

Noble Corp plc  
Form 10-Q  
August 03, 2018

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, 2018

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 every Interactive Data File required to be submitted 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 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," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Edgar Filing: Noble Corp plc - Form 10-Q

Noble Corporation plc:	Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>	Emerging growth company <input type="checkbox"/>
Noble Corporation:	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>	Emerging growth company <input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Number of shares outstanding and trading at July 31, 2018: Noble Corporation plc — 246,783,435

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) of 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, 2018 and December 31, 2017</u>	3
<u>Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2018 and 2017</u>	4
<u>Condensed Consolidated Statements of Comprehensive Loss for the three and six months ended June 30, 2018 and 2017</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2018 and 2017</u>	6
<u>Condensed Consolidated Statements of Equity for the six months ended June 30, 2018 and 2017</u>	7
Noble Corporation (Noble-Cayman) Financial Statements:	
<u>Condensed Consolidated Balance Sheets as of June 30, 2018 and December 31, 2017</u>	8
<u>Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2018 and 2017</u>	9
<u>Condensed Consolidated Statements of Comprehensive Loss for the three and six months ended June 30, 2018 and 2017</u>	10
<u>Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2018 and 2017</u>	11
<u>Condensed Consolidated Statements of Equity for the six months ended June 30, 2018 and 2017</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>	39
Item 3 <u>Quantitative and Qualitative Disclosures About Market Risk</u>	50
Item 4 <u>Controls and Procedures</u>	51
<b>PART II <u>OTHER INFORMATION</u></b>	
Item 1 <u>Legal Proceedings</u>	52
Item 1A <u>Risk Factors</u>	52
Item 2 <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	52
Item 6 <u>Exhibits</u>	52
<u>Index to Exhibits</u>	53
<u>SIGNATURES</u>	54

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, 2018	December 31, 2017
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$411,492	\$662,829
Accounts receivable, net	212,229	204,696
Taxes receivable	12,811	105,345
Prepaid expenses and other current assets	60,721	66,105
Total current assets	697,253	1,038,975
Property and equipment, at cost	10,924,509	12,034,331
Accumulated depreciation	(2,403,099 )	(2,545,091 )
Property and equipment, net	8,521,410	9,489,240
Other assets	175,024	266,444
Total assets	\$9,393,687	\$10,794,659
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Current maturities of long-term debt	\$—	\$249,843
Accounts payable	93,612	84,032
Accrued payroll and related costs	41,852	54,904
Taxes payable	33,278	34,391
Interest payable	103,407	98,189
Other current liabilities	65,087	71,665
Total current liabilities	337,236	593,024
Long-term debt	3,842,617	3,795,867
Deferred income taxes	155,961	164,962
Other liabilities	284,823	290,178
Total liabilities	4,620,637	4,844,031
Commitments and contingencies (Note 15)		
Shareholders' equity		
Common stock, \$0.01 par value, ordinary shares; 246,760 and 244,971 shares outstanding as of June 30, 2018 and December 31, 2017, respectively	2,468	2,450
Additional paid-in capital	688,214	678,922
Retained earnings	3,721,433	4,637,677
Accumulated other comprehensive loss	(49,883 )	(42,888 )
Total shareholders' equity	4,362,232	5,276,161
Noncontrolling interests	410,818	674,467
Total equity	4,773,050	5,950,628
Total liabilities and equity	\$9,393,687	\$10,794,659

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,	
	2018	2017	2018	2017
Operating revenues				
Contract drilling services	\$247,689	\$271,532	\$476,795	\$626,191
Reimbursables and other	10,680	6,610	16,731	14,927
	258,369	278,142	493,526	641,118
Operating costs and expenses				
Contract drilling services	151,437	162,781	288,286	323,550
Reimbursables	8,297	4,394	12,647	9,540
Depreciation and amortization	129,681	136,594	258,436	272,312
General and administrative	21,717	18,658	43,800	34,538
Loss on impairment	792,843	—	792,843	—
	1,103,975	322,427	1,396,012	639,940
Operating income (loss)	(845,606 )	(44,285 )	(902,486 )	1,178
Other income (expense)				
Interest expense, net of amounts capitalized	(74,130 )	(73,209 )	(150,145 )	(146,656 )
Loss on extinguishment of debt, net	—	—	(8,768 )	—
Interest income and other, net	2,865	3,074	4,204	4,691
Loss from continuing operations before income taxes	(916,871 )	(114,420 )	(1,057,195)	(140,787 )
Income tax benefit (provision)	38,839	18,213	35,843	(239,194 )
Net loss from continuing operations	(878,032 )	(96,207 )	(1,021,352)	(379,981 )
Net loss from discontinued operations, net of tax	—	(1,486 )	—	(1,486 )
Net loss	(878,032 )	(97,693 )	(1,021,352)	(381,467 )
Net (income) loss attributable to noncontrolling interests	249,969	4,343	250,955	(13,577 )
Net loss attributable to Noble Corporation plc	\$(628,063)	\$(93,350)	\$(770,397)	\$(395,044)
Net loss attributable to Noble Corporation plc				
Loss from continuing operations	\$(628,063)	\$(91,864)	\$(770,397)	\$(393,558)
Net loss from discontinued operations, net of tax	—	(1,486)	—	(1,486)
Net loss attributable to Noble Corporation plc	\$(628,063)	\$(93,350)	\$(770,397)	\$(395,044)
Per share data				
Basic:				
Loss from continuing operations	\$(2.55)	\$(0.37)	\$(3.13)	\$(1.61)
Loss from discontinued operations	—	(0.01)	—	(0.01)
Net loss attributable to Noble Corporation plc	\$(2.55)	\$(0.38)	\$(3.13)	\$(1.62)
Diluted:				
Loss from continuing operations	\$(2.55)	\$(0.37)	\$(3.13)	\$(1.61)
Loss from discontinued operations	—	(0.01)	—	(0.01)
Net loss attributable to Noble Corporation plc	\$(2.55)	\$(0.38)	\$(3.13)	\$(1.62)

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,	
	2018	2017	2018	2017
Net loss	\$(878,032)	\$(97,693)	\$(1,021,352)	\$(381,467)
Other comprehensive income (loss)				
Foreign currency translation adjustments	(2,771 )	94	(2,104 )	280
Foreign currency forward contracts	—	849	—	739
Amortization of deferred pension plan amounts (net of tax provision of \$86 and \$161 for the three months ended June 30, 2018 and 2017, respectively, and \$173 and \$328 for the six months ended June 30, 2018 and 2017, respectively)	325	375	649	767
Other comprehensive income (loss), net	(2,446 )	1,318	(1,455 )	1,786
Net comprehensive (income) loss attributable to noncontrolling interests	249,969	4,343	250,955	(13,577 )
Comprehensive loss attributable to Noble Corporation plc	\$(630,509)	\$(92,032)	\$(771,852 )	\$(393,258)

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,	
	2018	2017
Cash flows from operating activities		
Net loss	\$(1,021,352)	\$(381,467)
Adjustments to reconcile net loss to net cash flow from operating activities:		
Depreciation and amortization	258,436	272,312
Loss on impairment	792,843	—
Loss on extinguishment of debt, net	8,768	—
Deferred income taxes	(51,724)	) 303,084
Amortization of share-based compensation	12,735	15,187
Other long-term asset write-off	—	14,419
Other costs, net	3,226	2,800
Changes in components of working capital:		
Change in taxes receivable	84,486	—
Net changes in other operating assets and liabilities	(33,524)	) 27,950
Net cash provided by operating activities	53,894	254,285
Cash flows from investing activities		
Capital expenditures	(75,874)	) (67,608 )
Proceeds from disposal of assets, net	3,755	314
Net cash used in investing activities	(72,119)	) (67,294 )
Cash flows from financing activities		
Issuance of senior notes	750,000	—
Repayments of debt	(952,209)	) (300,000 )
Debt issuance costs on senior notes and credit facilities	(14,802)	) (42 )
Dividends paid to noncontrolling interests	(12,694)	) (5,393 )
Taxes withheld on employee stock transactions	(3,407)	) (4,301 )
Net cash used in financing activities	(233,112)	) (309,736 )
Net decrease in cash and cash equivalents	(251,337)	) (122,745 )
Cash and cash equivalents, beginning of period	662,829	725,722
Cash and cash equivalents, end of period	\$411,492	\$602,977
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 Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Equity
	Balance	Par Value					
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	—	—	—	—	—	(5,393 )	(5,393 )
Dividends unpaid to noncontrolling interests	—	—	—	—	—	(20,900 )	(20,900 )
Dividend equivalents <sup>(1)</sup>	—	—	—	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
Balance at December 31, 2017	244,971	\$ 2,450	\$678,922	\$4,637,677	\$ (42,888 )	\$ 674,467	\$5,950,628
Tax effect of intra-entity asset transfers (Note 2)	—	—	—	(149,938 )	—	—	(149,938 )
Stranded tax effect resulting from the Tax Cuts and Job Act (Note 2)	—	—	—	5,540	(5,540 )	—	—
Adjustment for adopting the revenue recognition standard	—	—	—	(1,488 )	—	—	(1,488 )
Balance at January 1, 2018	244,971	2,450	678,922	4,491,791	(48,428 )	674,467	5,799,202
Employee related equity activity							
Amortization of share-based compensation	—	—	12,735	—	—	—	12,735
Issuance of share-based compensation shares	1,789	18	(18 )	—	—	—	—
Shares withheld for taxes on equity transactions	—	—	(3,425 )	—	—	—	(3,425 )
Net loss	—	—	—	(770,397 )	—	(250,955 )	(1,021,352 )
Dividends paid to noncontrolling interests	—	—	—	—	—	(12,694 )	(12,694 )

Edgar Filing: Noble Corp plc - Form 10-Q

Dividend equivalents <sup>(1)</sup>	—	—	—	39	—	—	39
Other comprehensive loss, net	—	—	—	—	(1,455	)	(1,455
Balance at June 30, 2018	246,760	\$ 2,468	\$688,214	\$3,721,433	\$ (49,883	)	\$ 410,818
							\$4,773,050

<sup>(1)</sup> Activity associated with dividend equivalents, which are related to performance awards granted in 2016, to be paid upon vesting.

See accompanying notes to the unaudited condensed consolidated financial statements.

NOBLE CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

(Unaudited)

	June 30, 2018	December 31, 2017
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$410,672	\$662,011
Accounts receivable, net	212,229	204,696
Taxes receivable	12,811	105,345
Prepaid expenses and other current assets	60,628	65,441
Total current assets	696,340	1,037,493
Property and equipment, at cost	10,924,509	12,034,331
Accumulated depreciation	(2,403,099 )	(2,545,091 )
Property and equipment, net	8,521,410	9,489,240
Other assets	175,109	266,528
Total assets	\$9,392,859	\$10,793,261
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Current maturities of long-term debt	\$—	\$249,843
Accounts payable	93,431	83,873
Accrued payroll and related costs	41,821	54,904
Taxes payable	33,278	33,965
Interest payable	103,407	98,189
Other current liabilities	64,928	71,466
Total current liabilities	336,865	592,240
Long-term debt	3,842,617	3,795,867
Deferred income taxes	155,961	164,962
Other liabilities	284,823	290,178
Total liabilities	4,620,266	4,843,247
Commitments and contingencies (Note 15)		
Shareholder equity		
Common stock, \$0.01 par value, ordinary shares; 261,246 shares outstanding as of June 30, 2018 and December 31, 2017	26,125	26,125
Capital in excess of par value	635,848	623,137
Retained earnings	3,749,685	4,669,173
Accumulated other comprehensive loss	(49,883 )	(42,888 )
Total shareholder equity	4,361,775	5,275,547
Noncontrolling interests	410,818	674,467
Total equity	4,772,593	5,950,014
Total liabilities and equity	\$9,392,859	\$10,793,261

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,	
	2018	2017	2018	2017
Operating revenues				
Contract drilling services	\$247,689	\$271,532	\$476,795	\$626,191
Reimbursables and other	10,680	6,610	16,731	14,927
	258,369	278,142	493,526	641,118
Operating costs and expenses				
Contract drilling services	150,748	162,267	287,155	322,667
Reimbursables	8,297	4,394	12,647	9,540
Depreciation and amortization	128,173	134,633	255,812	270,351
General and administrative	8,121	13,231	21,578	22,295
Loss on impairment	792,843	—	792,843	—
	1,088,182	314,525	1,370,035	624,853
Operating income (loss)	(829,813 )	(36,383 )	(876,509 )	16,265
Other income (expense)				
Interest expense, net of amounts capitalized	(74,130 )	(73,209 )	(150,145 )	(146,656 )
Loss on extinguishment of debt, net	—	—	(8,768 )	—
Interest income and other, net	2,851	3,138	4,197	4,641
Loss from continuing operations before income taxes	(901,092 )	(106,454 )	(1,031,225 )	(125,750 )
Income tax benefit (provision)	38,733	18,213	35,737	(239,160 )
Net loss from continuing operations	(862,359 )	(88,241 )	(995,488 )	(364,910 )
Net income from discontinued operations, net of tax	—	2,967	—	2,967
Net loss	(862,359 )	(85,274 )	(995,488 )	(361,943 )
Net (income) loss attributable to noncontrolling interests	249,969	4,343	250,955	(13,577 )
Net loss attributable to Noble Corporation	\$(612,390)	\$(80,931)	\$(744,533)	\$(375,520)

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,	
	2018	2017	2018	2017
Net loss	\$(862,359)	\$(85,274)	\$(995,488)	\$(361,943)
Other comprehensive income (loss)				
Foreign currency translation adjustments	(2,771 )	94	(2,104 )	280
Foreign currency forward contracts	—	849	—	739
Amortization of deferred pension plan amounts (net of tax provision of \$86 and \$161 for the three months ended June 30, 2018 and 2017, respectively, and \$173 and \$328 for the six months ended June 30, 2018 and 2017, respectively)	325	375	649	767
Other comprehensive income (loss), net	(2,446 )	1,318	(1,455 )	1,786
Net comprehensive (income) loss attributable to noncontrolling interests	249,969	4,343	250,955	(13,577 )
Comprehensive loss attributable to Noble Corporation	\$(614,836)	\$(79,613)	\$(745,988)	\$(373,734)

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,	
	2018	2017
Cash flows from operating activities		
Net loss	\$(995,488)	\$(361,943)
Adjustments to reconcile net loss to net cash flow from operating activities:		
Depreciation and amortization	255,812	270,351
Loss on impairment	792,843	—
Loss on extinguishment of debt, net	8,768	—
Deferred income taxes	(51,724)	) 303,084
Amortization of share-based compensation	12,711	15,154
Other long-term asset write-off	—	14,419
Other cost, net	3,226	2,800
Changes in components of working capital:		
Change in taxes receivable	84,486	—
Net changes in other operating assets and liabilities	(31,080)	) 25,504
Net cash provided by operating activities	79,554	269,369
Cash flows from investing activities		
Capital expenditures	(75,874)	) (67,608 )
Proceeds from disposal of assets, net	3,755	314
Net cash used in investing activities	(72,119)	) (67,294 )
Cash flows from financing activities		
Issuance of senior notes	750,000	—
Repayments of debt	(952,209)	) (300,000 )
Debt issuance costs on senior notes and credit facilities	(14,802)	) (42 )
Dividends paid to noncontrolling interests	(12,694)	) (5,393 )
Contributions from (distributions to) parent company, net	(29,069)	) 51,705
Net cash used in financing activities	(258,774)	) (253,730 )
Net decrease in cash and cash equivalents	(251,339)	) (51,655 )
Cash and cash equivalents, beginning of period	662,011	653,833
Cash and cash equivalents, end of period	\$410,672	\$602,178

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 Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Equity
	Balance	Par Value					
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
Share-based compensation contribution by parent	—	—	15,154	—	—	—	15,154
Net income (loss)	—	—	—	(375,520 )	—	13,577	(361,943 )
Dividends paid to noncontrolling interests	—	—	—	—	—	(5,393 )	(5,393 )
Dividends unpaid to noncontrolling interests	—	—	—	—	—	(20,900 )	(20,900 )
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
Balance at December 31, 2017	261,246	\$ 26,125	\$ 623,137	\$ 4,669,173	\$ (42,888 )	\$ 674,467	\$ 5,950,014
Tax effect of intra-entity asset transfers (Note 2)	—	—	—	(149,938 )	—	—	(149,938 )
Stranded tax effect resulting from the Tax Cuts and Job Act (Note 2)	—	—	—	5,540	(5,540 )	—	—
Adjustment for adopting the revenue recognition standard	—	—	—	(1,488 )	—	—	(1,488 )
Balance at January 1, 2018	261,246	26,125	623,137	4,523,287	(48,428 )	674,467	5,798,588
Distributions to parent company, net	—	—	—	(29,069 )	—	—	(29,069 )
Share-based compensation contribution by parent	—	—	12,711	—	—	—	12,711
Net loss	—	—	—	(744,533 )	—	(250,955 )	(995,488 )
Dividends paid to noncontrolling interests	—	—	—	—	—	(12,694 )	(12,694 )
Other comprehensive loss, net	—	—	—	—	(1,455 )	—	(1,455 )
Balance at June 30, 2018	261,246	\$ 26,125	\$ 635,848	\$ 3,749,685	\$ (49,883 )	\$ 410,818	\$ 4,772,593

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 provide contract drilling services with our global fleet of mobile offshore drilling units. As of June 30, 2018, our fleet consisted of eight drillships, four semisubmersibles and 12 jackups.

We report our contract drilling operations as a single reportable segment, Contract Drilling Services, which reflects how we manage our business. 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 primarily of large, integrated, independent and government-owned or controlled oil and gas companies throughout the world.

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 consolidated financial statements. All such adjustments are of a recurring nature. The December 31, 2017 Condensed Consolidated Balance Sheets presented herein are derived from the December 31, 2017 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, 2017, 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.

We have made certain reclassifications to our prior period amounts in our operating revenue by combining other revenue with reimbursables revenue to conform to the current period presentation. Such reclassification did not have a material effect on our condensed consolidated statements of operations.

We have made certain reclassifications to our prior period amounts in our investing activities by combining changes in accrued capital expenditures with capital expenditures to conform to the current period presentation. Such reclassification did not have a material effect on our condensed consolidated statements of cash flows.

Note 2— Accounting Pronouncements

Accounting Standards Adopted

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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.” Under the new guidance, revenue is recognized when a customer obtains control of promised goods or



services and in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services.

We adopted ASU 2014-09 and its related amendments, or collectively Topic 606, effective January 1, 2018 using the modified retrospective implementation method. Accordingly, we have applied the five-step method outlined in Topic 606 for determining when and how revenue is recognized to all contracts that were not completed as of the date of adoption. Revenues for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts have not been adjusted and continue to be reported under the previous revenue recognition guidance. For contracts that were modified before the effective date, we have considered the modification guidance within the new standard and determined that the revenue recognized and contract balances recorded prior to adoption for such contracts were not impacted. While Topic 606 requires additional disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, its adoption has not had a material impact on the measurement or recognition of our revenues. Our modified retrospective adoption, for which we were not required to make any material changes to the prior year presentation, did not have a material effect on our 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)

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 standard is effective for interim and annual reporting periods beginning after December 15, 2017. We have adopted the new standard effective January 1, 2018 under the modified retrospective approach. Accordingly, “Other Assets” is reduced in our Condensed Consolidated Balance Sheet with a cumulative adjustment to retained earnings of approximately \$149.9 million.

In February 2018, the FASB issued ASU No. 2018-2, which amends ASC Topic 220, “Income Statement—Reporting Comprehensive Income.” The amendments in this update allow for a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act (the “Act”). This standard is effective for interim and annual reporting periods beginning after December 15, 2018 with early application permitted. We have elected to adopt the new standard effective January 1, 2018 under the modified retrospective approach. The amendment should be applied on a retrospective basis to each period in which the effect of the change in the U.S. federal corporate income tax rate in the Act was recognized. As a result of the retrospective application, we will reduce “Accumulated Other Comprehensive Income” in our Condensed Consolidated Balance Sheet with a cumulative adjustment to “Retained Earnings” of approximately \$5.5 million.

In March 2017, the FASB issued ASU No. 2017-7, which amends ASC Topic 715, “Compensation —Retirement Benefits; Improving the Presentation of Net Periodic Pension Cost and Postretirement Benefits Cost.” The amendments in this update require that an employer disaggregate the service cost component from the other components of net benefit cost for an entity's defined benefit pension and other postretirement plans. The amendments also provide explicit guidance on how to present the service cost component and the other components of net benefit cost in the income statement and allow only the service cost component of net benefit cost to be eligible for capitalization. The amendments in this update require that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit costs, as defined in paragraphs 715-30-35-4 and 715-60-35-9, are required to be presented in the income statement separately from the service cost component and outside of income from operations. We adopted ASU No. 2017-7 effective January 1, 2018 and accordingly, we have made certain reclassifications between our “Contract drilling services” costs and “Interest income and other, net” on our Condensed Consolidated Statement of Operations.

#### Issued Accounting Standards

In February 2016, the FASB issued ASU No. 2016-2, which creates ASC Topic 842, “Leases.” This standard is effective for interim and annual reporting periods beginning after December 15, 2018. We expect to adopt, on a modified retrospective basis, ASC 842 effective January 1, 2019. Our adoption requires that, as lessees, we recognize a right to use asset and lease liability. In addition, as lessors, our drilling contracts contain a lease component, which requires revenue presentation analysis. The ultimate effect on our consolidated financial statements, will be based on an evaluation of the contract-specific facts and circumstances. We do not expect our adoption to materially affect our Condensed Consolidated Balance Sheet, Condensed Consolidated Statement of Operations, or Condensed Consolidated Statement of Cash Flows. We are currently evaluating what other effect, if any, ASC 842 will have on our condensed consolidated financial statements and related 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 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, 2018, the Bully joint ventures approved and paid dividends of \$25.4 million. During the six months ended June 30, 2017, the Bully joint ventures approved dividends of \$52.6 million and paid dividends of \$10.8 million. Of these amounts, 50 percent was paid to our joint venture partner.

The combined carrying amount of the Bully-class drillships at June 30, 2018 and December 31, 2017 totaled \$0.7 billion and \$1.3 billion, respectively. These assets were primarily funded through partner equity contributions. During the three and six months ended June 30, 2018, we recognized a \$550.3 million impairment on the Noble Bully I, of which \$250.3 million is attributable to our joint venture partner. See "Note 10— Loss on Impairment" for additional information. Cash held by the Bully joint ventures totaled approximately \$41.3 million at June 30, 2018 as compared to approximately \$41.6 million at December 31, 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 4— Loss Per Share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Numerator:				
Basic				
Net loss from continuing operations	\$(628,063)	\$(91,864)	\$(770,397)	\$(393,558)
Net loss from discontinued operations, net of tax	—	(1,486 )	—	(1,486 )
Net loss attributable to Noble Corporation plc	\$(628,063)	\$(93,350)	\$(770,397)	\$(395,044)
Diluted				
Net loss from continuing operations	\$(628,063)	\$(91,864)	\$(770,397)	\$(393,558)
Net loss from discontinued operations, net of tax	—	(1,486 )	—	(1,486 )
Net loss attributable to Noble Corporation plc	\$(628,063)	\$(93,350)	\$(770,397)	\$(395,044)
Denominator:				
Weighted average shares outstanding - basic	246,740	244,828	246,438	244,527
Weighted average shares outstanding - diluted	246,740	244,828	246,438	244,527
Loss per share				
Basic:				
Loss from continuing operations	\$(2.55 )	\$(0.37 )	\$(3.13 )	\$(1.61 )
Loss from discontinued operations	—	(0.01 )	—	(0.01 )
Net loss attributable to Noble Corporation plc	\$(2.55 )	\$(0.38 )	\$(3.13 )	\$(1.62 )
Diluted:				
Loss from continuing operations	\$(2.55 )	\$(0.37 )	\$(3.13 )	\$(1.61 )
Loss from discontinued operations	—	(0.01 )	—	(0.01 )
Net loss attributable to Noble Corporation plc	\$(2.55 )	\$(0.38 )	\$(3.13 )	\$(1.62 )

Only those items having a dilutive impact on our basic earnings per share are included in diluted earnings per share. For the three and six months ended June 30, 2018, approximately 13.4 million share-based awards were excluded from diluted earnings per share since the effect would have been anti-dilutive. For the three and six months ended June 30, 2017, approximately 12.6 million share-based awards were excluded from diluted earnings per share for the same reason.

## Share capital

As of June 30, 2018, Noble-UK had approximately 246.8 million shares outstanding and trading as compared to approximately 245.0 million shares outstanding and trading at December 31, 2017. At our 2018 Annual General Meeting shareholders approved a proposal to allow our Board of Directors to increase share capital through the issuance of up to 82.2 million ordinary shares (at current nominal value of \$0.01 per share). The right of our directors to allot shares will expire at the end of our 2019 Annual General Meeting unless we seek an extension from shareholders at that time. There were no shares allotted during the six months ended June 30, 2018.

The declaration and payment of dividends require the 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 in accordance with UK law. Noble-UK is not permitted to pay dividends out of share capital, which includes share premiums. Noble has not paid dividends since the third quarter of 2016. The payment of future dividends will depend on our results of operations, financial condition, cash requirements, future business prospects, contractual and indenture restrictions and other factors deemed relevant by our Board of Directors.

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 currently do not have shareholder authority to repurchase shares.

Note 5— Receivables from Customers

At December 31, 2016, 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

## 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)

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. A Mexican subsidiary of Paragon Offshore plc ("Paragon Offshore"), which had operated the Noble Max Smith, had been prosecuting the claim against Pemex. As of December 31, 2017, Paragon Offshore announced that, as part of its bankruptcy plan, it will liquidate the Mexican entity involved.

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 create 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 during the six months ended June 30, 2017.

## Note 6— Property and Equipment

Property and equipment, at cost, for Noble-UK consisted of the following:

	June 30, 2018	December 31, 2017
Drilling equipment and facilities	\$ 10,610,440	\$ 11,746,629
Construction in progress	111,304	83,509
Other	202,765	204,193
Property and equipment, at cost	\$ 10,924,509	\$ 12,034,331

During the three and six months ended June 30, 2018, we recognized a non-cash loss on impairment of \$792.8 million, related to our long-lived assets. See "Note 10— Loss on Impairment" for additional information.

## Note 7— Debt

## Credit Facilities

## 2015 Credit Facility

At December 31, 2017, we had a five-year \$2.4 billion senior unsecured credit facility that will mature 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 "2015 Credit Facility"). At December 31, 2017, the 2015 Credit Facility also provided us with the ability to issue up to \$500.0 million in letters of credit.

On December 19, 2017, we entered into the First Amendment and Consent and Successor Agent Agreement (the "Amendment") amending the 2015 Credit Facility. On January 3, 2018, the Amendment to the 2015 Credit Facility became fully effective. The Amendment caused, among other things, a reduction in the aggregate principal amount of commitments under the 2015 Credit Facility to \$300.0 million and the termination of the 2015 Credit Facility's letter of credit sub-facility. The maturity of the 2015 Credit Facility remains January 2020. As a result of the 2015 Credit Facility's reduction in the aggregate principal amount of commitments, we recognized a net loss of approximately \$2.3 million in the six months ended June 30, 2018. At June 30, 2018, we had no borrowings outstanding under the 2015 Credit Facility.

## 2017 Credit Facility

On December 21, 2017, Noble Cayman Limited, a Cayman Islands company and a wholly-owned indirect subsidiary of Noble-Cayman ("NCL"); Noble International Finance Company, a Cayman Islands company and a wholly-owned indirect subsidiary of Noble-Cayman ("NIFCO"); and Noble Holding UK Limited, a company incorporated under the laws of England and Wales and a wholly-owned direct subsidiary of Noble-UK ("NHUK"), as parent guarantor, entered into a new senior unsecured credit agreement (the "2017 Credit Facility" and, together with the 2015 Credit Facility, the "Credit Facilities"). The maximum aggregate amount of commitments under the 2017 Credit Facility of approximately \$1.5 billion became available in January 2018 upon satisfaction of certain conditions, including the effectiveness of the commitment reduction under the 2015 Credit Facility. Borrowings under the 2017 Credit Facility are subject to certain conditions precedent, including that there be no unused commitments to advance loans under the 2015 Credit

Facility. Borrowings may be used for working capital and other general corporate purposes. The 2017 Credit Facility provides for a letter of credit sub-facility currently in the amount of \$15.0 million, with the ability to increase such amount up to \$500.0 million with the approval of the lenders. The 2017 Credit Facility will mature in January 2023. At June 30, 2018, we had no borrowings outstanding or letters of credit issued under the 2017 Credit Facility. Both of our Credit Facilities have provisions which vary the applicable interest rates for borrowings based upon our debt ratings. We also pay a facility fee under the 2015 Credit Facility on the full commitments thereunder (used or unused) and a commitment fee under the 2017 Credit

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)

Facility on the daily unused amount of the underlying commitments, in each case which varies depending on our credit ratings. At June 30, 2018, the interest rates in effect under our Credit Facilities are the highest permitted interest rates under those agreements.

Debt Issuance

In January 2018, we issued \$750.0 million aggregate principal amount of our Senior Notes due 2026 (the “2026 Notes”) through our indirect wholly-owned subsidiary, NHIL. The net proceeds of the offering of approximately \$737.4 million, after estimated expenses, were used to retire a portion of our near-term senior notes in a related tender offer. The indenture for the 2026 Notes contains certain covenants and restrictions, including, among others, restrictions on our subsidiaries’ ability to incur certain additional indebtedness. Additionally, the Subsidiary Guarantors must own, directly or indirectly, (i) assets comprising at least 85% of the revenue of Noble-Cayman and its subsidiaries on a consolidated basis and (ii) jackups, semisubmersibles, drillships, submersibles or other mobile offshore drilling units of material importance, the combined book value of which comprises at least 85% of the combined book value of all such assets of Noble-Cayman and its subsidiaries on a consolidated basis, in each case, with respect to the most recently completed fiscal year.

Senior Notes Interest Rate Adjustments

During 2016 and 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 (the “2018 Notes”), our Senior Notes due 2025 (the “2025 Notes”) and our Senior Notes due 2045 (the “2045 Notes”), all of which are subject to provisions that vary the applicable interest rates based on our debt rating. On October 18, 2017, S&P Global Ratings further reduced our debt rating, which increased the interest rates on the 2025 Notes and the 2045 Notes to 7.95% and 8.95%, respectively, effective April 2018. These senior notes have reached the contractually defined maximum interest rate set for each rating agency and no further interest rate increases are possible. The interest rates on these senior notes may be decreased if our debt ratings were to be raised by either rating agency above specified levels. Our other outstanding senior notes do not contain provisions varying applicable interest rates based upon our credit ratings.

Debt Tender Offers and Repayments

In January 2018, we commenced cash tender offers for the 2018 Notes, our Senior Notes due 2019 (the “2019 Notes”), our Senior Notes due 2020, our Senior Notes due 2021, our Senior Notes due 2022 and our Senior Notes due 2024. In February 2018, we purchased \$754.2 million aggregate principal amount of these senior notes for \$750.0 million, plus accrued interest, using the net proceeds of the 2026 Notes issuance and cash on hand. As a result of this transaction, we recognized a net loss of approximately \$3.5 million.

In February 2018, we redeemed the remaining principal amount of \$61.9 million of the 2019 Notes for approximately \$65.3 million, plus accrued interest. As a result of this transaction, we recognized a net loss of approximately \$3.5 million.

In March 2018, we repaid the remaining aggregate principal amount of \$126.6 million of the 2018 Notes at maturity using cash on hand.

In March 2018, we purchased \$9.5 million aggregate principal amount of various tranches of our senior notes for approximately \$8.7 million, plus accrued interest, as open market repurchases and recognized a net gain of approximately \$0.5 million.

Covenants

The 2015 Credit Facility is guaranteed by NHUS and NHIL. The 2015 Credit Facility contains a covenant that limits our ratio of debt to total tangible capitalization, as defined in the 2015 Credit Facility, to 0.60 at the end of each fiscal quarter.



The 2017 Credit Facility contains certain financial covenants applicable to NHUK and its subsidiaries, including (i) a covenant restricting debt to total tangible capitalization to not greater than 0.55 at the end of each fiscal quarter, (ii) a minimum Liquidity requirement of \$300.0 million, (iii) a covenant that, beginning with the fiscal quarter ending March 31, 2018, the ratio of the Rig Value (as defined in the 2017 Credit Facility) of Marketed Rigs (as defined in the 2017 Credit Facility) to the sum of commitments under the 2017 Credit Facility plus indebtedness for borrowed money of the borrowers and guarantors, in each case, that directly own Marketed Rigs, is not less than 3:00 to 1:00 at the end of each fiscal quarter and (iv) a covenant that, beginning with the fiscal quarter ending March 31, 2018, the ratio of (A) the Rig Value of the Closing Date Rigs (as defined in the 2017 Credit Facility) that are directly wholly owned by the borrowers and guarantors to (B) the Rig Value of the Closing Date Rigs owned by NHUK, subsidiaries of NHUK and certain local content affiliates, is not less than 80% at the end of each fiscal quarter (such covenants described in (iii) and (iv) of this paragraph, the “Guarantor Ratio Covenants”). The 2017 Credit Facility also includes restrictions on borrowings if, after giving effect to any such borrowings and the application of the proceeds thereof, the aggregate amount of Available Cash (as defined in the 2017 Credit Facility) would exceed \$200.0 million.

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)

NHUK has guaranteed the obligations of the borrowers under the 2017 Credit Facility. In addition, on January 19, 2018 certain indirect subsidiaries of Noble-UK became guarantors under the 2017 Credit Facility, including Noble Dave Beard Limited, Noble Drilling (TVL) Ltd., Noble Resources Limited, Noble SA Limited, Noble Bob Douglas LLC, Noble Drilling Holding LLC, Noble Drilling International GmbH, Noble Leasing (Switzerland) GmbH, and Noble Leasing III (Switzerland) GmbH. Certain other subsidiaries of Noble-UK may be required from time to time to guarantee the obligations of the borrowers under the 2017 Credit Facility in order maintain compliance with the Guarantor Ratio Covenants.

The 2017 Credit Facility contains additional restrictive covenants generally applicable to NHUK and its subsidiaries, including restrictions on the incurrence of liens and indebtedness, mergers and other fundamental changes, restricted payments, repurchases and redemptions of indebtedness with maturities outside of the maturity of the 2017 Credit Facility, sale and leaseback transactions and transactions with affiliates.

In addition to the covenants from the Credit Facilities noted above and the covenants from the 2026 Notes described under “—Debt Issuance” 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, 2018, we were in compliance with all applicable debt covenants. We continually monitor compliance with the covenants under our Credit Facilities and senior notes and expect to remain in compliance throughout 2018.

## 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)

## 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 14— Fair Value of Financial Instruments.”

The following table presents the carrying value, net of unamortized debt issuance costs and discounts, and the estimated fair value of our total debt, not including the effect of unamortized debt issuance costs, respectively:

	June 30, 2018		December 31, 2017	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Senior unsecured notes:				
5.75% Senior Notes due March 2018	\$—	\$—	\$249,843	\$250,830
7.50% Senior Notes due March 2019	—	—	201,535	206,881
4.90% Senior Notes due August 2020	65,786	64,773	167,422	163,283
4.625% Senior Notes due March 2021	92,865	89,655	208,095	195,687
3.95% Senior Notes due March 2022	41,606	38,170	125,307	107,348
7.75% Senior Notes due January 2024	782,057	760,838	971,498	861,160
7.95% Senior Notes due April 2025	446,308	416,727	446,106	380,732
7.875% Senior Notes due February 2026	737,900	772,695	—	—
6.20% Senior Notes due August 2040	396,771	291,504	396,738	274,988
6.05% Senior Notes due March 2041	394,569	288,936	394,514	273,988
5.25% Senior Notes due March 2042	494,125	341,250	494,063	315,430
8.95% Senior Notes due April 2045	390,630	358,760	390,589	320,396
Total debt	3,842,617	3,423,308	4,045,710	3,350,723
Current maturities of long-term debt	—	—	249,843	250,830
Long-term debt	\$3,842,617	\$3,423,308	\$3,795,867	\$3,099,893

## 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— Accumulated Other Comprehensive Income (Loss)

The following table presents the changes in the accumulated balances for each component of AOCI for the six months ended June 30, 2018 and 2017. All amounts within the table are shown net of tax.

	Unrealized Losses on Cash Flow Hedges <sup>(1)</sup>	Defined Benefit Pension Items <sup>(2)</sup>	Foreign Currency Items	Total
Balance at December 31, 2016	\$ —	\$(35,865)	\$(16,275)	\$(52,140)
Activity during period:				
Other comprehensive income before reclassifications	739	—	280	1,019
Amounts reclassified from AOCI	—	767	—	767
Net other comprehensive income	739	767	280	1,786
Balance at June 30, 2017	\$ 739	\$(35,098)	\$(15,995)	\$(50,354)
Balance at December 31, 2017	\$ —	\$(27,603)	\$(15,285)	\$(42,888)
Activity during period:				
Stranded tax effect resulting from the Act (Note 2)	—	(5,540 )	—	(5,540 )
Balance at January 1, 2018	—	(33,143 )	(15,285 )	(48,428 )
Activity during period:				
Other comprehensive loss before reclassifications	—	—	(2,104 )	(2,104 )
Amounts reclassified from AOCI	—	649	—	649
Net other comprehensive income (loss)	—	649	(2,104 )	(1,455 )
Balance at June 30, 2018	\$ —	\$(32,494)	\$(17,389)	\$(49,883)

Unrealized losses on cash flow hedges are related to foreign currency forward contracts. Reclassifications from

(1) AOCI are recognized through “Contract drilling services” costs on our Condensed Consolidated Statements of Operations. See “Note 13— Derivative Instruments and Hedging Activities” for additional information.

Defined benefit pension items relate to actuarial changes. Reclassifications from AOCI are recognized as expense (2) on our Condensed Consolidated Statements of Operations through either “Contract drilling services” or “General and administrative.” See “Note 12— Employee Benefit Plans” for additional information.

## Note 9— Revenue and Customers

## Overview

The activities that primarily drive the revenue earned in our drilling contracts include (i) providing a drilling rig and the crew and supplies necessary to operate the rig, (ii) mobilizing and demobilizing the rig to and from the drill site, and (iii) performing rig preparation activities and/or modifications required for the contract. Consideration received for performing these activities may consist of dayrate drilling revenue, mobilization and demobilization revenue, contract preparation revenue and reimbursement revenue. We account for these integrated services provided within our drilling contracts as a single performance obligation satisfied over time and comprised of a series of distinct time increments in which we provide drilling services.

Our standard drilling contracts require that we operate the rig at the direction of the customer throughout the contract term (which is the period we estimate to be benefited from the corresponding activities and generally ranges from two to 60 months). The activities performed and the level of service provided can vary hour to hour. Our obligation under a standard contract is to provide whatever level of service is required by the operator, or customer, over the term of the contract. We are, therefore, under a stand-ready obligation throughout the entire contract duration. Consideration for our stand-ready obligation corresponds to distinct time increments, though the rate may be variable depending on

various factors, and is recognized in the period in which the services are performed. The total transaction price is determined for each individual contract by estimating both fixed and variable consideration expected to be earned over the term of the contract. We have elected to exclude from the transaction price measurement all taxes assessed by a governmental authority. See further discussion regarding the allocation of the transaction price to the remaining performance obligations below.

The amount estimated for variable consideration may be subject to interrupted or restricted rates and is only included in the transaction price to the extent that it is probable that a significant reversal of previously recognized revenue will not occur throughout the term of the contract (“constrained revenue”). When determining if variable consideration should be constrained, management considers whether there are factors

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)

outside the Company's control that could result in a significant reversal of revenue as well as the likelihood and magnitude of a potential reversal of revenue. These estimates are re-assessed each reporting period as required.

**Dayrate Drilling Revenue.** Our drilling contracts generally provide for payment on a dayrate basis, with higher rates for periods when the drilling unit is operating and lower rates or zero rates for periods when drilling operations are interrupted or restricted. The dayrate invoices billed to the customer are typically determined based on the varying rates applicable to the specific activities performed on an hourly basis. Such dayrate consideration is allocated to the distinct hourly increment it relates to within the contract term, and therefore, recognized in line with the contractual rate billed for the services provided for any given hour.

**Mobilization/Demobilization Revenue.** We may receive fees (on either a fixed lump-sum or variable dayrate basis) for the mobilization and demobilization of our rigs. These activities are not considered to be distinct within the context of the contract and, therefore, the associated revenue is allocated to the overall performance obligation and the associated pre-operating costs are deferred. We record a contract liability for mobilization fees received and a deferred asset for costs. Both revenue and pre-operating costs are recognized ratably over the initial term of the related drilling contract. In most contracts, there is uncertainty as to the amount of expected demobilization revenue due to contractual provisions that stipulate that certain conditions must be present at contract completion for such revenue to be received and as to the amount thereof, if any. For example, contractual provisions may require that a rig demobilize a certain distance before the demobilization revenue is payable or the amount may vary dependent upon whether or not the rig has additional contracted work within a certain distance from the wellsite. Therefore, the estimate for such revenue may be constrained, as described earlier, depending on the facts and circumstances pertaining to the specific contract. We assess the likelihood of receiving such revenue based on past experience and knowledge of the market conditions. In cases where demobilization revenue is expected to be received upon contract completion, it is estimated as part of the overall transaction price at contract inception and recognized in earnings ratably over the initial term of the contract with an offset to an accretive contract asset.

**Contract Preparation Revenue.** Some of our drilling contracts require downtime before the start of the contract to prepare the rig to meet customer requirements. At times, we may be compensated by the customer for such work (on either a fixed lump-sum or variable dayrate basis). These activities are not considered to be distinct within the context of the contract and, therefore, the related revenue is allocated to the overall performance obligation and recognized ratably over the initial term of the related drilling contract. We record a contract liability for contract preparation fees received, which is amortized ratably to contract drilling revenue over the initial term of the related drilling contract.

**Bonuses, Penalties and Other Variable Consideration.** We may receive bonus increases to revenue or penalty decreases to revenue. Based on historical data, and ongoing communication with the operator/customer, we are able to reasonably estimate this variable consideration. We will record such estimated variable consideration and re-measure our estimates at each reporting date. For revenue estimated, but not received, we will record to "Prepaid expenses and other current assets" on our Condensed Consolidated Balance Sheets.

**Capital Modification Revenue.** From time to time, we may receive fees from our customers for capital improvements to our rigs to meet contractual requirements (on either a fixed lump-sum or variable dayrate basis). Such revenue is allocated to the overall performance obligation and recognized ratably over the initial term of the related drilling contract as these activities are integral to our drilling activities and are not considered to be a stand-alone service provided to the customer within the context of our contracts. We record a contract liability for such fees and recognize them ratably as contract drilling revenue over the initial term of the related drilling contract.

**Revenues Related to Reimbursable Expenses.** We generally receive reimbursements from our customers for the purchase of supplies, equipment, personnel services and other services provided at their request in accordance with a drilling contract or other agreement. Such reimbursable revenue is variable and subject to uncertainty, as the amounts received and timing thereof is highly dependent on factors outside of our influence. Accordingly, reimbursable

revenue is constrained revenue and not included in the total transaction price until the uncertainty is resolved, which typically occurs when the related costs are incurred on behalf of a customer. We are generally considered a principal in such transactions and record the associated revenue at the gross amount billed to the customer as “Revenues related to reimbursable expenses” in our Condensed Consolidated Statements of Operations. Such amounts are recognized ratably over the period within the contract term, during which the corresponding goods and services are to be consumed.

#### Contract Balances

Accounts receivable are recognized when the right to consideration becomes unconditional based upon contractual billing schedules. Payment terms on invoiced amounts are typically 30 days. Current contract asset and liability balances are included in “prepaid expenses and other current assets” and “other current liabilities,” respectively, and noncurrent contract assets and liabilities are included in “other assets” and “other liabilities,” respectively, on our Condensed Consolidated Balance Sheets.

## 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 provides information about contract assets and contract liabilities from contracts with customers:

	June 30, 2018	January 1, 2018
Current contract assets	\$28,207	\$21,229
Noncurrent contract assets	31,551	34,520
Total contract assets	59,758	55,749

Current contract liabilities (deferred revenue)	(38,074 )	(35,422 )
Noncurrent contract liabilities (deferred revenue)	(60,602 )	(73,439 )
Total contract liabilities	\$(98,676)	\$(108,861)

Significant changes in the remaining performance obligation contract assets and the contract liabilities balances for the six months ended June 30, 2018 are as follows:

	Contract Assets	Contract Liabilities
Net balance at January 1, 2018	\$55,749	\$(108,861)
Amortization of deferred costs	(13,684 )	—
Additions to deferred costs	17,693	—
Amortization of deferred revenue	—	21,597
Additions to deferred revenue	—	(11,412 )
Total	4,009	10,185

Net balance at June 30, 2018      \$59,758    \$(98,676 )

We have elected, as a practical expedient, not to disclose significant changes in the remaining performance obligation for the six months ended June 30, 2017, which was before our adoption date of January 1, 2018.

## Contract Costs

Certain direct and incremental costs incurred for upfront preparation, initial rig mobilization and modifications are costs of fulfilling a contract and are recoverable. These recoverable costs are deferred and amortized ratably to contract drilling expense as services are rendered over the initial term of the related drilling contract. Certain of our contracts include capital rig enhancements used to satisfy our performance obligations. These capital items are capitalized and depreciated in accordance with our existing property and equipment accounting policy.

Costs incurred for the demobilization of rigs at contract completion are recognized as incurred during the demobilization process. Costs incurred for rig modifications or upgrades required for a contract, which are considered to be capital improvements, are capitalized as drilling and other property and equipment and depreciated over the estimated useful life of the improvement.

## Transaction Price Allocated to the Remaining Performance Obligations

The following table reflects revenue expected to be recognized in the future related to unsatisfied performance obligations, by rig type, at the end of the reporting period:

	Six Months Ended June 30, 2018					
	2018	2019	2020	2021	2022 and beyond	Total
Drillships	\$15,207	\$16,963	\$15,657	\$15,657	\$12,826	\$76,310



Edgar Filing: Noble Corp plc - Form 10-Q

Jackups	8,076	10,622	3,668	—	—	22,366
Total <sup>(1)</sup>	\$23,283	\$27,585	\$19,325	\$15,657	\$12,826	\$98,676

<sup>(1)</sup> Our Semisubmersible fleet contained no unsatisfied performance obligations as of June 30, 2018.

## 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 revenue included above consists of expected mobilization, demobilization, and upgrade revenue for unsatisfied performance obligations. The amounts are derived from the specific terms within drilling contracts that contain such provisions, and the expected timing for recognition of such revenue is based on the estimated start date and duration of each respective contract based on information known at June 30, 2018. The actual timing of recognition of such amounts may vary due to factors outside of our control. We have taken the optional exemption, permitted by accounting standards, to exclude disclosure of the estimated transaction price related to the variable portion of unsatisfied performance obligations at the end of the reporting period, as our transaction price is based on a single performance obligation consisting of a series of distinct hourly, or more frequent, periods, the variability of which will be resolved at the time of the future services.

Our revenue recognition pattern under ASC 606 is materially equivalent to revenue recognition under the previous guidance. For the three and six months ended June 30, 2018, there were no material effects to our Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Operations, or Condensed Consolidated Statements of Cash Flows.

## Disaggregation of Revenue

The following table provides information about contract drilling revenue by rig types:

	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
Drillships	\$128,498	\$240,245
Seimsubmerisibles	5,581	14,470
Jackups	113,610	222,080
Total	\$247,689	\$476,795

## Note 10— Loss on Impairment

## Asset Impairments

We evaluate our drilling fleet assets for impairment whenever there are changes in facts which suggest that the value of the asset is not recoverable. In connection with the preparation of our financial statements for the second quarter of 2018, we conducted a review of our fleet. The review included an assessment of certain assumptions, including future marketability of each unit in light of its current technical specifications. Assumptions used in our assessment included, but were not limited to, timing of future contract awards and expected operating dayrates, operating costs, utilization rates, capital expenditures, reactivation costs, estimated economic useful lives and, in certain cases, our belief that a drilling unit is no longer marketable and is unlikely to return to service.

Based upon our impairment analysis, we impaired the carrying values to estimated fair values for the Noble Bully I, Noble Paul Romano, Noble Dave Beard and certain capital spare equipment. During the three and six months ended June 30, 2018, impairment charges related to these units and certain capital spare equipment were approximately \$763.7 million and \$29.1 million, respectively. For our impaired units, we estimated the fair values of these units by applying the income valuation approach utilizing significant unobservable inputs, representative of a Level 3 fair value measurement. During the three and six months ended June 30, 2018, we recognized a \$550.3 million impairment on the Noble Bully I, of which \$250.3 million is attributable to our joint venture partner. See “Note 3— Consolidated Joint Ventures” for additional information.

## Note 11— Income Taxes

At June 30, 2018, the reserves for uncertain tax positions totaled \$182.3 million (net of related tax benefits of \$1.0 million). At December 31, 2017, the reserves for uncertain tax positions totaled \$191.9 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, 2018, our income tax provision included a non-cash item of \$35.6 million related to the impairment of three rigs and certain capital spares. See “Note 10- Loss on Impairment” for additional information.

At June 30, 2018, our income tax provision included a non-cash item of \$35.6 million related to the impairment of three rigs and certain capital spares. See “Note 3— Consolidated Joint Ventures” for additional information.

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

## 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)

deployment of cash throughout the business and consolidate operations into one centralized group of entities. The effect of this tax restructuring has been to lower current tax expense.

For interim and annual reporting periods beginning after December 15, 2017, ASU No. 2016-16 will be applied on a modified retrospective basis to improve the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. As the result of the application of this standard, we reclassified deferred charges of \$149.9 million in “Other assets” and “Other liabilities” to “Retained earnings” on the accompanying Condensed Consolidated Balance Sheets.

During the fourth quarter of 2017, U.S. tax reform resulted in the write-down of our net deferred tax liabilities. In accordance with the guidance issued in Staff Accounting Bulletin No. 118, we will determine the final impact of the tax reform legislation once our 2017 U.S. tax return is completed in the third quarter of 2018, which may result in a change to the provisional amounts that we recognized in 2017.

## Note 12— Employee Benefit Plans

Pension costs include the following components for the three and six months ended June 30, 2018 and 2017:

	Three Months Ended June 30,			
	2018		2017	
	Non-U.S.	U.S.	Non-U.S.	U.S.
Interest cost	\$354	\$2,044	\$492	\$2,149
Return on plan assets	(710 )	(2,978 )	(721 )	(2,941 )
Recognized net actuarial loss	—	411	245	366
Net pension benefit cost (gain)	\$(356)	\$(523 )	\$16	\$(426 )

	Six Months Ended June 30,			
	2018		2017	
	Non-U.S.	U.S.	Non-U.S.	U.S.
Interest cost	\$819	\$4,089	\$970	\$4,297
Return on plan assets	(1,426)	(5,957 )	(1,422)	(5,882 )
Recognized net actuarial loss	—	822	511	732
Net pension benefit cost (gain)	\$(607)	\$(1,046)	\$59	\$(853 )

During the three and six months ended June 30, 2018, we made no contributions to our pension plans. During the three and six months ended June 30, 2017, we made contributions to our pension plans totaling approximately \$0.2 million.

Effective December 31, 2016, employees and alternate payees accrue no future benefits under the plans and, as such, Noble recognized no service costs with the plans for the three and six months ended June 30, 2018 and 2017. Interest cost, return on plan assets and net actuarial losses were aggregated and disclosed within “Interest income and other, net” on the Condensed Consolidated Statements of Operations. For more information refer to “Note 2— Accounting Pronouncements.”

## Note 13— Derivative Instruments and Hedging Activities

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

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

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 the Noble Tom Madden (“FCX Settlement”), which were scheduled to end in July 2017 and November 2017, respectively. 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 FASB standards for hedge accounting treatment, and therefore, for the three and six months ended June 30, 2017, the change in fair value was recognized as a \$6.5 million and \$14.4 million loss, respectively, in our Consolidated Statements of Operations.

## 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)

## Cash Flow Hedges

Several of our regional shorebases 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 have historically settled monthly in the operations' respective local currencies. All of these contracts had a maturity of less than 12 months. There were no foreign currency forward contracts entered into or outstanding as of June 30, 2018.

## FCX Settlement

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 our 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. 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. Financial Statement Presentation

The following tables summarize the recognized gains and losses, which are estimated fair value measurements, of cash flow hedges and non-designated derivatives through AOCI or as "Contract drilling services" revenue or costs for the three and six months ended June 30, 2017:

	Three Months Ended June 30, 2017		
	Loss		
	Unrealized loss recognized through AOCI	classified from AOCI through "Contract drilling services" costs	Loss recognized through "Contract drilling services" revenue
Cash flow hedges			
Foreign currency forward contracts	\$849	\$ 210	\$ —
Non-designated derivatives			
FCX Settlement	\$—	\$ —	\$ (6,500 )

	Six Months Ended June 30, 2017		
	Loss		
	Unrealized loss recognized through AOCI	classified from AOCI through "Contract drilling services" costs	Loss recognized through "Contract drilling services" revenue

Cash flow hedges

Foreign currency forward contracts \$739 \$ —\$ 137

Non-designated derivatives

FCX Settlement \$— \$ —\$ (14,400 )

There were no foreign currency forward contracts outstanding or entered into during the three and six months ended June 30, 2018.

## 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 14— Fair Value of Financial Instruments

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

	June 30, 2018			
	Estimated Fair Value Measurements			
Carrying Amount	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	

## Assets -

Marketable securities	\$7,491	\$7,491	\$	—	\$	—
-----------------------	---------	---------	----	---	----	---

	December 31, 2017			
	Estimated Fair Value Measurements			
Carrying Amount	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	

## Assets -

Marketable securities	\$7,321	\$7,321	\$	—	\$	—
-----------------------	---------	---------	----	---	----	---

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.

## Note 15— Commitments and Contingencies

## Transocean Ltd.

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, which are now expired in the United States and most other countries, when we constructed the rigs. While there is inherent risk in litigation, we do not believe that our rigs infringe the Transocean patents. The lawsuit is currently in the discovery phase and we intend to defend ourselves vigorously against this claim.

## Department of Justice settlement.

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 paid \$8.2 million in fines and \$4.0 million in community service payments and was placed on probation for four years, with the right to petition the court for early dismissal of probation after three years. The subsidiary's motion to early terminate the plea agreement was granted and the plea agreement was terminated effective as of March 1, 2018. We also implemented a comprehensive environmental compliance plan in connection with the settlement.

## Brazil commercial agent.



We previously used a commercial agent in Brazil in connection with our Petróleo Brasileiro S.A. (“Petrobras”) drilling contracts. This agent 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 was substantially completed in 2017, of our relationship with the agent and with Petrobras. We have been in contact with the SEC, the Brazilian federal prosecutor’s office and the U.S Department of Justice about this matter. We have cooperated 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)

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”). The Prior Plan was rejected by the bankruptcy court in October 2016.

In April 2017, Paragon Offshore filed a revised plan of reorganization (the “New Plan”) in its bankruptcy proceeding. Under the New Plan, Paragon Offshore no longer needed the Mexican tax bonding that Noble-UK was to provide under the Settlement Agreement. 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.

On December 15, 2017, the litigation trust filed claims relating to the Spin-off against us and certain of our current and former officers and directors in the Delaware bankruptcy court that heard Paragon Offshore’s bankruptcy. The complaint alleges claims of alleged actual and constructive fraudulent conveyance, unjust enrichment and recharacterization of intercompany notes as equity claims against Noble and claims of breach of fiduciary duty and aiding and abetting breach of fiduciary duty against the officer and director defendants. We have requested that the court dismiss the claims of breach of fiduciary duty, aiding and abetting breach of fiduciary duty and unjust enrichment, and require such claims to be arbitrated under the Master Separation Agreement (the “MSA”) entered into between Noble and Paragon Offshore at the time of the Spin-off, as well as stay the other proceedings during the pendency of the arbitration. The court has stayed discovery pending its ruling. The court has approved a litigation schedule, which, if our request for arbitration is denied and the court proceedings resume in the third quarter of 2018, would conclude all pre-trial motions and other activity by approximately the end of the third quarter or the beginning of the fourth quarter of 2019.

We believe that Paragon Offshore, at the time of the Spin-off, was properly funded, solvent and had appropriate liquidity and that the claims brought by the litigation trust are without merit. We intend to defend ourselves vigorously. However, there is inherent risk and substantial expense in litigation, and the amount of damages the plaintiff is seeking is substantial. If any of the litigation trust’s claims are successful, or if we elect to settle any claims (in part to reduce or eliminate the ongoing cost of defending the litigation and eliminate any risk of a larger judgment against us), any damages or other amounts we would be required to or agree to pay could have a material adverse effect on our business, financial condition and results of operations. We may also establish reserves on our financial statements in advance of the conclusion of the litigation. Such reserves may be material and could have a material adverse effect on our financial condition and results of operations.

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 MSA and a 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 resulted in a number of accounting charges and benefits during the year ended December 31, 2017, 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.

Tax matters.

During 2014, the Internal Revenue Service ("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

## 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)

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. During the third quarter of 2017, the IRS initiated its examination of our 2012, 2013, 2014 and 2015 tax returns.

Audit claims of approximately \$48.6 million attributable to income and other business taxes have been assessed against Noble entities in Mexico. We intend to vigorously defend our reported positions, and believe the ultimate resolution of the audit claims will not have a material adverse effect on our Condensed Consolidated Financial Statements.

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.

Other contingencies.

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.

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.

## Note 16— Supplemental Financial Information

## Condensed Consolidated Balance Sheets Information

Deferred revenues from drilling contracts totaled \$98.7 million and \$114.3 million at June 30, 2018 and December 31, 2017, 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 \$59.8 million at June 30, 2018 as compared to \$55.7 million at December 31, 2017, and are included in either “Prepaid expenses and other current assets,” “Other assets” or “Property and equipment, net” in the accompanying Condensed Consolidated Balance Sheets, based upon our expected time of recognition.

## Condensed Consolidated Statements of Cash Flows Information

## Operating cash activities

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,	
	2018	2017	2018	2017
Accounts receivable	\$ (7,533 )	\$ 76,495	\$ (7,533 )	\$ 76,495
Other current assets	6,534	15,896	5,962	12,475
Other assets	(15,049 )	(40,078 )	(12,426 )	(47,166 )

Edgar Filing: Noble Corp plc - Form 10-Q

Accounts payable	1,014	(8,881 )	993	(8,754 )
Other current liabilities	(10,094 )	(19,385 )	(9,680 )	(18,293 )
Other liabilities	(8,396 )	3,903	(8,396 )	10,747
Total net change in assets and liabilities	\$(33,524)	\$27,950	\$(31,080)	\$25,504

Non-cash investing activities

Additions to property and equipment, at cost for which we had accrued a corresponding liability in accounts payable as of June 30, 2018 and December 31, 2017 were \$34.1 million and \$25.5 million, 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)

Additions to property and equipment, at cost for which we had accrued a corresponding liability in accounts payable as of June 30, 2017 and December 31, 2016 were \$23.6 million and \$35.1 million, 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 17— Condensed Consolidating Financial Information

## Guarantees of Registered Securities

Noble-Cayman, or one or more 100 percent owned subsidiaries of Noble-Cayman, is an issuer, co-issuer or full and unconditional guarantor or otherwise obligated as of June 30, 2018 with respect to registered securities as follows (see “Note 7— Debt” for additional information):

Notes <sup>(1)</sup>	Issuer (Co-Issuer(s))	Guarantor
\$250 million 5.75% Senior Notes due 2018	NHIL	Noble-Cayman
\$202 million 7.50% Senior Notes due 2019 <sup>(2)</sup>	NHUS Noble Drilling Holding, LLC ("NDH" ) Noble Drilling Services 6 LLC ("NDS6")	Noble-Cayman
\$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 7.95% Senior Notes due 2025	NHIL	Noble-Cayman
\$400 million 6.20% Senior Notes due 2040	NHIL	Noble-Cayman
\$400 million 6.05% Senior Notes due 2041	NHIL	Noble-Cayman
\$500 million 5.25% Senior Notes due 2042	NHIL	Noble-Cayman
\$400 million 8.95% Senior Notes due 2045	NHIL	Noble-Cayman

<sup>(1)</sup> Our 2026 Notes are excluded from this list as they are unregistered securities issued in a non-public offering.

<sup>(2)</sup> In February 2018, the entire remaining principal amount of 2019 Notes were redeemed and, as a result, we have prospectively eliminated NHUS, NDH, and NDS6 as guarantors in the current year presentation of the Condensed Consolidating Financial Information. However, prior year information is presented as previously reported.

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, 2018

(in thousands)

(Unaudited)

	Noble - Cayman	NHIL	Other Non-guarantor Subsidiaries of Noble	Consolidating Adjustments	Total
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$265	\$—	\$410,407	\$—	\$410,672
Accounts receivable	—	—	212,229	—	212,229
Taxes receivable	—	—	12,811	—	12,811
Short-term notes receivable from affiliates	—	—	3,175,662	(3,175,662 )	—
Accounts receivable from affiliates	575,456	60,945	4,569,424	(5,205,825 )	—
Prepaid expenses and other current assets	—	—	60,628	—	60,628
Total current assets	575,721	60,945	8,441,161	(8,381,487 )	696,340
Property and equipment, at cost	—	—	10,924,509	—	10,924,509
Accumulated depreciation	—	—	(2,403,099 )	—	(2,403,099 )
Property and equipment, net	—	—	8,521,410	—	8,521,410
Notes receivable from affiliates	3,177,249	—	—	(3,177,249 )	—
Investments in affiliates	4,357,569	12,209,685	—	(16,567,254 )	—
Other assets	915	—	174,194	—	175,109
Total assets	\$8,111,454	\$12,270,630	\$17,136,765	\$(28,125,990)	\$9,392,859
<b>LIABILITIES AND EQUITY</b>					
Current liabilities					
Short-term notes payables to affiliates	\$—	\$3,175,662	\$—	\$(3,175,662 )	\$—
Accounts payable	2	—	93,429	—	93,431
Accrued payroll and related costs	—	—	41,821	—	41,821
Accounts payable to affiliates	3,729,486	839,938	636,401	(5,205,825 )	—
Taxes payable	—	—	33,278	—	33,278
Interest payable	262	100,517	2,628	—	103,407
Other current liabilities	—	—	64,928	—	64,928
Total current liabilities	3,729,750	4,116,117	872,485	(8,381,487 )	336,865
Long-term debt	—	3,842,617	—	—	3,842,617
Notes payable to affiliates	—	—	3,177,249	(3,177,249 )	—
Deferred income taxes	—	—	155,961	—	155,961
Other liabilities	19,929	—	264,894	—	284,823
Total liabilities	3,749,679	7,958,734	4,470,589	(11,558,736 )	4,620,266
Commitments and contingencies	—	—	—	—	—
Total shareholder equity	4,361,775	4,311,896	12,255,358	(16,567,254 )	4,361,775
Noncontrolling interests	—	—	410,818	—	410,818
Total equity	4,361,775	4,311,896	12,666,176	(16,567,254 )	4,772,593
Total liabilities and equity	\$8,111,454	\$12,270,630	\$17,136,765	\$(28,125,990)	\$9,392,859

NOBLE CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATING BALANCE SHEET

December 31, 2017

(in thousands)

(Unaudited)

	Noble- Cayman	NHUS	NDH	NHIL	NDS6	Other Non-guarantor Subsidiaries of Noble	Consolidating Adjustments	Total
<b>ASSETS</b>								
Current assets								
Cash and cash equivalents	\$ 11	\$—	\$23,160	\$29,324	\$—	\$609,516	\$—	\$662,011
Accounts receivable	—	—	24,722	—	—	179,974	—	204,696
Taxes receivable	—	93,302	3	—	—	12,040	—	105,345
Short-term notes receivable from affiliates	—	—	119,476	—	2,373,452	—	(2,492,928 )	—
Accounts receivable from affiliates	594,456	1,454	144,367	60,945	465,749	5,813,846	(7,080,817 )	—
Prepaid expenses and other current assets	—	—	1,477	—	1	63,963	—	65,441
Total current assets	594,467	94,756	313,205	90,269	2,839,202	6,679,339	(9,573,745 )	1,037,493
Property and equipment, at cost	—	—	857,784	—	—	11,176,547	—	12,034,331
Accumulated depreciation	—	—	(110,005 )	—	—	(2,435,086 )	—	(2,545,091 )
Property and equipment, net	—	—	747,779	—	—	8,741,461	—	9,489,240
Notes receivable from affiliates	3,177,248	—	1,199,815	—	3,943,299	1,175,300	(9,495,662 )	—
Investments in affiliates	4,933,978	4,550,358	5,252,135	12,560,598	7,237,474	—	(34,534,543 )	—
Other assets	2,663	16,775	8,372	—	—	238,718	—	266,528
Total assets	\$8,708,356	\$4,661,889	\$7,521,306	\$12,650,867	\$14,019,975	\$16,834,818	\$(53,603,950)	\$10,793,261
<b>LIABILITIES AND EQUITY</b>								
Current liabilities								

Edgar Filing: Noble Corp plc - Form 10-Q

Short-term notes payables to affiliates	\$—	\$1,605,243	\$—	\$—	\$—	\$887,685	\$(2,492,928)	) \$—
Current maturities of long-term debt	—	—	—	249,843	—	—	—	249,843
Accounts payable	—	—	1,467	—	—	82,406	—	83,873
Accrued payroll and related costs	—	—	4,780	—	—	50,124	—	54,904
Accounts payable to affiliates	3,410,669	393,073	1,770,066	661,375	—	845,634	(7,080,817)	) —
Taxes payable	—	—	—	—	—	33,965	—	33,965
Interest payable	2,211	—	—	83,960	12,018	—	—	98,189
Other current liabilities	—	—	5,169	—	—	66,297	—	71,466
Total current liabilities	3,412,880	1,998,316	1,781,482	995,178	12,018	1,966,111	(9,573,745)	) 592,240
Long-term debt	—	—	—	3,594,332	201,535	—	—	3,795,867
Notes payable to affiliates	—	700,000	474,637	3,175,663	—	5,145,362	(9,495,662)	) —
Deferred income taxes	—	—	5	—	—	164,957	—	164,962
Other liabilities	19,929	—	30,330	—	—	239,919	—	290,178
Total liabilities	3,432,809	2,698,316	2,286,454	7,765,173	213,553	7,516,349	(19,069,407)	) 4,843,247
Commitments and contingencies								
Total shareholder equity	5,275,547	1,963,573	5,234,852	4,885,694	13,806,422	8,644,002	(34,534,543)	) 5,275,547
Noncontrolling interests	—	—	—	—	—	674,467	—	674,467
Total equity	5,275,547	1,963,573	5,234,852	4,885,694	13,806,422	9,318,469	(34,534,543)	) 5,950,014
Total liabilities and equity	\$8,708,356	\$4,661,889	\$7,521,306	\$12,650,867	\$14,019,975	\$16,834,818	\$(53,603,950)	) \$10,793,261

NOBLE CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS and COMPREHENSIVE INCOME (LOSS)  
Three Months Ended June 30, 2018  
(in thousands)  
(Unaudited)

	Noble- Cayman	NHIL	Other Non-guarantor Subsidiaries of Noble	Consolidating Adjustments	Total
Operating revenues					
Contract drilling services	\$—	\$—	\$ 247,689	\$ —	\$247,689
Reimbursables and other	—	—	10,680	—	10,680
Total operating revenues	—	—	258,369	—	258,369
Operating costs and expenses					
Contract drilling services	74	793	149,881	—	150,748
Reimbursables	—	—	8,297	—	8,297
Depreciation and amortization	—	—	128,173	—	128,173
General and administrative	32	565	7,524	—	8,121
Loss on impairment	—	—	792,843	—	792,843
Total operating costs and expenses	106	1,358	1,086,718	—	1,088,182
Operating loss	(106	) (1,358	) (828,349	) —	(829,813 )
Other income (expense)					
Income (loss) of unconsolidated affiliates	(613,855	) (363,431	) —	977,286	—
Interest expense	(15	) (105,771	) (11,889	) 43,545	(74,130 )
Interest income and other, net	1,586	(2	) 44,812	(43,545	) 2,851
Income (loss) before income taxes	(612,390	) (470,562	) (795,426	) 977,286	(901,092 )
Income tax benefit	—	—	38,733	—	38,733
Net income (loss)	(612,390	) (470,562	) (756,693	) 977,286	(862,359 )
Net income attributable to noncontrolling interests	—	—	249,969	—	249,969
Net income (loss) attributable to Noble Corporation	(612,390	) (470,562	) (506,724	) 977,286	(612,390 )
Other comprehensive income (loss), net	(2,446	) —	(2,446	) 2,446	(2,446 )
Comprehensive income (loss) attributable to Noble Corporation	\$(614,836)	\$(470,562)	\$ (509,170	) \$ 979,732	\$(614,836)

NOBLE CORPORATION AND SUBSIDIARIES  
 CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS and COMPREHENSIVE INCOME (LOSS)  
 Six Months Ended June 30, 2018  
 (in thousands)  
 (Unaudited)

	Noble- Cayman	NHIL	Other Non-guarantor Subsidiaries of Noble	Consolidating Adjustments	Total
Operating revenues					
Contract drilling services	\$—	\$—	\$ 476,795	\$—	\$476,795
Reimbursables and other	—	—	16,731	—	16,731
Total operating revenues	—	—	493,526	—	493,526
Operating costs and expenses					
Contract drilling services	155	1,397	285,603	—	287,155
Reimbursables	—	—	12,647	—	12,647
Depreciation and amortization	—	—	255,812	—	255,812
General and administrative	65	1,183	20,330	—	21,578
Loss on impairment	—	—	792,843	—	792,843
Total operating costs and expenses	220	2,580	1,367,235	—	1,370,035
Operating loss	(220	) (2,580	) (873,709	) —	(876,509 )
Other income (expense)					
Income (loss) of unconsolidated affiliates	(744,671	) (350,913	) —	1,095,584	—
Interest expense	(460	) (225,592	) (11,889	) 87,796	(150,145 )
Gain (loss) on extinguishment of debt, net	(2,336	) 5,419	(11,851	) —	(8,768 )
Interest income and other, net	3,154	(131	) 88,970	(87,796	) 4,197
Income (loss) before income taxes	(744,533	) (573,797	) (808,479	) 1,095,584	(1,031,225)
Income tax benefit	—	—	35,737	—	35,737
Net income (loss)	(744,533	) (573,797	) (772,742	) 1,095,584	(995,488 )
Net income attributable to noncontrolling interests	—	—	250,955	—	250,955
Net income (loss) attributable to Noble Corporation	(744,533	) (573,797	) (521,787	) 1,095,584	(744,533 )
Other comprehensive income (loss), net	(1,455	) —	(1,455	) 1,455	(1,455 )
Comprehensive income (loss) attributable to Noble Corporation	\$(745,988)	\$(573,797)	\$(523,242)	) \$ 1,097,039	\$(745,988)

NOBLE CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATING STATEMENT OF INCOME and COMPREHENSIVE INCOME (LOSS)  
Three Months Ended June 30, 2017  
(in thousands)  
(Unaudited)

	Noble- Cayman	NHUS	NDH	NHIL	NDS6	Other Non-guarantor Subsidiaries of Noble	Consolidating Adjustments	Total
Operating revenues								
Contract drilling services	\$—	\$—	\$39,988	\$—	\$—	\$ 241,488	\$ (9,944 )	\$271,532
Reimbursables and other	—	—	892	—	—	5,718	—	6,610
Total operating revenues	—	—	40,880	—	—	247,206	(9,944 )	278,142
Operating costs and expenses								
Contract drilling services	(866 )	3,362	12,687	(10,834 )	—	167,862	(9,944 )	162,267
Reimbursables	—	—	472	—	—	3,922	—	4,394
Depreciation and amortization	—	—	14,005	—	—	120,628	—	134,633
General and administrative	(442 )	1,538	—	(5,941 )	5	18,071	—	13,231
Total operating costs and expenses	(1,308 )	4,900	27,164	(16,775 )	5	310,483	(9,944 )	314,525
Operating income (loss)	1,308	(4,900 )	13,716	16,775	(5 )	(63,277 )	—	(36,383 )
Other income (expense)								
Income (loss) of unconsolidated affiliates	(85,274 )	(99,354 )	39,114	48,476	5,647	—	91,391	—
Income (loss) of unconsolidated affiliates - discontinued operations, net of tax	2,967	4,566	—	—	—	—	(7,533 )	—
Interest expense	(2,578 )	(6,345 )	(3,291 )	(107,686 )	(3,854 )	(23,134 )	73,679	(73,209 )
Interest income and other, net	2,646	(26 )	14,309	720	53,560	5,608	(73,679 )	3,138
Income (loss) from continuing operations before income taxes	(80,931 )	(106,059 )	63,848	(41,715 )	55,348	(80,803 )	83,858	(106,454 )
Income tax benefit (provision)	—	66,127	(835 )	—	—	(47,079 )	—	18,213
Net income (loss) from continuing operations	(80,931 )	(39,932 )	63,013	(41,715 )	55,348	(127,882 )	83,858	(88,241 )
Net income (loss) from discontinuing operations, net of tax		(1,598 )	—	—	—	4,565	—	2,967
Net Income (loss)	(80,931 )	(41,530 )	63,013	(41,715 )	55,348	(123,317 )	83,858	(85,274 )

Edgar Filing: Noble Corp plc - Form 10-Q

Net (income) loss attributable to noncontrolling interests	—	—	—	—	—	4,821	(478	) 4,343
Net income (loss) attributable to Noble Corporation	(80,931 )	(41,530 )	63,013	(41,715 )	55,348	(118,496 )	83,380	(80,931 )
Other comprehensive income (loss), net	1,318	—	—	—	—	1,318	(1,318	) 1,318
Comprehensive income (loss) attributable to Noble Corporation	\$(79,613)	\$(41,530)	\$63,013	\$(41,715)	\$55,348	\$(117,178 )	\$ 82,062	\$(79,613 )

NOBLE CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATING STATEMENT OF INCOME and COMPREHENSIVE INCOME (LOSS)  
Six Months Ended June 30, 2017  
(in thousands)  
(Unaudited)

	Noble- Cayman	NHUS	NDH	NHIL	NDS6	Other Non-guarantor Subsidiaries of Noble	Consolidating Adjustments	Total
Operating revenues								
Contract drilling services	\$—	\$—	\$87,092	\$—	\$—	\$ 566,212	\$ (27,113 )	\$ 626,191
Reimbursables and other	—	—	2,028	—	—	12,899	—	14,927
Total operating revenues	—	—	89,120	—	—	579,111	(27,113 )	641,118
Operating costs and expenses								
Contract drilling services	135	5,933	24,186	1,653	—	317,873	(27,113 )	322,667
Reimbursables	—	—	1,292	—	—	8,248	—	9,540
Depreciation and amortization	—	—	30,520	—	—	239,831	—	270,351
General and administrative	71	2,845	—	892	9	18,478	—	22,295
Total operating costs and expenses	206	8,778	55,998	2,545	9	584,430	(27,113 )	624,853
Operating income (loss)	(206 )	(8,778 )	33,122	(2,545 )	(9 )	(5,319 )	—	16,265
Other income (expense)								
Income (loss) of unconsolidated affiliates	(380,376 )	(412,919 )	41,483	145,293	56,266	—	550,253	—
Income (loss) of unconsolidated affiliates - discontinued operations, net of tax	2,967	4,566	—	—	—	—	(7,533 )	—
Interest expense	(5,183 )	(23,856 )	(6,383 )	(213,688 )	(7,671 )	(80,447 )	190,572	(146,656 )
Interest income and other, net	7,278	(91 )	54,211	4,923	116,978	11,914	(190,572 )	4,641
Income (loss) from continuing operations before income taxes	(375,520 )	(441,078 )	122,433	(66,017 )	165,564	(73,852 )	542,720	(125,750 )
	—	116,586	(326 )	—	—	(355,420 )	—	(239,160 )



Edgar Filing: Noble Corp plc - Form 10-Q

Income tax benefit (provision)								
Net income (loss) from continuing operations	(375,520 )	(324,492 )	122,107	(66,017 )	165,564	(429,272 )	542,720	(364,910 )
Net income (loss) from discontinuing operations, net of tax	—	(1,598 )	—	—	—	4,565	—	2,967
Net Income (loss)	(375,520 )	(326,090 )	122,107	(66,017 )	165,564	(424,707 )	542,720	(361,943 )
Net income attributable to noncontrolling interests	—	—	—	—	—	(12,761 )	(816 )	(13,577 )
Net income (loss) attributable to Noble Corporation	(375,520 )	(326,090 )	122,107	(66,017 )	165,564	(437,468 )	541,904	(375,520 )
Other comprehensive income (loss), net	1,786	—	—	—	—	1,786	(1,786 )	1,786
Comprehensive income (loss) attributable to Noble Corporation	\$(373,734)	\$(326,090)	\$122,107	\$(66,017)	\$165,564	\$(435,682 )	\$540,118	\$(373,734)

NOBLE CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

Six Months Ended June 30, 2018

(in thousands)

(Unaudited)

	Noble- Cayman	NHIL	Other Non-guarantor Subsidiaries of Noble	Consolidating Adjustments	Total
Cash flows from operating activities					
Net cash provided by (used in) operating activities	\$ 15,220	\$(206,481)	\$ 270,815	\$	—\$79,554
Cash flows from investing activities					
Capital expenditures	—	—	(75,874	) —	(75,874 )
Proceeds from disposal of assets	—	—	3,755	—	3,755
Net cash used in investing activities	—	—	(72,119	) —	(72,119 )
Cash flows from financing activities					
Issuance of senior notes	—	750,000	—	—	750,000
Repayment of long-term debt	—	(738,555	) (213,654	) —	(952,209 )
Debt issuance costs on senior notes and credit facility	(822	) (12,581	) (1,399	) —	(14,802 )
Dividends paid to noncontrolling interests	—	—	(12,694	) —	(12,694 )
Distributions to parent company, net	(29,069	) —	—	—	(29,069 )
Advances (to) from affiliates	14,925	178,293	(193,218	) —	—
Net cash provided by (used in) financing activities	(14,966	) 177,157	(420,965	) —	(258,774 )
Net change in cash and cash equivalents	254	(29,324	) (222,269	) —	(251,339 )
Cash and cash equivalents, beginning of period	11	29,324	632,676	—	662,011
Cash and cash equivalents, end of period	\$265	\$—	\$ 410,407	\$	—\$410,672

NOBLE CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

Six Months Ended June 30, 2017

(in thousands)

(Unaudited)

	Noble- Cayman	NHUS	NDH	NHIL	NDS6	Other Non-guaranto Subsidiaries of Noble	Consolidating Adjustments	Total
Cash flows from operating activities								
Net cash provided by (used in) operating activities	\$ 18,027	\$ 128,277	\$ 94,821	\$ (173,014)	\$ 109,339	\$ 91,919	\$	—\$269,369
Cash flows from investing activities								
Capital expenditures	—	—	(1,309 )	—	—	(66,299 )	—	(67,608 )
Proceeds from disposal of assets	—	—	7	—	—	307	—	314
Net cash used in investing activities	—	—	(1,302 )	—	—	(65,992 )	—	(67,294 )
Cash flows from financing activities								
Repayment of long-term debt	—	—	—	(300,000 )	—	—	—	(300,000 )
Debt issuance costs on senior notes and credit facilities	—	—	—	(42 )	—	—	—	(42 )
Dividends paid to noncontrolling interests	—	—	—	—	—	(5,393 )	—	(5,393 )
Contributions from parent company, net	51,705	—	—	—	—	—	—	51,705
Advances (to) from affiliates	(72,255 )	(128,277 )	(104,255 )	473,423	(109,339 )	(59,297 )	—	—
Net cash provided by (used in) financing activities	(20,550 )	(128,277 )	(104,255 )	173,381	(109,339 )	(64,690 )	—	(253,730 )
Net change in cash and cash equivalents	(2,523 )	—	(10,736 )	367	—	(38,763 )	—	(51,655 )
Cash and cash equivalents, beginning of period	2,537	—	10,855	—	—	640,441	—	653,833
Cash and cash equivalents, end of period	\$ 14	\$—	\$ 119	\$ 367	\$—	\$ 601,678	\$	—\$602,178

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion is intended to assist you in understanding our financial position at June 30, 2018, and our results of operations for the three and six months ended June 30, 2018 and 2017. The following discussion should be read in conjunction with the condensed consolidated financial statements and related notes contained in this Quarterly Report on Form 10-Q and the consolidated financial statements and notes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2017 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").

### Forward-Looking Statements

This Quarterly Report on Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts included in this report or in the documents incorporated by reference, including those regarding rig demand, the offshore drilling market, oil prices, contract backlog, fleet status, our future financial position, business strategy, impairments, repayment of debt, credit ratings, borrowings under our Credit Facilities (as defined herein) or other instruments, sources of funds, future capital expenditures, contract commitments, dayrates, contract commencements, extension or renewals, contract tenders, the outcome of any dispute, litigation, audit or investigation, plans and objectives of management for future operations, foreign currency requirements, results of joint ventures, indemnity and other contract claims, reactivation, refurbishment, conversion and upgrade of rigs, industry conditions, access to financing, impact of competition, governmental regulations and permitting, availability of labor, worldwide economic conditions, taxes and tax rates, indebtedness covenant compliance, dividends and distributable reserves, timing or results of acquisitions or dispositions, and timing for compliance with any new regulations are forward-looking statements. When used in this report, or in the documents incorporated by reference, the words "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "project," "should" similar expressions are intended to be among the statements that identify forward-looking statements. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we cannot assure you that such expectations will prove to be correct. These forward-looking statements speak only as of the date of this report on Form 10-Q and we undertake no obligation to revise or update any forward-looking statement for any reason, except as required by law. We have identified factors including but not limited to market conditions, factors affecting the level of activity in the oil and gas industry, supply and demand of drilling rigs, factors affecting the duration of contracts, the actual amount of downtime, factors that reduce applicable dayrates, operating hazards and delays, risks associated with operations outside the U.S., actions by regulatory authorities, credit rating agencies, customers, joint venture partners, contractors, lenders and other third parties, legislation and regulations affecting drilling operations, violations of anti-corruption laws, hurricanes and other weather conditions and the future price of oil and gas that could cause actual plans or results to differ materially from those included in any forward-looking statements. These factors include those referenced or described in Part I, Item 1A. "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2017, our Quarterly Reports on Form 10-Q and in our other filings with the U.S. Securities and Exchange Commission ("SEC"). We cannot control such risk factors and other uncertainties, and in many cases, we cannot predict the risks and uncertainties that could cause our actual results to differ materially from those indicated by the forward-looking statements. You should consider these risks and uncertainties when you are evaluating us.

### Executive Overview

We provide contract drilling services to the international oil and gas industry with our global fleet of mobile offshore drilling units. As of the filing date of this Quarterly Report on Form 10-Q, our fleet of 24 drilling rigs consisted of eight drillships, four semisubmersibles and 12 jackups strategically deployed worldwide. We typically employ each drilling unit under an individual contract. Although the final terms of the contracts result from negotiations with our customers, many contracts are awarded based upon a competitive bidding process.

We report our contract drilling operations as a single reportable segment, Contract Drilling Services, which reflects how we manage our business. 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 primarily of large, integrated, independent and government-owned or controlled oil and gas companies throughout the world.

Outlook

The challenging business environment for offshore drillers continued through the first six months of 2018, despite an improvement in oil prices. An industry-wide rig supply imbalance has remained in place, as curtailed offshore spending by customers contributed to a significant number of rigs without drilling programs. In addition, newbuild rigs ordered prior to the decline in industry activity continue to enter the market as the constructing shipyards seek buyers for their stranded rigs and the delivery of other newbuild rigs have been delayed into the future. These rigs add to the supply imbalance. Since 2015, the industry has experienced a higher level of fleet attrition, as rigs are removed from the global supply due to a number of factors, including advanced service life, high maintenance and reactivation costs and limited customer appeal. However,

the pace of attrition has been significantly less than what is required to fully ameliorate the capacity imbalance. In addition, our customers have adopted a cautious approach to offshore spending as crude oil prices have declined from approximately \$112 per barrel for Brent crude on June 30, 2014 to as low as approximately \$30 per barrel in January 2016, before improving to \$74 per barrel on July 31, 2018. Although crude oil prices have moved higher during 2017 and the first six months of 2018, we expect that the offshore drilling programs of operators will remain curtailed as our customers continue to favor cash flow realization over long cycle investment in offshore production and exploration. While further decline in rig utilization and dayrates is possible due to the continued oversupply of rigs, we expect that a gradual improvement in customer spending offshore is likely to occur over the near to medium term. In spite of the gradual improvement in offshore spending, we expect the business environment for the remainder of 2018 to remain challenging. The uncertainty of the viability and length of reductions in production agreed to by the Organization of Petroleum Exporting Countries (“OPEC”), the incremental production capacity in non-OPEC countries, including growing production from U.S. shale activity, and fluid sentiment in oil markets have led to only modest increases in offshore investment and limited improvement in drilling rig demand. However, steady oil demand growth, the lack of production investments in various countries around the world and the production limits agreed to by OPEC and other significant oil producing countries have helped to establish market conditions supporting higher sustained crude prices and should lead to improved offshore spending by our customers over time. In general, recent contract awards have been subject to an extremely competitive bidding process. As a result, the contracts have been for dayrates that are substantially lower than rates were for the same class of rigs before this period of imbalance. We cannot give any assurances as to when conditions in the offshore drilling market will improve, the extent of any market improvement or when the oversupply of available drilling rigs will end. Current market conditions could also lead to us stacking or retiring additional rigs. While current market conditions persist, we will continue to focus on fleet utilization improvements, cost control initiatives and financial discipline, although we will seek out reasonable opportunities to grow and expand our fleet. Over the longer term, customer spending is expected to improve with higher, sustained crude oil prices, successful drilling results and greater access to new and emerging oil basins. We believe in the long-term fundamentals for the industry and believe we are strategically well positioned during this market downturn as a result of our substantial backlog, modern fleet of high-specification rigs and strong operational capability. We also believe that these strengths will help us take advantage of any future market upcycle. Also, we expect the ultimate recovery to benefit from any sustained under-investment by customers during this current phase of the market cycle. Acceleration in customers' offshore spending, in combination with further fleet attrition, should contribute to a balanced rig supply over time.

#### Results and Strategy

Our business strategy focuses on a balanced, high-specification fleet of both floating and jackup rigs and the deployment of our drilling rigs in oil and gas basins around the world. We emphasize safe operations through the employment of quality, well-trained crews and strive to manage rig operating costs through the practice of innovative systems and processes, including the use of data analytics and predictive maintenance technology. Our strategy includes a focus on managing business cyclicality through available liquidity and access to capital.

During the last seven years, we expanded our drilling fleet through our newbuild program, which was completed upon the delivery of the Noble Lloyd Noble in July 2016. Although we plan to prioritize capital preservation and liquidity based on current market conditions, from time to time we will also continue to evaluate opportunities to enhance our fleet, particularly focusing on higher specification rigs, to execute the increasingly complex drilling programs required by our customers.

#### Spin-off of Paragon Offshore plc

On August 1, 2014, Noble-UK completed the separation and spin-off of a majority of its standard specification offshore drilling business (the “Spin-off”) through a pro rata distribution of all of the ordinary shares of its wholly-owned subsidiary, Paragon Offshore plc (“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”). The Prior Plan was rejected by the bankruptcy court in October 2016.

In April 2017, Paragon Offshore filed a revised plan of reorganization (the “New Plan”) in its bankruptcy proceeding. Under the New Plan, Paragon Offshore no longer needed the Mexican tax bonding that Noble-UK was to provide under the Settlement Agreement. 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.

On December 15, 2017, the litigation trust filed claims relating to the Spin-off against us and certain of our current and former officers and directors in the Delaware bankruptcy court that heard Paragon Offshore's bankruptcy. The complaint alleges claims of alleged actual and constructive fraudulent conveyance, unjust enrichment and recharacterization of intercompany notes as equity claims against Noble and claims of breach of fiduciary duty and aiding and abetting breach of fiduciary duty against the officer and director defendants. We have requested that the court dismiss the claims of breach of fiduciary duty, aiding and abetting breach of fiduciary duty and unjust enrichment, and require such claims to be arbitrated under the Master Separation Agreement (the "MSA") entered into between Noble and Paragon Offshore at the time of the Spin-off, as well as stay the other proceedings during the pendency of the arbitration. The court has stayed discovery pending its ruling. The court has approved a litigation schedule, which, if our request for arbitration is denied and the court proceedings resume in the third quarter of 2018, would conclude all pre-trial motions and other activity by approximately the end of the third quarter or the beginning of the fourth quarter of 2019.

We believe that Paragon Offshore, at the time of the Spin-off, was properly funded, solvent and had appropriate liquidity and that the claims brought by the litigation trust are without merit. We intend to defend ourselves vigorously. However, there is inherent risk and substantial expense in litigation, and the amount of damages the plaintiff is seeking is substantial. If any of the litigation trust's claims are successful, or if we elect to settle any claims (in part to reduce or eliminate the ongoing cost of defending the litigation and eliminate any risk of a larger judgment against us), any damages or other amounts we would be required to or agree to pay could have a material adverse effect on our business, financial condition and results of operations. We may also establish reserves on our financial statements in advance of the conclusion of the litigation. Such reserves may be material and could have a material adverse effect on our financial condition and results of operations.

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 MSA and a 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 resulted in a number of accounting charges and benefits during the year ended December 31, 2017, 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.

#### Contract Drilling Services Backlog

We maintain a backlog of commitments for contract drilling services. Our contract drilling services backlog reflects estimated future revenues attributable to signed drilling contracts. While backlog did not include any letters of intent as of June 30, 2018, in the past we have included in backlog certain letters of intent that we expect to result in binding drilling contracts.



We calculate backlog for any given unit and period by multiplying the full contractual operating dayrate for such unit by the number of days remaining in the period, and for the three rigs contracted with Royal Dutch Shell plc (“Shell”) mentioned below, we utilize the idle period and floor rates as described in Footnote (4) to the backlog table below.

The reported contract drilling services backlog does not include amounts representing revenues for mobilization, demobilization and contract preparation, which are not expected to be significant to our contract drilling services revenues, amounts constituting reimbursables from customers or amounts attributable to uncommitted option periods under drilling contracts or letters of intent.

The table below presents, the amount of our contract drilling services backlog and the percent of available operating days committed for the periods indicated:

	Total	Year Ending December 31,					
		2018 <sup>(1)</sup>	2019	2020	2021	2022-2023	
(In thousands)							
<b>Contract Drilling Services Backlog</b>							
Semisubmersibles/Drillships <sup>(2),(3)</sup>	\$1,644,573	\$257,298	\$410,085	\$381,560	\$338,800	\$256,830	
Jackups <sup>(4)</sup>	956,451	236,158	324,929	236,523	116,070	42,771	
Total <sup>(5)</sup>	\$2,601,024	\$493,456	\$735,014	\$618,083	\$454,870	\$299,601	
<b>Percent of Available Days Committed <sup>(6)</sup></b>							
Semisubmersibles/Drillships		42	% 31	% 29	% 23	% 9	%
Jackups		76	% 35	% 23	% 15	% 3	%
Total		58	% 33	% 26	% 19	% 6	%

<sup>(1)</sup> Represents a six-month period beginning July 1, 2018.

As previously reported, three of our long-term drilling contracts with Shell, the Noble Bully II, Noble Globetrotter I and Noble Globetrotter II, contain a dayrate adjustment mechanism that utilizes an average of market rates that match a set of distinct technical attributes and is subject to a modest discount, beginning on the fifth-year anniversary of the contract and continuing every six months thereafter. On December 12, 2016, we amended those drilling contracts with Shell. As a result of the amendments, each of the contracts now has a contractual dayrate floor. The contract amendments for the Noble Globetrotter I and Noble Globetrotter II provide a dayrate floor of \$275,000 per day. The Noble Bully II contract contains a dayrate floor of \$200,000 per day plus daily operating expenses. The amendment also provided Shell the right to idle the Noble Bully II for up to one year and the Noble

<sup>(2)</sup> Globetrotter II for up to two years, each at a special stacking rate. Shell has exercised its right and, beginning late December 2016, we idled the Noble Globetrotter II at a rate of \$185,000 per day. The Noble Bully II was idled at a rate of \$200,000 per day, effective April 3, 2017. Once the dayrate adjustment mechanism becomes effective and following any idle periods, the dayrate for these rigs will not be lower than the higher of (i) the contractual dayrate floor or (ii) the market rate as calculated under the adjustment mechanism. The impact to contract backlog from these amendments has been reflected in the table above and the backlog calculation assumes that, after any idle period at the contractual stacking rate, each rig will work at their respective dayrate floor for the remaining contract term. In April 2018, we agreed with Shell to extend the idle period for the Noble Bully II through December 31, 2018 at a revised rate of \$230,000 per day.

Noble and a subsidiary of Shell are involved in joint ventures that own and operate both the Noble Bully I and the Noble Bully II. Pursuant to these agreements, each party has an equal 50 percent share in both vessels. As of

<sup>(3)</sup> June 30, 2018, the backlog for the Noble Bully II totaled \$448.0 million, all of which is included in backlog. As of the same date, the Noble Bully I had no backlog. Noble's proportional interest in the backlog for these rigs totaled \$224.0 million.

Our Saudi Arabian Oil Company ("Saudi Aramco") contract rates for the Noble Joe Beall and the Noble Gene House were adjusted downward in 2015 and remained at these same rates through the end of the respective contracts. <sup>(4)</sup> Backlog for these contracts has been prepared based on the adjusted contract rates through the remainder of the contracts.

Some of our drilling contracts provide the customers with certain early termination rights and, in limited cases, <sup>(5)</sup> those termination rights require minimal or no notice and financial penalties. As of July 31, 2018, no new notifications of contract terminations have been received.

<sup>(6)</sup> Percent of available days committed is calculated by dividing the total number of days our rigs are operating under contract for such period by the product of the number of our rigs and the number of calendar days in such period.

The amount of actual revenues earned and the actual periods during which revenues are earned may be materially different than the backlog amounts and backlog periods presented in the table above due to various factors, including,

but not limited to, shipyard and maintenance projects, unplanned downtime, the operation of market benchmarks for dayrate resets, achievement of bonuses, weather conditions, reduced standby or mobilization rates and other factors that result in applicable dayrates lower than the full contractual operating dayrate. In addition, amounts included in the backlog may change because drilling contracts may be varied or modified by mutual consent or customers may exercise early termination

42

---

rights contained in some of our drilling contracts or decline to enter into a drilling contract after executing a letter of intent. As a result, our backlog as of any particular date may not be indicative of our actual operating results for the periods for which the backlog is calculated. See Part I, Item 1A, “Risk Factors – Our current backlog of contract drilling revenue may not be ultimately realized” in our Annual Report on Form 10-K for the year ended December 31, 2017. As of June 30, 2018, Shell, Saudi Aramco and Equinor ASA represented approximately 56.5 percent, 18.0 percent and 13.3 percent of our backlog, respectively.

#### Results of Operations

For the Three Months Ended June 30, 2018 and 2017

Net loss from continuing operations attributable to Noble-UK for the three months ended June 30, 2018 was \$628.1 million, or \$2.55 per diluted share, on operating revenues of \$258.4 million, compared to net loss from continuing operations for the three months ended June 30, 2017 of \$91.9 million, or \$0.37 per diluted share, on operating revenues of \$278.1 million.

As a result of Noble-UK conducting all of its business through Noble-Cayman and its subsidiaries, the financial position and results of operations for Noble-Cayman, and the reasons for material changes in the amount of revenue and expense items between June 30, 2018 and June 30, 2017, would be the same as the information presented below regarding Noble-UK in all material respects, with the exception of operating loss. During the three months ended June 30, 2018 and 2017, Noble-Cayman's operating losses were \$15.8 million and \$7.9 million lower, respectively, than that of Noble-UK. The operating loss difference is primarily a result of administration and other costs directly attributable to Noble-UK for operations support and stewardship-related services.

#### Key Operating Metrics

Operating results for our contract drilling services segment are dependent on three primary metrics: operating days, dayrates and operating costs. We also track rig utilization, which is a function of operating days and the number of rigs in our fleet. For more information on operating costs, see “—Contract Drilling Services” below. The following table presents the average rig utilization, operating days and average dayrates for our rig fleet for the periods indicated:

	Average Rig Utilization (1)		Operating Days (2)				Average Dayrates (3)		
	Three Months Ended June 30,		Three Months Ended June 30,		% Change	Three Months Ended June 30,			
	2018	2017	2018	2017		2018	2017	% Change	
Jackups	70 %	93 %	872	1,183	(26 )%	\$ 130,332	\$ 121,284	7 %	
Semisubmersibles	8 %	17 %	44	91	(52 )%	126,278	126,106	**	
Drillships	63 %	52 %	455	377	21 %	282,412	309,313 (3)	(9 )%	
Total	54 %	65 %	1,371	1,651	(17 )%	\$ 180,689	\$ 164,475(3)	10 %	

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

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

Average dayrates for the three months ended June 30, 2017 include the impact of the valuation of certain contingent payments for the Noble Sam Croft and Noble Tom Madden contract settlement and termination by and among Freeport-McMoRan Inc. (“FCX”), Freeport-McMoRan Oil & Gas LLC and one of our subsidiaries (“FCX Settlement”). Exclusive of these items, the average dayrate for the three months ended June 30, 2017 would have been \$326,559 and \$168,413 for drillships and the total fleet, respectively.

\*\* Not a meaningful percentage.



## Contract Drilling Services

The following table presents the operating results for our contract drilling services segment for the periods indicated (dollars in thousands):

	Three Months Ended		Change		
	June 30, 2018	2017	\$	%	
Operating revenues:					
Contract drilling services	\$247,689	\$271,532	\$(23,843)	(9)	%
Reimbursables and other <sup>(1)</sup>	10,680	6,599	4,081	62	%
	258,369	278,131	(19,762)	(7)	%
Operating costs and expenses:					
Contract drilling services	151,437	162,781	(11,344)	(7)	%
Reimbursables <sup>(1)</sup>	8,297	4,394	3,903	89	%
Depreciation and amortization	124,223	130,763	(6,540)	(5)	%
General and administrative	21,717	18,658	3,059	16	%
Loss on impairments	792,843	—	792,843	**	
	1,098,517	316,596	781,921	247	%
Operating income (loss)	\$(840,148)	\$(38,465)	\$(801,683)	2,084	%

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

\*\* Not a meaningful percentage.

Operating Revenues. The \$23.8 million decline in contract drilling services revenues for the three months ended June 30, 2018 as compared to the same period of 2017 was composed of a \$46.0 million decline due to fewer operating days, partially offset by a \$22.2 million increase from higher dayrates. The contract drilling services revenues decline was primarily due to our jackup and semisubmersible fleet, which experienced declines in revenues of \$29.8 million and \$5.9 million, respectively. Our drillship fleet experienced an increase in revenues of \$11.9 million.

The \$11.9 million revenue increase in our drillship fleet for the three months ended June 30, 2018 consists of a \$24.1 million increase due to more operating days on the Noble Bob Douglas as compared to the same period of 2017. This was partially offset by a \$12.2 million decline in average dayrates primarily related to the decline of dayrates on contracts for the Noble Globetrotter I and Noble Bob Douglas.

The \$29.8 million revenue decline in our jackup fleet for the three months ended June 30, 2018 consists of a \$37.7 million decline due to fewer operating days as compared to the same period of 2017. This was partially offset by an increase in revenues of \$7.9 million associated with favorable dayrate changes. The \$5.9 million decline in semisubmersible revenues was due to a decline in the number of operating days for the Noble Paul Romano in the three months ended June 30, 2018 as compared to the same period of 2017.

Operating Costs and Expenses. Contract drilling services operating costs decreased \$11.3 million for the three months ended June 30, 2018 as compared to the same period of 2017. Of the decrease, \$11.6 million was due to rigs with significant operating days during the second quarter of 2017, which had fewer operating days in the same quarter of 2018, and the write-off of a \$14.4 million receivable held by a Paragon Offshore entity in Mexico, which is expected to be liquidated. These decreases were partially offset by a \$9.0 million increase in operating costs related to rigs with significant operating days in the current period compared to the same period in 2017, a \$4.1 million increase in operating costs related to rigs idled in both periods, and a \$0.7 million increase in operating costs related to rigs that operated in both periods.

Depreciation and amortization decreased \$6.5 million for the three months ended June 30, 2018 as compared to the same period of 2017. The decline was due to the effect of rig impairments recorded during the fourth quarter of 2017.

Loss on Impairments. We recorded a loss on impairment of \$792.8 million for the three months ended June 30, 2018. We evaluate our drilling fleet assets for impairment whenever there are changes in facts which suggest that the value

of the asset is not recoverable. In connection with the preparation of our financial statements for the second quarter of 2018, we conducted a review of our fleet. The review included an assessment of certain assumptions, including future marketability of each unit in light of its current technical specifications. Based upon our impairment analysis, we impaired the carrying values to estimated fair values for the Noble Bully 1, Noble Dave Beard, Noble Paul Romano and certain capital spare equipment. For additional information, see “Note 10— Loss on Impairment” to our condensed consolidated financial statements. There were no impairments recorded during the first half of 2017.

## Other Income and Expenses

**General and Administrative Expenses.** General and administrative expenses increased \$3.1 million during the three months ended June 30, 2018 as compared to the same period of 2017, primarily due to legal and other professional fees and the write-off of certain leasehold improvements at our London office.

**Interest Expense.** Interest expense increased \$0.9 million during the three months ended June 30, 2018 as compared to the same period of 2017. This increase was primarily due to the issuance of our Senior Notes due 2026 (the “2026 Notes”). The increase was partially offset by the retirement of a portion of our Senior Notes due 2020 (the “2020 Notes”), our Senior Notes due 2021 (the “2021 Notes”) and our Senior Notes due 2022 (the “2022 Notes”) as a result of tender offers in January 2018, the maturity of our Senior Notes due 2018 (the “2018 Notes”) and the redemption of our remaining Senior Notes due 2019 (the “2019 Notes”). For additional information, see “Note 7— Debt” to our condensed consolidated financial statements.

**Income Tax Benefit.** Our income tax benefit decreased by \$20.6 million for the three months ended June 30, 2018 as compared to the same period of 2017. Excluding a \$35.6 million discrete tax item resulting from asset impairment during the current period of 2018, the income tax benefit decreased by \$15.5 million. The decrease was due to a higher pre-tax loss and a lower worldwide effective tax rate than the comparable period. The increases in pre-tax loss generated a \$1.6 million tax benefit and the lower worldwide effective tax rate reduced tax benefit by \$17.1 million in the current period. The decrease in the worldwide effective tax rate is primarily a result of the geographic mix of income and sources of revenue during the current period.

For the Six Months Ended June 30, 2018 and 2017

Net loss from continuing operations attributable to Noble-UK for the six months ended June 30, 2018 was \$770.4 million, or \$3.13 per diluted share, on operating revenues of \$493.5 million, compared to net loss from continuing operations for the six months ended June 30, 2017 of \$393.6 million, or \$1.61 per diluted share, on operating revenues of \$641.1 million.

As a result of Noble-UK conducting all of its business through Noble-Cayman and its subsidiaries, the financial position and results of operations for Noble-Cayman, and the reasons for material changes in the amount of revenue and expense items between June 30, 2018 and June 30, 2017, would be the same as the information presented below regarding Noble-UK in all material respects, with the exception of operating income. During the six months ended June 30, 2018 and 2017, Noble-Cayman’s operating loss was \$26.0 million lower and operating income was \$15.1 million higher, respectively, than that of Noble-UK. The operating income or loss difference is primarily a result of administration and other costs directly attributable to Noble-UK for operations support and stewardship-related services.

## Key Operating Metrics

Operating results for our contract drilling services segment are dependent on three primary metrics: operating days, dayrates and operating costs. We also track rig utilization, which is a function of operating days and the number of rigs in our fleet. For more information on operating costs, see “—Contract Drilling Services” below. The following table presents the average rig utilization, operating days and average dayrates for our rig fleet for the periods indicated:

	Average Rig Utilization (1)		Operating Days (2)			Average Dayrates (3)		
	Six Months Ended June 30,		Six Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	2018	2017	% Change	2018	2017	% Change
Jackups	63 %	93 %	1,578	2,353	(33) %	\$140,779	\$122,214	15 %
Semisubmersibles	12 %	17 %	134	181	(26) %	107,827	128,547	(16) %
Drillships	57 %	60 %	830	867	(4) %	289,385	363,802 (3)	(20) %
Total	51 %	67 %	2,542	3,401	(25) %	\$187,574	\$184,130(3)	2 %



- We define utilization for a specific period as the total number of days our rigs are operating under contract, divided
- (1) by the product of the total number of our rigs, including cold stacked rigs, and the number of calendar days in such period. Information reflects our policy of reporting on the basis of the number of available rigs in our fleet, excluding newbuild rigs under construction.
  - (2) Information reflects the number of days that our rigs were operating under contract.
  - (3) Average dayrates for the six months ended June 30, 2017 include the impact of the valuation of certain contingent payments for the Noble Sam Croft and Noble Tom Madden related to the FCX Settlement. Exclusive of these items, the average dayrate for the six months ended June 30, 2017 would have been \$380,414 and \$188,363 for drillships and the total fleet, respectively.

## Contract Drilling Services

The following table presents the operating results for our contract drilling services segment for the periods indicated (dollars in thousands):

	Six Months Ended		Change	
	June 30, 2018	2017	\$	%
Operating revenues:				
Contract drilling services	\$476,795	\$626,191	\$(149,396)	(24)%
Reimbursables and other <sup>(1)</sup>	16,731	14,903	1,828	12%
	493,526	641,094	(147,568)	(23)%
Operating costs and expenses:				
Contract drilling services	288,286	323,550	(35,264)	(11)%
Reimbursables <sup>(1)</sup>	12,647	9,540	3,107	33%
Depreciation and amortization	247,438	260,541	(13,103)	(5)%
General and administrative	43,800	34,538	9,262	27%
Loss on impairments	792,843	—	792,843	**
	1,385,014	628,169	756,845	120%
Operating income (loss)	\$(891,488)	\$12,925	\$(904,413)	(6,997)%

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

\*\* Not a meaningful percentage.

Operating Revenues. The \$149.4 million decline in contract drilling services revenues for the six months ended June 30, 2018 as compared to the same period of 2017 was composed of a \$158.2 million decline due to fewer operating days and a \$8.8 million increase from higher dayrates. The contract drilling services revenues decline was primarily due to our drillship and jackup fleet, which experienced declines in revenues of \$75.2 million and \$65.4 million, respectively. Our semisubmersible fleet experienced a decline in revenue of \$8.8 million.

The \$75.2 million revenue decline in our drillship fleet consists of a \$61.8 million decline from lower dayrates and a \$13.4 million decline due to fewer operating days for the six months ended June 30, 2018 compared to the same period of 2017. The decline in average dayrates and operating days were primarily related to the Noble Bully I, which remained stacked during the current period but operated during the majority of the same period of 2017. In addition, the Noble Bob Douglas experienced a decrease in average dayrates and operating days during the current period compared the same period of 2017.

The \$65.4 million revenue decline in our jackup fleet is primarily attributable to a \$94.7 million decline in revenues due to certain of our jackup rigs not operating in the current period, but operating during the same period of 2017, which was partially offset by a \$29.3 million increase in revenues associated with favorable dayrate changes across the jackup fleet. The decrease in both operating days and average dayrates was the result of the retirement and subsequent sale of the Noble David Tinsley during the six months ended June 30, 2018. In addition, the Noble Alan Hay and Noble Sam Hartley experienced a decrease in operating days during the current period compared to the same period of 2017. The \$8.8 million decline in semisubmersible revenues was due to a decrease in both dayrate and operating days on the Noble Paul Romano.

Operating Costs and Expenses. Contract drilling services operating costs decreased \$35.3 million for the six months ended June 30, 2018 as compared to the same period of 2017. Of the decrease, \$36.2 million was due to rigs with significant operating days during the second quarter of 2017, which had fewer operating days in same quarter of 2018, and the write-off of a \$14.4 million receivable held by a Paragon Offshore entity in Mexico, which is expected to be liquidated. These decreases were partially offset by a \$7.2 million increase in operating costs related to rigs idled in both periods, a \$6.9 million increase in operating costs related to rigs with significant operating days in the current period compared to the same period in 2017, and a \$1.3 million increase in operating costs related to rigs that operated in both periods.

Depreciation and amortization decreased \$13.1 million for the six months ended June 30, 2018 as compared to the same period of 2017. The decline was due to the effect of rig impairments recorded during the fourth quarter of 2017. Loss on Impairments. We recorded a loss on impairment of \$792.8 million for the six months ended June 30, 2018. We evaluate our drilling fleet assets for impairment whenever there are changes in facts which suggest that the value of the asset is not recoverable. In connection with the preparation of our financial statements for the second quarter of 2018, we conducted a review of our fleet. The review included an assessment of certain assumptions, including future marketability of each unit in light of its current technical specifications. Based upon our impairment analysis,

we impaired the carrying values to estimated fair values for the Noble Bully 1, Noble Dave Beard, Noble Paul Romano and certain capital spare equipment. For additional information, see “Note 10— Loss on Impairment” to our condensed consolidated financial statements. There were no impairments recorded during the first half of 2017.

#### Other Income and Expenses

**General and Administrative Expenses.** General and administrative expenses increased \$9.3 million during the six months ended June 30, 2018 as compared to the same period of 2017, primarily due to employee-related costs, legal and other professional fees and the write-off of certain leasehold improvements at our London office.

**Interest Expense.** Interest expense increased \$3.5 million during the six months ended June 30, 2018 as compared to the same period of 2017. This increase was primarily due to the issuance of the 2026 Notes. The increase was partially offset by the retirement of a portion of the 2020 Notes, the 2021 Notes and the 2022 Notes as a result of tender offers in January 2018, the maturity of the 2018 Notes and the redemption of our remaining 2019 Notes. For additional information, see “Note 7— Debt” to our condensed consolidated financial statements.

**Income Tax Benefit.** Our income tax benefit increased by \$275.0 million for the six months ended June 30, 2018 as compared to the same period of 2017. Excluding a \$260.7 million non-cash discrete tax item resulting from an internal tax restructuring during the same period of 2017 and a \$37.5 million discrete tax item resulting from asset impairment and debt restructuring during the current period of 2018, the income tax benefit decreased by \$23.1 million. The decrease was due to a higher pre-tax loss and a lower worldwide effective tax rate than the comparable period. The increases in pre-tax loss generated a \$17.5 million tax benefit and the lower worldwide effective tax rate reduced tax benefit by \$40.6 million in the current period. The decrease in the worldwide effective tax rate is primarily a result of the geographic mix of income and sources of revenue during the current period.

#### Liquidity and Capital Resources

##### Overview

Net cash provided by operating activities was \$53.9 million for the six months ended June 30, 2018 and \$254.3 million for the six months ended June 30, 2017. The decrease in net cash provided by operating activities for the six months ended June 30, 2018 was primarily attributable to a reduction in operating activity during this period. We had working capital of \$360.0 million and \$446.0 million at June 30, 2018 and December 31, 2017, respectively.

Net cash used in investing activities for the six months ended June 30, 2018 was \$72.1 million as compared to \$67.3 million for the six months ended June 30, 2017. The variance primarily relates to higher capital expenditures related to our major projects in the current period.

Net cash used in financing activities for the six months ended June 30, 2018 was \$233.1 million as compared to \$309.7 million for the six months ended June 30, 2017. During the current period, our primary uses of cash included retirement of a portion of the 2020 Notes, 2021 Notes, 2022 Notes and Senior Notes due 2024 (the “2024 Notes”) in tender offers, repayment at maturity of the 2018 Notes and redemption of the 2019 Notes, which amounts were partially offset by the issuance of the 2026 Notes.

Our principal source of capital in the current period was cash generated from operating activities coupled with the \$750.0 million 2026 Notes offering in January 2018. Cash on hand during the current period was primarily used for the following:

- normal recurring operating expenses;
- retirement of a portion of various tranches of our senior notes in tender offers, repayment at maturity of the 2018 Notes and redemption of the 2019 Notes; and
- capital expenditures.

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

- normal recurring operating expenses;
- planned and discretionary capital expenditures; and
- repayments of debt and interest.

We currently expect to fund these cash flow needs with cash generated by our operations, cash on hand, borrowings under our existing Credit Facilities (as defined below) and potential issuances of long-term debt. However, to adequately cover our expected cash flow needs, we may require capital in excess of the amount available from these sources, and we may seek additional sources of liquidity and/or delay or cancel certain discretionary capital

expenditures or other payments as necessary.

47

---

At June 30, 2018, we had a total contract drilling services backlog of approximately \$2.6 billion, which includes a commitment of 58 percent of available days for the remainder of 2018 and 33 percent of available days for 2019. For additional information regarding our backlog, see “Contract Drilling Services Backlog.”

#### Capital Expenditures

Capital expenditures totaled \$84.4 million and \$49.0 million for the six months ended June 30, 2018 and 2017, respectively. Capital expenditures during the first six months of 2018 consisted of the following:

\$38.5 million for sustaining capital and upgrades and replacements to drilling equipment;

\$33.8 million in major projects; and

\$12.1 million in other capital projects.

Our total capital expenditure estimate for 2018 is approximately \$150.0 million.

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

#### Share Capital

The declaration and payment of dividends require the 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 in accordance with UK law. Therefore, Noble-UK is not permitted to pay dividends out of share capital, which includes share premiums. Noble has not paid dividends since the third quarter of 2016. The payment of future dividends will depend on our results of operations, financial condition, cash requirements, future business prospects, contractual and indenture restrictions and other factors deemed relevant by our Board of Directors.

At our 2018 Annual General Meeting shareholders approved a proposal to allow our Board of Directors to increase share capital through the issuance of up to 82.2 million ordinary shares (at current nominal value of \$0.01 per share).

The right of our directors to allot shares will expire at the end of our 2019 Annual General Meeting unless we seek an extension from shareholders at that time. No shares were allotted during the six months ended June 30, 2018.

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 currently do not have shareholder authority to repurchase shares.

#### Credit Facilities

##### 2015 Credit Facility

At December 31, 2017, we had a five-year \$2.4 billion senior unsecured credit facility that will mature 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 “2015 Credit Facility”). At December 31, 2017, the 2015 Credit Facility also provided us with the ability to issue up to \$500.0 million in letters of credit.

On December 19, 2017, we entered into the First Amendment and Consent and Successor Agent Agreement (the “Amendment”) amending the 2015 Credit Facility. On January 3, 2018, the Amendment to the 2015 Credit Facility became fully effective. The Amendment caused, among other things, a reduction in the aggregate principal amount of commitments under the 2015 Credit Facility to \$300.0 million and the termination of the 2015 Credit Facility's letter of credit sub-facility. The maturity of the 2015 Credit Facility remains January 2020. As a result of the 2015 Credit Facility's reduction in the aggregate principal amount of commitments, we recognized a net loss of approximately \$2.3 million in the six months ended June 30, 2018. At June 30, 2018, we had no borrowings outstanding under the 2015 Credit Facility.

##### 2017 Credit Facility

On December 21, 2017, Noble Cayman Limited, a Cayman Islands company and a wholly-owned indirect subsidiary of Noble-Cayman (“NCL”); Noble International Finance Company, a Cayman Islands company and a wholly-owned indirect subsidiary of Noble-Cayman (“NIFCO”); and Noble Holding UK Limited, a company incorporated under the laws of England and Wales and a wholly-owned direct subsidiary of Noble-UK (“NHUK”), as parent guarantor, entered

into a new senior unsecured credit agreement (the “2017 Credit Facility” and, together with the 2015 Credit Facility, the “Credit Facilities”). The maximum aggregate amount of commitments under the 2017 Credit Facility of approximately \$1.5

48

---

billion became available in January 2018 upon satisfaction of certain conditions, including the effectiveness of the commitment reduction under the 2015 Credit Facility. Borrowings under the 2017 Credit Facility are subject to certain conditions precedent, including that there be no unused commitments to advance loans under the 2015 Credit Facility. Borrowings may be used for working capital and other general corporate purposes. The 2017 Credit Facility provides for a letter of credit sub-facility currently in the amount of \$15.0 million, with the ability to increase such amount up to \$500.0 million with the approval of the lenders. The 2017 Credit Facility will mature in January 2023. At June 30, 2018, we had no borrowings outstanding or letters of credit issued under the 2017 Credit Facility.

Both of our Credit Facilities have provisions which vary the applicable interest rates for borrowings based upon our debt ratings. We also pay a facility fee under the 2015 Credit Facility on the full commitments thereunder (used or unused) and a commitment fee under the 2017 Credit Facility on the daily unused amount of the underlying commitments, in each case which varies depending on our credit ratings. At June 30, 2018, the interest rates in effect under our Credit Facilities are the highest permitted interest rates under those agreements.

#### Debt Issuance

In January 2018, we issued \$750.0 million aggregate principal amount of the 2026 Notes through our indirect wholly-owned subsidiary, NHIL. The net proceeds of the offering of approximately \$737.4 million, after estimated expenses, were used to retire a portion of our near-term senior notes in a related tender offer.

The indenture for the 2026 Notes contains certain covenants and restrictions, including, among others, restrictions on our subsidiaries' ability to incur certain additional indebtedness. Additionally, the Subsidiary Guarantors must own, directly or indirectly, (i) assets comprising at least 85% of the revenue of Noble-Cayman and its subsidiaries on a consolidated basis and (ii) jackups, semisubmersibles, drillships, submersibles or other mobile offshore drilling units of material importance, the combined book value of which comprises at least 85% of the combined book value of all such assets of Noble-Cayman and its subsidiaries on a consolidated basis, in each case, with respect to the most recently completed fiscal year.

#### Senior Notes Interest Rate Adjustments

During 2016 and 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 the 2018 Notes, our Senior Notes due 2025 (the "2025 Notes") and our Senior Notes due 2045 (the "2045 Notes"), all of which are subject to provisions that vary the applicable interest rates based on our debt rating. On October 18, 2017, S&P Global Ratings further reduced our debt rating, which increased the interest rates on the 2025 Notes and the 2045 Notes to 7.95% and 8.95%, respectively, effective April 2018. These senior notes have reached the contractually defined maximum interest rate set for each rating agency and no further interest rate increases are possible. The interest rates on these senior notes may be decreased if our debt ratings were to be raised by either rating agency above specified levels. Our other outstanding senior notes do not contain provisions varying applicable interest rates based upon our credit ratings.

#### Debt Tender Offers and Repayments

In January 2018, we commenced cash tender offers for the 2018 Notes, 2019 Notes, 2020 Notes, 2021 Notes, 2022 Notes and 2024 Notes. In February 2018, we purchased \$754.2 million aggregate principal amount of these senior notes for \$750.0 million, plus accrued interest, using the net proceeds of the 2026 Notes issuance and cash on hand. As a result of this transaction, we recognized a net loss of approximately \$3.5 million.

In February 2018, we redeemed the remaining principal amount of \$61.9 million of the 2019 Notes for approximately \$65.3 million, plus accrued interest. As a result of this transaction, we recognized a net loss of approximately \$3.5 million.

In March 2018, we repaid the remaining aggregate principal amount of \$126.6 million of the 2018 Notes at maturity using cash on hand.

In March 2018, we purchased \$9.5 million aggregate principal amount of various tranches of our senior notes for approximately \$8.7 million, plus accrued interest, as open market repurchases and recognized a net gain of approximately \$0.5 million.

#### Covenants



The 2015 Credit Facility is guaranteed by NHUS and NHIL. The 2015 Credit Facility contains a covenant that limits our ratio of debt to total tangible capitalization, as defined in the 2015 Credit Facility, to 0.60 at the end of each fiscal quarter.

The 2017 Credit Facility contains certain financial covenants applicable to NHUK and its subsidiaries, including (i) a covenant restricting debt to total tangible capitalization to not greater than 0.55 at the end of each fiscal quarter, (ii) a minimum Liquidity requirement of \$300.0 million, (iii) a covenant that, beginning with the fiscal quarter ending March 31, 2018, the ratio of the Rig Value (as defined in the 2017 Credit Facility) of Marketed Rigs (as defined in the 2017 Credit Facility) to the sum of commitments under the 2017 Credit Facility plus indebtedness for borrowed

money of the borrowers and guarantors, in each case, that directly own Marketed Rigs, is not less than 3:00 to 1:00 at the end of each fiscal quarter and (iv) a covenant that, beginning with the fiscal quarter ending March 31, 2018, the ratio of (A) the Rig Value of the Closing Date Rigs (as defined in the 2017 Credit Facility) that are directly wholly owned by the borrowers and guarantors to (B) the Rig Value of the Closing Date Rigs owned by NHUK, subsidiaries of NHUK and certain local content affiliates, is not less than 80% at the end of each fiscal quarter (such covenants described in (iii) and (iv) of this paragraph, the “Guarantor Ratio Covenants”). The 2017 Credit Facility also includes restrictions on borrowings if, after giving effect to any such borrowings and the application of the proceeds thereof, the aggregate amount of Available Cash (as defined in the 2017 Credit Facility) would exceed \$200.0 million. NHUK has guaranteed the obligations of the borrowers under the 2017 Credit Facility. In addition, on January 19, 2018, certain indirect subsidiaries of Noble-UK became guarantors under the 2017 Credit Facility, including Noble Dave Beard Limited, Noble Drilling (TVL) Ltd., Noble Resources Limited, Noble SA Limited, Noble Bob Douglas LLC, Noble Drilling Holding LLC, Noble Drilling International GmbH, Noble Leasing (Switzerland) GmbH, and Noble Leasing III (Switzerland) GmbH. Certain other subsidiaries of Noble-UK may be required from time to time to guarantee the obligations of the borrowers under the 2017 Credit Facility in order maintain compliance with the Guarantor Ratio Covenants.

The 2017 Credit Facility contains additional restrictive covenants generally applicable to NHUK and its subsidiaries, including restrictions on the incurrence of liens and indebtedness, mergers and other fundamental changes, restricted payments, repurchases and redemptions of indebtedness with maturities outside of the maturity of the 2017 Credit Facility, sale and leaseback transactions and transactions with affiliates.

In addition to the covenants from the Credit Facilities noted above and the covenants from the 2026 Notes described under “Debt Issuance” 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, 2018, we were in compliance with all applicable debt covenants. We continually monitor compliance with the covenants under our Credit Facilities and senior notes and expect to remain in compliance throughout 2018.

#### Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements as that term is defined in Item 303(a)(4)(ii) of Regulation S-K.

#### New Accounting Pronouncements

See Part I, Item 1, Financial Statements, “Note 2— Accounting Pronouncements,” to the condensed consolidated financial statements for a description of the recent accounting pronouncements.

#### Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

##### Interest Rate Risk

We are subject to market risk exposure related to changes in interest rates on borrowings under our Credit Facilities. Interest on borrowings under our Credit Facilities is at an agreed upon percentage point spread over LIBOR, or a base rate stated in the agreements. At June 30, 2018, we had no borrowings outstanding under our Credit Facilities.

During 2016 and 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 the 2018 Notes, 2025 Notes and 2045 Notes, all of which are subject to provisions that vary the applicable interest rates based on our debt rating. On October 18, 2017, S&P Global Ratings further reduced our debt rating, which increased the interest rates on the 2025 Notes and the 2045 Notes to 7.95% and 8.95%, respectively, effective in April 2018. These senior notes have reached the contractually defined maximum interest rate set for each rating agency and no further interest rate increases are possible. The interest rates on these senior notes may be decreased if our debt ratings were to be raised by either rating agency above specified levels. Our other outstanding senior notes do not contain provisions varying applicable interest rates based upon our credit ratings.

We maintain certain debt instruments at a fixed rate whose fair value will fluctuate based on changes in market expectations for interest rates and perceptions of our credit risk. The fair value of our total debt was \$3.4 billion at both June 30, 2018 and December 31, 2017. The decrease

50

---

in the fair value of debt relates to a reduction in total principal amount outstanding due to our debt repayments during the period, partially offset by our debt issuance and changes in market expectations for interest rates and perceptions of our credit risk.

#### Foreign Currency Risk

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

We are exposed to risks on future cash flows to the extent that local currency expenses exceed revenues denominated in local currency that are other than the functional currency. To help manage this potential risk, we periodically enter into derivative instruments to manage our exposure to fluctuations in currency exchange rates, and we may conduct hedging activities in future periods to mitigate such exposure. These contracts are primarily accounted for as cash flow hedges, with the effective portion of changes in the fair value of the hedge recorded on the Condensed Consolidated Balance Sheets and in “Accumulated other comprehensive income (loss)” (“AOCI”). Amounts recorded in AOCI are reclassified into earnings in the same period or periods that the hedged item is recognized in earnings. The ineffective portion of changes in the fair value of the hedged item is recorded directly to earnings. We have documented policies and procedures to monitor and control the use of derivative instruments. We do not engage in derivative transactions for speculative or trading purposes, nor are we a party to leveraged derivatives. Several of our regional shorebases 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 have historically settled monthly in the operations’ respective local currencies. All of these contracts had a maturity of less than 12 months.

#### Market Risk

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

In addition to the U.S. plans, Noble Drilling (Land Support) Limited, an indirect, wholly-owned subsidiary of Noble-UK, maintains a pension plan that covers all of its salaried, non-union employees, whose most recent date of employment is prior to April 1, 2014 (referred to as our “non-U.S. plan”). Benefits are based on credited service and employees’ compensation, as defined by the non-U.S. plan.

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

#### Item 4. Controls and Procedures

Julie J. Robertson, Chairman, President and Chief Executive Officer of Noble-UK and Adam C. Peakes, Senior Vice President and Chief Financial Officer of Noble-UK, have evaluated the disclosure controls and procedures of Noble-UK as of the end of the period covered by this report. On the basis of this evaluation, Ms. Robertson and Mr. Peakes have concluded that Noble-UK’s disclosure controls and procedures were effective as of June 30, 2018.

Noble-UK’s disclosure controls and procedures are designed to ensure that information required to be disclosed by Noble-UK in the reports that it files with or submits to the SEC are recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and is accumulated and communicated to management

as appropriate to allow timely decisions regarding required disclosure.

Julie J. Robertson, President and Chief Executive Officer of Noble-Cayman and Adam C. Peakes, Vice President and Chief Financial Officer of Noble-Cayman, have evaluated the disclosure controls and procedures of Noble-Cayman as of the end of the period covered by this report. On the basis of this evaluation, Ms. Robertson and Mr. Peakes have concluded that Noble-Cayman's disclosure controls and procedures were effective as of June 30, 2018.

Noble-Cayman's disclosure controls and procedures are designed to ensure that information required to be disclosed by Noble-Cayman in the reports that it files with or submits to the SEC are recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

There were no changes in either Noble-UK's or Noble-Cayman's internal control over financial reporting that occurred during the quarter ended June 30, 2018 that have materially affected, or is reasonably likely to materially affect, the internal control over financial reporting of each of Noble-UK or Noble-Cayman, respectively.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

Information regarding legal proceedings is presented in "Note 15— Commitments and Contingencies," to our condensed consolidated financial statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q and is incorporated herein by reference.

### Item 1A. Risk Factors

There are numerous factors that affect our business and results of operations, many of which are beyond our control. In addition to the other information presented in this quarterly report, you should carefully read and consider "Item 1A. Risk Factors" in Part I and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II of our annual report on Form 10-K for the year ended December 31, 2017, which contains descriptions of significant risks that might cause our actual results of operations in future periods to differ materially from those currently anticipated or expected.

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

Under UK law, the Company is only permitted to purchase its own shares by way of an "off-market purchase" in a plan approved by shareholders. As of the date of this report, no such plan has been approved and during the three months ended June 30, 2018 there were no repurchases by Noble-UK of its shares.

### Item 6. Exhibits

The following exhibits are filed as part of this Quarterly Report on Form 10-Q.

Index to Exhibits

Exhibit  
Number Exhibit

- 2.1 Merger Agreement, dated as of June 30, 2013, between Noble Corporation, a Swiss corporation (“Noble-Swiss”) and Noble Corporation Limited (filed as Exhibit 2.1 to Noble-Swiss’ Current Report on Form 8-K filed on July 1, 2013 and incorporated herein by reference).
- 2.2 Agreement and Plan of Merger, Reorganization and Consolidation, dated as of December 19, 2008, among Noble Corporation, a Swiss corporation, Noble Corporation, a Cayman Islands company (“Noble-Cayman”), and Noble Cayman Acquisition Ltd. (filed as Exhibit 1.1 to Noble-Cayman’s Current Report on Form 8-K filed on December 22, 2008 and incorporated herein by reference).
- 2.3 Amendment No. 1 to Agreement and Plan of Merger, Reorganization and Consolidation, dated as of February 4, 2009, among Noble-Swiss, Noble-Cayman and Noble Cayman Acquisition Ltd. (filed as Exhibit 2.2 to Noble-Cayman’s Current Report on Form 8-K filed on February 4, 2009 and incorporated herein by reference).
- 3.1 Composite Copy of Articles of Association of Noble Corporation plc, a company incorporated under the laws of England and Wales (“Noble-UK”), as of June 10, 2014 (filed as Exhibit 3.1 to Noble-UK’s Quarterly Report on Form 10-Q for the quarter ended March 30, 2014 and incorporated herein by reference).
- 3.2 Memorandum and Articles of Association of Noble-Cayman (filed as Exhibit 3.1 to Noble-Cayman’s Current Report on Form 8-K filed on March 30, 2009 and incorporated herein by reference).
- 10.1\* Noble Corporation 2018 Short Term Incentive Plan.
- 10.2\* Noble Corporation plc 2015 Omnibus Incentive Plan, restated as of May 1, 2018 (filed as Exhibit 10.1 to Noble-UK’s Current Report on Form 8-K filed on May 1, 2018 and incorporated herein by reference).
- 31.1 Certification of Julie J. Robertson pursuant to the U.S. Securities Exchange Act of 1934, as amended, Rule 13a-14(a) or Rule 15d-14(a).
- 31.2 Certification of Adam C. Peakes pursuant to the U.S. Securities Exchange Act of 1934, as amended, Rule 13a-14(a) or Rule 15d-14(a).
- 32.1+ Certification of Julie J. Robertson pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2+ Certification of Adam C. Peakes pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101 Interactive Data File

\*Management contract or compensatory plan or arrangement.

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

SIGNATURES

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

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

/s/ Julie J. Robertson August 3, 2018  
Julie J. Robertson  
Chairman, President and Chief Executive Officer Date  
(Principal Executive Officer)

/s/ Adam C. Peakes August 3, 2018  
Adam C. Peakes  
Senior Vice President and Chief Financial Officer Date  
(Principal Financial Officer)

Noble Corporation, a Cayman Islands company  
/s/ Julie J. Robertson August 3, 2018  
Julie J. Robertson  
President and Chief Executive Officer Date  
(Principal Executive Officer)

/s/ Adam C. Peakes August 3, 2018  
Adam C. Peakes  
Vice President and Chief Financial Officer Date  
(Principal Financial Officer)