include delays and cost overruns in shipyards (including costs attributable to labor shortages), shortages of equipment, latent damage or deterioration to hull, equipment and machinery in excess of engineering estimates and assumptions, changes in governmental regulations and requirements and changes in design criteria or specifications during repair or construction.

### ***Dividends***

Our most recent quarterly dividend payment to shareholders, totaling approximately \$93 million (or \$0.375 per share), was declared on January 30, 2015 and paid on February 20, 2015 to holders of record on February 10, 2015.

On April 24, 2015, our Board of Directors approved the payment of a quarterly dividend to shareholders of \$0.375 per share. The payment is expected to total approximately \$93 million, based on the number of shares currently outstanding.

The declaration and payment of dividends require authorization of the Board of Directors of Noble-UK and such dividends on issued share capital may be paid only out of Noble-UK's distributable reserves on its statutory balance sheet. Noble-UK is not permitted to pay dividends out of share capital, which includes share premiums. The amount,

or continuance, of future dividends will depend on our results of operations, financial condition, cash requirements, future business prospects, contractual restrictions, anticipated capital needs and other factors deemed relevant by our Board of Directors and we may decide to change our dividend at any time.

***Share Repurchases***

In December 2014, we received shareholder approval to repurchase up to 37,000,000 additional ordinary shares, or approximately 15 percent of our outstanding ordinary shares at the time of the shareholder approval. Any

---

**Table of Contents**

repurchases are expected to be funded using cash on hand, cash from operations or short-term borrowings under our credit facilities. The authority to make such repurchases will expire on the later of April 2016 or the end of the Company's 2016 annual general meeting of shareholders, at which time we could seek shareholder approval for further repurchases.

In January 2015, we repurchased 6.2 million of our ordinary shares at an average price of \$16.10 per share, excluding commissions and stamp tax. Including these items, the average price paid per share during January 2015 was \$16.21. There can be no assurance as to the timing or amount of any such further repurchases. However, we intend to take a cautious approach to future share repurchases at least until market conditions in the offshore drilling business stabilize.

***Credit Facilities and Senior Unsecured Notes******Credit Facilities and Commercial Paper Program***

We currently have two credit facilities with an aggregate maximum capacity of \$2.7 billion, which are comprised of a five year \$2.4 billion senior unsecured credit facility that matures in January 2020 and a \$225 million 364-day senior unsecured credit facility that matures in January 2016 (together, the Credit Facilities).

We have a commercial paper program, which allows us to issue up to \$2.4 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.

Our total debt related to the Credit Facilities and commercial paper program was \$24 million at March 31, 2015 as compared to \$1.1 billion at December 31, 2014. At March 31, 2015, we had approximately \$2.6 billion of available capacity under the Credit Facilities.

The \$2.4 billion facility provides us with the ability to issue up to \$500 million in letters of credit. The issuance of letters of credit under the facility reduces the amount available for borrowing. At March 31, 2015, we had no letters of credit issued under the facility.

***Senior Unsecured Notes***

Our total debt related to senior unsecured notes was \$4.8 billion at March 31, 2015 as compared to \$3.7 billion at December 31, 2014. The increase in senior unsecured notes outstanding is a result of the issuance of \$1.1 billion aggregate principal amount of senior notes in March 2015, which we issued through our indirect wholly-owned subsidiary, Noble Holding International Limited (NHIL). These senior notes were issued in three separate tranches, consisting of \$250 million of 4.00% Senior Notes due 2018, \$450 million of 5.95% Senior Notes due 2025, and \$400 million of 6.95% Senior Notes due 2045. The weighted average coupon of all three tranches is 5.87%. The interest rate on these senior notes may be increased if the credit rating applicable to the notes is downgraded below certain specified levels. The net proceeds of approximately \$1.08 billion, after expenses, were used to repay indebtedness outstanding under our Credit Facilities and commercial paper program.

Our \$350 million 3.45% Senior Notes mature during the third quarter of 2015 and our \$300 million 3.05% Senior Notes mature during the first quarter of 2016. We anticipate using availability under our Credit Facilities or commercial paper issuances to repay the outstanding balances; therefore, we continue to report these balances as long-term at March 31, 2015.

*Covenants*

The Credit Facilities are guaranteed by NHIL and Noble Holding Corporation ( NHC ). The covenants and events of default under the two 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, 2015, our ratio of debt to total tangible capitalization was approximately 0.40. We were in compliance with all covenants under the Credit Facilities as of March 31, 2015.

---

## **Table of Contents**

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 entering into sale and lease-back transactions. At March 31, 2015, 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 2015.

### **New 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. This standard was not early adopted in connection with the Spin-Off. The adoption of this guidance did not have a material impact on our financial condition, results of operations, cash flows or financial disclosures.

In May 2014, the FASB issued ASU No. 2014-09, which amends ASC Topic 606, Revenue from Contracts with Customers. The amendments in this ASU are intended to provide a more robust framework for addressing revenue issues, improve comparability of revenue recognition practices and improve disclosure requirements. In April 2015, the FASB proposed a one-year deferral of the effective date of the new revenue standard. Under the proposal, the new guidance will be effective for interim and annual reporting periods beginning after December 15, 2017. 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.

In June 2014, the FASB issued ASU No. 2014-12, which amends ASC Topic 718, Compensation-Stock Compensation. The guidance requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition and should not be reflected in the estimate of the grant-date fair value of the award. The guidance is effective for annual periods beginning after December 15, 2015. The guidance can be applied prospectively for all awards granted or modified after the effective date or retrospectively to all awards with performance targets outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. 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.

In August 2014, the FASB issued ASU No. 2014-15, which amends ASC Subtopic 205-40, Disclosure of Uncertainties about an Entity's Ability to continue as a Going Concern. The amendments in this ASU provide guidance related to management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The amendments are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. 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.

In January 2015, the FASB issued ASU No. 2015-01, which amends ASC Subtopic 225-20, Income Statement Extraordinary and Unusual Items. The amendment in this ASU eliminates from GAAP the concept of extraordinary

items. The amendments in this update are effective for interim and annual reporting periods beginning after December 15, 2015. 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.

In February 2015, the FASB issued ASU No. 2015-02 which amends ASC Subtopic 810, Consolidations. This amendment affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. Specifically, the amendments modify the evaluation of whether limited partnerships and similar legal

## **Table of Contents**

entities are VIEs or voting interest entities; eliminate the presumption that a general partner should consolidate a limited partnership; affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships. The standard is effective for interim and annual reporting periods beginning after December 15, 2015. The standard may be applied retrospectively or through a cumulative effect adjustment to retained earnings as of the beginning of the year of adoption. 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.

In April 2015, the FASB issued ASU No. 2015-03 which amends ASC Subtopic 835-30, Interest Imputation of Interest. The guidance requires debt issuance costs to be presented in the balance sheet as a direct reduction from the associated debt liability. The standard is effective for interim and annual reporting periods beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued. The new guidance will be applied on a retrospective basis. We are still evaluating what impact the adoption of this guidance will have on our financial condition, results of operations, cash flows or financial disclosures.

In April 2015, the FASB issued ASU No. 2015-04 which amends ASC Topic 715, Compensation Retirement Benefits. The guidance gives an employer whose fiscal year end does not coincide with a calendar month end the ability, as a practical expedient, to measure defined benefit retirement obligations and related plan assets as of the month end that is closest to its fiscal year end. The ASU also provides a similar practical expedient for interim remeasurements of significant events. The standard is effective for interim and annual reporting periods beginning after December 15, 2015. Early adoption is permitted. 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.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Market risk is the potential for loss due to a change in the value of a financial instrument as a result of fluctuations in interest rates, currency exchange rates or equity prices, as further described below.

#### ***Interest Rate Risk***

We are subject to market risk exposure related to changes in interest rates on borrowings under the Credit Facilities and commercial paper program. Interest on borrowings under the Credit Facilities is at an agreed upon percentage point spread over LIBOR, or a base rate stated in the agreements. At March 31, 2015, we had \$24 million in borrowings outstanding under our Credit Facilities and commercial paper program, which is supported by the Credit Facilities. Assuming our current level of debt, a change in LIBOR rates of 1 percent would increase our interest charges by approximately \$0.2 million per year.

Access to our commercial paper program is dependent upon our credit ratings. A decline in our credit ratings below investment grade would prohibit us from accessing the commercial paper market. If we were unable to access the commercial paper market, we would likely transfer any outstanding borrowings to our Credit Facilities. Our Credit Facilities have interest rates that are generally higher than those found in the commercial paper market, which would result in increased interest expense in the future.

In addition, our Credit Facilities and certain of our senior unsecured notes have provisions which vary the applicable interest rates based upon our credit ratings. If our credit ratings were to decline to certain specified levels, the interest expense under our Credit Facilities and certain of our senior unsecured notes would increase.

We maintain certain debt instruments at a fixed rate whose fair value will fluctuate based on changes in interest rates and market perceptions of our credit risk. The fair value of our total debt was \$4.5 billion at both March 31, 2015 and December 31, 2014, respectively. The senior notes issuance of \$1.1 billion in March 2015 was offset by a reduction in indebtedness outstanding under our Credit Facilities and commercial paper program.



---

**Table of Contents*****Foreign Currency Risk***

Although we are a U.K. company, we define foreign currency as any non-U.S. denominated currency. Our functional currency is primarily the U.S. Dollar, which is consistent with the oil and gas industry. However, outside the United States, a portion of our expenses are incurred in local currencies. Therefore, when the U.S. Dollar weakens (strengthens) in relation to the currencies of the countries in which we operate, our expenses reported in U.S. Dollars will increase (decrease).

We are exposed to risks on future cash flows to the extent that local currency expenses exceed revenues denominated in local currency that are other than the functional currency. To help manage this potential risk, we periodically enter into derivative instruments to manage our exposure to fluctuations in currency exchange rates, and we may conduct hedging activities in future periods to mitigate such exposure. These contracts are primarily accounted for as cash flow hedges, with the effective portion of changes in the fair value of the hedge recorded on the Consolidated Balance Sheet and in Accumulated other comprehensive loss ( AOCL ). Amounts recorded in AOCL are reclassified into earnings in the same period or periods that the hedged item is recognized in earnings. The ineffective portion of changes in the fair value of the hedged item is recorded directly to earnings. 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.

Our North Sea, Australian and Brazilian 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, 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 2015 represent approximately 60 percent of these forecasted local currency requirements. The notional amount of the forward contracts outstanding, expressed in U.S. dollars, was approximately \$69 million at March 31, 2015. Total unrealized losses related to these forward contracts were approximately \$3 million as of March 31, 2015 and were recorded as part of AOCL. A 10 percent change in the exchange rate for the local currencies would change the fair value of these forward contracts by approximately \$7 million.

***Market Risk***

We have a U.S. noncontributory defined benefit pension plan that covers certain salaried employees and a U.S. noncontributory defined benefit pension plan that covers certain hourly employees, whose initial date of employment is prior to August 1, 2004 (collectively referred to as our qualified U.S. plans). These plans are governed by the Noble Drilling Employees Retirement Trust. The benefits from these plans are based primarily on years of service and, for the salaried plan, employees' compensation near retirement. These plans are designed to qualify under the Employee Retirement Income Security Act of 1974 ( ERISA ), and our funding policy is consistent with funding requirements of ERISA and other applicable laws and regulations. We make cash contributions, or utilize credits available to us, for the qualified U.S. plans when required. The benefit amount that can be covered by the qualified U.S. plans is limited under ERISA and the Internal Revenue Code ( IRC ) of 1986. Therefore, we maintain an unfunded, nonqualified excess benefit plan designed to maintain benefits for specified employees at the formula level in the qualified salary U.S. plan. We refer to the qualified U.S. plans and the excess benefit plan collectively as the U.S. plans.

In addition to the U.S. plans, each of Noble Drilling (Land Support) Limited and Noble Resources Limited, both indirect, wholly-owned subsidiaries of Noble-UK, maintains a pension plan that covers all of its salaried, non-union employees (collectively referred to as our non-U.S. plans). Benefits are based on credited service and employees' compensation, as defined by the plans.

Changes in market asset values related to the pension plans noted above could have a material impact upon our Consolidated Statement of Comprehensive Income and could result in material cash expenditures in future periods.

**Item 4. Controls and Procedures**

David W. Williams, Chairman, President and Chief Executive Officer of Noble-UK, and James A. MacLennan, Senior Vice President and Chief Financial Officer of Noble-UK, have evaluated the disclosure controls and procedures of Noble-UK as of the end of the period covered by this report. On the basis of this evaluation,

**Table of Contents**

Mr. Williams and Mr. MacLennan have concluded that Noble-UK's disclosure controls and procedures were effective as of March 31, 2015. Noble-UK's disclosure controls and procedures are designed to ensure that information required to be disclosed by Noble-UK in the reports that it files with or submits to the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

David W. Williams, President and Chief Executive Officer of Noble-Cayman, and Dennis J. Lubojacky, Vice President and Chief Financial Officer of Noble-Cayman, have evaluated the disclosure controls and procedures of Noble-Cayman as of the end of the period covered by this report. On the basis of this evaluation, Mr. Williams and Mr. Lubojacky have concluded that Noble-Cayman's disclosure controls and procedures were effective as of March 31, 2015. Noble-Cayman's disclosure controls and procedures are designed to ensure that information required to be disclosed by Noble-Cayman in the reports that it files with or submits to the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

There was no change in either Noble-UK's or Noble-Cayman's internal control over financial reporting that occurred during the quarter ended March 31, 2015 that has materially affected, or is reasonably likely to materially affect, the internal control over financial reporting of each of Noble-UK or Noble-Cayman, respectively.

**PART II. OTHER INFORMATION****Item 1. Legal Proceedings**

Information regarding legal proceedings is set forth in Notes 6 and 14 to our consolidated financial statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q and is incorporated herein by reference.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

Under UK law, the company is only permitted to purchase its own shares by way of an off-market purchase in a plan approved by shareholders. In December 2014, we received shareholder approval to repurchase up to 37,000,000 ordinary shares, or approximately 15 percent of our outstanding ordinary shares at the time of the shareholder approval. Any repurchases are expected to be funded using cash on hand, cash from operations or short-term borrowings under our Credit Facilities. The authority to make such repurchases will expire on the later of April 2016 or the end of the Company's 2016 annual general meeting of shareholders, at which time we could seek shareholder approval for further repurchases. The company may only fund the purchase of its own shares out of distributable reserves or the proceeds of a new issue of shares made expressly for that purpose. The company currently has adequate distributable reserves to fund its currently approved repurchase plan. If any premium above the nominal value of the purchased shares is paid, it must be paid out of distributable reserves. Any shares purchased by the company out of distributable reserves may be held as treasury shares or cancelled at the company's election. The following table sets forth for the periods indicated certain information with respect to purchases of shares by Noble-UK:

| <b>Period</b> | <b>Total Number of Shares Purchased</b> | <b>Average Price Paid per Share<sup>(1)</sup></b> | <b>Total Number of Shares Purchased as Part of Publicly Announced Plans</b> | <b>Maximum Number of Shares that May Yet Be Purchased Under Plans</b> |
|---------------|---|---|---|---|
|---------------|---|---|---|---|

|               |           |          | <b>or Programs</b> | <b>or Programs</b> |
|---------------|-----------|----------|--------------------|--------------------|
| January 2015  | 6,209,400 | \$ 16.10 | 6,209,400          | 30,790,600         |
| February 2015 |           | \$       |                    | 30,790,600         |
| March 2015    |           | \$       |                    | 30,790,600         |

(1) The average price paid per share does not include the impact of commissions and stamp tax. Including these items, the average price paid per share in January 2015 was \$16.21.

All share repurchases were made in the open market and were pursuant to the share repurchase program discussed above. All shares repurchased during the quarter were immediately cancelled.

**Table of Contents**

**Item 6. Exhibits**

The information required by this Item 6 is set forth in the Index to Exhibits accompanying this Quarterly Report on Form 10-Q and is incorporated herein by reference.

**Table of Contents**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**Noble Corporation plc**, a public limited company incorporated under the laws of England and Wales

/s/ David W. Williams

David W. Williams

Chairman, President and Chief Executive Officer

May 7, 2015

(Principal Executive Officer)

Date

/s/ James A. MacLennan

James A. MacLennan

Senior Vice President and Chief Financial Officer

(Principal Financial Officer)

**Noble Corporation**, a Cayman Islands company

/s/ David W. Williams

David W. Williams

President and Chief Executive Officer

May 7, 2015

(Principal Executive Officer)

Date

/s/ Dennis J. Lubojacky

Dennis J. Lubojacky

Vice President and Chief Financial Officer

(Principal Financial Officer)

**Table of Contents****Index to Exhibits**

| Exhibit<br>Number | Exhibit   |
|-------------------|---|
| 2.1               | Merger Agreement, dated as of June 30, 2013, between Noble Corporation, a Swiss corporation ( Noble-Swiss ) and Noble Corporation Limited ( Noble-UK ) (filed as Exhibit 2.1 to Noble-Swiss Current Report on Form 8-K filed on July 1, 2013 and incorporated herein by reference).   |
| 2.2               | Agreement and Plan of Merger, Reorganization and Consolidation, dated as of December 19, 2008, among Noble Corporation, a Swiss corporation ( Noble-Swiss ), Noble Corporation, a Cayman Islands company ( Noble-Cayman ), and Noble Cayman Acquisition Ltd. (filed as Exhibit 1.1 to Noble-Cayman s Current Report on Form 8-K filed on December 22, 2008 and incorporated herein by reference).   |
| 2.3               | Amendment No. 1 to Agreement and Plan of Merger, Reorganization and Consolidation, dated as of February 4, 2009, among Noble-Swiss, Noble-Cayman and Noble Cayman Acquisition Ltd. (filed as Exhibit 2.2 to Noble-Cayman s Current Report on Form 8-K filed on February 4, 2009 and incorporated herein by reference).  |
| 2.4               | Master Separation Agreement, dated as of July 31, 2014, between Noble-Cayman and Paragon Offshore plc. (filed as Exhibit 2.1 to Noble-UK s Current Report on Form 8-K filed on August 5, 2014 and incorporated herein by reference).  |
| 3.1               | Composite Copy of Articles of Association of Noble-UK, as of June 10, 2014 (filed as Exhibit 3.1 to Noble-UK s Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 and incorporated herein by reference).  |
| 3.2               | Memorandum and Articles of Association of Noble-Cayman (filed as Exhibit 3.1 to Noble-Cayman s Current Report on Form 8-K filed on March 30, 2009 and incorporated herein by reference).  |
| 4.1               | Revolving Credit Agreement dated as of January 26, 2015, among Noble-Cayman and Noble International Finance Company, a Cayman Islands company, as borrowers; JPMorgan Chase Bank, N.A., as administrative agent and a swingline lender; Wells Fargo Bank, National Association, as a swingline lender; the lenders party thereto; Barclays Bank PLC, Citibank, N.A., DNB Bank ASA New York Branch, HSBC Bank USA, N.A., SunTrust Bank and Wells Fargo, as co-syndication agents; BNP Paribas, Credit Suisse AG, Cayman Islands Branch and Mizuho Bank, Ltd, as co-documentation agents; and J.P. Morgan Securities LLC, Barclays Bank PLC, Citigroup Global Markets Inc., DNB Markets, Inc., HSBC Securities (USA) Inc., SunTrust Robinson Humphrey, Inc. and Wells Fargo Securities, LLC, as joint lead arrangers and joint lead bookrunners (filed as Exhibit 4.1 to Noble-UK s Current Report on Form 8-K filed on January 29, 2015 and incorporated herein by reference). |
| 4.2               | 364-Day Revolving Credit Agreement dated as of January 29, 2015, among Noble-Cayman and Noble International Finance Company, a Cayman Islands company, as borrowers; JPMorgan, as administrative agent; the lenders party thereto; Barclays Bank PLC, Citibank, N.A. and HSBC Bank USA, N.A., as co-syndication agents; BNP Paribas, as documentation agent; and J.P. Morgan Securities LLC, Barclays Bank PLC, Citigroup Global Markets Inc., and HSBC Securities (USA) Inc., as joint lead arrangers and joint lead bookrunners (filed as Exhibit 4.2 to Noble-UK s Current Report on Form 8-K filed on January 29, 2015 and incorporated herein by reference).   |
| 4.3               | Indenture, dated as of March 16, 2015, among Noble Holding International Limited, as Issuer, and Wells Fargo N.A., as Trustee, relating to 4.000% senior notes due 2018, 5.950% senior notes due 2025   |

## Edgar Filing: Noble Corp plc - Form 10-Q

and 6.95% senior notes due 2045 of Noble Holding International Limited (filed as Exhibit 4.1 to Noble-UK's Current Report on Form 8-K filed on March 16, 2015 and incorporated herein by reference).

- 4.4 First Supplemental Indenture, dated as of March 16, 2015, among Noble Holding International Limited, as Issuer, Noble Corporation, as Guarantor, and Wells Fargo N.A., as Trustee, relating to 4.000% senior notes due 2018, 5.950% senior notes due 2025 and 6.95% senior notes due 2045 of Noble Holding International Limited (filed as Exhibit 4.2 to Noble-UK's Current Report on Form 8-K filed on March 16, 2015 and incorporated herein by reference).
- 10.1 Tax Sharing Agreement, dated as of July 31, 2014, between Noble-UK and Paragon Offshore plc. (filed as Exhibit 10.1 to Noble-UK's Current Report on Form 8-K filed on August 5, 2014 and incorporated herein by reference).
- 10.2 Employee Matters Agreement, dated as of July 31, 2014, between Noble-Cayman and Paragon Offshore plc. (filed as Exhibit 10.2 to Noble-UK's Current Report on Form 8-K filed on August 5, 2014 and incorporated herein by reference).
- 10.3 Transition Services Agreement, dated as of July 31, 2014, between Noble-Cayman and Paragon Offshore plc. (filed as Exhibit 10.3 to Noble-UK's Current Report on Form 8-K filed on August 5, 2014 and incorporated herein by reference).
- 10.4 Transition Services Agreement (Brazil), dated as of July 31, 2014, among Paragon Offshore do Brasil Limitada, Paragon Offshore (Nederland) B.V., Paragon Offshore plc, Noble-Cayman, Noble Dave Beard Limited and Noble Drilling (Nederland) II B.V. (filed as Exhibit 10.4 to Noble-UK's Current Report on Form 8-K filed on August 5, 2014 and incorporated herein by reference).
- 10.5\* Noble Corporation 2015 Short Term Incentive Plan.



**Table of Contents**

|       |   |
|-------|---|
| 10.6* | Noble Corporation 2015 Omnibus Incentive Plan, effective May 1, 2015 (filed as Exhibit 10.1 to Noble-UK's Current Report on Form 8-K filed on April 29, 2015 and incorporated herein by reference).   |
| 10.7* | Amended and Restated Form of Noble-UK 2013 Performance-Vested Restricted Stock Unit Award under the Noble-UK 1991 Stock Option and Restricted Stock Plan (filed as Exhibit 10.1 to Noble-UK's Current Report on Form 8-K filed on October 16, 2014 and incorporated herein by reference). |
| 10.8* | Amended and Restated Form of Noble-UK 2014 Performance-Vested Restricted Stock Unit Award under the Noble-UK 1991 Stock Option and Restricted Stock Plan (filed as Exhibit 10.2 to Noble-UK's Current Report on Form 8-K filed on October 16, 2014 and incorporated herein by reference). |
| 31.1  | Certification of David W. Williams pursuant to the U.S. Securities Exchange Act of 1934, as amended, Rule 13a-14(a) or Rule 15d-14(a), for Noble-UK and for Noble-Cayman.   |
| 31.2  | Certification of James A. MacLennan pursuant to the U.S. Securities Exchange Act of 1934, as amended, Rule 13a-14(a) or Rule 15d-14(a), for Noble-UK.   |
| 31.3  | Certification of Dennis J. Lubojacky pursuant to the U.S. Securities Exchange Act of 1934, as amended, Rule 13a-14(a) or Rule 15d-14(a), for Noble-Cayman.  |
| 32.1+ | Certification of David W. Williams pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, for Noble-UK and for Noble-Cayman.   |
| 32.2+ | Certification of James A. MacLennan pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, for Noble-UK.   |
| 32.3+ | Certification of Dennis J. Lubojacky pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, for Noble-Cayman.  |
| 101   | Interactive Data File   |

\* Management contract or compensatory plan or arrangement

+ Furnished in accordance with Item 601(b)(32)(ii) of Regulation S-K.