

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

**FORM 10-Q**

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

**For the quarterly period ended: March 31, 2014**

**OR**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number: 001-36211**

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

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

**incorporation or organization)**

**98-0619597**  
**(I.R.S. employer**

**identification number)**

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

**Commission file number: 001-31306**

**Noble Corporation**

**(Exact name of registrant as specified in its charter)**

**Cayman Islands**  
**(State or other jurisdiction of**

**incorporation or organization)**

**98-0366361**  
**(I.R.S. employer**

**identification number)**

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

(Address of principal executive offices) (Zip Code)

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

See accompanying notes to the unaudited consolidated financial statements.

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## NOBLE CORPORATION PLC AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF INCOME

(In thousands, except per share amounts)

(Unaudited)

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



See accompanying notes to the unaudited consolidated financial statements.

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

(In thousands)

(Unaudited)

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

See accompanying notes to the unaudited consolidated financial statements.

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## NOBLE CORPORATION PLC AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands)

(Unaudited)

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

See accompanying notes to the unaudited consolidated financial statements.



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## NOBLE CORPORATION PLC AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF EQUITY

(In thousands)

(Unaudited)

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

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

See accompanying notes to the unaudited consolidated financial statements.

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

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

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

See accompanying notes to the unaudited consolidated financial statements.



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

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

See accompanying notes to the unaudited consolidated financial statements.



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

(In thousands)

(Unaudited)

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

See accompanying notes to the unaudited consolidated financial statements.

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

(In thousands)

(Unaudited)

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

See accompanying notes to the unaudited consolidated financial statements.

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## NOBLE CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF EQUITY

(In thousands)

(Unaudited)

|  | Shares<br>Balance | Par Value        | Capital in<br>Excess of<br>Par Value | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Loss | Noncontrolling<br>Interests | Total<br>Equity     |
|--|-------------------|------------------|--------------------------------------|----------------------|---|-----------------------------|---------------------|
| <b>Balance at<br/>December 31, 2012</b>                        | <b>261,246</b>    | <b>\$ 26,125</b> | <b>\$ 470,454</b>                    | <b>\$ 7,384,828</b>  | <b>\$ (115,449)</b>                           | <b>\$ 765,124</b>           | <b>\$ 8,531,082</b> |
| Net income   |                   |                  |                                      | 169,544              |   | 17,653                      | 187,197             |
| Capital contributions by<br>parent share-based<br>compensation |                   |                  | 5,960                                |                      |   |                             | 5,960               |
| Distributions to parent  |                   |                  |                                      | (53,110)             |   |                             | (53,110)            |
| Other comprehensive<br>income, net                             |                   |                  |                                      |                      | 3,097   |                             | 3,097               |
| <b>Balance at March 31,<br/>2013</b>                           | <b>261,246</b>    | <b>\$ 26,125</b> | <b>\$ 476,414</b>                    | <b>\$ 7,501,262</b>  | <b>\$ (112,352)</b>                           | <b>\$ 782,777</b>           | <b>\$ 8,674,226</b> |
| <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> |
| Net income   |                   |                  |                                      | 285,315              |   | 16,916                      | 302,231             |
| Capital contributions by<br>parent share-based<br>compensation |                   |                  | 9,053                                |                      |   |                             | 9,053               |
| Distributions to parent  |                   |                  |                                      | (121,780)            |   |                             | (121,780)           |
| Dividends paid to<br>noncontrolling 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> |

See accompanying notes to the unaudited consolidated financial statements.

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**NOBLE CORPORATION PLC AND SUBSIDIARIES**

**NOBLE CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

**Note 1 Organization and Basis of Presentation**

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

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

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

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

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

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

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

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

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

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

## **Note 2 Consolidated Joint Ventures**

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

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

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

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

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

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

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

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



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## 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)

*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>2014</b>                             | <b>2013</b>       |
| <b>Allocation of net income</b>                                    |   |                   |
| <b>Basic</b>   |   |                   |
| Net income attributable to Noble Corporation                       | \$ 256,326                              | \$ 150,060        |
| Earnings allocated to unvested share-based payment awards          | (4,274)                                 | (1,667)           |
| <b>Net income to common shareholders - basic</b>                   | <b>\$ 252,052</b>                       | <b>\$ 148,393</b> |
| <b>Diluted</b>   |   |                   |
| Net income attributable to Noble Corporation                       | \$ 256,326                              | \$ 150,060        |
| Earnings allocated to unvested share-based payment awards          | (4,272)                                 | (1,664)           |
| <b>Net income to common shareholders - diluted</b>                 | <b>\$ 252,054</b>                       | <b>\$ 148,396</b> |
| <b>Weighted average shares outstanding - basic</b>                 | 253,940                                 | 253,073           |
| Incremental shares issuable from assumed exercise of stock options | 135                                     | 268               |
| <b>Weighted average shares outstanding - diluted</b>               | 254,075                                 | 253,341           |
| <b>Weighted average unvested share-based payment awards</b>        | 4,188                                   | 2,844             |
| <b>Earnings per share</b>  |   |                   |
| Basic  | \$ 0.99                                 | \$ 0.59           |
| Diluted  | \$ 0.99                                 | \$ 0.59           |
| <b>Dividends per share</b>   | <b>\$ 0.38</b>                          | <b>\$ 0.13</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, 2014 and 2013, approximately 1 million shares underlying stock options were excluded from the diluted earnings per share as such stock options were not dilutive.

**Note 4 Receivables from Customers**

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

**Note 5 Property and Equipment**

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

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

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

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

**Note 6 Debt**

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

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

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

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

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

***Senior Unsecured Notes***

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

***Covenants***

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

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

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

***Fair Value of Debt***

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

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

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

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

**Note 7 Income Taxes**

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

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

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

**Note 8 Employee Benefit Plans**

Pension costs include the following components:

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

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

**Note 9 Derivative Instruments and Hedging Activities**

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

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

**Cash Flow Hedges**

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

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

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

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



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## 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 10, summarizes the financial statement presentation and fair value of our derivative positions as of March 31, 2014 and December 31, 2013:

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

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

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

**Note 10 Fair Value of Financial Instruments**

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

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

|                                    | <b>Carrying<br/>Amount</b> | <b>Quoted<br/>Prices 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              | \$ 8,110                   | \$ 8,110   | \$   | \$   |
| Foreign currency forward contracts | 5,946                      |  | 5,946  |  |

|                       | <b>December 31, 2013<br/>Estimated Fair Value Measurements</b> |  |  |  |
|-----------------------|--|--|--|--|
|                       | <b>Carrying<br/>Amount</b>                                     | <b>Quoted<br/>Prices 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 | \$ 7,230   | \$ 7,230   | \$   | \$   |

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

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## NOBLE CORPORATION PLC AND SUBSIDIARIES

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

**Note 11 Accumulated Other Comprehensive Loss**

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

|  | Gains /<br>(Losses) on<br>Cash<br>Flow<br>Hedges <sup>(1)</sup> | Defined<br>Benefit<br>Pension<br>Items <sup>(2)</sup> | Foreign<br>Currency<br>Items | Total               |
|--|---|---|------------------------------|---------------------|
| <b>Balance at December 31, 2012</b>                        | <b>\$</b>   | <b>\$ (95,071)</b>                                    | <b>\$ (20,378)</b>           | <b>\$ (115,449)</b> |
| Activity during period:                                    |   |   |                              |                     |
| Other comprehensive income (loss) before reclassifications | (1,316)   |   | 2,657                        | 1,341               |
| Amounts reclassified from AOCL                             | 114   | 1,642   |                              | 1,756               |
| Net other comprehensive income (loss)                      | (1,202)   | 1,642   | 2,657                        | 3,097               |
| <b>Balance at March 31, 2013</b>                           | <b>\$ (1,202)</b>   | <b>\$ (93,429)</b>                                    | <b>\$ (17,721)</b>           | <b>\$ (112,352)</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>  |

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

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

**Note 12 Commitments and Contingencies**

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

**Note 13 Segment and Related Information**

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

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

|                              | <b>Three Months Ended March 31,</b> |                              |
|------------------------------|-------------------------------------|------------------------------|
|                              | <b>2014</b>                         | <b>2013</b>                  |
| <b>Contract<br/>Drilling</b> |                                     | <b>Contract<br/>Drilling</b> |

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

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**Note 14 Accounting Pronouncements**

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

**Note 15 Net Change in Other Assets and Liabilities**

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

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

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

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

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

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

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

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

**March 31, 2014**

(in thousands)

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

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

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



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

**December 31, 2013**

(in thousands)

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

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

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

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

**Three Months Ended March 31, 2014**

(in thousands)

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

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|   |                   |                   |                  |                   |                   |                   |                       |                   |
|---|-------------------|-------------------|------------------|-------------------|-------------------|-------------------|-----------------------|-------------------|
| Equity earnings in affiliates, net of tax                     | 320,213           | 179,887           | 69,071           | 318,759           | 172,191           |                   | (1,060,121)           |                   |
| Interest expense, net of amounts capitalized                  | (25,884)          | (6,050)           | (493)            | (46,493)          | (7,949)           | (12,360)          | 58,837                | (40,392)          |
| Interest income and other, net                                | 1,630             | 13,680            | 66               | 25,957            | 313               | 15,874            | (58,837)              | (1,317)           |
| <b>Income before income taxes</b>                             | <b>285,315</b>    | <b>213,055</b>    | <b>70,733</b>    | <b>265,146</b>    | <b>164,555</b>    | <b>417,876</b>    | <b>(1,060,121)</b>    | <b>356,559</b>    |
| Income tax provision  |                   | (31,201)          |                  |                   |                   | (23,127)          |                       | (54,328)          |
| <b>Net Income</b>   | <b>285,315</b>    | <b>181,854</b>    | <b>70,733</b>    | <b>265,146</b>    | <b>164,555</b>    | <b>394,749</b>    | <b>(1,060,121)</b>    | <b>302,231</b>    |
| Net income attributable to noncontrolling interests           |                   |                   |                  |                   |                   | (29,986)          | 13,070                | (16,916)          |
| <b>Net income attributable to Noble Corporation</b>           | <b>285,315</b>    | <b>181,854</b>    | <b>70,733</b>    | <b>265,146</b>    | <b>164,555</b>    | <b>364,763</b>    | <b>(1,047,051)</b>    | <b>285,315</b>    |
| Other comprehensive income, net                               | 7,718             |                   |                  |                   |                   | 7,718             | (7,718)               | 7,718             |
| <b>Comprehensive income attributable to Noble Corporation</b> | <b>\$ 293,033</b> | <b>\$ 181,854</b> | <b>\$ 70,733</b> | <b>\$ 265,146</b> | <b>\$ 164,555</b> | <b>\$ 372,481</b> | <b>\$ (1,054,769)</b> | <b>\$ 293,033</b> |

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

**Three Months Ended March 31, 2013**

(in thousands)

|                                     | Noble-<br>Cayman | NHC and<br>Combined | NDH<br>NDC | NHIL     | NDS6    | Other<br>Non-guarantor<br>Subsidiaries<br>of Noble | Consolidating<br>Adjustments | Total      |
|-------------------------------------|------------------|---------------------|------------|----------|---------|--|------------------------------|------------|
| <b>Operating revenues</b>           |                  |                     |            |          |         |  |                              |            |
| Contract drilling services          | \$               | \$ 46,957           | \$ 4,991   | \$       | \$      | \$ 897,239   | \$ (20,450)                  | \$ 928,737 |
| Reimbursables                       |                  | 586                 |            |          |         | 20,588   |                              | 21,174     |
| Labor contract drilling services    |                  |                     |            |          |         | 21,054   |                              | 21,054     |
| Other                               |                  |                     |            |          |         | 10   |                              | 10         |
| Total operating revenues            |                  | 47,543              | 4,991      |          |         | 938,891  | (20,450)                     | 970,975    |
| <b>Operating costs and expenses</b> |                  |                     |            |          |         |  |                              |            |
| Contract drilling services          | 919              | 16,425              | 1,785      | 24,213   |         | 453,669  | (20,450)                     | 476,561    |
| Reimbursables                       |                  | 334                 |            |          |         | 14,588   |                              | 14,922     |
| Labor contract drilling services    |                  |                     |            |          |         | 12,249   |                              | 12,249     |
| Depreciation and amortization       |                  | 14,862              | 1,101      |          |         | 189,788  |                              | 205,751    |
| General and administrative          | 625              | 1,892               | 1          | 8,713    |         | 3,612  |                              | 14,843     |
| Gain on contract extinguishment     |                  |                     |            |          |         | (1,800)  |                              | (1,800)    |
| Total operating costs and expenses  | 1,544            | 33,513              | 2,887      | 32,926   |         | 672,106  | (20,450)                     | 722,526    |
| <b>Operating income (loss)</b>      | (1,544)          | 14,030              | 2,104      | (32,926) |         | 266,785  |                              | 248,449    |
| <b>Other income (expense)</b>       |                  |                     |            |          |         |  |                              |            |
|                                     | 202,765          | 96,943              | 7,453      | 225,457  | 116,028 |  | (648,646)                    |            |

|   |            |            |          |            |            |            |              |            |
|---|------------|------------|----------|------------|------------|------------|--------------|------------|
| Equity earnings in affiliates, net of tax                     |            |            |          |            |            |            |              |            |
| Interest expense, net of amounts capitalized                  | (33,307)   | (7,562)    | (833)    | (34,560)   | (11,721)   | (23,334)   | 84,016       | (27,301)   |
| Interest income and other, net                                | 1,630      | 10,814     | 7        | 39,761     | 6,305      | 25,562     | (84,016)     | 63         |
| <b>Income before income taxes</b>                             | 169,544    | 114,225    | 8,731    | 197,732    | 110,612    | 269,013    | (648,646)    | 221,211    |
| Income tax provision  |            | (4,556)    |          |            |            | (29,458)   |              | (34,014)   |
| <b>Net Income</b>   | 169,544    | 109,669    | 8,731    | 197,732    | 110,612    | 239,555    | (648,646)    | 187,197    |
| Net income attributable to noncontrolling interests           |            |            |          |            |            | (27,538)   | 9,885        | (17,653)   |
| <b>Net income attributable to Noble Corporation</b>           | 169,544    | 109,669    | 8,731    | 197,732    | 110,612    | 212,017    | (638,761)    | 169,544    |
| Other comprehensive income, net                               | 3,097      |            |          |            |            | 3,097      | (3,097)      | 3,097      |
| <b>Comprehensive income attributable to Noble Corporation</b> | \$ 172,641 | \$ 109,669 | \$ 8,731 | \$ 197,732 | \$ 110,612 | \$ 215,114 | \$ (641,858) | \$ 172,641 |

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

**Three Months Ended March 31, 2014**

(in thousands)

|  | Noble-<br>Cayman | NHC and NDH<br>Combined | NDC        | NHIL        | NDS6        | Other<br>Non-guarantor<br>Subsidiaries<br>of Noble | Consolidating<br>Adjustments | Total      |
|--|------------------|-------------------------|------------|-------------|-------------|--|------------------------------|------------|
| <b>Cash flows from operating activities</b>                    |                  |                         |            |             |             |  |                              |            |
| Net cash from operating activities                             | \$ (23,676)      | \$ 37,298               | \$ (4,327) | \$ (98,984) | \$ (11,386) | \$ 632,730   | \$                           | \$ 531,655 |
| <b>Cash flows from investing activities</b>                    |                  |                         |            |             |             |  |                              |            |
| New construction and capital expenditures                      |                  | (331,096)               | (173)      |             |             | (229,519)  |                              | (560,788)  |
| Notes receivable from affiliates                               |                  |                         |            | 273,744     |             |  | (273,744)                    |            |
| Net cash from investing activities                             |                  | (331,096)               | (173)      | 273,744     |             | (229,519)  | (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)  |
| Dividends paid to  |                  |                         |            |             |             | (19,695)   |                              | (19,695)   |



|  |           |         |       |           |        |            |         |            |
|--|-----------|---------|-------|-----------|--------|------------|---------|------------|
| noncontrolling interests                       |           |         |       |           |        |            |         |            |
| Financing costs on credit facilities           | (381)     |         |       |           |        |            |         | (381)      |
| Distributions to parent company, net           | (121,780) |         |       |           |        |            |         | (121,780)  |
| Advances (to) from affiliates                  | (2,817)   | 293,520 | 4,500 | 75,241    | 11,386 | (381,830)  |         |            |
| Notes payable to affiliates                    | (273,744) |         |       |           |        |            | 273,744 |            |
| Net cash from financing activities             | 23,680    | 293,520 | 4,500 | (174,759) | 11,386 | (401,525)  | 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 |

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

**Three Months Ended March 31, 2013**

(in thousands)

|  | Noble-<br>Cayman | NHC and NDH<br>Combined | NDC      | NHIL        | NDS6       | Other<br>Non-guarantor<br>Subsidiaries<br>of Noble | Consolidating<br>Adjustments | Total      |
|--|------------------|-------------------------|----------|-------------|------------|--|------------------------------|------------|
| <b>Cash flows from operating activities</b>                    |                  |                         |          |             |            |  |                              |            |
| Net cash from operating activities                             | \$ (24,033)      | \$ 21,420               | \$ 2,894 | \$ (72,200) | \$ (9,167) | \$ 295,344   | \$                           | \$ 214,258 |
| <b>Cash flows from investing activities</b>                    |                  |                         |          |             |            |  |                              |            |
| New construction and capital expenditures                      |                  | (168,711)               | (18)     |             |            | (269,536)  |                              | (438,265)  |
| Net cash from investing activities                             |                  | (168,711)               | (18)     |             |            | (269,536)  |                              | (438,265)  |
| <b>Cash flows from financing activities</b>                    |                  |                         |          |             |            |  |                              |            |
| Net change in borrowings outstanding on bank credit facilities | 209,680          |                         |          |             |            |  |                              | 209,680    |
| Financing costs on credit facilities                           | (1,895)          |                         |          |             |            |  |                              | (1,895)    |
| Distributions to parent company, net                           | (53,110)         |                         |          |             |            |  |                              | (53,110)   |
| Advances (to) from affiliates                                  | (131,640)        | 146,864                 | (2,876)  | 72,200      | 9,167      | (93,715)   |                              |            |
| Net cash from financing activities                             | 23,035           | 146,864                 | (2,876)  | 72,200      | 9,167      | (93,715)   |                              | 154,675    |
| Net change in cash and cash equivalents                        | (998)            | (427)                   |          |             |            | (67,907)   |                              | (69,332)   |
| Cash and cash equivalents,                                     | 1,003            | 904                     |          | 2           |            | 275,466  |                              | 277,375    |

beginning of period

|  |    |   |    |     |    |  |    |   |    |         |    |         |
|--|----|---|----|-----|----|--|----|---|----|---------|----|---------|
| Cash and cash equivalents, end of period | \$ | 5 | \$ | 477 | \$ |  | \$ | 2 | \$ | 207,559 | \$ | 208,043 |
|--|----|---|----|-----|----|--|----|---|----|---------|----|---------|

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**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, 2014, and our results of operations for the three months ended March 31, 2014 and 2013. 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, 2013 filed by Noble Corporation plc, a company registered under the laws of England and Wales ( Noble-UK ), and Noble Corporation, a Cayman Islands company ( Noble-Cayman ).

**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 regarding contract backlog, fleet status, our financial position, business strategy, timing or results of acquisitions or dispositions, a potential Separation, including any related spin-off or distribution to shareholders, of our standard specification business (including form, timing and fleet composition), repayment of debt, borrowings under our credit facilities or other instruments, completion, delivery dates and acceptance of our newbuild rigs, future capital expenditures, contract commitments, dayrates, contract commencements, extension or renewals, 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, 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 expressions are included 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, 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, 2013, 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**

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

two dynamically positioned, ultra-deepwater, harsh environment drillships; and  
  
three high-specification, heavy-duty, harsh environment jackups.

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

## **Outlook**

The short-term business environment for offshore drillers during the first three months of 2014 has been challenging. While the price of Brent Crude, a key factor in determining customer activity levels, remained generally steady throughout the period, there has been a decrease in contractual activity particularly for ultra-deepwater and deepwater rigs with delays in ultra-deepwater projects as operators evaluate development costs. Many analysts project a decrease in the rate of global offshore exploration and development spending increases relative to previous years. In addition, supply has increased due to a significant number of newbuild units that are forecast to enter the market over the next 12 months. While we believe the short-term outlook has downside risks, we continue to have confidence in the long-term fundamentals for the industry. These fundamental factors include stable crude oil prices, strong exploration results, geographic expansion of deepwater drilling activities, a growing backlog of multi-year field development programs and greater access by our customers to promising offshore regions, as evidenced by the Australian government releasing 30 oil and gas blocks for bidding and energy reform legislation in Mexico that could potentially lead to an increase in drilling activity in Mexican waters.

## **Results and Strategy**

Our goal is to be the preferred offshore drilling contractor for the oil and gas industry based upon the following core principles:

operate in a manner that provides a safe working environment for our employees while protecting the environment and our assets;

provide an attractive investment vehicle for our shareholders; and

deliver exceptional customer service through a large, diverse and technically advanced fleet operated by competent personnel.

Our business strategy also focuses on the active expansion of our worldwide deepwater and high specification jackup capabilities through construction, modifications and acquisitions, the deployment of our drilling assets in important oil and gas producing areas throughout the world and the potential divestiture of our standard specification drilling units.

We have actively expanded our offshore deepwater drilling and high specification jackup capabilities in recent years through the construction and acquisition of rigs. As part of this technical and operational expansion, we 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 the ability to complete the increasingly more complex programs required by our customers. During the first quarter of 2014, we continued to execute our newbuild program, completing the following milestones:

we commenced operations on the *Noble Regina Allen*, a high-specification, heavy duty, harsh environment jackup, under an 18-month contract in the North Sea in the first quarter of 2014;

we commenced operations on the *Noble Houston Colbert*, a high-specification, heavy duty, harsh environment jackup, under a 10-month contract in Argentina in the first quarter of 2014;

we completed construction of the *Noble Sam Turner*, a high-specification, heavy duty, harsh environment jackup, which was delivered from the shipyard during the first quarter of 2014 and is scheduled to complete acceptance testing and begin operations under a two-year contract in the North Sea in the third quarter of 2014;

we continued construction of two dynamically positioned, ultra-deepwater, harsh environment drillships at Hyundai Heavy Industries Co. Ltd.;

we continued construction of two high-specification, heavy duty, harsh environment jackups; and

we continued construction of one ultra-high specification jackup.

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Subsequent to March 31, 2014, the newbuild drillship, *Noble Sam Croft*, was delivered from the shipyard. This unit is currently mobilizing and undergoing final commissioning and customer acceptance testing before commencing its contract in the U.S. Gulf of Mexico during the third quarter of 2014.

While we cannot predict the future level of demand or dayrates for our drilling services or future conditions in the offshore contract drilling industry, we continue to believe we are well positioned within the industry and that our newbuild activity will further strengthen our position.

**Proposed Spin-off Transaction**

In September 2013, we announced that our Board of Directors approved a plan to reorganize our business by means of a separation and spin-off of a newly formed wholly-owned subsidiary, Paragon Offshore Limited ( Paragon Offshore ), whose assets and liabilities would consist of most of our standard specification drilling units and related assets, liabilities and business (the Separation ), resulting in the creation of two separate and highly focused offshore drilling companies. The drilling units to be owned and operated by Paragon Offshore consist of five drillships, three semisubmersibles and 34 jackups. Paragon Offshore would also be responsible for the Hibernia platform operations offshore Canada and one FPSO. Following the Separation, we will continue to own and operate our high-specification assets with particular operating focus in deepwater and ultra-deepwater markets for drillships and semisubmersibles and harsh environment and high-specification markets for jackups.

The Separation of the standard specification business will be effected through the distribution of 100 percent of the shares of Paragon Offshore to Noble-UK shareholders during the third quarter of 2014 in a spin-off that would be tax-free to shareholders. The Separation is subject to approval by our shareholders, which is being sought at the annual general meeting scheduled to be held during the second quarter of 2014, as well as final approval by our Board of Directors of the actual dividend and other customary matters. We have received a private letter ruling from the U.S. Internal Revenue Service stating that the Separation is expected to qualify as a tax-free transaction under sections 368(a)(1)(D) and 355, and related provisions, of the Internal Revenue Code of 1986, as amended. We expect that Paragon Offshore would use the net proceeds from the issuance of debt securities and borrowings under its credit facilities to repay its indebtedness to Noble. We expect that, in turn, Noble would use such proceeds to repay outstanding third-party debt of Noble-Cayman and its subsidiaries. There can be no assurance that our proposed plan will lead to Separation of Paragon Offshore as described herein or to any other transaction, or that if any transaction is pursued, that it will be consummated.

**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, 2014, the amount of our contract drilling services backlog and the percent of available operating days committed for the periods indicated:

|   | Total     | 2014<br>(1) | Year Ending December 31, |          |          |           |
|---|-----------|-------------|--------------------------|----------|----------|-----------|
|   |           |             | 2015                     | 2016     | 2017     | 2018-2023 |
| (In millions)   |           |             |                          |          |          |           |
| <b>Contract Drilling Services Backlog</b>                 |           |             |                          |          |          |           |
| Semisubmersibles/Drillships <sup>(2)</sup> <sup>(6)</sup> | \$ 10,954 | \$ 2,227    | \$ 2,812                 | \$ 1,978 | \$ 1,243 | \$ 2,694  |
| Jackups <sup>(3)</sup>                                    | 3,375     | 1,283       | 1,005                    | 420      | 230      | 437       |



|                      |           |          |          |          |          |          |
|----------------------|-----------|----------|----------|----------|----------|----------|
| Total <sup>(4)</sup> | \$ 14,329 | \$ 3,510 | \$ 3,817 | \$ 2,398 | \$ 1,473 | \$ 3,131 |
|----------------------|-----------|----------|----------|----------|----------|----------|

**Percent of Available Days Committed <sup>(5)</sup>**

|                             |     |     |     |     |    |
|-----------------------------|-----|-----|-----|-----|----|
| Semisubmersibles/Drillships | 74% | 62% | 41% | 24% | 9% |
| Jackups                     | 74% | 39% | 11% | 4%  | 1% |
| Total                       | 73% | 47% | 22% | 11% | 4% |

(1) Represents a nine-month period beginning April 1, 2014.

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(2) Our drilling contracts with *Petróleo Brasileiro S.A. ( Petrobras )* provide an opportunity for us to earn performance bonuses based on reaching targets for downtime experienced for our rigs operating offshore Brazil. Our backlog includes an amount equal to 50 percent of potential performance bonuses for such rigs, or \$83 million.

The drilling contracts with *Royal Dutch Shell, PLC ( Shell )* for the *Noble Globetrotter I, Noble Globetrotter II, Noble Jim Thompson, Noble Clyde Boudreaux, Noble Max Smith, 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 contract. Our backlog includes an amount equal to 25 percent of potential performance bonuses for these rigs, or \$173 million.

(3) *Petróleos Mexicanos ( Pemex )* has the ability to cancel its drilling contracts on 30 days or less notice without Pemex's making an early termination payment. At March 31, 2014, we had 10 rigs contracted to Pemex in Mexico, and our backlog includes approximately \$388 million related to such contracts.

(4) Some of our drilling contracts provide the customer with certain early termination rights.

(5) 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 2014 through 2016.

(6) 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 vessels. As of March 31, 2014, the combined amount of backlog for these rigs totals \$1.9 billion, all of which is included in our backlog. Noble's proportional interest in the backlog for these rigs was \$944 million.

Our contract drilling services backlog reflects estimated future revenues attributable to both signed drilling contracts and letters of intent that we expect to realize. 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.

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, 2013.

As of March 31, 2014, we estimate Shell, Freeport-McMoRan Copper & Gold and Petrobras represented approximately 51 percent, 9 percent and 9 percent, respectively, of our backlog.



**Table of Contents****Results of Operations****For the Three Months Ended March 31, 2014 and 2013**

Net income attributable to Noble-UK for the three months ended March 31, 2014 (the *Current Quarter*) was \$256 million, or \$0.99 per diluted share, on operating revenues of \$1.3 billion, compared to net income for the three months ended March 31, 2013 (the *Comparable Quarter*) of \$150 million, or \$0.59 per diluted share, on operating revenues of \$971 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 2014 and 2013, 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, 2014 and 2013 was \$29 million and \$19 million higher than operating income for Noble-UK for the same period. The operating income difference is primarily a result of executive costs directly attributable to Noble-UK for operations support and stewardship related services.

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

Operating results 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, 2014 and 2013 (dollars in thousands):

|                  | Average Rig Utilization (1) |            | Operating Days (2) |              |           | Average Dayrates   |                   |            |
|------------------|-----------------------------|------------|--------------------|--------------|-----------|--------------------|-------------------|------------|
|                  | Three Months Ended          |            | Three Months Ended |              |           | Three Months Ended |                   |            |
|                  | 2014                        | 2013       | 2014               | 2013         | % Change  | 2014               | 2013              | % Change   |
| Jackups          | 86%                         | 93%        | 3,413              | 3,598        | -5%       | \$ 124,962         | \$ 105,559        | 18%        |
| Semisubmersibles | 79%                         | 84%        | 993                | 1,053        | -6%       | 392,620            | 321,037           | 22%        |
| Drillships       | 92%                         | 83%        | 990                | 669          | 48%       | 393,892            | 315,216           | 25%        |
| Other            | 0%                          | 0%         |                    |              | 0%        |                    |                   | 0%         |
| <b>Total</b>     | <b>84%</b>                  | <b>86%</b> | <b>5,396</b>       | <b>5,320</b> | <b>1%</b> | <b>\$ 223,559</b>  | <b>\$ 174,578</b> | <b>28%</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.

**Table of Contents****Contract Drilling Services**

The following table sets forth the operating results for our contract drilling services segment for the three months ended March 31, 2014 and 2013 (dollars in thousands):

|                                      | Three Months Ended<br>March 31, |            | Change     |       |
|--------------------------------------|---------------------------------|------------|------------|-------|
|                                      | 2014                            | 2013       | \$         | %     |
| <b>Operating revenues:</b>           |                                 |            |            |       |
| Contract drilling services           | \$ 1,206,304                    | \$ 928,737 | \$ 277,567 | 30%   |
| Reimbursables (1)                    | 36,133                          | 20,711     | 15,422     | 74%   |
| Other                                | 1                               | 10         | (9)        | -90%  |
|                                      | \$ 1,242,438                    | \$ 949,458 | \$ 292,980 | 31%   |
| <b>Operating costs and expenses:</b> |                                 |            |            |       |
| Contract drilling services           | \$ 561,131                      | \$ 480,126 | \$ 81,005  | 17%   |
| Reimbursables (1)                    | 30,118                          | 14,469     | 15,649     | 108%  |
| Depreciation and amortization        | 241,574                         | 202,619    | 38,955     | 19%   |
| General and administrative           | 25,428                          | 25,057     | 371        | 1%    |
| Non-recurring spin-off related costs | 320                             |            | 320        | **    |
| Gain on contract extinguishment      |                                 | (1,800)    | 1,800      | -100% |
|                                      | 858,571                         | 720,471    | 138,100    | 19%   |
| <b>Operating income</b>              | \$ 383,867                      | \$ 228,987 | \$ 154,880 | 68%   |

(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.

\*\* Not a meaningful percentage.

*Operating Revenues* Changes in contract drilling services revenues for the Current Quarter as compared to the Comparable Quarter were driven by increases in both average dayrates and operating days. The 28 percent increase in average dayrates increased revenue by approximately \$265 million while the 1 percent increase in operating days increased revenues by \$13 million.

The increase in contract drilling services revenues relates to our drillships, semisubmersibles and jackups, which generated approximately \$179 million, \$52 million and \$47 million more revenue, respectively, in the Current Quarter.

The increase in drillship revenues was driven by a 48 percent increase in operating days and a 25 percent increase in average dayrates, resulting in a \$101 million and a \$78 million increase in revenues, respectively, from the Comparable Quarter. The increase in both average dayrates and operating days was the result of the *Noble Don Taylor*, *Noble Globetrotter II* and *Noble Bob Douglas*, which commenced their contracts in August 2013, September

2013 and December 2013, respectively. Additionally, the *Noble Roger Eason* returned to full operations during the Current Quarter, after receiving a reduced rate while in the shipyard to undergo its reliability upgrade project during the Comparable Quarter.

The 22 percent increase in average dayrates on our semisubmersibles resulted in a \$71 million increase in revenues from the Comparable Quarter. The increase in average dayrates is due to favorable dayrate changes on new contracts across the semisubmersible fleet. The 6 percent decline in operating days resulted in a \$19 million decline in revenues driven by the *Noble Homer Ferrington*, which was uncontracted in the Current Quarter but experienced full utilization during the Comparable Quarter.

The 18 percent increase in jackup average dayrates resulted in a \$66 million increase in revenues from the Comparable Quarter. The increase in average dayrates resulted from favorable dayrate changes on new contracts across the jackup fleet, as well as the newbuild jackups operating at favorable dayrates. The 5 percent decline in operating days resulted in a \$19 million decline in revenues driven by the *Noble Gus Androes* and *Noble Charlie Yester*, which were off contract in the Current Quarter but experienced full utilization during the Comparable Quarter and increased downtime on the *Noble Percy Johns* and *Noble John Sandifer* during the Current Quarter. These decreases were partially offset by the contract commencements of the *Noble Mick O'Brien*, *Noble Regina Allen* and *Noble Houston Colbert* in November 2013, January 2014 and March 2014, respectively. Additionally, the *Noble Lewis Dugger*, which was sold in July 2013, was fully utilized during the Comparable Quarter.

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**Operating Costs and Expenses** Contract drilling services operating costs and expenses increased \$81 million for the Current Quarter as compared to the Comparable Quarter. A portion of the increase is due to the crew-up and operating expenses for our newbuild rigs as they commenced operating under contracts, which added approximately \$73 million in expense in the Current Quarter. The remaining change was primarily driven by a \$14 million increase in labor costs and a \$7 million increase in mobilization due to the amortization of certain rig moves and the demobilization of rigs. These increases were partially offset by a \$13 million decrease in maintenance and rig-related expense.

The increase in depreciation and amortization in the Current Quarter from the Comparable Quarter was primarily attributable to assets placed in service, including the *Noble Don Taylor*, *Noble Globetrotter II*, *Noble Mick O'Brien*, *Noble Bob Douglas*, *Noble Regina Allen* and *Noble Houston Colbert*.

**Other**

The following table sets forth the operating results for our other services for the three months ended March 31, 2014 and 2013 (dollars in thousands):

|                                      | <b>Three Months<br/>Ended<br/>March 31,</b> |               | <b>Change</b>      |               |
|--------------------------------------|---|---------------|--------------------|---------------|
|                                      | <b>2014</b>                                 | <b>2013</b>   | <b>\$</b>          | <b>%</b>      |
| <b>Operating revenues:</b>           |   |               |                    |               |
| Labor contract drilling services     | \$ 8,212                                    | \$ 21,054     | \$ (12,842)        | -61%          |
| Reimbursables (1)                    | 520   | 463           | 57                 | 12%           |
|                                      | \$ 8,732                                    | \$ 21,517     | \$ (12,785)        | -59%          |
| <b>Operating costs and expenses:</b> |   |               |                    |               |
| Labor contract drilling services     | \$ 6,226                                    | \$ 12,249     | \$ (6,023)         | -49%          |
| Reimbursables (1)                    | 488   | 453           | 35                 | 8%            |
| Depreciation and amortization        | 4,331                                       | 3,537         | 794                | 22%           |
| General and administrative           | 209   | 512           | (303)              | -59%          |
| Non-recurring spin-off related costs | 12,085                                      | 3,962         | 8,123              | 205%          |
|                                      | 23,339                                      | 20,713        | 2,626              | 13%           |
| <b>Operating (loss)/income</b>       | <b>\$ (14,607)</b>                          | <b>\$ 804</b> | <b>\$ (15,411)</b> | <b>-1917%</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 and Costs and Expenses** The decrease in both revenue and expense primarily relates to the cancellation of a project with our customer, Shell, for one of its rigs that was operating under a labor contract in Alaska. The project was cancelled on March 31, 2013.

***Other Income and Expenses***

*Non-recurring spin-off related costs* Non-recurring spin-off related costs increased \$8 million in the Current Quarter from the Comparable Quarter for professional fees and other costs incurred related to the proposed Separation of most of our standard specification assets.

*Interest Expense, net of amount capitalized* Interest expense, net of amount capitalized, increased \$13 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 three of our newbuild drillships and three of our newbuild jackups, coupled with increased borrowings outstanding under our credit facilities and commercial paper program. During the Current Quarter, we capitalized approximately 26 percent of total interest charges versus approximately 52 percent during the Comparable Quarter.



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*Income Tax Provision* Our income tax provision increased \$20 million in the Current Quarter driven by higher pre-tax income. This was partially offset by a lower effective tax rate in the Current Quarter. The 62 percent increase in pre-tax earnings generated a \$21 million increase in tax expense while the 2 percent decline in the effective tax rate during the Current Quarter decreased the income tax provision by \$1 million. The favorable change in the effective tax rate was a result of certain discrete benefits recognized during the Current Quarter.

## **Liquidity and Capital Resources**

### *Overview*

Net cash from operating activities for the Current Quarter was \$506 million and \$203 million in the Comparable Quarter. The increase in net cash from operating activities in the Current Quarter was primarily attributable to a significant increase in net income. We had working capital of \$477 million and \$339 million at March 31, 2014 and December 31, 2013, respectively. Our total debt as a percentage of total debt plus equity increased slightly to 38.2 percent at March 31, 2014 from 38.0 percent at December 31, 2013, primarily as a result of an increase in indebtedness outstanding on our commercial paper program during the Current Quarter.

Our principal sources of capital in the Current Quarter were cash generated from operating activities noted above and borrowings through our commercial paper program. Cash generated during the Current Quarter was primarily used to fund our capital expenditure program.

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

committed capital expenditures, including expenditures for newbuild projects currently underway;

normal recurring operating expenses;

discretionary capital expenditures, including various capital upgrades;

non-recurring spin-off related costs;

payments of dividends; and

repayment of maturing debt.

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 as necessary.

At March 31, 2014, we had a total contract drilling services backlog of approximately \$14.3 billion. Our backlog as of March 31, 2014 reflects a commitment of 73 percent of available days for the remainder of 2014 and 47 percent of available days for 2015. For additional information regarding our backlog, see [Contract Drilling Services Backlog](#).

***Capital Expenditures***

Our primary use of available liquidity during 2014 is for capital expenditures. Capital expenditures, including capitalized interest, totaled \$517 million and \$372 million for the three months ended March 31, 2014 and 2013, respectively.

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At March 31, 2014, we had five rigs under construction, and capital expenditures, excluding capitalized interest, for new construction during the first three months of 2014 totaled \$326 million, as follows (in millions):

| <b>Rig type/name</b>                                   |                 |
|--|-----------------|
| <b><u>Currently under construction</u></b>             |                 |
| Drillships   |                 |
| <i>Noble Sam Croft**</i>                               | \$ 16.1         |
| <i>Noble Tom Madden</i>                                | 15.3            |
| Jackups  |                 |
| <i>Noble Tom Prosser</i>                               | 3.4             |
| <i>Noble Sam Hartley</i>                               | 2.8             |
| <i>Noble Jackup VII (CJ70-Mariner)</i>                 | 1.4             |
| <b><u>Recently completed construction projects</u></b> |                 |
| <i>Noble Sam Turner</i>                                | 135.8           |
| <i>Noble Houston Colbert</i>                           | 134.3           |
| <i>Noble Globetrotter II</i>                           | 11.0            |
| <i>Noble Bob Douglas</i>                               | 4.0             |
| <i>Noble Regina Allen</i>                              | 1.0             |
| <i>Noble Don Taylor</i>                                | 0.7             |
| <i>Noble Mick O Brien</i>                              | 0.3             |
| Other  | 0.1             |
| <b>Total Newbuild Capital Expenditures</b>             | <b>\$ 326.2</b> |

\*\* This unit was delivered from the shipyard subsequent to March 31, 2014.

In addition to the newbuild expenditures noted above, capital expenditures during the first three months of 2014 consisted of the following:

\$177 million for major projects, subsea related expenditures and upgrades and replacements to drilling equipment; and

\$14 million in capitalized interest.

Our total capital expenditure estimate for 2014 is approximately \$2.6 billion. In addition, we anticipate incurring 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, 2014, we had outstanding commitments, including shipyard and purchase commitments, for approximately \$1.7 billion, of which we expect to spend approximately \$1.3 billion 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.

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**Table of Contents*****Dividends***

Our most recent quarterly dividend payment to shareholders, totaling approximately \$97 million (or \$0.375 per share), was declared on January 30, 2014 and paid on February 20, 2014 to holders of record on February 10, 2014. This payment includes the third tranche (\$0.25 per share) of our previously approved annual dividend payment to shareholders, and an increase of \$0.125 per share that was approved by the Board of Directors in January 2014. Under our current dividend policy, we expect to pay a dividend of \$1.50 per share on an annualized basis.

In April 2014, our Board of Directors approved the payment of our quarterly dividend to shareholders. This payment represents the final tranche (\$0.25 per share) of our previously approved annual dividend payment to shareholders, as well as an additional \$0.125 per share declared by the Board of Directors in accordance with the current dividend policy.

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 of future dividends will depend on our results of operations, financial condition, cash requirements, future business prospects, contractual restrictions and other factors deemed relevant by our Board of Directors.

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

We currently have three separate credit facilities with an aggregate maximum available capacity of \$2.9 billion (together referred to as the "Credit Facilities"). We have established a commercial paper program, which allows us to issue up to \$2.7 billion in unsecured commercial paper notes. Amounts issued under the commercial paper program are supported by the unused capacity under our Credit Facilities and, therefore, are classified as long-term on our Consolidated Balance Sheet. Outstanding commercial paper reduces availability under our Credit Facilities. Our total debt related to the Credit Facilities and commercial paper program was \$2.0 billion at March 31, 2014 as compared to \$1.6 billion at December 31, 2013. At March 31, 2014, we had approximately \$900 million of available capacity under the Credit Facilities.

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

***Senior Unsecured Notes***

Our total debt related to senior unsecured notes was \$3.7 billion at March 31, 2014 as compared to \$4.0 billion at December 31, 2013. The decrease in senior unsecured notes outstanding is a result of the maturity of our \$250 million 7.375% Senior Notes during March 2014, which was repaid using issuances under our commercial paper program.

***Covenants***

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

tangible capitalization was approximately 0.38. We were in compliance with all covenants under the Credit Facilities as of March 31, 2014.

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

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### *Other*

At March 31, 2014, we had letters of credit of \$323 million and performance and temporary import bonds totaling \$116 million supported by surety bonds outstanding. Certain of our subsidiaries issue guarantees to the temporary import status of rigs or equipment imported into certain countries in which we operate. These guarantees are issued in-lieu of payment of custom, value added or similar taxes in those countries.

### **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. 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 from 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, 2014, we had \$2.0 million in borrowings outstanding under our 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 \$20 million per year.

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 \$5.9 billion and \$5.7 billion at March 31, 2014 and December 31, 2013, respectively. The increase in fair value was primarily a result of increased indebtedness outstanding under our commercial paper program coupled with changes in interest rates and market perceptions of our credit risk, partially offset by the repayment of our \$250 million fixed rate senior note.

#### ***Foreign Currency Risk***

Although we are a UK 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.



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Our North Sea, Mexico and Brazil operations have a significant amount of their cash operating expenses payable in local currencies. To limit the potential risk of currency fluctuations, we periodically enter into forward contracts during the first quarter of each year, which settle monthly in the operations' respective local currencies. All of these contracts have a maturity of less than 12 months. The forward contract settlements in the remainder of 2014 represent approximately 52 percent of these forecasted local currency requirements. The notional amount of the forward contracts outstanding, expressed in U.S. dollars, was approximately \$284 million at March 31, 2014. Total unrealized gain related to these forward contracts was approximately \$6 million as of March 31, 2014 and was 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 \$28 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 Services Inc. 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 all 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, Noble Enterprises Limited and Noble Drilling (Nederland) B.V., all 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, Mr. Williams and Mr. MacLennan have concluded that Noble-UK's disclosure controls and procedures were effective as of March 31, 2014. 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, 2014. 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.

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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, 2014 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 4 and 12 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 1A. Risk Factors**

#### **Risk Factors Relating to Our Business**

The risk factor below updates and supplements the risk described under "Risk Factors Relating to Our Business" in Part I, Item 1A, "Risk Factors," of our Annual Report on Form 10-K for the year ended December 31, 2013, and should be considered together with the risk factors described in that report.

#### ***Possible changes in tax laws could affect us and our shareholders.***

We operate through various subsidiaries in numerous countries throughout the world. Consequently, we are subject to changes in tax laws, treaties or regulations or the interpretation or enforcement thereof in the United Kingdom, the U.S. or jurisdictions in which we or any of our subsidiaries operate or are incorporated. For example, the recently published draft legislation by the UK government could restrict deductions on certain related party transactions, such as those relating to the bareboat charter agreements used in connection with our UK continental shelf operations. If enacted, the proposed legislation is expected to become effective retroactively to April 1, 2014 and would result in an increase in the effective tax rate on our consolidated operations.

Tax laws and regulations are highly complex and subject to interpretation. Consequently, we are subject to changing tax laws, treaties and regulations in and between countries in which we operate. Our income tax expense is based upon our interpretation of the tax laws in effect in various countries at the time that the expense was incurred. If these laws, treaties or regulations change or other taxing authorities do not agree with our assessment of the effects of such laws, treaties and regulations, this could have a material adverse effect on us, resulting in a higher effective tax rate on our worldwide earnings or a reclassification of the tax impact of our significant corporate restructuring transactions.

In addition, the manner in which our shareholders are taxed on distributions on, and dispositions of, our shares could be affected by changes in tax laws, treaties or regulations or the interpretation or enforcement thereof in the United Kingdom, the U.S. or other jurisdictions in which our shareholders are resident. Any such changes could result in increased taxes for our shareholders and affect the trading price of our shares.

### **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. Prior to our redomiciliation to the UK, a resolution was adopted by the Board of Directors authorizing the repurchase of 6,769,891 shares during the five-year period commencing on the date of the redomiciliation. This number of shares corresponds to the number of shares that Noble Corporation, a Swiss corporation, had authority to repurchase at the time of the redomiciliation. 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. During the three months ended March 31, 2014, there were no repurchases by Noble-UK of its shares.

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**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.

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**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 company registered under the laws of England and Wales

/s/ David W. Williams  
David W. Williams

May 12, 2014  
Date

Chairman, President and Chief Executive Officer

(Principal Executive Officer)

/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

May 12, 2014  
Date

President and Chief Executive Officer

(Principal Executive Officer)

/s/ Dennis J. Lubojacky  
Dennis J. Lubojacky

Vice President and Chief Financial Officer

(Principal Financial Officer)

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| Exhibit |   |
|---------|---|
| 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).  |
| 3.1     | Articles of Association of Noble-UK (filed as Exhibit 3.1 to Noble-UK s Current Report on Form 8-K filed on November 20, 2013 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).  |
| 10.1*   | Sixth Amended and Restated Noble Corporation 1992 Nonqualified Stock Option and Share Plan for Non-Employee Directors, effective as of January 30, 2014 (filed as exhibit 10.24 to Noble-UK s Annual Report on Form 10-K for the year ended December 31, 2013 and incorporated herein by reference).  |
| 10.2*   | Noble Corporation 1991 Stock Option and Restricted Stock Plan, effective as of January 30, 2014 (filed as exhibit 10.29 to Noble-UK s Annual Report on Form 10-K for the year ended December 31, 2013 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.