

Noble Corp plc
Form 10-Q
November 07, 2016

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: September 30, 2016

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 or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

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company” in Rule 12b-2 of the Exchange Act. (Check one):

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

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

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

Number of shares outstanding and trading at October 21, 2016: Noble Corporation plc — 243,233,371

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.

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOBLE CORPORATION PLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands)

(Unaudited)

| | September 30, 2016 | December 31, 2015 |
|--|-----------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$426,052 | \$512,245 |
| Accounts receivable | 319,567 | 498,931 |
| Taxes receivable | 35,387 | 55,525 |
| Prepaid expenses and other current assets | 102,778 | 173,917 |
| Total current assets | 883,784 | 1,240,618 |
| Property and equipment, at cost | 14,604,796 | 14,056,323 |
| Accumulated depreciation | (3,013,008) | (2,572,700) |
| Property and equipment, net | 11,591,788 | 11,483,623 |
| Other assets | 108,566 | 141,404 |
| Total assets | \$12,584,138 | \$12,865,645 |
| LIABILITIES AND EQUITY | | |
| Current liabilities | | |
| Current maturities of long-term debt | \$299,762 | \$299,924 |
| Accounts payable | 114,392 | 223,221 |
| Accrued payroll and related costs | 53,377 | 81,464 |
| Taxes payable | 98,019 | 87,940 |
| Interest payable | 46,040 | 72,961 |
| Other current liabilities | 72,528 | 98,074 |
| Total current liabilities | 684,118 | 863,584 |
| Long-term debt | 3,830,224 | 4,162,638 |
| Deferred income taxes | 11,487 | 92,797 |
| Other liabilities | 300,326 | 324,396 |
| Total liabilities | 4,826,155 | 5,443,415 |
| Commitments and contingencies | | |
| Shareholders' equity | | |
| Shares; 243,233 and 241,977 shares outstanding | 2,432 | 2,420 |
| Additional paid-in capital | 646,601 | 628,483 |
| Retained earnings | 6,457,071 | 6,131,501 |
| Accumulated other comprehensive loss | (61,169) | (63,175) |
| Total shareholders' equity | 7,044,935 | 6,699,229 |
| Noncontrolling interests | 713,048 | 723,001 |
| Total equity | 7,757,983 | 7,422,230 |
| Total liabilities and equity | \$12,584,138 | \$12,865,645 |

See accompanying notes to the unaudited consolidated financial statements.

NOBLE CORPORATION PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

(Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|-----------|-------------------|-------------|
| | September 30, | | September 30, | |
| | 2016 | 2015 | 2016 | 2015 |
| Operating revenues | | | | |
| Contract drilling services | \$373,257 | \$873,813 | \$1,841,321 | \$2,424,481 |
| Reimbursables | 11,733 | 22,858 | 50,272 | 70,087 |
| Other | 163 | — | 316 | — |
| | 385,153 | 896,671 | 1,891,909 | 2,494,568 |
| Operating costs and expenses | | | | |
| Contract drilling services | 207,204 | 293,067 | 702,628 | 934,024 |
| Reimbursables | 9,142 | 17,783 | 39,446 | 55,592 |
| Depreciation and amortization | 155,242 | 160,652 | 455,907 | 473,913 |
| General and administrative | 15,773 | 15,196 | 54,346 | 61,558 |
| Loss on impairment | — | — | 16,616 | — |
| | 387,361 | 486,698 | 1,268,943 | 1,525,087 |
| Operating income (loss) | (2,208) | 409,973 | 622,966 | 969,481 |
| Other income (expense) | | | | |
| Interest expense, net of amount capitalized | (52,569) | (54,687) | (166,975) | (161,196) |
| Gain on extinguishment of debt, net | — | — | 11,066 | — |
| Interest income and other, net | 540 | 30,934 | (1,443) | 37,085 |
| Income (loss) before income taxes | (54,237) | 386,220 | 465,614 | 845,370 |
| Income tax benefit (provision) | 10,002 | (41,789) | (40,317) | (124,641) |
| Net income (loss) | (44,235) | 344,431 | 425,297 | 720,729 |
| Net income attributable to noncontrolling interests | (10,846) | (18,624) | (52,027) | (57,488) |
| Net income (loss) attributable to Noble Corporation plc | \$(55,081) | \$325,807 | \$373,270 | \$663,241 |
| Per share data: | | | | |
| Basic: | \$(0.23) | \$1.32 | \$1.48 | \$2.68 |
| Diluted: | \$(0.23) | \$1.32 | \$1.48 | \$2.68 |

See accompanying notes to the unaudited consolidated financial statements.

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

(In thousands)

(Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|-----------|-------------------|-----------|
| | September 30, | | September 30, | |
| | 2016 | 2015 | 2016 | 2015 |
| Net income (loss) | \$(44,235) | \$344,431 | \$425,297 | \$720,729 |
| Other comprehensive income (loss), net of tax | | | | |
| Foreign currency translation adjustments | (543) | (2,694) | 263 | (4,568) |
| Foreign currency forward contracts | 463 | (1,271) | (605) | (1,362) |
| Amortization of deferred pension plan amounts (net of tax provision of \$408 and \$575 for the three months ended September 30, 2016 and 2015, respectively, and \$1,227 and \$1,723 for the nine months ended September 30, 2016 and 2015, respectively) | 781 | 1,106 | 2,348 | 3,316 |
| Other comprehensive income (loss), net | 701 | (2,859) | 2,006 | (2,614) |
| Net comprehensive income attributable to noncontrolling interests | (10,846) | (18,624) | (52,027) | (57,488) |
| Comprehensive income (loss) attributable to Noble Corporation plc | \$(54,380) | \$322,948 | \$375,276 | \$660,627 |

See accompanying notes to the unaudited consolidated financial statements.

NOBLE CORPORATION PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

| | Nine Months Ended September 30, | |
|--|------------------------------------|-------------|
| | 2016 | 2015 |
| Cash flows from operating activities | | |
| Net income | \$425,297 | \$720,729 |
| Adjustments to reconcile net income to net cash from operating activities: | | |
| Depreciation and amortization | 455,907 | 473,913 |
| Loss on impairment | 16,616 | — |
| Gain on extinguishment of debt, net | (11,066) | — |
| Deferred income taxes | (82,774) | (76,012) |
| Amortization of share-based compensation | 27,222 | 30,296 |
| Net change in other assets and liabilities | 131,473 | 103,299 |
| Net cash from operating activities | 962,675 | 1,252,225 |
| Cash flows from investing activities | | |
| Capital expenditures | (592,038) | (280,048) |
| Change in accrued capital expenditures | (41,235) | (43,440) |
| Proceeds from disposal of assets | 23,390 | 2,535 |
| Net cash from investing activities | (609,883) | (320,953) |
| Cash flows from financing activities | | |
| Net change in borrowings outstanding on bank credit facilities | — | (1,123,495) |
| Issuance of senior notes | — | 1,092,728 |
| Debt issuance costs on senior notes and credit facilities | — | (16,070) |
| Repayment of long-term debt | (300,000) | (350,000) |
| Early repayment of long-term debt | (22,207) | — |
| Premiums paid on early repayment of long-term debt | (1,781) | — |
| Dividend payments | (47,534) | (278,443) |
| Dividends paid to noncontrolling interests | (61,980) | (57,048) |
| Repurchases of shares | — | (100,630) |
| Employee stock transactions | (5,483) | (2,394) |
| Net cash from financing activities | (438,985) | (835,352) |
| Net change in cash and cash equivalents | (86,193) | 95,920 |
| Cash and cash equivalents, beginning of period | 512,245 | 68,510 |
| Cash and cash equivalents, end of period | \$426,052 | \$164,430 |

See accompanying notes to the unaudited consolidated financial statements.

NOBLE CORPORATION PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(In thousands)
(Unaudited)

| | Shares | | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Noncontrolling Interests | Total Equity |
|---|----------|-----------|----------------------------------|----------------------|---|-----------------------------|-----------------|
| | Balance | Par Value | | | | | |
| Balance at December 31, 2014 | 247,501 | \$ 2,475 | \$ 695,638 | \$ 5,936,035 | \$ (69,418) | \$ 722,304 | \$ 7,287,034 |
| Employee related equity activity | | | | | | | |
| Amortization of share-based compensation | — | — | 30,296 | — | — | — | 30,296 |
| Issuance of share-based compensation shares | 678 | 7 | (4,157) | — | — | — | (4,150) |
| Tax benefit of equity transactions | — | — | (2,401) | — | — | — | (2,401) |
| Repurchases of shares | (6,209) | (62) | (100,568) | — | — | — | (100,630) |
| Net income | — | — | — | 663,241 | — | 57,488 | 720,729 |
| Dividends paid to noncontrolling interests | — | — | — | — | — | (57,048) | (57,048) |
| Dividends | — | — | — | (278,443) | — | — | (278,443) |
| Other comprehensive loss, net | — | — | — | — | (2,614) | — | (2,614) |
| Balance at September 30, 2015 | 241,970 | \$ 2,420 | \$ 618,808 | \$ 6,320,833 | \$ (72,032) | \$ 722,744 | \$ 7,592,773 |
| 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 | — | — | 27,222 | — | — | — | 27,222 |
| Issuance of share-based compensation shares | 1,256 | 12 | (3,609) | — | — | — | (3,597) |
| Tax benefit of equity transactions | — | — | (5,495) | — | — | — | (5,495) |
| Net income | — | — | — | 373,270 | — | 52,027 | 425,297 |
| Dividends paid to noncontrolling interests | — | — | — | — | — | (61,980) | (61,980) |
| Dividends | — | — | — | (47,700) | — | — | (47,700) |
| Other comprehensive income, net | — | — | — | — | 2,006 | — | 2,006 |
| Balance at September 30, 2016 | 243,233 | \$ 2,432 | \$ 646,601 | \$ 6,457,071 | \$ (61,169) | \$ 713,048 | \$ 7,757,983 |

See accompanying notes to the unaudited consolidated financial statements.

NOBLE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands)

(Unaudited)

| | September 30, 2016 | December 31, 2015 |
|---|-----------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$425,749 | \$511,795 |
| Accounts receivable | 319,567 | 498,931 |
| Taxes receivable | 35,387 | 55,442 |
| Prepaid expenses and other current assets | 98,995 | 168,469 |
| Total current assets | 879,698 | 1,234,637 |
| Property and equipment, at cost | 14,604,796 | 14,054,558 |
| Accumulated depreciation | (3,013,008) | (2,572,331) |
| Property and equipment, net | 11,591,788 | 11,482,227 |
| Other assets | 101,564 | 132,319 |
| Total assets | \$ 12,573,050 | \$ 12,849,183 |
| LIABILITIES AND EQUITY | | |
| Current liabilities | | |
| Current maturities of long-term debt | \$299,762 | \$299,924 |
| Accounts payable | 114,117 | 221,077 |
| Accrued payroll and related costs | 53,337 | 81,364 |
| Taxes payable | 98,019 | 88,108 |
| Interest payable | 46,040 | 72,961 |
| Other current liabilities | 71,859 | 96,331 |
| Total current liabilities | 683,134 | 859,765 |
| Long-term debt | 3,830,224 | 4,162,638 |
| Deferred income taxes | 11,487 | 92,797 |
| Other liabilities | 295,443 | 319,512 |
| Total liabilities | 4,820,288 | 5,434,712 |
| Commitments and contingencies | | |
| Shareholder equity | | |
| Ordinary shares; 261,246 shares outstanding | 26,125 | 26,125 |
| Capital in excess of par value | 586,605 | 561,309 |
| Retained earnings | 6,488,153 | 6,167,211 |
| Accumulated other comprehensive loss | (61,169) | (63,175) |
| Total shareholder equity | 7,039,714 | 6,691,470 |
| Noncontrolling interests | 713,048 | 723,001 |
| Total equity | 7,752,762 | 7,414,471 |
| Total liabilities and equity | \$ 12,573,050 | \$ 12,849,183 |

See accompanying notes to the unaudited consolidated financial statements.

NOBLE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands)

(Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|-----------|-------------------|-------------|
| | September 30, | | September 30, | |
| | 2016 | 2015 | 2016 | 2015 |
| Operating revenues | | | | |
| Contract drilling services | \$373,257 | \$873,813 | \$1,841,321 | \$2,424,481 |
| Reimbursables | 11,733 | 22,858 | 50,272 | 70,087 |
| Other | 163 | — | 1,016 | — |
| | 385,153 | 896,671 | 1,892,609 | 2,494,568 |
| Operating costs and expenses | | | | |
| Contract drilling services | 206,072 | 292,479 | 697,596 | 930,925 |
| Reimbursables | 9,142 | 17,783 | 39,446 | 55,592 |
| Depreciation and amortization | 155,242 | 160,383 | 455,853 | 473,046 |
| General and administrative | 12,033 | 10,376 | 36,491 | 36,093 |
| Loss on impairment | — | — | 16,616 | — |
| | 382,489 | 481,021 | 1,246,002 | 1,495,656 |
| Operating income | 2,664 | 415,650 | 646,607 | 998,912 |
| Other income (expense) | | | | |
| Interest expense, net of amount capitalized | (52,569) | (54,687) | (166,975) | (161,196) |
| Gain on extinguishment of debt, net | — | — | 11,066 | — |
| Interest income and other, net | 568 | 31,066 | (1,368) | 35,613 |
| Income (loss) before income taxes | (49,337) | 392,029 | 489,330 | 873,329 |
| Income tax benefit (provision) | 9,307 | (41,868) | (40,310) | (124,962) |
| Net income (loss) | (40,030) | 350,161 | 449,020 | 748,367 |
| Net income attributable to noncontrolling interests | (10,846) | (18,624) | (52,027) | (57,488) |
| Net income (loss) attributable to Noble Corporation | \$(50,876) | \$331,537 | \$396,993 | \$690,879 |

See accompanying notes to the unaudited consolidated financial statements.

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

(In thousands)

(Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|------------|-------------------|------------|
| | September 30, | | September 30, | |
| | 2016 | 2015 | 2016 | 2015 |
| Net income (loss) | \$ (40,030) | \$ 350,161 | \$ 449,020 | \$ 748,367 |
| Other comprehensive income (loss), net of tax | | | | |
| Foreign currency translation adjustments | (543) | (2,694) | 263 | (4,568) |
| Foreign currency forward contracts | 463 | (1,271) | (605) | (1,362) |
| Amortization of deferred pension plan amounts (net of tax provision of \$408 and \$575 for the three months ended September 30, 2016 and 2015, respectively, and \$1,227 and \$1,723 for the nine months ended September 30, 2016 and 2015, respectively) | 781 | 1,106 | 2,348 | 3,316 |
| Other comprehensive income (loss), net | 701 | (2,859) | 2,006 | (2,614) |
| Net comprehensive income attributable to noncontrolling interests | (10,846) | (18,624) | (52,027) | (57,488) |
| Comprehensive income (loss) attributable to Noble Corporation | \$ (50,175) | \$ 328,678 | \$ 398,999 | \$ 688,265 |

See accompanying notes to the unaudited consolidated financial statements.

NOBLE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

| | Nine Months Ended September 30, | |
|--|------------------------------------|-------------|
| | 2016 | 2015 |
| Cash flows from operating activities | | |
| Net income | \$449,020 | \$748,367 |
| Adjustments to reconcile net income to net cash from operating activities: | | |
| Depreciation and amortization | 455,853 | 473,046 |
| Loss on impairment | 16,616 | — |
| Gain on extinguishment of debt, net | (11,066) | — |
| Deferred income taxes | (82,774) | (76,012) |
| Capital contribution by parent - share-based compensation | 25,296 | 21,875 |
| Net change in other assets and liabilities | 132,911 | 78,821 |
| Net cash from operating activities | 985,856 | 1,246,097 |
| Cash flows from investing activities | | |
| Capital expenditures | (592,038) | (280,048) |
| Change in accrued capital expenditures | (41,235) | (43,440) |
| Proceeds from disposal of assets | 23,390 | 2,535 |
| Net cash from investing activities | (609,883) | (320,953) |
| Cash flows from financing activities | | |
| Net change in borrowings outstanding on bank credit facilities | — | (1,123,495) |
| Issuance of senior notes | — | 1,092,728 |
| Debt issuance costs on senior notes and credit facilities | — | (16,070) |
| Repayment of long-term debt | (300,000) | (350,000) |
| Premiums paid on early repayment of long-term debt | (1,781) | — |
| Early repayment of long-term debt | (22,207) | — |
| Dividends paid to noncontrolling interests | (61,980) | (57,048) |
| Distributions to parent company, net | (76,051) | (372,799) |
| Net cash from financing activities | (462,019) | (826,684) |
| Net change in cash and cash equivalents | (86,046) | 98,460 |
| Cash and cash equivalents, beginning of period | 511,795 | 65,780 |
| Cash and cash equivalents, end of period | \$425,749 | \$164,240 |

See accompanying notes to the unaudited consolidated financial statements.

NOBLE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY

(In thousands)

(Unaudited)

| | Shares | | Capital in | | Accumulated | | Total |
|---|---------|-----------|---------------------|-------------------|--------------------------|--------------------------|--------------|
| | Balance | Par Value | Excess of Par Value | Retained Earnings | Other Comprehensive Loss | Noncontrolling Interests | |
| Balance at December 31, 2014 | 261,246 | \$ 26,125 | \$ 530,657 | \$ 6,009,114 | \$ (69,418) | \$ 722,304 | \$ 7,218,782 |
| Distributions to parent company, net | — | — | — | (372,799) | — | — | (372,799) |
| Capital contribution by parent - share-based compensation | — | — | 21,875 | — | — | — | 21,875 |
| Net income | — | — | — | 690,879 | — | 57,488 | 748,367 |
| Dividends paid to noncontrolling interests | — | — | — | — | — | (57,048) | (57,048) |
| Other comprehensive loss, net | — | — | — | — | (2,614) | — | (2,614) |
| Balance at September 30, 2015 | 261,246 | \$ 26,125 | \$ 552,532 | \$ 6,327,194 | \$ (72,032) | \$ 722,744 | \$ 7,556,563 |
| 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 | — | — | — | (76,051) | — | — | (76,051) |
| Capital contribution by parent - share-based compensation | — | — | 25,296 | — | — | — | 25,296 |
| Net income | — | — | — | 396,993 | — | 52,027 | 449,020 |
| Dividends paid to noncontrolling interests | — | — | — | — | — | (61,980) | (61,980) |
| Other comprehensive income, net | — | — | — | — | 2,006 | — | 2,006 |
| Balance at September 30, 2016 | 261,246 | \$ 26,125 | \$ 586,605 | \$ 6,488,153 | \$ (61,169) | \$ 713,048 | \$ 7,752,762 |

See accompanying notes to the unaudited consolidated financial statements.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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Note 1 — Organization and Basis of Presentation

Noble Corporation plc, a public limited company incorporated under the laws of England and Wales (“Noble-UK”), is a leading offshore drilling contractor for the oil and gas industry. We perform contract drilling services with our global fleet of mobile offshore drilling units. As of the filing date of this Quarterly Report on Form 10-Q, our fleet consisted of 14 jackups, eight drillships and eight 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/controlled oil and gas companies throughout the world. As of September 30, 2016, our contract drilling services segment conducted operations in the United States, the North Sea, the Middle East, Asia and Australia. Noble and its predecessors have been engaged in the contract drilling of oil and gas wells since 1921.

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

The accompanying unaudited consolidated financial statements of Noble-UK and Noble-Cayman have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) as they pertain to Quarterly Reports on Form 10-Q. Accordingly, certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted pursuant to such rules and regulations. The unaudited financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the financial position and results of operations for the interim periods, on a basis consistent with the annual audited consolidated financial statements. All such adjustments are of a recurring nature. The December 31, 2015 Consolidated Balance Sheets presented herein are derived from the December 31, 2015 audited consolidated financial statements. These interim financial statements should be read in conjunction with the consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2015, 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. 2015-3 on January 1, 2016, unamortized debt issuance costs related to our senior notes of approximately \$26 million as of December 31, 2015, which were previously included in “Other assets,” are included in either “Current maturities of long-term debt” or “Long-term debt” in the accompanying Consolidated Balance Sheets, based upon the maturity date of the respective senior notes.

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, we entered into an agreement in principle for a settlement 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 certain claims that could be brought on behalf of Paragon Offshore’s creditors), we agreed to assume the administration of Mexican tax claims for specified years up to and including 2010, as well as the related bonding obligations and certain of the related tax liabilities. The settlement agreement with Paragon Offshore, which was

signed by the parties on April 29, 2016, is subject to the approval of Paragon Offshore's bankruptcy plan by the bankruptcy court. On October 28, 2016, the bankruptcy court having jurisdiction over the Paragon Offshore bankruptcy denied confirmation of Paragon Offshore's bankruptcy plan. In the oral ruling, the judge noted that his decision to deny confirmation did not preclude Paragon Offshore from restructuring, only that they could not do so under the existing plan. Paragon Offshore has announced that it is evaluating its options. (see Note 14 for additional information).

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

Master Separation Agreement (“MSA”)

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

Employee Matters Agreement (“EMA”)

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

Tax Sharing Agreement (“TSA”)

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

Transition Services Agreements

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

Note 3 — Consolidated Joint Ventures

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

During the nine months ended September 30, 2016 and 2015, the Bully joint ventures approved and paid dividends totaling \$124 million and \$114 million, respectively. Of these amounts, 50 percent was paid to our joint venture partner.

The combined carrying amount of the Bully-class drillships at both September 30, 2016 and December 31, 2015 totaled \$1.4 billion. These assets were primarily funded through partner equity contributions. Cash held by the Bully joint ventures totaled approximately \$51 million at September 30, 2016 as compared to approximately \$50 million at December 31, 2015.

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Note 4 — Share Data

Earnings per share

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

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|-----------|-------------------|-----------|
| | September 30, | | September 30, | |
| | 2016 | 2015 | 2016 | 2015 |
| Numerator: | | | | |
| Basic | | | | |
| Net income (loss) attributable to Noble-UK | \$(55,081) | \$325,807 | \$373,270 | \$663,241 |
| Earnings allocated to unvested share-based payment awards | — | (7,143) | (13,415) | (14,661) |
| Net income (loss) to common shareholders - basic | \$(55,081) | \$318,664 | \$359,855 | \$648,580 |
| Diluted | | | | |
| Net income (loss) attributable to Noble-UK | \$(55,081) | \$325,807 | \$373,270 | \$663,241 |
| Earnings allocated to unvested share-based payment awards | — | (7,143) | (13,415) | (14,661) |
| Net income (loss) to common shareholders - diluted | \$(55,081) | \$318,664 | \$359,855 | \$648,580 |
| Denominator: | | | | |
| Weighted average shares outstanding - basic | 243,224 | 241,970 | 243,089 | 242,204 |
| Incremental shares issuable from assumed exercise of stock options | — | — | — | — |
| Weighted average shares outstanding - diluted | 243,224 | 241,970 | 243,089 | 242,204 |
| Weighted average unvested share-based payment awards | — | 5,424 | 9,062 | 5,475 |
| Earnings (loss) per share | | | | |
| Basic | \$(0.23) | \$1.32 | \$1.48 | \$2.68 |
| Diluted | \$(0.23) | \$1.32 | \$1.48 | \$2.68 |
| Dividends per share | \$0.020 | \$0.375 | \$0.190 | \$1.125 |

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 September 30, 2016 and 2015, approximately 1.5 million and 1.7 million shares underlying stock options, respectively, were excluded from the diluted earnings per share as such stock options were not dilutive.

Share capital

As of September 30, 2016, Noble-UK had approximately 243.2 million shares outstanding and trading as compared to approximately 242.0 million shares outstanding and trading at December 31, 2015. Our Board of Directors may increase our share capital through the issuance of up to 53 million authorized shares (at current nominal value of \$0.01 per share) without obtaining shareholder approval.

Our most recent quarterly dividend payment to shareholders, totaling approximately \$5 million (or \$0.02 per share), was declared on July 22, 2016 and paid on August 8, 2016 to holders of record on August 1, 2016.

Our Board of Directors eliminated our quarterly cash dividend of \$0.02 per share, beginning with the Company's fourth quarter dividend. The elimination of the dividend will provide approximately \$20 million of additional liquidity on an annual basis based on the most recent dividend amount.

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.

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Share repurchases

Under UK law, the Company is only permitted to purchase its own shares by way of an “off-market purchase” in a plan approved by shareholders. In December 2014, we received shareholder approval to repurchase up to 37 million ordinary shares, or approximately 15 percent of our outstanding ordinary shares at the time of the shareholder approval. The authority to make such repurchases expired at the end of the Company’s 2016 annual general meeting of shareholders, which was held on April 22, 2016. During 2015, we repurchased 6.2 million of our ordinary shares covered by this authorization for a total cost of approximately \$101 million. During the nine months ended September 30, 2016, 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. (“FCX”), Freeport-McMoRan Oil & Gas LLC and one of our subsidiaries entered into an agreement terminating the contracts on the Noble Sam Croft and the Noble Tom Madden (“FCX Settlement”), which were scheduled to end in July 2017 and November 2017, respectively. For the nine months ended September 30, 2016, Noble recognized approximately \$379 million in “Contract drilling services revenue” associated with the FCX Settlement, which included \$348 million recorded as a termination fee and \$31 million for the accelerated recognition of other deferred contractual items. For the nine months ended September 30, 2016, \$11 million was recognized in “Contract drilling services expense” for the accelerated recognition of deferred mobilization and other expenses.

Pursuant to the FCX Settlement, Noble may receive payments from FCX contingent upon the average price of oil over a 12 months period from June 30, 2016 through June 30, 2017. These contingent payments were not designated for hedge accounting treatment under FASB standards, and therefore, changes in fair value are recognized as either income or loss in the accompanying Consolidated Statements of Operations. For the nine months ended September 30, 2016, we recognized approximately \$12.4 million in “Contract drilling services revenue,” related to the valuation of this contingent payment and during the three months ended September 30, 2016, we recognized a \$5.2 million loss in “Contract drilling services revenue,” related to the valuation of this contingent payment. As of September 30, 2016, the estimated fair value of these contingent payments was \$12.4 million which is included in “Prepaid expenses and other current assets” (see Note 11 for additional information).

Note 6 — Receivables from Customers

At September 30, 2016, we had receivables of approximately \$14 million related to the Noble Max Smith, which are being disputed by our former customer, Petróleos Mexicanos (“Pemex”). These receivables have been classified as long-term and are included in “Other assets” on our Consolidated Balance Sheet. The disputed amounts relate to lost revenues for downtime that occurred after our rig was damaged when one of Pemex’s supply boats collided with our rig in 2010. In January 2012, we filed a lawsuit against Pemex in Mexican court seeking recovery of these amounts. While we can make no assurances as to the outcome of this dispute, we believe we are entitled to the disputed amounts.

Note 7 — Property and Equipment

Property and equipment, at cost, as of September 30, 2016 and December 31, 2015 for Noble-UK consisted of the following:

| | September 30, 2016 | December 31, 2015 |
|-----------------------------------|-----------------------|----------------------|
| Drilling equipment and facilities | \$ 13,536,979 | \$ 13,074,804 |
| Construction in progress | 864,140 | 761,347 |
| Other | 203,677 | 220,172 |
| Property and equipment, at cost | \$ 14,604,796 | \$ 14,056,323 |

Capital expenditures, including capitalized interest, totaled \$592 million and \$280 million for the nine months ended September 30, 2016 and 2015, respectively. Capitalized interest was \$9 million and \$16 million for the three and nine months ended September 30, 2016, respectively, as compared to \$7 million and \$18 million for the three and nine months ended September 30, 2015, respectively.

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We took delivery of our remaining newbuild project, the heavy-duty, harsh environment jackup, Noble Lloyd Noble, on July 15, 2016. The Noble Lloyd Noble is on the drilling location undergoing final acceptance testing under a four-year contract in the North Sea, and is expected to commence operations during the fourth quarter.

During the nine months ended September 30, 2016, we completed the sale of certain corporate assets and the previously retired rigs, the jackup Noble Charles Copeland and the drillship Noble Discoverer. In connection with the sale of these assets, we received proceeds of approximately \$23 million.

Also during the nine months ended September 30, 2016, we recorded an impairment charge of \$17 million as a result of our decision to dispose of certain capital spare equipment.

Note 8 — Debt

Our total debt consisted of the following at September 30, 2016 and December 31, 2015:

| | September 30, 2016 | December 31, 2015 |
|--|-----------------------|----------------------|
| Current | | |
| Current maturities of long-term debt | \$ 299,983 | \$ 299,997 |
| Less: Unamortized debt issuance costs | (221 |) (73 |
| Current maturities of long-term debt, net of debt issuance costs | \$ 299,762 | \$ 299,924 |
| Long-term | | |
| 3.05% Senior Notes due March 2016 | \$ — | \$ 299,997 |
| 2.50% Senior Notes due March 2017 | 299,983 | 299,956 |
| 5.25% Senior Notes due March 2018 ⁽¹⁾ | 249,725 | 249,602 |
| 7.50% Senior Notes due March 2019 | 201,695 | 201,695 |
| 4.90% Senior Notes due August 2020 | 467,195 | 499,287 |
| 4.625% Senior Notes due March 2021 | 396,337 | 399,680 |
| 3.95% Senior Notes due March 2022 | 399,424 | 399,354 |
| 6.95% Senior Notes due April 2025 ⁽¹⁾ | 448,886 | 448,814 |
| 6.20% Senior Notes due August 2040 | 399,898 | 399,896 |
| 6.05% Senior Notes due March 2041 | 397,748 | 397,719 |
| 5.25% Senior Notes due March 2042 | 498,361 | 498,338 |
| 7.95% Senior Notes due April 2045 ⁽¹⁾ | 394,601 | 394,563 |
| Total senior unsecured notes | 4,153,853 | 4,488,901 |
| Credit facility & commercial paper program | — | — |
| Total debt | 4,153,853 | 4,488,901 |
| Less: Unamortized debt issuance costs | (23,646 |) (26,266 |
| Less: Current maturities of long-term debt | (299,983 |) (299,997 |
| Long-term debt, net of debt issuance costs | \$ 3,830,224 | \$ 4,162,638 |

(1) In February 2016, as a result of a reduction in our debt rating below investment grade by Moody's Investors Service, the interest rates on our Senior Notes due 2018, Senior Notes due 2025 and Senior Notes due 2045 were increased 1.00% each to 5.00%, 6.95% and 7.95%, respectively, effective the first day of each interest period after which the downgrade occurred. As a result of an additional downgrade by S&P Global Ratings in July 2016, the interest rates on these Senior Notes were further increased by 0.25% each to 5.25%, 7.20% and 8.20%, respectively, with the interest rate increase taking effect during the third quarter for the Senior Notes due 2018 and during the fourth quarter for the Senior Notes due 2025 and the Senior Notes due 2045.

In accordance with our adoption of ASU No. 2015-3 on January 1, 2016, unamortized debt issuance costs related to our senior notes are shown as a direct reduction of the carrying amount of the related debt. The debt issuance costs previously included

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in “Other assets,” are included in either “Current maturities of long-term debt” or “Long-term debt” in the accompanying Consolidated Balance Sheets, based upon the maturity date of the respective senior notes.

Credit Facility and Commercial Paper Program

We currently have a five-year \$2.4 billion senior unsecured credit facility that matures in January 2020. The credit facility provides us with the ability to issue up to \$500 million in letters of credit. The issuance of letters of credit under the facility reduces the amount available for borrowing. At September 30, 2016, we had no letters of credit issued under the facility.

During the three months ended September 30, 2016, we terminated our commercial paper program which had allowed us to issue up to \$2.4 billion in unsecured commercial paper notes. This termination does not reduce the capacity under our credit facility.

Our credit facility and certain of our senior notes, as discussed below, have provisions which vary the applicable interest rates based upon our credit ratings.

Senior Unsecured Notes

In February 2016, as a result of a reduction in our debt rating below investment grade by Moody’s Investors Service, the interest rates on our Senior Notes due 2018, Senior Notes due 2025 and Senior Notes due 2045 were increased 1.00% each to 5.00%, 6.95% and 7.95%, respectively, effective the first day of each interest period after which the downgrade occurred. As a result of an additional downgrade by S&P Global Ratings in July 2016, the interest rates on these Senior Notes were further increased by 0.25% each to 5.25%, 7.20% and 8.20%, respectively, with the interest rate increase taking effect during the third quarter for the Senior Notes due 2018 and during the fourth quarter for the Senior Notes due 2025 and the Senior Notes due 2045. The interest rates on these Senior Notes may be further increased if our debt rating were to be downgraded further (up to a maximum of an additional 75 basis points). Our other outstanding senior notes do not contain provisions varying applicable interest rates based upon our credit rating. In March 2016, we repaid our maturing \$300 million 3.05% Senior Notes using cash on hand.

In March 2016, we commenced cash tender offers for our 4.90% Senior Notes due 2020, of which \$500 million principal amount was outstanding, and our 4.625% Senior Notes due 2021, of which \$400 million principal amount was outstanding. On April 1, 2016, we purchased \$36 million of these Senior Notes for \$24 million, plus accrued interest, using cash on hand. As a result of this transaction, we recognized a net gain of approximately \$11 million during the nine months ended September 30, 2016, which is reflected as “Gain on extinguishment of debt, net” in the accompanying Consolidated Statements of Operations.

Our \$300 million 2.50% Senior Notes mature during the first quarter of 2017. We anticipate using cash on hand to repay the outstanding balances.

Covenants

The credit facility is guaranteed by Noble Holding International Limited (“NHIL”) and Noble Holding Corporation (“NHC”). 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 September 30, 2016, our ratio of debt to total tangible capitalization was approximately 0.35. We were in compliance with all covenants under the credit facility as of September 30, 2016.

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 September 30, 2016, 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 2016.

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Fair Value of Debt

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

The following table presents the estimated fair value of our total debt, not including the effect of unamortized debt issuance costs, as of September 30, 2016 and December 31, 2015, respectively:

| | September 30, 2016 | | December 31, 2015 | |
|--|-----------------------|----------------------------|-------------------|----------------------------|
| | Carrying Value | Estimated Fair Value | Carrying Value | Estimated Fair Value |
| Senior unsecured notes: | | | | |
| 3.05% Senior Notes due March 2016 | \$ — | \$ — | —\$299,997 | \$299,340 |
| 2.50% Senior Notes due March 2017 | 299,983 | 296,357 | 299,956 | 284,334 |
| 5.25% Senior Notes due March 2018 ⁽¹⁾ | 249,725 | 246,641 | 249,602 | 227,285 |
| 7.50% Senior Notes due March 2019 | 201,695 | 201,947 | 201,695 | 194,273 |
| 4.90% Senior Notes due August 2020 | 467,195 | | | |