

Noble Corp plc  
Form 10-Q  
August 04, 2017

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

---

FORM 10-Q

---

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

For the quarterly period ended: June 30, 2017

OR

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

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

Commission file number: 001-36211

---

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

---

England and Wales (Registered Number 08354954) 98-0619597  
(State or other jurisdiction of (I.R.S. employer  
incorporation or organization) 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 98-0366361  
(State or other jurisdiction of (I.R.S. employer  
incorporation or organization) 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, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer,"

Edgar Filing: Noble Corp plc - Form 10-Q

“accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one):

Noble Corporation plc:	<input checked="" type="checkbox"/> Large accelerated filer	<input type="checkbox"/> Accelerated filer	<input type="checkbox"/> Non-accelerated filer	<input type="checkbox"/> Smaller reporting company	<input type="checkbox"/> Emerging growth company
Noble Corporation:	<input type="checkbox"/> Large accelerated filer	<input type="checkbox"/> Accelerated filer	<input checked="" type="checkbox"/> Non-accelerated filer	<input type="checkbox"/> Smaller reporting company	<input type="checkbox"/> Emerging growth 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 July 25, 2017: Noble Corporation plc — 244,903,025

Number of shares outstanding: Noble Corporation — 261,245,693

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

---

## TABLE OF CONTENTS

	Page
<b>PART I <u>FINANCIAL INFORMATION</u></b>	
Item 1 <u>Financial Statements</u>	
Noble Corporation plc (Noble-UK) Financial Statements:	
<u>Condensed Consolidated Balance Sheets as of June 30, 2017 and December 31, 2016</u>	3
<u>Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2017 and 2016</u>	4
<u>Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended June 30, 2017 and 2016</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2017 and 2016</u>	6
<u>Condensed Consolidated Statements of Equity for the six months ended June 30, 2017 and 2016</u>	7
Noble Corporation (Noble-Cayman) Financial Statements:	
<u>Condensed Consolidated Balance Sheets as of June 30, 2017 and December 31, 2016</u>	8
<u>Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2017 and 2016</u>	9
<u>Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended June 30, 2017 and 2016</u>	10
<u>Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2017 and 2016</u>	11
<u>Condensed Consolidated Statements of Equity for the six months ended June 30, 2017 and 2016</u>	12
<u>Notes to Combined Condensed Consolidated Financial Statements</u>	13
Item 2 <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	37
Item 3 <u>Quantitative and Qualitative Disclosures About Market Risk</u>	48
Item 4 <u>Controls and Procedures</u>	49
<b>PART II <u>OTHER INFORMATION</u></b>	
Item 1 <u>Legal Proceedings</u>	50
Item 1A <u>Risk Factors</u>	50
Item 2 <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	50
Item 6 <u>Exhibits</u>	50
<u>SIGNATURES</u>	51
<u>Index to Exhibits</u>	52

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



## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

NOBLE CORPORATION PLC AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

(Unaudited)

	June 30, 2017	December 31, 2016
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$602,977	\$725,722
Accounts receivable, net	242,657	319,152
Taxes receivable	18,169	55,480
Prepaid expenses and other current assets	74,290	92,260
Total current assets	938,093	1,192,614
Property and equipment, at cost	12,410,857	12,364,888
Accumulated depreciation	(2,572,562 )	(2,302,940 )
Property and equipment, net	9,838,295	10,061,948
Other assets	248,709	185,555
Total assets	\$11,025,097	\$11,440,117
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Current maturities of long-term debt	\$249,475	\$299,882
Accounts payable	86,643	108,224
Accrued payroll and related costs	38,326	48,383
Taxes payable	89,738	46,561
Interest payable	99,662	61,299
Other current liabilities	84,610	68,944
Total current liabilities	648,454	633,293
Long-term debt	3,793,894	4,040,229
Deferred income taxes	212,526	2,084
Other liabilities	297,806	297,066
Total liabilities	4,952,680	4,972,672
Commitments and contingencies (Note 14)		
Shareholders' equity		
Common stock, \$0.01 par value, ordinary shares; 244,903 and 243,239 shares outstanding as of June 30, 2017 and December 31, 2016, respectively	2,449	2,432
Additional paid-in capital	665,014	654,168
Retained earnings	4,759,260	5,154,221
Accumulated other comprehensive loss	(50,354 )	(52,140 )
Total shareholders' equity	5,376,369	5,758,681
Noncontrolling interests	696,048	708,764
Total equity	6,072,417	6,467,445
Total liabilities and equity	\$11,025,097	\$11,440,117

See accompanying notes to the unaudited condensed consolidated financial statements.

NOBLE CORPORATION PLC AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Operating revenues				
Contract drilling services	\$271,532	\$876,697	\$626,191	\$1,468,064
Reimbursables	6,599	17,933	14,903	38,539
Other	11	153	24	153
	278,142	894,783	641,118	1,506,756
Operating costs and expenses				
Contract drilling services	162,371	244,176	322,756	495,424
Reimbursables	4,394	14,298	9,540	30,304
Depreciation and amortization	136,594	150,946	272,312	300,665
General and administrative	18,658	19,033	34,538	38,573
Loss on impairment	—	16,616	—	16,616
	322,017	445,069	639,146	881,582
Operating income (loss)	(43,875 )	449,714	1,972	625,174
Other income (expense)				
Interest expense, net of amount capitalized	(73,209 )	(57,306 )	(146,656 )	(114,406 )
Gain on extinguishment of debt, net	—	11,066	—	11,066
Interest income and other, net	2,664	(1,253 )	3,897	(1,983 )
Income (loss) from continuing operations before income taxes	(114,420 )	402,221	(140,787 )	519,851
Income tax benefit (provision)	18,213	(56,822 )	(239,194 )	(50,319 )
Net income (loss) from continuing operations	(96,207 )	345,399	(379,981 )	469,532
Net loss from discontinued operations, net of tax	(1,486 )	—	(1,486 )	—
Net income (loss)	(97,693 )	345,399	(381,467 )	469,532
Net (income) loss attributable to noncontrolling interests	4,343	(22,533 )	(13,577 )	(41,181 )
Net income (loss) attributable to Noble Corporation plc	\$(93,350 )	\$322,866	\$(395,044)	\$428,351
Net income (loss) attributable to Noble Corporation plc				
Income (loss) from continuing operations	\$(91,864 )	\$322,866	\$(393,558)	\$428,351
Net loss from discontinued operations, net of tax	(1,486 )	—	(1,486 )	—
Net income (loss) attributable to Noble Corporation plc	\$(93,350 )	\$322,866	\$(395,044)	\$428,351
Per share data				
Basic:				
Income (loss) from continuing operations	\$(0.37 )	\$1.28	\$(1.61 )	\$1.70
Loss from discontinued operations	(0.01 )	—	(0.01 )	—
Net income (loss) attributable to Noble Corporation plc	\$(0.38 )	\$1.28	\$(1.62 )	\$1.70
Diluted:				
Income (loss) from continuing operations	\$(0.37 )	\$1.28	\$(1.61 )	\$1.70
Loss from discontinued operations	(0.01 )	—	(0.01 )	—
Net income (loss) attributable to Noble Corporation plc	\$(0.38 )	\$1.28	\$(1.62 )	\$1.70

See accompanying notes to the unaudited condensed consolidated financial statements.



NOBLE CORPORATION PLC AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income (loss)	\$(97,693)	\$345,399	\$(381,467)	\$469,532
Other comprehensive income (loss)				
Foreign currency translation adjustments	94	38	280	806
Foreign currency forward contracts	849	(2,054)	739	(1,068)
Amortization of deferred pension plan amounts (net of tax provision of \$161 and \$410 for the three months ended June 30, 2017 and 2016, respectively, and \$328 and \$819 for the six months ended June 30, 2017 and 2016, respectively)	375	784	767	1,567
Other comprehensive income (loss), net	1,318	(1,232)	1,786	1,305
Net comprehensive (income) loss attributable to noncontrolling interests	4,343	(22,533)	(13,577)	(41,181)
Comprehensive income (loss) attributable to Noble Corporation plc	\$(92,032)	\$321,634	\$(393,258)	\$429,656

See accompanying notes to the unaudited condensed consolidated financial statements.



NOBLE CORPORATION PLC AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six Months Ended	
	June 30,	
	2017	2016
Cash flows from operating activities		
Net income (loss)	\$(381,467)	\$469,532
Adjustments to reconcile net income to net cash flow from operating activities:		
Depreciation and amortization	272,312	300,665
Loss on impairment	—	16,616
Gain on extinguishment of debt, net	—	(11,066 )
Deferred income taxes	303,084	(100,408 )
Amortization of share-based compensation	15,187	19,565
Other long-term asset write-off	14,419	—
Net change in other assets and liabilities	30,750	164,319
Net cash provided by operating activities	254,285	859,223
Cash flows from investing activities		
Capital expenditures	(48,957 )	(120,531 )
Change in accrued capital expenditures	(18,651 )	(38,378 )
Proceeds from disposal of assets	314	21,190
Net cash used in investing activities	(67,294 )	(137,719 )
Cash flows from financing activities		
Repayments of debt	(300,000 )	(322,207 )
Debt issuance costs on senior notes and credit facility	(42 )	—
Premiums paid on early repayment of long-term debt	—	(1,781 )
Dividend payments	—	(42,542 )
Dividends paid to noncontrolling interests	(5,393 )	(41,088 )
Employee stock transactions	(4,301 )	(3,153 )
Net cash used in financing activities	(309,736 )	(410,771 )
Net increase (decrease) in cash and cash equivalents	(122,745 )	310,733
Cash and cash equivalents, beginning of period	725,722	512,245
Cash and cash equivalents, end of period	\$602,977	\$822,978
See accompanying notes to the unaudited condensed consolidated financial statements.		

NOBLE CORPORATION PLC AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(In thousands)

(Unaudited)

	Shares		Additional Paid-in Capital	Retained Earnings	Accumulated		Noncontrolling Interests	Total Equity
	Balance	Par Value			Other Comprehensive Loss			
Balance at December 31, 2015	241,977	\$ 2,420	\$ 628,483	\$ 6,131,501	\$ (63,175 )	\$ 723,001	\$ 7,422,230	
Employee related equity activity								
Amortization of share-based compensation	—	—	19,565	—	—	—	19,565	
Issuance of share-based compensation shares	1,241	12	(3,585 )	—	—	—	(3,573 )	
Tax benefit of equity transactions	—	—	(5,499 )	—	—	—	(5,499 )	
Net income	—	—	—	428,351	—	41,181	469,532	
Dividends paid to noncontrolling interests	—	—	—	—	—	(41,088 )	(41,088 )	
Dividends	—	—	—	(42,691 )	—	—	(42,691 )	
Other comprehensive income, net	—	—	—	—	1,305	—	1,305	
Balance at June 30, 2016	243,218	\$ 2,432	\$ 638,964	\$ 6,517,161	\$ (61,870 )	\$ 723,094	\$ 7,819,781	
Balance at December 31, 2016	243,239	\$ 2,432	\$ 654,168	\$ 5,154,221	\$ (52,140 )	\$ 708,764	\$ 6,467,445	
Employee related equity activity								
Amortization of share-based compensation	—	—	15,187	—	—	—	15,187	
Issuance of share-based compensation shares	1,664	17	(23 )	—	—	—	(6 )	
Shares withheld for taxes on equity transactions	—	—	(4,318 )	—	—	—	(4,318 )	
Net income (loss)	—	—	—	(395,044 )	—	13,577	(381,467 )	
Dividends paid to noncontrolling interests	—	—	—	—	—	(26,293 )	(26,293 )	
Dividends	—	—	—	83	—	—	83	
Other comprehensive income, net	—	—	—	—	1,786	—	1,786	
Balance at June 30, 2017	244,903	\$ 2,449	\$ 665,014	\$ 4,759,260	\$ (50,354 )	\$ 696,048	\$ 6,072,417	

See accompanying notes to the unaudited condensed consolidated financial statements.

NOBLE CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

(Unaudited)

	June 30, 2017	December 31, 2016
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$602,178	\$653,833
Accounts receivable, net	242,657	319,152
Taxes receivable	18,169	55,480
Prepaid expenses and other current assets	74,200	88,749
Total current assets	937,204	1,117,214
Property and equipment, at cost	12,410,857	12,364,888
Accumulated depreciation	(2,572,562 )	(2,302,940 )
Property and equipment, net	9,838,295	10,061,948
Other assets	248,794	178,552
Total assets	\$11,024,293	\$11,357,714
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Current maturities of long-term debt	\$249,475	\$299,882
Accounts payable	86,414	107,868
Accrued payroll and related costs	38,340	48,319
Taxes payable	89,312	46,561
Interest payable	99,662	61,299
Other current liabilities	84,478	67,312
Total current liabilities	647,681	631,241
Long-term debt	3,793,894	4,040,229
Deferred income taxes	212,526	2,084
Other liabilities	297,806	292,183
Total liabilities	4,951,907	4,965,737
Commitments and contingencies (Note 14)		
Shareholder equity		
Common stock, \$0.01 par value, ordinary shares; 261,246 shares outstanding as of June 30, 2017 and December 31, 2016	26,125	26,125
Capital in excess of par value	609,245	594,091
Retained earnings	4,791,322	5,115,137
Accumulated other comprehensive loss	(50,354 )	(52,140 )
Total shareholder equity	5,376,338	5,683,213
Noncontrolling interests	696,048	708,764
Total equity	6,072,386	6,391,977
Total liabilities and equity	\$11,024,293	\$11,357,714

See accompanying notes to the unaudited condensed consolidated financial statements.

NOBLE CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Operating revenues				
Contract drilling services	\$271,532	\$876,697	\$626,191	\$1,468,064
Reimbursables	6,599	17,933	14,903	38,539
Other	11	253	24	853
	278,142	894,883	641,118	1,507,456
Operating costs and expenses				
Contract drilling services	161,857	242,234	321,873	491,524
Reimbursables	4,394	14,298	9,540	30,304
Depreciation and amortization	134,633	150,938	270,351	300,611
General and administrative	13,231	13,853	22,295	24,458
Loss on impairment	—	16,616	—	16,616
	314,115	437,939	624,059	863,513
Operating income (loss)	(35,973 )	456,944	17,059	643,943
Other income (expense)				
Interest expense, net of amount capitalized	(73,209 )	(57,306 )	(146,656 )	(114,406 )
Gain on extinguishment of debt, net	—	11,066	—	11,066
Interest income and other, net	2,728	(1,203 )	3,847	(1,936 )
Income (loss) from continuing operations before income taxes	(106,454 )	409,501	(125,750 )	538,667
Income tax benefit (provision)	18,213	(56,120 )	(239,160 )	(49,617 )
Net income (loss) from continuing operations	(88,241 )	353,381	(364,910 )	489,050
Net income from discontinued operations, net of tax	2,967	—	2,967	—
Net income (loss)	(85,274 )	353,381	(361,943 )	489,050
Net (income) loss attributable to noncontrolling interests	4,343	(22,533 )	(13,577 )	(41,181 )
Net income (loss) attributable to Noble Corporation	\$(80,931 )	\$330,848	\$(375,520)	\$447,869

See accompanying notes to the unaudited condensed consolidated financial statements.

NOBLE CORPORATION AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income (loss)	\$(85,274)	\$353,381	\$(361,943)	\$489,050
Other comprehensive income (loss)				
Foreign currency translation adjustments	94	38	280	806
Foreign currency forward contracts	849	(2,054)	739	(1,068)
Amortization of deferred pension plan amounts (net of tax provision of \$161 and \$410 for the three months ended June 30, 2017 and 2016, respectively, and \$328 and \$819 for the six months ended June 30, 2017 and 2016, respectively)	375	784	767	1,567
Other comprehensive income (loss), net	1,318	(1,232)	1,786	1,305
Net comprehensive (income) loss attributable to noncontrolling interests	4,343	(22,533)	(13,577)	(41,181)
Comprehensive income (loss) attributable to Noble Corporation	\$(79,613)	\$329,616	\$(373,734)	\$449,174

See accompanying notes to the unaudited condensed consolidated financial statements.

NOBLE CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six Months Ended	
	June 30,	
	2017	2016
Cash flows from operating activities		
Net income (loss)	\$(361,943)	\$489,050
Adjustments to reconcile net income to net cash flow from operating activities:		
Depreciation and amortization	270,351	300,611
Loss on impairment	—	16,616
Gain on extinguishment of debt, net	—	(11,066 )
Deferred income taxes	303,084	(100,408 )
Capital contribution by parent - share-based compensation	15,154	17,653
Other long-term asset write-off	14,419	—
Net change in other assets and liabilities	28,304	166,837
Net cash provided by operating activities	269,369	879,293
Cash flows from investing activities		
Capital expenditures	(48,957 )	(120,531 )
Change in accrued capital expenditures	(18,651 )	(38,378 )
Proceeds from disposal of assets	314	21,190
Net cash used in investing activities	(67,294 )	(137,719 )
Cash flows from financing activities		
Repayments of debt	(300,000 )	(322,207 )
Debt issuance costs on senior notes and credit facility	(42 )	—
Premiums paid on early repayment of long-term debt	—	(1,781 )
Dividends paid to noncontrolling interests	(5,393 )	(41,088 )
Contributions (distributions) from (to) parent company, net	51,705	(65,316 )
Net cash used in financing activities	(253,730 )	(430,392 )
Net increase (decrease) in cash and cash equivalents	(51,655 )	311,182
Cash and cash equivalents, beginning of period	653,833	511,795
Cash and cash equivalents, end of period	\$602,178	\$822,977
See accompanying notes to the unaudited condensed consolidated financial statements.		

NOBLE CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(In thousands)

(Unaudited)

	Shares		Capital in		Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity
	Balance	Par Value	Par Value	Retained Earnings			
Balance at December 31, 2015	261,246	\$ 26,125	\$ 561,309	\$ 6,167,211	\$ (63,175 )	\$ 723,001	\$ 7,414,471
Distributions to parent company, net	—	—	—	(65,316 )	—	—	(65,316 )
Capital contribution by parent - share-based compensation	—	—	17,653	—	—	—	17,653
Net income	—	—	—	447,869	—	41,181	489,050
Dividends paid to noncontrolling interests	—	—	—	—	—	(41,088 )	(41,088 )
Other comprehensive income, net	—	—	—	—	1,305	—	1,305
Balance at June 30, 2016	261,246	\$ 26,125	\$ 578,962	\$ 6,549,764	\$ (61,870 )	\$ 723,094	\$ 7,816,075
Balance at December 31, 2016	261,246	\$ 26,125	\$ 594,091	\$ 5,115,137	\$ (52,140 )	\$ 708,764	\$ 6,391,977
Contributions from parent company, net	—	—	—	51,705	—	—	51,705
Capital contribution by parent - share-based compensation	—	—	15,154	—	—	—	15,154
Net income (loss)	—	—	—	(375,520 )	—	13,577	(361,943 )
Dividends paid to noncontrolling interests	—	—	—	—	—	(26,293 )	(26,293 )
Other comprehensive income, net	—	—	—	—	1,786	—	1,786
Balance at June 30, 2017	261,246	\$ 26,125	\$ 609,245	\$ 4,791,322	\$ (50,354 )	\$ 696,048	\$ 6,072,386

See accompanying notes to the unaudited condensed consolidated financial statements.

NOBLE CORPORATION PLC AND SUBSIDIARIES

NOBLE CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Note 1— Organization and Basis of Presentation

Noble Corporation plc, a public limited company incorporated under the laws of England and Wales (“Noble-UK”), is a leading offshore drilling contractor for the oil and gas industry. We perform contract drilling services with our global fleet of mobile offshore drilling units. As of June 30, 2017, our fleet consisted of 14 jackups, eight drillships and six semisubmersibles.

We report our contract drilling operations as a single reportable segment, Contract Drilling Services, which reflects how we manage our business, and the fact that all of our drilling fleet is dependent upon the worldwide oil and gas industry. The mobile offshore drilling units comprising our offshore rig fleet operate in a global market for contract drilling services and are often redeployed to different regions due to changing demands of our customers, which consist largely of major independent and government-owned or controlled oil and gas companies throughout the world. As of June 30, 2017, our contract drilling services segment conducted operations in the United States, the North Sea, the Middle East and Asia. Noble and its predecessors have been engaged in the contract drilling of oil and gas wells since 1921.

Noble Corporation, a Cayman Islands company (“Noble-Cayman”), is an indirect, wholly-owned subsidiary of Noble-UK, our publicly-traded parent company. Noble-UK’s principal asset is all of the shares of Noble-Cayman. Noble-Cayman has no public equity outstanding. The condensed 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 condensed consolidated financial statements of Noble-UK and Noble-Cayman have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) as they pertain to Quarterly Reports on Form 10-Q. Accordingly, certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted pursuant to such rules and regulations. The unaudited financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the financial position and results of operations for the interim periods, on a basis consistent with the annual audited condensed consolidated financial statements. All such adjustments are of a recurring nature. The December 31, 2016 Condensed Consolidated Balance Sheets presented herein are derived from the December 31, 2016 audited consolidated financial statements, but does not include all disclosures required by GAAP. 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, 2016, 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. In accordance with our adoption of Accounting Standards Update (“ASU”) No. 2016-9, prior period excess tax benefits of approximately \$5.5 million, previously classified as a financing activity in “Employee stock transactions” on the June 30, 2016 Condensed Consolidated Statement of Cash Flows, are now classified as an operating activity in “Net change in other assets and liabilities” on the accompanying Condensed Consolidated Statement of Cash Flows for the comparative period. Prior period shares withheld for taxes on employee stock transactions of approximately \$3.2 million, previously classified as an operating activity in “Net change in other assets and liabilities” on the June 30, 2016 Condensed Consolidated Statement of Cash Flows, are now classified as a financing activity in “Employee stock transactions” on the accompanying Condensed Consolidated Statement of Cash Flows for the comparative period.

Note 2— Spin-off of Paragon Offshore plc (“Paragon Offshore”)

On August 1, 2014, Noble-UK completed the separation and spin-off of a majority of its standard specification offshore drilling business (the “Spin-off”) through a pro rata distribution of all of the ordinary shares of its wholly-owned subsidiary, Paragon Offshore, to the holders of Noble’s ordinary shares.



In February 2016, Paragon Offshore sought approval of a pre-negotiated plan of reorganization (the "Prior Plan") by filing for voluntary relief under Chapter 11 of the United States Bankruptcy Code. As part of the Prior Plan, we entered into a settlement agreement with Paragon Offshore (the "Settlement Agreement") under which, in exchange for a full and unconditional release of any claims by Paragon Offshore in connection with the Spin-off (including fraudulent conveyance claims that could be brought on behalf of Paragon Offshore's creditors), we agreed to provide certain tax bonding in Mexico as well as assume certain tax liabilities and the administration of Mexican tax claims for a specified number of years. The bonding to be provided by Noble-UK was a key benefit to Paragon Offshore of the Settlement Agreement, which was subject to bankruptcy court confirmation as part of a bankruptcy plan. The Prior Plan was rejected by the bankruptcy court in October 2016.

In April 2017, Paragon Offshore filed an updated disclosure statement and a revised plan of reorganization (the "New Plan") in its bankruptcy proceeding. Under the New Plan, including Paragon Offshore's revised business plan, Paragon Offshore no longer needed the Mexican tax bonding that Noble-UK was to provide under the Settlement Agreement. As a result, the Settlement Agreement was no longer applicable to the ongoing business of Paragon Offshore. Consequently, Paragon Offshore abandoned the Settlement Agreement as part of the New Plan, and the Settlement Agreement was terminated at the time of the filing of the New Plan. On May 2, 2017, Paragon Offshore announced that it had reached an agreement in principle with both its secured and unsecured creditors to revise the New Plan to, among other things, create and fund a \$10.0 million litigation

NOBLE CORPORATION PLC AND SUBSIDIARIES

NOBLE CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

trust to pursue litigation against us. On June 7, 2017, the revised New Plan was approved by the bankruptcy court and Paragon Offshore emerged from bankruptcy on July 18, 2017.

We expect Paragon Offshore or its creditors will use the litigation trust to pursue claims against us relating to the Spin-off, including alleged fraudulent conveyance claims. We continue to believe that Paragon Offshore, at the time of the Spin-off, was properly funded, solvent and had appropriate liquidity and that any fraudulent conveyance claim or other claim related to the Spin-off that may be brought by Paragon Offshore or its creditors, would be without merit and would be contested vigorously by us.

Prior to the completion of the Spin-off, Noble-UK and Paragon Offshore entered into a series of agreements to effect the separation and Spin-off and govern the relationship between the parties after the Spin-off (the "Separation Agreements"), including the Master Separation Agreement (the "MSA") and the Tax Sharing Agreement (the "TSA"). As part of its final bankruptcy plan, Paragon Offshore rejected the Separation Agreements. Accordingly, the indemnity obligations that Paragon Offshore potentially would have owed us under the Separation Agreements have now terminated, including indemnities arising under the MSA and the TSA in respect of obligations related to Paragon Offshore's business that were incurred through Noble-retained entities prior to the Spin-off. Likewise, any potential indemnity obligations that we would have owed Paragon Offshore under the Separation Agreements, including those under the MSA and the TSA in respect of Noble-UK's business that was conducted prior to the Spin-off through Paragon Offshore-retained entities, are now also extinguished. In the absence of the Separation Agreements, liabilities relating to the respective parties will be borne by the owner of the legal entity or asset at issue and neither party will look to an allocation based on the historic relationship of an entity or asset to one of the party's business, as had been the case under the Separation Agreements.

The rejection and ultimate termination of the indemnity and related obligations under the Separation Agreements has resulted in a number of accounting charges and benefits in this period and such termination may continue to affect us in the future as liabilities arise for which we would have been indemnified by Paragon Offshore or would have had to indemnify Paragon Offshore. We do not expect that, overall, the rejection of the Separation Agreements by Paragon Offshore will have a material adverse effect on our financial condition or liquidity. However, any loss we experience with respect to which we would have been able to secure indemnification from Paragon Offshore under one or more of the Separation Agreements could have an adverse impact on our results of operations in any period, which impact may be material depending on our results of operations during this down-cycle.

For the three and six months ended June 30, 2017, we recognized net charges of \$15.9 million, with a non-cash loss of \$1.5 million recorded in "Net loss from discontinued operations, net of tax" on our Condensed Consolidated Statement of Operations relating to the emergence from bankruptcy of Paragon Offshore.

For more information on the Separation Agreements, see our Annual Report on Form 10-K for the year ended December 31, 2016.

#### Note 3— Consolidated Joint Ventures

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

During the six months ended June 30, 2017, the Bully joint ventures approved dividends totaling \$52.6 million and paid dividends totaling \$10.8 million. During the six months ended June 30, 2016, the Bully joint ventures approved and paid dividends totaling \$82.2 million. Of these amounts, 50 percent was paid to our joint venture partner.

The combined carrying amount of the Bully-class drillships at both June 30, 2017 and December 31, 2016 totaled \$1.4 billion. These assets were primarily funded through partner equity contributions. Cash held by the Bully joint ventures totaled approximately \$83.3 million at June 30, 2017 as compared to approximately \$34.7 million at December 31,

2016.

14

---

## NOBLE CORPORATION PLC AND SUBSIDIARIES

## NOBLE CORPORATION AND SUBSIDIARIES

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

## Note 4— Share Data

## Earnings per share

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Numerator:				
Basic				
Net income (loss) attributable to Noble-UK	\$(93,350)	\$322,866	\$(395,044)	\$428,351
Net loss from discontinued operations, net of tax	1,486	—	1,486	—
Earnings allocated to unvested share-based payment awards	—	(11,577 )	—	(15,371 )
Net income (loss) from continuing operations to common shareholders - basic	\$(91,864)	\$311,289	\$(393,558)	\$412,980
Diluted				
Net income (loss) attributable to Noble-UK	\$(93,350)	\$322,866	\$(395,044)	\$428,351
Net loss from discontinued operations, net of tax	1,486	—	1,486	—
Net income (loss) from continuing operations to common shareholders - diluted	\$(91,864)	\$322,866	\$(393,558)	\$428,351
Denominator:				
Weighted average shares outstanding - basic	244,828	243,217	244,527	243,021
Incremental shares issuable from assumed exercise of stock options and outstanding unvested share-based payment awards	—	9,045	—	9,045
Weighted average shares outstanding - diluted	244,828	252,262	244,527	252,066
Earnings per share				
Basic:				
Income (loss) from continuing operations	\$(0.37 )	\$1.28	\$(1.61 )	\$1.70
Loss from discontinued operations	(0.01 )	—	(0.01 )	—
Net income (loss) attributable to Noble-UK	\$(0.38 )	\$1.28	\$(1.62 )	\$1.70
Diluted:				
Income (loss) from continuing operations	\$(0.37 )	\$1.28	\$(1.61 )	\$1.70
Loss from discontinued operations	(0.01 )	—	(0.01 )	—
Net income (loss) attributable to Noble-UK	\$(0.38 )	\$1.28	\$(1.62 )	\$1.70
Dividends per share	\$—	\$0.02	\$—	\$0.17

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 June 30, 2017 and 2016, approximately 1.3 million and 1.6 million shares underlying stock options, respectively, were excluded from the diluted earnings per share as such stock options were anti-dilutive. For both the three and six months ended June 30, 2017, we experienced net losses from continuing operations and as a result approximately 11.3 million outstanding unvested share-based payment awards were excluded from the earnings per share calculation, as such awards were anti-dilutive.

## Share capital

As of June 30, 2017, Noble-UK had approximately 244.9 million shares outstanding and trading as compared to approximately 243.2 million shares outstanding and trading at December 31, 2016. Our Board of Directors may increase our share capital through the issuance of up to 53.0 million authorized shares (at current nominal value of \$0.01 per share) without obtaining shareholder approval.

The declaration and payment of dividends require authorization of the Board of Directors of Noble-UK, provided that 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 resumption of the payment 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.

## NOBLE CORPORATION PLC AND SUBSIDIARIES

## NOBLE CORPORATION AND SUBSIDIARIES

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

## Share repurchases

Under UK law, the Company is only permitted to purchase its own shares by way of an “off-market purchase” in a plan approved by shareholders. We do not currently have shareholder authority to repurchase shares, as our approval to repurchase up to 37.0 million ordinary shares expired on April 22, 2016. During the three and six months ended June 30, 2017, we did not repurchase any of our shares.

## Note 5— Contract Settlement and Termination Agreement with Freeport-McMoRan Inc.

On May 10, 2016, Freeport-McMoRan Inc. (“Freeport”), Freeport-McMoRan Oil & Gas LLC and one of our subsidiaries entered into an agreement terminating the contracts on the Noble Sam Croft and Noble Tom Madden (“FCX Settlement”), which were scheduled to end in July 2017 and November 2017, respectively.

Pursuant to the FCX Settlement, Noble could have received contingent payments based upon the average price of oil over a 12-month period from June 30, 2016 through June 30, 2017. These contingent payments were not designated for hedge accounting treatment under FASB standards, and therefore, the change in fair value was recognized as a loss in the accompanying Condensed Consolidated Statements of Operations. For the three and six months ended June 30, 2017, we recognized losses of approximately \$6.5 million and \$14.4 million, respectively, in “Contract drilling services revenue,” related to the valuation of these contingent payments. As of June 30, 2017, the average price of oil did not meet the FCX Settlement’s threshold during the 12-month period. Accordingly, as of June 30, 2017, the fair value of these contingent payments was reduced to zero, as the period for earning the contingent payments had ended. (See Note 11— Derivative Instruments and Hedging Activities and Note 12— Fair Value of Financial Instruments for additional information).

## Note 6— Receivables from Customers

In prior periods, we had receivables of approximately \$14.4 million related to the Noble Max Smith, which had been disputed by our former customer, Petróleos Mexicanos (“Pemex”) and were classified as long-term and included in “Other assets” on our Condensed Consolidated Balance Sheet. The receivables were related 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. Paragon Offshore has announced that, as part of its bankruptcy plan, it will liquidate the Mexican entity currently prosecuting the Noble Max Smith claim against Pemex. While Noble owns all rights to amounts from that claim and will take available actions to recover such amounts, we believe the announced actions by Paragon Offshore creates uncertainty relating to the prosecution of the claim and associated recovery, and accordingly, the disputed amounts of approximately \$14.4 million were written off through “Contract drilling services costs” on the accompanying Condensed Consolidated Statements of Operations as of June 30, 2017.

## Note 7— Property and Equipment

Property and equipment, at cost, as of June 30, 2017 and December 31, 2016 for Noble-UK consisted of the following:

	June 30, 2017	December 31, 2016
Drilling equipment and facilities	\$ 12,128,734	\$ 12,048,571
Construction in progress	78,345	112,103
Other	203,778	204,214
Property and equipment, at cost	\$ 12,410,857	\$ 12,364,888

Capital expenditures, including capitalized interest, totaled \$49.0 million and \$120.5 million for the six months ended June 30, 2017 and 2016, respectively. There was no capitalized interest for the six months ended June 30, 2017, due to the completion of our newbuild program. Capitalized interest was \$3.6 million and \$7.4 million for the three and six months ended June 30, 2016, respectively.



## NOBLE CORPORATION PLC AND SUBSIDIARIES

## NOBLE CORPORATION AND SUBSIDIARIES

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

## Note 8— Debt

Our total debt consisted of the following at June 30, 2017 and December 31, 2016:

	June 30, 2017	December 31, 2016
Senior unsecured notes		
2.50% Senior Notes due March 2017	\$—	\$ 299,992
5.75% Senior Notes due March 2018	249,864	249,771
7.50% Senior Notes due March 2019	201,695	201,695
4.90% Senior Notes due August 2020	167,600	167,576
4.625% Senior Notes due March 2021	208,552	208,538
3.95% Senior Notes due March 2022	125,503	125,488
7.75% Senior Notes due January 2024	981,187	980,117
7.70% Senior Notes due April 2025	448,958	448,909
6.20% Senior Notes due August 2040	399,899	399,898
6.05% Senior Notes due March 2041	397,779	397,758
5.25% Senior Notes due March 2042	498,384	498,369
8.70% Senior Notes due April 2045	394,636	394,613
Total debt	4,074,057	4,372,724
Less: Unamortized debt issuance costs	(30,688 )	(32,613 )
Less: Current maturities of long-term debt <sup>(1)</sup>	(249,475 )	(299,882 )
Long-term debt, net of debt issuance costs	\$3,793,894	\$4,040,229

<sup>(1)</sup> Presented net of current portion of unamortized debt issuance costs of \$0.4 million and \$0.1 million at June 30, 2017 and December 31, 2016, respectively.

## Credit Facility and Commercial Paper Program

We currently have a five-year \$2.4 billion senior unsecured credit facility that matures in January 2020 and is guaranteed by our indirect, wholly owned subsidiaries, Noble Holding (U.S.) LLC ("NHUS") and Noble Holding International Limited ("NHIL"). The credit facility provides us with the ability to issue up to \$500.0 million in letters of credit. The issuance of letters of credit under the facility reduces the amount available for borrowing.

Throughout the term of the credit facility, we pay a facility fee on the daily unused amount of the underlying commitment which ranges from 0.1 percent to 0.35 percent depending on our debt ratings. At June 30, 2017, based on our debt ratings on that date, the facility fee was 0.35 percent. At June 30, 2017, we had no borrowings outstanding or letters of credit issued. In addition, our credit facility has provisions which vary the applicable interest rates based upon our debt ratings. At June 30, 2017, the interest rate in effect is the highest permitted interest rate under the credit facility.

## Debt Issuances

In December 2016, we issued \$1.0 billion aggregate principal amount of 7.75% Senior Notes, which we issued through our indirect wholly-owned subsidiary, NHIL. The net proceeds of approximately \$967.6 million, after estimated expenses, were primarily used to retire debt related to our tender offer and the remaining portion will be used for general corporate purposes.

## Senior Notes Interest Rate Adjustments

During 2016 and to date in 2017, we experienced debt rating downgrades by Moody's Investors Service and S&P Global Ratings, which reduced our debt ratings below investment grade. As a result of these downgrades, we experienced interest rate increases during 2016 and 2017 on our Senior Notes due 2018, 2025 and 2045, all of which are subject to provisions that vary the applicable interest rates if our debt rating falls below investment grade, with continued adjustments up to a contractually-defined maximum interest rate increase set for each rating agency. On



April 28, 2017, Moody's Investors Service reduced our debt rating. However, there was no further increase in the interest rates on these Senior Notes because we have reached the contractually-defined maximum interest rate increase in respect of Moody's Investors Service downgrades. The interest rates on these Senior Notes may be further increased if our debt ratings were to be downgraded further by S&P Global Ratings (up to a maximum of an additional 25 basis points) or decreased if our debt ratings were to be raised by either rating agency above specified levels.

NOBLE CORPORATION PLC AND SUBSIDIARIES

NOBLE CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Our other outstanding senior notes, including the Senior Notes due 2024 issued in December 2016, do not contain provisions varying applicable interest rates based upon our credit rating.

Debt Tender Offers and Repayments

In December 2016, we commenced cash tender offers for our 4.90% Senior Notes due 2020, of which \$467.8 million principal amount was outstanding, our 4.625% Senior Notes due 2021, of which \$396.6 million principal amount was outstanding and our 3.95% Senior Notes due 2022, of which \$400.0 million principal amount was outstanding. On December 28, 2016, we purchased \$762.3 million of these Senior Notes for \$750.0 million, plus accrued interest, using a portion of the net proceeds of the \$1.0 billion Senior Notes due 2024 issuance in December 2016. In December 2016, as a result of this transaction, we recognized a net gain of approximately \$6.7 million.

In March 2016, we commenced cash tender offers for our 4.90% Senior Notes due 2020, of which \$500.0 million principal amount was outstanding, and our 4.625% Senior Notes due 2021, of which \$400.0 million principal amount was outstanding. On April 1, 2016, we purchased \$36.0 million of these Senior Notes for \$24.0 million, plus accrued interest, using cash on hand. In April 2016, as a result of this transaction, we recognized a net gain of approximately \$11.1 million.

In March 2017, we repaid our maturing \$300.0 million 2.50% Senior Notes using cash on hand.

We currently anticipate using cash on hand to repay the outstanding principal balance of our \$250.0 million 5.75% Senior Notes, maturing in March 2018.

Covenants

The credit facility is guaranteed by NHUS and NHIL. The credit facility contains a covenant that limits our ratio of debt to total tangible capitalization, as defined in the credit facility, to 0.60. At June 30, 2017, our ratio of debt to total tangible capitalization was approximately 0.40. We were in compliance with all covenants under the credit facility as of June 30, 2017.

In addition to the covenants from the credit facility noted above, the indentures governing our outstanding senior unsecured notes contain covenants that place restrictions on certain merger and consolidation transactions, unless we are the surviving entity or the other party assumes the obligations under the indenture, and on the ability to sell or transfer all or substantially all of our assets. In addition, there are restrictions on incurring or assuming certain liens and on entering into sale and lease-back transactions. At June 30, 2017, 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 2017.

Fair Value of Debt

Fair value represents the amount at which an instrument could be exchanged in a current transaction between willing parties. The estimated fair value of our senior notes was based on the quoted market prices for similar issues or on the current rates offered to us for debt of similar remaining maturities (Level 2 measurement). All remaining fair value disclosures are presented in Note 12— Fair Value of Financial Instruments.

## NOBLE CORPORATION PLC AND SUBSIDIARIES

## NOBLE CORPORATION AND SUBSIDIARIES

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The following table presents the estimated fair value of our total debt, not including the effect of unamortized debt issuance costs, as of June 30, 2017 and December 31, 2016, respectively:

	June 30, 2017		December 31, 2016	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Senior unsecured notes:				
2.50% Senior Notes due March 2017	\$—	\$—	\$299,992	\$299,128
5.75% Senior Notes due March 2018	249,864	250,682	249,771	249,808
7.50% Senior Notes due March 2019	201,695	204,378	201,695	209,524
4.90% Senior Notes due August 2020	167,600	153,912	167,576	167,329
4.625% Senior Notes due March 2021	208,552	171,182	208,538	196,416
3.95% Senior Notes due March 2022	125,503	99,223	125,488	112,791
7.75% Senior Notes due January 2024	981,187	793,560	980,117	945,317
7.70% Senior Notes due April 2025	448,958	348,899	448,909	423,267
6.20% Senior Notes due August 2040	399,899	244,636	399,898	280,221
6.05% Senior Notes due March 2041	397,779	236,908	397,758	273,854
5.25% Senior Notes due March 2042	498,384	281,715	498,369	325,814
8.70% Senior Notes due April 2045	394,636	292,756	394,613	328,608
Total debt	\$4,074,057	\$3,077,851	\$4,372,724	\$3,812,077

## Note 9— Income Taxes

At June 30, 2017, the reserves for uncertain tax positions totaled \$190.3 million (net of related tax benefits of \$1.0 million). If the June 30, 2017 reserves are not realized, the provision for income taxes would be reduced by \$184.1 million. At December 31, 2016, the reserves for uncertain tax positions totaled \$172.5 million (net of related tax benefits of \$1.0 million).

It is reasonably possible that our existing liabilities related to our reserve for uncertain tax positions may fluctuate 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.

At June 30, 2017, our income tax provision included a non-cash, discrete item of \$260.7 million as the result of an internal tax restructuring, which was implemented to reduce costs associated with the ownership of multiple legal entities, simplify the overall legal entity structure, ease deployment of cash throughout the business and consolidate operations into one centralized group of entities. The effect of this tax restructuring will be to lower current tax expense.

As of June 30, 2017, we recorded deferred charges of \$147.5 million related to the deferral of income tax expense on intercompany asset transfers as a result of our internal tax restructuring. The deferred charges are included in “Other assets” on the accompanying Condensed Consolidated Balance Sheet and are amortized as a component of income tax expense over the remaining life of the underlying assets.

## Note 10— Employee Benefit Plans

Pension costs include the following components for the three months ended June 30, 2017 and 2016:

	Three Months Ended June 30,			
	2017		2016	
	Non-U.S.	U.S.	Non-U.S.	U.S.
Service cost	\$—	\$—	\$799	\$1,662
Interest cost	492	2,149	641	2,389

Return on plan assets	(721)	(2,941)	(904 )	(3,097 )
Amortization of prior service cost	—	—	27	29
Recognized net actuarial loss	245	366	38	1,100
Net pension benefit cost (gain)	\$ 16	\$(426)	\$ 601	\$ 2,083

19

---

## NOBLE CORPORATION PLC AND SUBSIDIARIES

## NOBLE CORPORATION AND SUBSIDIARIES

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Pension costs include the following components for the six months ended June 30, 2017 and 2016:

	Six Months Ended June 30,			
	2017		2016	
	Non-U.S.		U.S.	
Service cost	\$—	\$—	\$1,574	\$3,324
Interest cost	970	4,297	1,275	4,778
Return on plan assets	(1,422)	(5,882)	(1,799)	(6,194)
Amortization of prior service cost	—	—	53	58
Recognized net actuarial loss	511	732	75	2,200
Net pension benefit cost (gain)	\$59	\$(853)	\$1,178	\$4,166

During the second quarter of 2017, we made contributions to our pension plans totaling approximately \$0.2 million.

During the fourth quarter of 2016, we approved amendments, effective as of December 31, 2016, to our non-U.S. and U.S. defined benefit plans. With these amendments, employees and alternate payees will accrue no future benefits under the plans after December 31, 2016. However, these amendments will not affect any benefits earned through that date.

#### Note 11— Derivative Instruments and Hedging Activities

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

The FCX Settlement included two contingent payments, which are further discussed below. We accounted for these contingent payments as derivative instruments that did not qualify under the Financial Accounting Standards Board (“FASB”) standards for hedge accounting treatment, and therefore, changes in fair values were recognized as a loss in the accompanying Condensed Consolidated Statements of Operations.

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

#### Cash Flow Hedges

Several of our regional shorebases, including our North Sea operations, have a significant amount of their cash operating expenses payable in local currencies. To limit the potential risk of currency fluctuations, we periodically enter into forward contracts, which settle monthly in the operations’ respective local currencies. All of these contracts have a maturity of less than 12 months. The forward contract settlements in the remainder of 2017 represent approximately 70 percent of these forecasted local currency requirements. The notional amount of the forward contracts outstanding, expressed in U.S. Dollars, was approximately \$20.6 million at June 30, 2017. Total unrealized gains related to these forward contracts were approximately \$0.7 million as of June 30, 2017 and were recorded as part of “Accumulated other comprehensive income (loss)” (“AOCL”).

#### FCX Settlement

As discussed in Note 5— Contract Settlement and Termination Agreement with Freeport-McMoRan Inc., pursuant to the FCX Settlement, Noble could have received contingent payments from the FCX Settlement on September 30, 2017, depending on the average price of oil over a 12- month period from June 30, 2016 through June 30, 2017. The average price of oil was calculated using the daily closing price of West Texas Intermediate crude oil (“WTI”) (CL1) on the New York Mercantile Exchange for the period of June 30, 2016 through June 30, 2017. If the price of WTI averaged more than \$50 per barrel during such period, Freeport would have paid \$25.0 million to Noble. In addition to the \$25.0 million contingent payment, if the price of WTI averaged more than \$65 per barrel during such period, Freeport would have paid an additional \$50.0 million to Noble. These contingent payments did not qualify for hedge accounting

treatment under FASB standards, and therefore, the change in fair value was recognized as a loss in the accompanying Condensed Consolidated Statements of Operations. These contingent payments are referred to as non-designated derivatives in the following tables.

The price of WTI did not average more than \$50 per barrel during the 12-month period. For the three and six months ended June 30, 2017, we recognized losses of approximately \$6.5 million and \$14.4 million, respectively, in “Contract drilling services revenue,” related to the valuation of these contingent payments. As of June 30, 2017, the fair value of these contingent payments was reduced to zero, as the period for earning the contingent payments had ended.

## NOBLE CORPORATION PLC AND SUBSIDIARIES

## NOBLE CORPORATION AND SUBSIDIARIES

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

## Financial Statement Presentation

The following table, together with Note 12— Fair Value of Financial Instruments, summarizes the financial statement presentation and fair value of our derivative positions as of June 30, 2017 and December 31, 2016:

	Balance sheet classification	Estimated fair value	
		June 30, 2017	December 31, 2016
Asset derivatives			
Cash flow hedges			
Foreign currency forward contracts	Prepaid expenses and other current assets	\$ 739	\$ —
Non-designated derivatives			
FCX Settlement	Prepaid expenses and other current assets	\$ —	\$ 14,400

To supplement the fair value disclosures in Note 12— Fair Value of Financial Instruments, the following table summarizes the recognized gains and losses of cash flow hedges and non-designated derivatives through AOCL or as “contract drilling services” revenue or expense for the three months ended June 30, 2017 and 2016:

	Unrealized gain/(loss) recognized through AOCL	Gain/(loss) reclassified from AOCL to "contract drilling services" expense	Gain/(loss) recognized through "contract drilling services" revenue	2017	2016
Cash flow hedges					
Foreign currency forward contracts	\$ 849	\$(2,054)	\$ 210	\$ 290	\$ —
Non-designated derivatives					
FCX Settlement	\$ —	\$ —	\$ —	\$(6,500)	\$ 17,600

To supplement the fair value disclosures in Note 12— Fair Value of Financial Instruments, the following table summarizes the recognized gains and losses of cash flow hedges and non-designated derivatives through AOCL or as “contract drilling services” revenue or expense for the six months ended June 30, 2017 and 2016:

	Unrealized gain/(loss) recognized through AOCL	Gain/(loss) reclassified from AOCL to "contract drilling services" expense	Gain/(loss) recognized through "contract drilling services" revenue	2017	2016
Cash flow hedges					
Foreign currency forward contracts	\$ 739	\$(1,068)	\$ —	-\$ 137	\$ 382
Non-designated derivatives					
FCX Settlement	\$ —	\$ —	\$ —	-\$ (14,400)	\$ 17,600

## Note 12— Fair Value of Financial Instruments

The FASB guidance establishes a fair value hierarchy that distinguishes between assumptions based on market data from independent sources (“observable inputs”) and a reporting entity’s internal assumptions based upon the best

information available when external market data is limited or unavailable (“unobservable inputs”). The fair value hierarchy under FASB guidance prioritizes inputs within three levels:

Level 1: Valuations based on quoted prices in active markets for identical assets;

Level 2: Valuations based on observable inputs that do not meet the criteria for Level 1, including quoted prices in inactive markets and quoted prices in active markets for similar but not identical instruments; and

Level 3: Valuations based on unobservable inputs.



## NOBLE CORPORATION PLC AND SUBSIDIARIES

## NOBLE CORPORATION AND SUBSIDIARIES

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

	June 30, 2017			
	Estimated Fair Value Measurements			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets -				
Marketable securities	\$7,077	\$ 7,077	\$ —	\$ —
Foreign currency forward contracts	\$739	\$ —	\$ 739	\$ —

	December 31, 2016			
	Estimated Fair Value Measurements			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets -				
Marketable securities	\$6,246	\$ 6,246	\$ —	\$ —
FCX Settlement	\$14,400	\$ —	\$ —	\$ 14,400

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

The following table details the activity related to the FCX Settlement asset classified within Level 3 of the valuation hierarchy for the periods indicated:

Balance as of December 31, 2016	\$ 14,400
Fair value recognized in earnings	(7,900 )
Balance as of March 31, 2017	\$6,500
Fair value recognized in earnings	(6,500 )
Balance as of June 30, 2017	\$—

## NOBLE CORPORATION PLC AND SUBSIDIARIES

## NOBLE CORPORATION AND SUBSIDIARIES

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

## Note 13— Accumulated Other Comprehensive Income (Loss)

The following table presents the changes in the accumulated balances for each component of AOCL for the six months ended June 30, 2017 and 2016. All amounts within the tables are shown net of tax.

	Unrealized Gains /(Losses) on Cash Flow Hedges <sup>(1)</sup>	Defined Benefit Pension Items <sup>(2)</sup>	Foreign Currency Items	Total
Balance at December 31, 2015	\$ —	\$(46,919)	\$(16,256)	\$(63,175)
Activity during period:				
Other comprehensive income (loss) before reclassifications	(1,068 )	—	806	(262 )
Amounts reclassified from AOCL	—	1,567	—	1,567
Net other comprehensive income (loss)	(1,068 )	1,567	806	1,305
Balance at June 30, 2016	\$(1,068 )	\$(45,352)	\$(15,450)	\$(61,870)
Balance at December 31, 2016	\$ —	\$(35,865)	\$(16,275)	\$(52,140)
Activity during period:				
Other comprehensive income (loss) before reclassifications	739	—	280	1,019
Amounts reclassified from AOCL	—	767	—	767
Net other comprehensive income (loss)	739	767	280	1,786
Balance at June 30, 2017	\$ 739	\$(35,098)	\$(15,995)	\$(50,354)

Gains/(losses) on cash flow hedges are related to foreign currency forward contracts. Reclassifications from AOCL <sup>(1)</sup> are recognized through “contract drilling services” expense on our Condensed Consolidated Statements of Operations. See Note 11— Derivative Instruments and Hedging Activities for additional information.

Defined benefit pension items relate to actuarial changes and the amortization of prior service costs. Reclassifications from AOCL are recognized as expense on our Condensed Consolidated Statements of Operations through either “Contract drilling services” or “General and administrative.” See Note 10— Employee Benefit Plans for additional information. <sup>(2)</sup>

## Note 14— Commitments and Contingencies

In January 2017, a subsidiary of Transocean Ltd. (“Transocean”) filed suit against us and certain of our subsidiaries for patent infringement in a Texas federal court. The suit claims that five of our newbuild rigs that operated in the U.S. Gulf of Mexico violated Transocean patents relating to what is generally referred to as dual-activity drilling. We were aware of the patents when we constructed the rigs, and we do not believe that our rigs infringe the Transocean patents, which are now expired. We intend to defend ourselves vigorously against this claim.

In December 2014, one of our subsidiaries reached a settlement with the U.S. Department of Justice (“DOJ”) regarding our former drillship, the Noble Discoverer, and the Kulluk, a rig we were providing contract labor services for, in respect of violations of applicable law discovered in connection with a 2012 Coast Guard inspection in Alaska and our own subsequent internal investigation. Under the terms of the agreement, the subsidiary pled guilty to oil record book, ballast record and required hazardous condition reporting violations with respect to the Noble Discoverer and an oil record book violation with respect to the Kulluk. The subsidiary paid \$8.2 million in fines and \$4.0 million in community service payments and was placed on probation for four years, provided that we may petition the court for early dismissal of probation after three years. If, during the term of probation, the subsidiary fails to adhere to the terms of the plea agreement, the DOJ may withdraw from the plea agreement and would be free to prosecute the subsidiary on all charges arising out of its investigation, including any charges dismissed pursuant to the terms of the plea agreement, as well as potentially other charges. We also implemented a comprehensive environmental

compliance plan in connection with the settlement.

We have used a commercial agent in Brazil in connection with our Petróleo Brasileiro S.A. (“Petrobras”) drilling contracts. We understand that this agent has represented a number of different companies in Brazil over many years, including several offshore drilling contractors. In November 2015, this agent pled guilty in Brazil in connection with the award of a drilling contract to a competitor and implicated a Petrobras official as part of a wider investigation of Petrobras’ business practices. Following news reports relating to the agent’s involvement in the Brazil investigation in connection with his activities with other companies, we conducted a review, which is now substantially complete, of our relationship with the agent and with Petrobras. We are in contact with the SEC, the Brazilian federal prosecutor’s office and the DOJ about this matter. We are cooperating with these agencies and they are aware of our internal review. To our knowledge, neither the agent, nor the government authorities investigating the matter, has alleged that the agent or Noble acted improperly in connection with our contracts with Petrobras.

NOBLE CORPORATION PLC AND SUBSIDIARIES

NOBLE CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

In previous periods, we reported the existence of a number of asbestos related lawsuits in which we were one of many defendants. As a result of the termination of the Separation Agreements, we no longer have any indemnity obligations in respect of these lawsuits, and responsibility for the claims has reverted back to Paragon Offshore, the entity that was originally named as a party in the lawsuits.

We are a defendant in certain claims and litigation arising out of operations in the ordinary course of business, including personal injury claims, 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. 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.

During 2014, the IRS began its examination of our tax reporting in the U.S. for the taxable years ended December 31, 2010 and 2011. The IRS examination team has completed its examination of our 2010 and 2011 U.S. tax returns and proposed adjustments and deficiencies with respect to certain items that were reported by us for the 2010 and 2011 tax year. On December 19, 2016, we received the Revenue Agent Report ("RAR") from the IRS. We believe that we have accurately reported all amounts in our tax returns, and have submitted administrative protests with the IRS Office of Appeals contesting the examination team's proposed adjustments. We intend to vigorously defend our reported positions, and believe the ultimate resolution of the adjustments proposed by the IRS examination team will not have a material adverse effect on our condensed consolidated financial statements. We have also been informed by the IRS that our 2012 and 2013 tax returns will be examined, and we anticipate that examination will begin during 2017. The IRS examination team also completed its examination of two U.S. subsidiaries of Frontier Drilling for 2011, and proposed no changes to those returns.

On August 1, 2014, Noble-UK completed the Spin-off through a pro rata distribution of all of the ordinary shares of its wholly-owned subsidiary, Paragon Offshore, to the holders of Noble's ordinary shares. In February 2016, Paragon Offshore sought approval of the Prior Plan by filing for voluntary relief under Chapter 11 of the United States Bankruptcy Code. As part of the Prior Plan, we entered into the Settlement Agreement with Paragon Offshore under which, in exchange for a full and unconditional release of any claims by Paragon Offshore in connection with the Spin-off (including fraudulent conveyance claims that could be brought on behalf of Paragon Offshore's creditors), we agreed to provide certain tax bonding in Mexico as well as assume certain tax liabilities and the administration of Mexican tax claims for specified years. The bonding to be provided by Noble-UK was a key benefit to Paragon Offshore of the Settlement Agreement, which was subject to bankruptcy court confirmation as part of a bankruptcy plan. The Prior Plan was rejected by the bankruptcy court in October 2016.

In April 2017, Paragon Offshore filed an updated disclosure statement and the revised New Plan in its bankruptcy proceeding. Under the New Plan, including Paragon Offshore's revised business plan, Paragon Offshore no longer needed the Mexican tax bonding that Noble-UK was to provide under the Settlement Agreement. As a result, the Settlement Agreement was no longer applicable to the ongoing business of Paragon Offshore. Consequently, Paragon Offshore abandoned the Settlement Agreement as part of the New Plan, and the Settlement Agreement was terminated at the time of the filing of the New Plan. On May 2, 2017, Paragon Offshore announced that it had reached an agreement in principle with both its secured and unsecured creditors to revise the New Plan to, among other things, create and fund a \$10.0 million litigation trust to pursue litigation against us. On June 7, 2017, the revised New Plan was approved by the bankruptcy court and Paragon Offshore emerged from bankruptcy on July 18, 2017.

We expect Paragon Offshore or its creditors will use the litigation trust to pursue claims against us relating to the Spin-off, including alleged fraudulent conveyance claims. We continue to believe that Paragon Offshore, at the time of the Spin-off, was properly funded, solvent and had appropriate liquidity and that any fraudulent conveyance claim

or other claim related to the Spin-off that may be brought by Paragon Offshore or its creditors, would be without merit and would be contested vigorously by us. If litigation is instituted against Noble and we are unsuccessful in defending such claims, it could have a material adverse effect on our financial position, results of operations and/or cash flows. Prior to the completion of the Spin-off, Noble-UK and Paragon Offshore entered into the Separation Agreements to effect the separation and Spin-off and govern the relationship between the parties after the Spin-off, including the MSA and TSA.

As part of its final bankruptcy plan, Paragon Offshore rejected the Separation Agreements. Accordingly, the indemnity obligations that Paragon Offshore potentially would have owed us under the Separation Agreements have now terminated, including indemnities arising under the MSA and the TSA in respect of obligations related to Paragon Offshore's business that were incurred through Noble-retained entities prior to the Spin-off. Likewise, any potential indemnity obligations that we would have owed Paragon Offshore under the Separation Agreements, including those under the MSA and the TSA in respect of Noble-UK's business that was conducted prior to the Spin-off through Paragon Offshore-retained entities, are now also extinguished. In the absence of the Separation Agreements, liabilities relating to the respective parties will be borne by the owner of the legal entity or asset at issue and neither party will look to an allocation based on the historic relationship of an entity or asset to one of the party's business, as had been the case under the Separation Agreements.

NOBLE CORPORATION PLC AND SUBSIDIARIES

NOBLE CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The rejection and ultimate termination of the indemnity and related obligations under the Separation Agreements has resulted in a number of accounting charges and benefits in this period and such termination may continue to affect us in the future as liabilities arise for which we would have been indemnified by Paragon Offshore or would have had to indemnify Paragon Offshore. We do not expect that, overall, the rejection of the Separation Agreements by Paragon Offshore will have a material adverse effect on our financial condition or liquidity. However, any loss we experience with respect to which we would have been able to secure indemnification from Paragon Offshore under one or more of the Separation Agreements could have an adverse impact on our results of operations in any period, which impact may be material depending on our results of operations during this down-cycle.

For the three and six months ended June 30, 2017, we recognized net charges of \$15.9 million, with a non-cash loss of \$1.5 million recorded in "Net loss from discontinued operations, net of tax" on our Condensed Consolidated Statement of Operations relating to the emergence from bankruptcy of Paragon Offshore.

In January 2015, Noble received an official notification of a ruling from the Second Chamber of the Supreme Court in Mexico. The ruling settled an ongoing dispute in Mexico relating to the classification of a Noble subsidiary's business activity and the applicable rate of depreciation under the Mexican law applicable to the activities of that subsidiary. The ruling did not result in any additional tax liability to Noble. Additionally, the ruling is only applicable to the Noble subsidiary named in the ruling and, therefore, does not establish the depreciation rate applicable to the assets of other Noble subsidiaries. We will continue to contest future assessments received, and can make no assurances regarding the ultimate outcome of these tax claims or our obligations to pay additional taxes in respect of these tax claims.

In previous periods, we reported that Mexican and Brazilian authorities had made significant tax assessments against Paragon Offshore entities, of which approximately \$45.5 million and \$46.5 million, respectively, related to Noble's business that operated through Paragon Offshore-retained entities in Mexico and Brazil prior to the spin-off. As a result of the termination of the Separation Agreements, we no longer have any indemnity obligations in respect of these tax claims made against Paragon Offshore entities, and responsibility for these claims has reverted back to the applicable Paragon Offshore entity. Audit claims of approximately \$51.3 million attributable to income and other business taxes have been assessed against Noble entities in Mexico.

In previous periods, we also reported that Petrobras had notified us that it was challenging assessments by Brazilian tax authorities of withholding taxes associated with the provision of drilling rigs for its operations in Brazil during 2008 and 2009. Petrobras had also notified us that if Petrobras was ultimately forced to pay such withholding taxes, it would seek reimbursement from Paragon Offshore who would then seek reimbursement from us for the portion of the \$23.9 million in withholding that was allocable to our drilling rigs. As a result of the termination of the Separation Agreements, we no longer have any indemnity obligation in respect of these withholding claims made against a Paragon Offshore entity, and responsibility for these claims has reverted back to the applicable Paragon Offshore entity.

We maintain certain insurance coverage against specified marine perils, which includes physical damage and loss of hire to our drilling rigs along with other associated coverage common in our industry. We maintain a physical damage deductible on our rigs of \$25.0 million per occurrence. With respect to the U.S. Gulf of Mexico, hurricane risk has generally resulted in more restrictive and expensive coverage for U.S. named windstorm perils, and we have opted in certain years to maintain limited or no windstorm coverage. Our current program provides for \$500.0 million in named windstorm coverage in the U.S. Gulf of Mexico. The loss of hire coverage applies only to our rigs operating under contract with a dayrate equal to or greater than \$200,000 a day and is subject to a 45-day waiting period for each unit and each occurrence.

Although we maintain insurance in the geographic areas in which we operate, pollution, reservoir damage and environmental risks generally are not fully insurable. Our insurance policies and contractual rights to indemnity may not adequately cover our losses or may have exclusions of coverage for some losses. We do not have insurance

coverage or rights to indemnity for all risks, including loss of hire insurance on most of the rigs in our fleet. Uninsured exposures may include expatriate activities prohibited by U.S. laws and regulations, radiation hazards, certain loss or damage to property on board our rigs and losses relating to shore-based terrorist acts, strikes or cyber risks. If a significant accident or other event occurs and is not fully covered by insurance or contractual indemnity, it could materially adversely affect our financial position, results of operations or cash flows. Additionally, there can be no assurance that those parties with contractual obligations to indemnify us will necessarily be financially able to indemnify us against all these risks.

We carry protection and indemnity insurance covering marine third party liability exposures, which also includes coverage for employer's liability resulting from personal injury to our offshore drilling crews. Our protection and indemnity policy currently has a standard deductible of \$10.0 million per occurrence, with maximum liability coverage of \$750.0 million.

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.

NOBLE CORPORATION PLC AND SUBSIDIARIES

NOBLE CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Note 15— Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-9, which creates Accounting Standards Codification (“ASC”) Topic 606, “Revenue from Contracts with Customers,” and supersedes the revenue recognition requirements in Topic 605, “Revenue Recognition,” including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. In addition, ASU No. 2014-9 supersedes the cost guidance in Subtopic 605-35, “Revenue Recognition—Construction-Type and Production-Type Contracts,” and creates new Subtopic 340-40, “Other Assets and Deferred Costs—Contracts with Customers.” In summary, the core principle of Topic 606 is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. The amendments in ASU No. 2014-9 are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, and early application is permitted for periods beginning after December 15, 2016. We have formed an implementation work team, completed training on ASC Topic 606 and have begun a project to review relevant contracts. We plan on adopting the new standard effective January 1, 2018 concurrently with ASU No. 2016-2, Leases (ASC Topic 842) as discussed below and applying it retrospectively to all comparative periods presented. Upon adoption of these two new standards, we expect to have a lease component and a service component of revenue related to our drilling contracts. In February 2016, the FASB issued ASU No. 2016-2, which creates ASC Topic 842, “Leases.” This update increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This guidance is effective for interim and annual reporting periods beginning after December 15, 2018. Under the updated accounting standards, we have preliminarily determined that our drilling contracts contain a lease component, and our adoption, therefore, will require that we separately recognize revenues associated with the lease and services components. Our adoption, and the ultimate effect on our condensed consolidated financial statements, will be based on an evaluation of the contract-specific facts and circumstances. Due to the interaction with the issued accounting standard on revenue recognition, we expect to adopt ASC 842 effective January 1, 2018, concurrently with ASC 606. We expect to apply the modified retrospective approach to our adoption. Our adoption will have an impact on how our condensed consolidated financial statements and related disclosures will be presented. We are currently evaluating the impact ASC 842 will have on our condensed consolidated financial statements, and to complete that evaluation we have completed training on the ASU, formed an implementation team and started the review and documentation of contracts.

In March 2016, the FASB issued ASU No. 2016-9, which amends ASC Topic 718, “Compensation – Stock Compensation.” This amendment simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. This guidance is effective for interim and annual reporting periods beginning after December 15, 2016. Under the new provision, current period excess tax benefits related to stock compensation are now recognized in our Condensed Consolidated Statement of Operations in “Provision for income taxes,” rather than on our Condensed Consolidated Balance Sheet and Condensed Consolidated Statement of Cash Flows. This update has been applied on a prospective basis. Changes to our Condensed Consolidated Statement of Cash Flows related to the reclassification of prior period excess tax benefits and employee taxes paid for share-based payment arrangements have been implemented on a retrospective basis. In accordance with our adoption of this update, prior period excess tax benefits of approximately \$5.5 million, previously classified as a financing activity in “Employee stock transactions” on the June 30, 2016 Condensed Consolidated Statement of Cash Flows, are now classified as an operating activity in “Net change in other assets and liabilities” on the accompanying Condensed Consolidated Statement of Cash Flows for the comparative period. Additionally, prior period employee taxes paid for share-based payment arrangements of approximately \$3.2 million, previously classified as an operating activity in “Net change in other assets and liabilities” on the June 30, 2016 Condensed Consolidated Statement of Cash Flows, are now classified as a financing activity in “Employee stock transactions” on the accompanying Condensed Consolidated Statement of Cash Flows for the



comparative period.

In October 2016, the FASB issued ASU No. 2016-16 which amends ASC Topic 740, "Income Taxes." The amendments in this update improve the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. This guidance is effective for interim and annual reporting periods beginning after December 15, 2017. We are evaluating what impact, if any, the adoption of this guidance will have on our financial condition, results of operations, cash flows or financial disclosures.

With the exception of the updated standards discussed above, there have been no new accounting pronouncements not yet effective that have significance, or potential significance, to our condensed consolidated financial statements.

Note 16— Supplemental Financial Information

Condensed Consolidated Balance Sheets Information

Deferred revenues from drilling contracts totaled \$122.8 million and \$134.4 million at June 30, 2017 and December 31, 2016, respectively. Such amounts are included in either "Other current liabilities" or "Other liabilities" in the accompanying Condensed Consolidated Balance Sheets, based upon our expected time of recognition. Related expenses deferred under drilling contracts totaled \$47.3 million at June 30, 2017 as compared

## NOBLE CORPORATION PLC AND SUBSIDIARIES

## NOBLE CORPORATION AND SUBSIDIARIES

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

to \$53.8 million at December 31, 2016, and are included in either “Prepaid expenses and other current assets” or “Other assets” in the accompanying Condensed Consolidated Balance Sheets, based upon our expected time of recognition. In April 2015, we agreed to contract dayrate reductions for five rigs working for Saudi Arabian Oil Company (“Saudi Aramco”), which were effective from January 1, 2015 through December 31, 2015. During the first quarter of 2016, we agreed to further contract dayrate reductions for the remaining four contracted rigs through the end of 2016. Given current market conditions and based on discussions with the customer, we do not expect the rates to return to the original contract rates. In accordance with accounting guidance, we are recognizing the reductions on a straight-line basis over the remaining life of the existing Saudi Aramco contracts. At June 30, 2017 and December 31, 2016, revenues recorded in excess of billings as a result of this recognition totaled \$15.1 million and \$17.9 million, respectively, and are included in either “Prepaid expenses and other current assets” or “Other assets” in the accompanying Condensed Consolidated Balance Sheets, based upon our expected time of recognition.

## Condensed Consolidated Statements of Cash Flows Information

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

	Noble-UK		Noble-Cayman	
	Six Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Accounts receivable	\$76,495	\$147,454	\$76,495	\$147,454
Other current assets	15,896	75,949	12,475	73,543
Other assets	(40,078 )	104,416	(47,166 )	102,335
Accounts payable	(8,881 )	(50,663 )	(8,754 )	(48,719 )
Other current liabilities	(19,385 )	(74,247 )	(18,293 )	(67,843 )
Other liabilities	6,703	(38,590 )	13,547	(39,933 )
	\$30,750	\$164,319	\$28,304	\$166,837

In accordance with our adoption of ASU No. 2016-9, prior period excess tax benefits, which were previously classified as a financing activity in “Employee stock transactions,” are now classified as an operating activity in “Net change in other assets and liabilities” on our Condensed Consolidated Statement of Cash Flows and current period excess tax benefits are now recognized in our Condensed Consolidated Statement of Operations through income taxes. Additionally, shares withheld for taxes on employee stock transactions, which were previously classified as an operating activity in “Net change in other assets and liabilities,” are now classified as a financing activity in “Employee stock transactions” on our Condensed Consolidated Statement of Cash Flows.

## NOBLE CORPORATION PLC AND SUBSIDIARIES

## NOBLE CORPORATION AND SUBSIDIARIES

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

## Note 17— Condensed Consolidating Financial Information

## Guarantees of Registered Securities

Noble-Cayman, or one or more 100 percent owned subsidiaries of Noble-Cayman, is a co-issuer or full and unconditional guarantor or otherwise obligated as of June 30, 2017 as follows:

Notes	Issuer (Co-Issuer(s))	Guarantor
\$250 million 5.75% Senior Notes due 2018	NHIL	Noble-Cayman
\$202 million 7.50% Senior Notes due 2019	NHUS	Noble-Cayman
	Noble Drilling Holding, LLC ("NDH")	
	Noble Drilling Services 6 LLC ("NDS6")	
\$168 million 4.90% Senior Notes due 2020	NHIL	Noble-Cayman
\$209 million 4.625% Senior Notes due 2021	NHIL	Noble-Cayman
\$126 million 3.95% Senior Notes due 2022	NHIL	Noble-Cayman
\$1 billion 7.75% Senior Notes due 2024	NHIL	Noble-Cayman
\$450 million 7.70% Senior Notes due 2025	NHIL	Noble-Cayman
\$400 million 6.20% Senior Notes due 2040	NHIL	Noble-Cayman
\$400 million 6.05% Senior Notes due 2041	NHIL	Noble-Cayman
\$500 million 5.25% Senior Notes due 2042	NHIL	Noble-Cayman
\$400 million 8.70% Senior Notes due 2045	NHIL	Noble-Cayman

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

NOBLE CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATING BALANCE SHEET

June 30, 2017

(in thousands)

(Unaudited)

	Noble - Cayman	NHUS	NDH	NHIL	NDS6	Other Non-guarantor Subsidiaries of Noble	Consolidated Adjustment
<b>ASSETS</b>							
<b>Current assets</b>							
Cash and cash equivalents	\$ 14	\$—	\$ 119	\$ 367	\$—	\$ 601,678	\$—
Accounts receivable	—	—	31,008	—	—	211,649	—
Taxes receivable	—	—	—	—	—	18,169	—
Short-term notes receivable from affiliates	—	—	119,476	—	2,373,452	—	(2,492,928)
Accounts receivable from affiliates	619,661	92,349	149,005	60,944	357,957	5,824,879	(7,104,795)
Prepaid expenses and other current assets	96	—	1,040	49	1	73,014	—
Total current assets	619,771	92,349	300,648	61,360	2,731,410	6,729,389	(9,597,723)
Property and equipment, at cost	—	—	1,070,746	—	—	11,340,111	—
Accumulated depreciation	—	—	(246,631)	—	—	(2,325,931)	—
Property and equipment, net	—	—	824,115	—	—	9,014,180	—
Notes receivable from affiliates	3,177,248	—	1,053,783	—	3,943,299	1,171,304	(9,345,634)
Investments in affiliates	5,029,983	3,179,576	4,698,262	12,517,083	7,275,866	—	(32,700,770)
Other assets	3,462	16,775	6,419	—	—	222,138	—
Total assets	\$ 8,830,464	\$ 3,288,700	\$ 6,883,227	\$ 12,578,443	\$ 13,950,575	\$ 17,137,011	\$ (51,644,111)
<b>LIABILITIES AND EQUITY</b>							
<b>Current liabilities</b>							
Short-term notes payables to affiliates	\$—	\$ 1,605,243	\$—	\$—	\$—	\$ 887,685	\$ (2,492,928)
Current maturities of long-term debt	—	—	—	249,475	—	—	—
Accounts payable	—	—	2,856	—	—	83,558	—
Accrued payroll and related costs	—	—	4,848	—	—	33,492	—
Accounts payable to affiliates	3,434,157	456,573	1,857,871	404,332	—	951,862	(7,104,795)
Taxes payable	—	41,361	—	—	—	47,951	—
Interest payable	24	—	—	95,184	4,454	—	—
Other current liabilities	16	—	945	—	—	83,517	—
Total current liabilities	3,434,197	2,103,177	1,866,520	748,991	4,454	2,088,065	(9,597,723)
Long-term debt	—	—	—	3,592,411	201,483	—	—
Notes payable to affiliates	—	700,000	470,643	3,175,662	—	4,999,329	(9,345,634)
Deferred income taxes	—	—	—	—	—	212,526	—
Other liabilities	19,929	—	11,010	—	—	266,867	—
Total liabilities	3,454,126	2,803,177	2,348,173	7,517,064	205,937	7,566,787	(18,943,357)
<b>Commitments and contingencies</b>							
Total shareholder equity	5,376,338	485,523	4,535,054	5,061,379	13,744,638	8,471,145	(32,297,739)
Noncontrolling interests	—	—	—	—	—	1,099,079	(403,031)
Total equity	5,376,338	485,523	4,535,054	5,061,379	13,744,638	9,570,224	(32,700,770)

Total liabilities and equity	\$8,830,464	\$3,288,700	\$6,883,227	\$12,578,443	\$13,950,575	\$17,137,011	\$(51,644,1
------------------------------	-------------	-------------	-------------	--------------	--------------	--------------	-------------

29

---

NOBLE CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATING BALANCE SHEET

December 31, 2016

(in thousands)

(Unaudited)

	Noble- Cayman	NHUSNDH	NHIL NDS6	Other Non-guarantor Subsidiaries of Noble	Consolidating Adjustments	Total
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	\$ 2,537	\$ —	\$ —	\$ 640,441	\$ —	\$ 653,833
Accounts receivable	—	33,162	—	285,990	—	319,152
Taxes receivable	—	21,428	—	34,052	—	55,480
Short-term notes receivable from affiliates	—	243,915	1,349,708	2,611	(1,646,234)	—
Accounts receivable from affiliates	361,313	137,476	67,560	85,274	3,038,658	(3,690,281)
Prepaid expenses and other current assets	270	1,611	—	86,868	—	88,749
<b>Total current assets</b>	<b>364,120</b>	<b>21,428</b>	<b>27,019</b>	<b>67,560</b>	<b>1,434,982</b>	<b>2,138,620</b>
Property and equipment, at cost	—	2,376,862	—	9,988,026	—	12,364,888
Accumulated depreciation	—	(428,308)	—	(1,874,632)	—	(2,302,940)
Property and equipment, net	—	1,948,554	—	8,113,394	—	10,061,948
Notes receivable from affiliates	3,304,672	112,706	69,565,000	—	—	—