

Noble Corp plc
Form 10-Q
November 07, 2016

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

FORM 10-Q

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

For the quarterly period ended: September 30, 2016

OR

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

For the transition period from _____ to _____

Commission file number: 001-36211

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

England and Wales (Registered Number 08354954) 98-0619597
(State or other jurisdiction of (I.R.S. employer
incorporation or organization) identification number)
Devonshire House, 1 Mayfair Place, London, England, W1J8AJ
(Address of principal executive offices) (Zip Code)
Registrant's Telephone Number, Including Area Code: +44 20 3300 2300
Commission file number: 001-31306

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

Cayman Islands 98-0366361
(State or other jurisdiction of (I.R.S. employer
incorporation or organization) identification number)
Suite 3D Landmark Square, 64 Earth Close, P.O. Box 31327 George Town, Grand Cayman, Cayman Islands,
KY1-1206
(Address of principal executive offices) (Zip Code)
Registrant's Telephone Number, Including Area Code: (345) 938-0293

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

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

Indicate by check mark whether each registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

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

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

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

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

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

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

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

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOBLE CORPORATION PLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands)

(Unaudited)

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

See accompanying notes to the unaudited consolidated financial statements.

NOBLE CORPORATION PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

(Unaudited)

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

See accompanying notes to the unaudited consolidated financial statements.

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

(In thousands)

(Unaudited)

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

See accompanying notes to the unaudited consolidated financial statements.

NOBLE CORPORATION PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

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

See accompanying notes to the unaudited consolidated financial statements.

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

	Shares		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity
	Balance	Par Value					
Balance at December 31, 2014	247,501	\$ 2,475	\$ 695,638	\$ 5,936,035	\$ (69,418)	\$ 722,304	\$ 7,287,034
Employee related equity activity							
Amortization of share-based compensation	—	—	30,296	—	—	—	30,296
Issuance of share-based compensation shares	678	7	(4,157)	—	—	—	(4,150)
Tax benefit of equity transactions	—	—	(2,401)	—	—	—	(2,401)
Repurchases of shares	(6,209)	(62)	(100,568)	—	—	—	(100,630)
Net income	—	—	—	663,241	—	57,488	720,729
Dividends paid to noncontrolling interests	—	—	—	—	—	(57,048)	(57,048)
Dividends	—	—	—	(278,443)	—	—	(278,443)
Other comprehensive loss, net	—	—	—	—	(2,614)	—	(2,614)
Balance at September 30, 2015	241,970	\$ 2,420	\$ 618,808	\$ 6,320,833	\$ (72,032)	\$ 722,744	\$ 7,592,773
Balance at December 31, 2015	241,977	\$ 2,420	\$ 628,483	\$ 6,131,501	\$ (63,175)	\$ 723,001	\$ 7,422,230
Employee related equity activity							
Amortization of share-based compensation	—	—	27,222	—	—	—	27,222
Issuance of share-based compensation shares	1,256	12	(3,609)	—	—	—	(3,597)
Tax benefit of equity transactions	—	—	(5,495)	—	—	—	(5,495)
Net income	—	—	—	373,270	—	52,027	425,297
Dividends paid to noncontrolling interests	—	—	—	—	—	(61,980)	(61,980)
Dividends	—	—	—	(47,700)	—	—	(47,700)
Other comprehensive income, net	—	—	—	—	2,006	—	2,006
Balance at September 30, 2016	243,233	\$ 2,432	\$ 646,601	\$ 6,457,071	\$ (61,169)	\$ 713,048	\$ 7,757,983

See accompanying notes to the unaudited consolidated financial statements.

NOBLE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands)

(Unaudited)

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

See accompanying notes to the unaudited consolidated financial statements.

NOBLE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands)

(Unaudited)

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

See accompanying notes to the unaudited consolidated financial statements.

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

(In thousands)

(Unaudited)

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

See accompanying notes to the unaudited consolidated financial statements.

NOBLE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

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

See accompanying notes to the unaudited consolidated financial statements.

NOBLE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY

(In thousands)

(Unaudited)

	Shares		Capital in		Accumulated		Total
	Balance	Par Value	Excess of Par Value	Retained Earnings	Other Comprehensive Loss	Noncontrolling Interests		Equity
Balance at December 31, 2014	261,246	\$ 26,125	\$530,657	\$6,009,114	\$ (69,418)	\$ 722,304	\$7,218,782
Distributions to parent company, net	—	—	—	(372,799)	—	—	(372,799)
Capital contribution by parent - share-based compensation	—	—	21,875	—	—	—	21,875
Net income	—	—	—	690,879	—	57,488	748,367
Dividends paid to noncontrolling interests	—	—	—	—	—	(57,048)	(57,048)
Other comprehensive loss, net	—	—	—	—	(2,614)	—	(2,614)
Balance at September 30, 2015	261,246	\$ 26,125	\$552,532	\$6,327,194	\$ (72,032)	\$ 722,744	\$7,556,563
Balance at December 31, 2015	261,246	\$ 26,125	\$561,309	\$6,167,211	\$ (63,175)	\$ 723,001	\$7,414,471
Distributions to parent company, net	—	—	—	(76,051)	—	—	(76,051)
Capital contribution by parent - share-based compensation	—	—	25,296	—	—	—	25,296
Net income	—	—	—	396,993	—	52,027	449,020
Dividends paid to noncontrolling interests	—	—	—	—	—	(61,980)	(61,980)
Other comprehensive income, net	—	—	—	—	2,006	—	2,006
Balance at September 30, 2016	261,246	\$ 26,125	\$586,605	\$6,488,153	\$ (61,169)	\$ 713,048	\$7,752,762

See accompanying notes to the unaudited consolidated financial statements.

NOBLE CORPORATION PLC AND SUBSIDIARIES

NOBLE CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

Note 1 — Organization and Basis of Presentation

Noble Corporation plc, a public limited company incorporated under the laws of England and Wales (“Noble-UK”), is a leading offshore drilling contractor for the oil and gas industry. We perform contract drilling services with our global fleet of mobile offshore drilling units. As of the filing date of this Quarterly Report on Form 10-Q, our fleet consisted of 14 jackups, eight drillships and eight semisubmersibles.

We report our contract drilling operations as a single reportable segment, Contract Drilling Services, which reflects how we manage our business, and the fact that all of our drilling fleet is dependent upon the worldwide oil and gas industry. The mobile offshore drilling units comprising our offshore rig fleet operate in a global market for contract drilling services and are often redeployed to different regions due to changing demands of our customers, which consist largely of major independent and government owned/controlled oil and gas companies throughout the world. As of September 30, 2016, our contract drilling services segment conducted operations in the United States, the North Sea, the Middle East, Asia and Australia. Noble and its predecessors have been engaged in the contract drilling of oil and gas wells since 1921.

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

The accompanying unaudited consolidated financial statements of Noble-UK and Noble-Cayman have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) as they pertain to Quarterly Reports on Form 10-Q. Accordingly, certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted pursuant to such rules and regulations. The unaudited financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the financial position and results of operations for the interim periods, on a basis consistent with the annual audited consolidated financial statements. All such adjustments are of a recurring nature. The December 31, 2015 Consolidated Balance Sheets presented herein are derived from the December 31, 2015 audited consolidated financial statements. These interim financial statements should be read in conjunction with the consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2015, filed by both Noble-UK and Noble-Cayman. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

Certain amounts in prior periods have been reclassified to conform to the current year presentation. In accordance with our adoption of Accounting Standards Update (“ASU”) No. 2015-3 on January 1, 2016, unamortized debt issuance costs related to our senior notes of approximately \$26 million as of December 31, 2015, which were previously included in “Other assets,” are included in either “Current maturities of long-term debt” or “Long-term debt” in the accompanying Consolidated Balance Sheets, based upon the maturity date of the respective senior notes.

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

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

In February 2016, we entered into an agreement in principle for a settlement with Paragon Offshore under which, in exchange for a full and unconditional release of any claims by Paragon Offshore in connection with the Spin-off (including certain claims that could be brought on behalf of Paragon Offshore’s creditors), we agreed to assume the administration of Mexican tax claims for specified years up to and including 2010, as well as the related bonding obligations and certain of the related tax liabilities. The settlement agreement with Paragon Offshore, which was

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

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

Master Separation Agreement (“MSA”)

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

Employee Matters Agreement (“EMA”)

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

Tax Sharing Agreement (“TSA”)

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

Transition Services Agreements

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

Note 3 — Consolidated Joint Ventures

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

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

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

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Note 4 — Share Data

Earnings per share

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

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

Only those items having a dilutive impact on our basic earnings per share are included in diluted earnings per share. For the three months ended September 30, 2016 and 2015, approximately 1.5 million and 1.7 million shares underlying stock options, respectively, were excluded from the diluted earnings per share as such stock options were not dilutive.

Share capital

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

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

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

The declaration and payment of dividends require authorization of the Board of Directors of Noble-UK, provided that such dividends on issued share capital may be paid only out of Noble-UK's "distributable reserves" on its statutory balance sheet. Noble-UK is not permitted to pay dividends out of share capital, which includes share premiums. The resumption of the payment of future dividends will depend on our results of operations, financial condition, cash requirements, future business prospects, contractual restrictions and other factors deemed relevant by our Board of

Directors.

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Share repurchases

Under UK law, the Company is only permitted to purchase its own shares by way of an “off-market purchase” in a plan approved by shareholders. In December 2014, we received shareholder approval to repurchase up to 37 million ordinary shares, or approximately 15 percent of our outstanding ordinary shares at the time of the shareholder approval. The authority to make such repurchases expired at the end of the Company’s 2016 annual general meeting of shareholders, which was held on April 22, 2016. During 2015, we repurchased 6.2 million of our ordinary shares covered by this authorization for a total cost of approximately \$101 million. During the nine months ended September 30, 2016, we did not repurchase any of our shares.

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

On May 10, 2016, Freeport-McMoRan Inc. (“FCX”), Freeport-McMoRan Oil & Gas LLC and one of our subsidiaries entered into an agreement terminating the contracts on the Noble Sam Croft and the Noble Tom Madden (“FCX Settlement”), which were scheduled to end in July 2017 and November 2017, respectively. For the nine months ended September 30, 2016, Noble recognized approximately \$379 million in “Contract drilling services revenue” associated with the FCX Settlement, which included \$348 million recorded as a termination fee and \$31 million for the accelerated recognition of other deferred contractual items. For the nine months ended September 30, 2016, \$11 million was recognized in “Contract drilling services expense” for the accelerated recognition of deferred mobilization and other expenses.

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

Note 6 — Receivables from Customers

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

Note 7 — Property and Equipment

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

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

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

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

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

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

Note 8 — Debt

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

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

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

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

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

Credit Facility and Commercial Paper Program

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

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

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

Senior Unsecured Notes

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

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

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

Covenants

The credit facility is guaranteed by Noble Holding International Limited (“NHIL”) and Noble Holding Corporation (“NHC”). The credit facility contains a covenant that limits our ratio of debt to total tangible capitalization, as defined in the credit facility, to 0.60. At September 30, 2016, our ratio of debt to total tangible capitalization was approximately 0.35. We were in compliance with all covenants under the credit facility as of September 30, 2016.

In addition to the covenants from the credit facility noted above, the indentures governing our outstanding senior unsecured notes contain covenants that place restrictions on certain merger and consolidation transactions, unless we are the surviving entity or the other party assumes the obligations under the indenture, and on the ability to sell or transfer all or substantially all of our assets. In addition, there are restrictions on incurring or assuming certain liens and on entering into sale and lease-back transactions. At September 30, 2016, we were in compliance with all of our debt covenants. We continually monitor compliance with the covenants under our notes and expect to remain in compliance during the remainder of 2016.

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Fair Value of Debt

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

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

	September 30, 2016		December 31, 2015	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Senior unsecured notes:				
3.05% Senior Notes due March 2016	\$—	\$—	\$299,997	\$299,340
2.50% Senior Notes due March 2017	299,983	296,357	299,956	284,334
5.25% Senior Notes due March 2018 ⁽¹⁾	249,725	246,641	249,602	227,285
7.50% Senior Notes due March 2019	201,695	201,947	201,695	194,273
4.90% Senior Notes due August 2020	467,195	399,846	499,287	378,761
4.625% Senior Notes due March 2021	396,337	319,611	399,680	289,450
3.95% Senior Notes due March 2022	399,424	294,700	399,354	265,643
6.95% Senior Notes due April 2025 ⁽¹⁾	448,886	355,500	448,814	308,870
6.20% Senior Notes due August 2040	399,898	235,000	399,896	237,005
6.05% Senior Notes due March 2041	397,748	234,475	397,719	239,464
5.25% Senior Notes due March 2042	498,361	286,250	498,338	279,919
7.95% Senior Notes due April 2045 ⁽¹⁾	394,601	278,871	394,563	255,887
Total senior unsecured notes	4,153,853	3,149,198	4,488,901	3,260,231
Credit facility & commercial paper program	—	—	—	—
Total debt	\$4,153,853	\$3,149,198	\$4,488,901	\$3,260,231

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

Note 9 — Income Taxes

At September 30, 2016, the reserves for uncertain tax positions totaled \$172 million (net of related tax benefits of \$1 million). If the September 30, 2016 reserves are not realized, the provision for income taxes would be reduced by \$172 million. At December 31, 2015, the reserves for uncertain tax positions totaled \$166 million (net of related tax benefits of \$14 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.

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Note 10 — Employee Benefit Plans

Pension costs include the following components for the three months ended September 30, 2016 and 2015:

	Three Months Ended			
	September 30,			
	2016		2015	
	Non-U.S.	U.S.	Non-U.S.	U.S.
Service cost	\$763	\$1,662	\$862	\$2,149
Interest cost	589	2,389	653	2,300
Return on plan assets	(828)	(3,097)	(942)	(3,286)
Amortization of prior service cost	25	30	26	36
Recognized net actuarial loss	35	1,099	80	1,539
Net pension expense	\$584	\$2,083	\$679	\$2,738

Pension costs include the following components for the nine months ended September 30, 2016 and 2015:

	Nine Months Ended September 30,			
	2016			
	2016		2015	
	Non-U.S.	U.S.	Non-U.S.	U.S.
Service cost	\$2,337	\$4,986	\$2,582	\$6,447
Interest cost	1,864	7,167	1,927	6,899
Return on plan assets	(2,627)	(9,291)	(2,779)	(9,859)
Amortization of prior service cost	78	88	79	107
Recognized net actuarial loss	110	3,299	235	4,618
Net pension expense	\$1,762	\$6,249	\$2,044	\$8,212

During the three and nine months ended September 30, 2016, we made contributions to our pension plans totaling approximately \$0.1 million and \$3 million, respectively.

After the conclusion of the current period, we approved amendments, effective as of December 31, 2016, to our Retirement Restoration Plan, our two U.S. noncontributory defined benefit plans and our two pension plans for certain employees operating in the North Sea. With these amendments, employees and alternate payees will accrue no future benefits under the plans after December 31, 2016. However, these amendments will not affect any benefits earned through that date. We estimate we will incur a net curtailment charge of less than \$1 million in the fourth quarter of 2016, and will reduce our net pension expense from approximately \$11 million in the current year to an estimated net pension gain of approximately \$1 million in 2017.

Note 11 — Derivative Instruments and Hedging Activities

We periodically enter into derivative instruments to manage our exposure to fluctuations in foreign currency exchange rates. We have documented policies and procedures to monitor and control the use of derivative instruments. We do not engage in derivative transactions for speculative or trading purposes, nor are we a party to leveraged derivatives. The FCX Settlement includes two contingent payments, which are further discussed below. We are accounting for these contingent payments as derivative instruments that do not qualify under the Financial Accounting Standards Board (“FASB”) standards for hedge accounting treatment, and therefore, changes in fair values are recognized as either income or loss in the accompanying Consolidated Statements of Operations.

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

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Cash Flow Hedges

Several of our regional shorebases, including our North Sea and Australian operations, have a significant amount of their cash operating expenses payable in local currencies. To limit the potential risk of currency fluctuations, we periodically enter into forward contracts, which settle monthly in the operations' respective local currencies. All of these contracts have a maturity of less than 12 months. The forward contract settlements in the remainder of 2016 represent approximately 60 percent of these forecasted local currency requirements. The notional amount of the forward contracts outstanding, expressed in U.S. Dollars, was approximately \$15 million at September 30, 2016. Total unrealized losses related to these forward contracts were approximately \$1 million as of September 30, 2016 and were recorded as part of "Accumulated other comprehensive loss" ("AOCL").

FCX Settlement

As discussed in Note 5, pursuant to the FCX Settlement, Noble may receive contingent payments from FCX on September 30, 2017, depending on the average price of oil over a 12 months period from June 30, 2016 through June 30, 2017. The average price of oil will be 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 averages more than \$50 per barrel during such period, FCX will pay \$25 million to Noble. In addition to the \$25 million contingent payment, if the price of WTI averages more than \$65 per barrel during such period, FCX will pay an additional \$50 million to Noble. These contingent payments do not qualify for hedge accounting treatment under FASB standards, and therefore, changes in fair values are recognized as either income or loss in the accompanying Consolidated Statements of Operations. These contingent payments are referred to as non-designated derivatives in the following tables.

For the nine months ended September 30, 2016, we recognized approximately \$12.4 million in "Contract drilling services revenue," related to the valuation of this contingent payment and during the three months ended September 30, 2016, we recognized a \$5.2 million loss in "Contract drilling services revenue," related to the valuation of this contingent payment. As of September 30, 2016, the estimated fair value of these contingent payments was \$12.4 million which is included in "Prepaid expenses and other current assets".

Financial Statement Presentation

The following table, together with Note 12, summarizes the financial statement presentation and fair value of our derivative positions as of September 30, 2016 and December 31, 2015:

	Balance sheet classification	Estimated fair value	
		September 30, 2016	December 31, 2015
Asset derivatives			
Cash flow hedges			
Short-term foreign currency forward contracts	Prepaid expenses and other current assets	\$ 329	\$ —
Non-designated derivatives			
FCX Settlement	Prepaid expenses and other current assets	12,406	—
Liability derivatives			
Cash flow hedges			
Short-term foreign currency forward contracts	Other current liabilities	\$ 934	\$ —

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To supplement the fair value disclosures in Note 12, the following table summarizes the recognized gains and losses of cash flow hedges and non-designated derivatives through AOCL or as "contract drilling services" revenue or expense for the three months ended September 30, 2016 and 2015:

	Gain/(loss) recognized through AOCL		Gain/(loss) reclassified from AOCL to "contract drilling services" expense		Gain/(loss) recognized through "contract drilling services" revenue	
	2016	2015	2016	2015	2016	2015
Cash flow hedges						
Foreign currency forward contracts	\$(65)	\$(747)	\$(540)	\$(615)	\$—	\$—
Non-designated derivatives						
FCX Settlement	\$—	\$—	\$—	\$—	\$(5,194)	\$—

To supplement the fair value disclosures in Note 12, the following table summarizes the recognized gains and losses of cash flow hedges and non-designated derivatives through AOCL or as "contract drilling services" revenue or expense for the nine months ended September 30, 2016 and 2015:

	Gain/(loss) recognized through AOCL		Gain/(loss) reclassified from AOCL to "contract drilling services" expense		Gain/(loss) recognized through "contract drilling services" revenue	
	2016	2015	2016	2015	2016	2015
Cash flow hedges						
Foreign currency forward contracts	\$(447)	\$(143)	\$(158)	\$(1,219)	\$—	\$—
Non-designated derivatives						
FCX Settlement	\$—	\$—	\$—	\$—	\$12,406	\$—
Note 12 — Fair Value of Financial Instruments						

The FASB guidance establishes a fair value hierarchy that distinguishes between assumptions based on market data from independent sources ("observable inputs") and a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable ("unobservable inputs"). The fair value hierarchy under FASB guidance prioritizes inputs within three levels:

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

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

Level 3: Valuations based on unobservable inputs.

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

	September 30, 2016				
	Estimated Fair Value Measurements				
	Quoted				
	Prices in Significant				
	Significant				
Carrying	in	Other	Significant		
Amount	Active	Observable	Unobservable		
	Markets	Inputs	Inputs		
	(Level	(Level 2)	(Level 3)		
	1)				
Assets -					
Marketable securities	\$6,472	\$6,472	\$ —	\$	—
Foreign currency forward contracts	329	—	329	—	—
FCX Settlement	12,406	—	—	12,406	
Liabilities -					
Foreign currency forward contracts	\$934	\$—	\$ 934	\$	—

	December 31, 2015				
	Estimated Fair Value Measurements				
	Quoted				
	Prices in Significant				
	Significant				
Carrying	in	Other	Significant		
Amount	Active	Observable	Unobservable		
	Markets	Inputs	Inputs		
	(Level	(Level 2)	(Level 3)		
	1)				
Assets -					
Marketable securities	\$6,352	\$ 6,352	\$	—	\$ —

Our cash and cash equivalents, accounts receivable and accounts payable are by their nature short-term. As a result, the carrying values included in the accompanying Consolidated Balance Sheets approximate fair value. The foreign currency forward contracts have been valued using actively quoted prices and quotes obtained from the counterparties to the contracts. The FCX Settlement has been valued using a Monte Carlo Simulation Model based on the following assumptions as of September 30, 2016:

Valuation assumptions:

Expected volatility	46.83	%
Mean-reversion rate	2.80	
Discount rate ⁽¹⁾	3.0	%
Underlying spot price ⁽²⁾	\$48.24	

(1) Based on the cost of debt of FCX.

(2) Based on the last trading price of the WTI spot contract from Bloomberg as of September 30, 2016.

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

Balance as of December 31, 2015	\$	—
Fair value recognized in earnings	—	
Balance as of March 31, 2016	—	
Fair value recognized in earnings	17,600	
Balance as of June 30, 2016	17,600	
Change in fair value recognized in earnings	(5,194)
Balance as of September 30, 2016	\$	12,406

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Note 13 — Accumulated Other Comprehensive Loss

The following tables set forth the components of, and changes in the accumulated balances for each component of, AOCL for the nine months ended September 30, 2016 and 2015. All amounts within the tables are shown net of tax.

	Gains / (Losses) on Cash Flow Hedges(1)	Defined Benefit Pension Items(2)	Foreign Currency Items	Total
Balance at December 31, 2014	\$ —	\$(58,440)	\$(10,978)	\$(69,418)
Activity during period:				
Other comprehensive income (loss) before reclassifications	(2,581)	—	(4,568)	(7,149)
Amounts reclassified from AOCL	1,219	3,316	—	4,535
Net other comprehensive income (loss)	(1,362)	3,316	(4,568)	(2,614)
Balance at September 30, 2015	\$(1,362)	\$(55,124)	\$(15,546)	\$(72,032)
Balance at December 31, 2015	\$ —	\$(46,919)	\$(16,256)	\$(63,175)
Activity during period:				
Other comprehensive income (loss) before reclassifications	(447)	—	263	(184)
Amounts reclassified from AOCL	(158)	2,348	—	2,190
Net other comprehensive income (loss)	(605)	2,348	263	2,006
Balance at September 30, 2016	\$(605)	\$(44,571)	\$(15,993)	\$(61,169)

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

Defined benefit pension items relate to actuarial changes and the amortization of prior service costs.

(2) Reclassifications from AOCL are recognized as expense on our Consolidated Statements of Operations through either “Contract drilling services” or “General and administrative.” See Note 10 for additional information.

Note 14 — Commitments and Contingencies

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

We have used a commercial agent in Brazil in connection with our Petróleo Brasileiro S.A. (“Petrobras”) drilling contracts. We understand that this agent has represented a number of different companies in Brazil over many years, including several offshore drilling contractors. In November 2015, this agent pled guilty in Brazil in connection with the award of a drilling contract to a competitor and implicated a Petrobras official as part of a wider investigation of

Petrobras' business practices. Following news reports relating to the agent's involvement in the Brazil investigation in connection with his activities with other companies, we have been conducting a review, which is now substantially complete, of our relationship with the agent and with Petrobras. We are in contact with the SEC, the Brazilian federal prosecutor's office and the DOJ about this matter. We are cooperating with these agencies and they are aware of our internal review. To our knowledge, neither the agent, nor the government authorities investigating the matter, has alleged that the agent or Noble acted improperly in connection with our contracts with Petrobras.

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We are from time to time a party to various lawsuits that are incidental to our operations in which the claimants seek an unspecified amount of monetary damages for personal injury, including injuries purportedly resulting from exposure to asbestos on drilling rigs and associated facilities. At September 30, 2016, there were 42 asbestos related lawsuits in which we are one of many defendants. These lawsuits have been filed in the United States in the states of Louisiana and Mississippi. We intend to vigorously defend against the litigation. We do not believe the ultimate resolution of these matters will have a material adverse effect on our financial position, results of operations or cash flows.

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

We operate in a number of countries throughout the world and our tax returns filed in those jurisdictions are subject to review and examination by tax authorities within those jurisdictions. We recognize uncertain tax positions that we believe have a greater than 50 percent likelihood of being sustained. We cannot predict or provide assurance as to the ultimate outcome of any existing or future assessments.

During 2014, the IRS began its examination of our tax reporting in the U.S. for the taxable years ended December 31, 2010 and 2011. We believe that we have accurately reported all amounts in our 2010 and 2011 tax returns. We believe the ultimate resolution of the IRS examination will not have a material adverse effect on our consolidated financial statements.

Under the TSA entered into at the time of the Spin-off, Noble and Paragon Offshore are each responsible for the taxes that relate to their respective business (whether such taxes were incurred through a Noble-retained or a Paragon-retained entity) and provide a corresponding indemnity. In addition, in February 2016, we entered into an agreement in principle with Paragon Offshore relating to tax matters in Mexico described below in exchange for a full and unconditional release of any claims by Paragon Offshore in connection with the Spin-off (including any claims that could be brought on behalf of its creditors). The settlement agreement with Paragon Offshore, which was signed by the parties on April 29, 2016, is subject to the approval of Paragon Offshore's bankruptcy plan by the bankruptcy court. On October 28, 2016, the bankruptcy court having jurisdiction over the Paragon Offshore bankruptcy denied confirmation of Paragon Offshore's bankruptcy plan. In the oral ruling, the judge noted that his decision to deny confirmation did not preclude Paragon Offshore from restructuring, only that they could not do so under the existing plan. Paragon Offshore has announced that it is evaluating its options.

Audit claims of approximately \$157 million attributable to income and other business taxes have been assessed against us in Mexico, as detailed below. Under our settlement agreement with Paragon Offshore, we agreed to assume the administration of Paragon Offshore's Mexican income and value-added taxes for the years 2005 through 2010 and for Paragon Offshore's Mexican customs taxes through 2010, as well as the related bonding obligations and certain of the tax related liabilities. In addition, under the agreement with Paragon Offshore, we agreed to (i) pay all of the ultimate resolved amount of Mexican income and value-added taxes related to Paragon Offshore's business that were incurred through a Noble-retained entity, (ii) pay 50 percent of the ultimate resolved amount of Mexican income and value-added taxes related to Paragon Offshore's business that were incurred through a Paragon Offshore-retained entity, (iii) pay 50 percent of the ultimate resolved amount of Mexican custom taxes related to Paragon Offshore's business, and (iv) post any tax appeal bond that may be required to challenge a final assessment. Paragon Offshore also agreed to pay 50 percent of the third party costs incurred by us in the administration of the tax claims. Pursuant to an amendment agreed to on August 5, 2016 we have also agreed to allow Paragon Offshore to pay up to \$5 million of the Mexican tax and administrative costs described above that become owed to us in the form of an interest bearing note, which will be due at the end of the four year period following the date of approval of Paragon Offshore's bankruptcy plan. Tax assessments of approximately \$45 million for income and value-added taxes have been made

against Noble entities in Mexico. Tax assessments for income and value-added taxes of approximately \$183 million have been made against Paragon Offshore entities in Mexico, of which approximately \$42 million relates to Noble's business that operated through Paragon Offshore-retained entities in Mexico prior to the Spin-off. We will only be obligated to post a tax appeal bond in the event a final assessment is made by Mexican authorities. As of October 15, 2016, there have been \$3 million in final assessments that have been bonded.

In January 2015, Noble received an official notification of a ruling from the Second Chamber of the Supreme Court in Mexico. The ruling settled an ongoing dispute in Mexico relating to the classification of a Noble subsidiary's business activity and the applicable rate of depreciation under the Mexican law applicable to the activities of that subsidiary.

The ruling did not result in any additional tax liability to Noble. Additionally, the ruling is only applicable to the Noble subsidiary named in the ruling and, therefore, does not establish the depreciation rate applicable to the assets of other Noble subsidiaries. Under the recent agreement with Paragon Offshore, we agreed to be responsible for any tax liability ultimately incurred because these depreciation

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liabilities would be incurred by Noble-retained entities, and such amounts are reflected in the discussion of Mexican audit claims in the preceding paragraph. We will continue to contest future assessments received, and do not believe we are liable for additional tax.

Paragon Offshore has received tax assessments of approximately \$152 million attributable to income, customs and other business taxes in Brazil, of which \$44 million relates to Noble's business that operated through a Paragon Offshore-retained entity in Brazil prior to the Spin-off. Under the TSA, we must indemnify Paragon Offshore for all assessed amounts that are related to Noble's Brazil business, approximately \$44 million, if and when such payments become due.

We have contested, or intend to contest or cooperate with Paragon Offshore in Brazil where it is contesting, the assessments described above, including through litigation if necessary, and we believe the ultimate resolution, for which we have not made any accrual, will not have a material adverse effect on our consolidated financial statements. Tax authorities may issue additional assessments or pursue legal actions as a result of tax audits and we cannot predict or provide assurance as to the ultimate outcome of such assessments and legal actions or our ability to collect indemnities from Paragon Offshore under the TSA or the recent agreement with Paragon Offshore.

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

We maintain certain insurance coverage against specified marine perils, which includes physical damage and loss of hire to our drilling rigs along with other associated coverage common in our industry. We maintain a physical damage deductible on our rigs of \$25 million per occurrence. With respect to the U.S. Gulf of Mexico, hurricane risk has generally resulted in more restrictive and expensive coverage for U.S. named windstorm perils, and we have opted in certain years to maintain limited or no windstorm coverage. Our current program provides for \$500 million in named windstorm coverage in the U.S. Gulf of Mexico. For the Noble Bully I, our customer assumes the risk of loss due to a named windstorm event, pursuant to the terms of the drilling contract, through the purchase of insurance coverage (provided that we are responsible for any deductible under such policy) or, at its option, the assumption of the risk of loss up to the insured value in lieu of the purchase of such insurance. The loss of hire coverage applies only to our rigs operating under contract with a dayrate equal to or greater than \$200,000 a day and is subject to a 45-day waiting period for each unit and each occurrence.

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

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

In connection with our capital expenditure program as of September 30, 2016, we had outstanding commitments, including shipyard and purchase commitments of approximately \$88 million.

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

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Note 15 — Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-9, which creates Accounting Standards Codification (“ASC”) Topic 606, “Revenue from Contracts with Customers,” and supersedes the revenue recognition requirements in Topic 605, “Revenue Recognition,” including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. In addition, ASU No. 2014-9 supersedes the cost guidance in Subtopic 605-35, “Revenue Recognition—Construction-Type and Production-Type Contracts,” and creates new Subtopic 340-40, “Other Assets and Deferred Costs—Contracts with Customers.” In summary, the core principle of Topic 606 is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. Companies are allowed to select between two transition methods: (1) a full retrospective transition method with the application of the new guidance to each prior reporting period presented, or (2) a retrospective transition method that recognizes the cumulative effect on prior periods at the date of adoption together with additional footnote disclosures. The amendments in ASU No. 2014-9 are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, and early application is permitted for periods beginning after December 15, 2016. A number of amendments have been issued in connection with ASU No. 2014-9, all of which are effective upon adoption of Topic 606. In March 2016 and April 2016, the FASB issued clarification amendments ASU No. 2016-8 and ASU No. 2016-10 which clarify the implementation guidance on principle versus agent considerations and identify performance obligations and the licensing implementation guidance, respectively. In May 2016, the FASB issued ASU No. 2016-11 and ASU No. 2016-12 which rescind certain SEC Staff Observer comments that are codified in Topic 605, “Revenue Recognition,” and Topic 932, “Extractive Activities—Oil and Gas” and provide improvements to narrow aspects of ASU No. 2014-9, respectively. We are currently evaluating the impact the adoption of this guidance will have on our consolidated financial statements and have not made any decision on the method of adoption.

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

In August 2014, the FASB issued ASU No. 2014-15, which amends ASC Subtopic 205-40, “Disclosure of Uncertainties about an Entity’s Ability to continue as a Going Concern.” The amendments in this ASU provide guidance related to management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures. The amendments are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. The adoption of this guidance is not anticipated to have a material impact on our financial condition, results of operations, cash flows or financial disclosures.

In January 2015, the FASB issued ASU No. 2015-1, which amends ASC Subtopic 225-20, “Income Statement – Extraordinary and Unusual Items.” The amendment in this ASU eliminates from GAAP the concept of extraordinary items. The amendments in this update are effective for interim and annual reporting periods beginning after December 15, 2015. The adoption of this guidance did not have an impact on our financial condition, results of operations, cash flows or financial disclosures.

In February 2015, the FASB issued ASU No. 2015-2, which amends ASC Subtopic 810, “Consolidations.” This amendment affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. Specifically, the amendments modify the evaluation of whether limited partnerships and similar legal entities

are variable interest entities (“VIEs”) or voting interest entities; eliminate the presumption that a general partner should consolidate a limited partnership; affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships. The standard is effective for interim and annual reporting periods beginning after December 15, 2015. The standard may be applied retrospectively or through a cumulative effect adjustment to retained earnings as of the beginning of the year of adoption. The adoption of this guidance did not have an impact on our financial condition, results of operations, cash flows or financial disclosures. In April 2015, the FASB issued ASU No. 2015-3, which amends ASC Subtopic 835-30, “Interest – Imputation of Interest.” The guidance requires debt issuance costs to be presented in the balance sheet as a direct reduction from the associated debt liability. The standard is effective for interim and annual reporting periods beginning after December 15, 2015. In August 2015, the FASB issued ASU No. 2015-15 which amends ASC Subtopic 835-30, “Interest – Imputation of Interest.” The guidance allows a debt issuance cost related to a line-of-credit to be presented in the balance sheet as an asset and subsequently amortized ratably over

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the term of the line-of credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The new guidance is applied on a retrospective basis. In accordance with our adoption of ASU No. 2015-3, unamortized debt issuance costs related to our senior notes of approximately \$26 million as of December 31, 2015, which were previously included in "Other assets," are included in either "Current maturities of long-term debt" or "Long-term debt" in the accompanying Consolidated Balance Sheets, based upon the maturity date of the respective senior notes.

In April 2015, the FASB issued ASU No. 2015-4, which amends ASC Topic 715, "Compensation – Retirement Benefits." The guidance gives an employer whose fiscal year end does not coincide with a calendar month end the ability, as a practical expedient, to measure defined benefit retirement obligations and related plan assets as of the month end that is closest to its fiscal year end. The ASU also provides a similar practical expedient for interim remeasurements of significant events. The standard is effective for interim and annual reporting periods beginning after December 15, 2015. Early adoption is permitted. The adoption of this guidance did not have an impact on our financial condition, results of operations, cash flows or financial disclosures.

In July 2015, the FASB issued ASU No. 2015-12, which amends ASC Topic 960, "Plan Accounting-Defined Benefit Pension Plans," ASC Topic 962, "Defined Contribution Pension Plans" and ASC Topic 965, "Health and Welfare Benefit Plans." There are three parts to the ASU that aim to simplify the accounting and presentation of plan accounting. Part I of this ASU requires fully benefit-responsive investment contracts to be measured at contract value instead of the current fair value measurement. Part II of this ASU requires investments (both participant-directed and nonparticipant-directed investments) of employee benefit plans be grouped only by general type, eliminating the need to disaggregate the investments in multiple ways. Part III of this ASU provides a similar measurement date practical expedient for employee benefit plans as available in ASU No. 2015-4, which allows employers to measure defined benefit plan assets on a month-end date that is nearest to the year's fiscal year-end when the fiscal period does not coincide with a month-end. Parts I and II of the new guidance should be applied on a retrospective basis. Part III of the new guidance should be applied on a prospective basis. This guidance is effective for interim and annual reporting periods beginning after December 15, 2015. The adoption of this guidance did not have an impact on our financial condition, results of operations, cash flows or financial disclosures.

In September 2015, the FASB issued ASU 2015-16, which amends Topic 805, "Business Combinations." This amendment eliminates the requirement to retrospectively account for adjustments made to provisional amounts recognized in a business combination at the acquisition date with a corresponding adjustment to goodwill, and revise comparative information for prior periods presented in financial statements. Those adjustments are required when new information about circumstances that existed as of the acquisition date would have affected the measurement of the amount initially recognized. This update requires an entity to recognize these adjustments in the reporting period in which the adjustment amounts are determined. An acquirer must record the effect on earnings of changes in depreciation, amortization, or other income effects, calculated as if the accounting had been completed at the acquisition date. An entity must present separately on the face of the income statement, or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment had been recognized as of the acquisition date. This guidance is effective for interim and annual reporting periods beginning after December 15, 2015. The adoption of this guidance did not have an impact on our financial condition, results of operations, cash flows or financial disclosures.

In November 2015, the FASB issued ASU No. 2015-17, which amends ASC Topic 740, "Income Taxes." This amendment aligns the presentation of deferred income tax assets and liabilities with International Financial Reporting Standards. International Accounting Standard 1, Presentation of Financial Statements, requires deferred tax assets and liabilities to be classified as noncurrent in a classified statement of financial position. The current requirement that deferred tax liabilities and assets be offset and presented as a single amount is not affected by the amendments in this update. The standard is effective for interim and annual reporting periods beginning after December 15, 2016. Early

adoption is permitted for all entities as of the beginning of an interim or annual reporting period. The amendments in this update may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. We are evaluating what impact, if any, the adoption of this guidance will have on our financial condition, results of operations, cash flows or financial disclosures.

In February 2016, the FASB issued ASU No. 2016-2, which creates ASC Topic 842, "Leases." This update increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This guidance is effective for interim and annual reporting periods beginning after December 15, 2018. We are evaluating what impact, if any, the adoption of this guidance will have on our financial condition, results of operations, cash flows or financial disclosures.

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In March 2016, the FASB issued ASU No. 2016-5, which amends ASC Topic 815, “Derivatives and Hedging.” This amendment clarifies that a change in the counterparty to a derivative instrument that has been designated as a hedging instrument under Topic 815 does not, in and of itself, require dedesignation of that hedging relationship provided that all other hedge accounting criteria continue to be met. This guidance is effective for interim and annual reporting periods beginning after December 15, 2016 and may be applied on either a prospective basis or a modified retrospective basis. We are evaluating what impact, if any, the adoption of this guidance will have on our financial condition, results of operations, cash flows or financial disclosures.

In March 2016, the FASB issued ASU No. 2016-9, which amends ASC Topic 718, “Compensation – Stock Compensation.” This amendment simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. This guidance is effective for interim and annual reporting periods beginning after December 15, 2016. We are evaluating what impact, if any, the adoption of this guidance will have on our financial condition, results of operations, cash flows or financial disclosures.

In August 2016, the FASB issued ASU No. 2016-15 which amends ASC Topic 230, “Classification of Certain Cash Receipts and Cash Payments.” The amendments in this Update address eight specific cash flow issues with the objective of reducing the existing diversity in practice. The update outlines the classification of specific transactions as either cash inflows or outflows from financing activities, operating activities, investing activities or non-cash activities. This guidance is effective for interim and annual reporting periods beginning after December 15, 2017. We are evaluating what impact, if any, the adoption of this guidance will have on our financial condition, results of operations, cash flows or financial disclosures.

Note 16 — Supplemental Financial Information

Consolidated Balance Sheets Information

Deferred revenues from drilling contracts totaled \$140 million and \$180 million at September 30, 2016 and December 31, 2015, respectively. Such amounts are included in either “Other current liabilities” or “Other liabilities” in the accompanying Consolidated Balance Sheets, based upon our expected time of recognition. Related expenses deferred under drilling contracts totaled \$54 million at September 30, 2016 as compared to \$78 million at December 31, 2015, and are included in either “Prepaid expenses and other current assets” or “Other assets” in the accompanying Consolidated Balance Sheets, based upon our expected time of recognition.

In April 2015, we agreed to contract dayrate reductions for five rigs working for Saudi Arabian Oil Company (“Saudi Aramco”), which were effective from January 1, 2015 through December 31, 2015. During the first quarter of 2016, we agreed to further contract dayrate reductions for the remaining four contracted rigs through the end of 2016. Given current market conditions and based on discussions with the customer, we do not expect the rates to return to the original contract rates. In accordance with accounting guidance, we are recognizing the reductions on a straight-line basis over the remaining life of the existing Saudi Aramco contracts. At September 30, 2016 and December 31, 2015, revenues recorded in excess of billings as a result of this recognition totaled \$22 million and \$53 million, respectively, and are included in either “Prepaid expenses and other current assets” or “Other assets” in the accompanying Consolidated Balance Sheets, based upon our expected time of recognition.

Consolidated Statements of Cash Flows Information

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

	Noble-UK		Noble-Cayman	
	Nine Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Accounts receivable	\$ 179,364	\$ 38,695	\$ 179,364	\$ 38,695
Other current assets	91,606	48,548	89,858	28,415

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Other assets	27,805	61,610	25,724	41,314
Accounts payable	(70,778)	(20,666)	(68,909)	(18,743)
Other current liabilities	(70,943)	(2,733)	(66,202)	11,295
Other liabilities	(25,581)	(22,155)	(26,924)	(22,155)
	\$131,473	\$103,299	\$132,911	\$78,821

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Note 17 — Information about Noble-Cayman

Guarantees of Registered Securities

Noble-Cayman, or one or more wholly-owned subsidiaries of Noble-Cayman, are a co-issuer or full and unconditional guarantor or otherwise obligated as of September 30, 2016 as follows:

Notes	Issuer (Co-Issuer(s))	Guarantor
\$300 million 2.50% Senior Notes due 2017	NHIL	Noble-Cayman
\$250 million 5.25% Senior Notes due 2018	NHIL	Noble-Cayman
\$202 million 7.50% Senior Notes due 2019	NHC Noble Drilling Holding, LLC ("NDH") Noble Drilling Services 6 LLC ("NDS6")	Noble-Cayman
\$468 million 4.90% Senior Notes due 2020	NHIL	Noble-Cayman
\$397 million 4.625% Senior Notes due 2021	NHIL	Noble-Cayman
\$400 million 3.95% Senior Notes due 2022	NHIL	Noble-Cayman
\$450 million 6.95% 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 7.95% Senior Notes due 2045	NHIL	Noble-Cayman

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

NOBLE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEET

September 30, 2016

(in thousands)

(Unaudited)

	Noble - Cayman	NHC	NDH	NHIL	NDS6	Other Non-guarantor Subsidiaries of Noble	Consolidating Adjustments
ASSETS							
Current assets							
Cash and cash equivalents	\$ 1,981	\$—	\$ 118	\$ 1	\$—	\$ 423,649	\$—
Accounts receivable	—	—	42,261	—	—	277,306	—
Taxes receivable	—	20,878	4	—	—	14,505	—
Short-term notes receivable from affiliates	—	—	124,601	—	1,349,708	171,925	(1,646,234)
Accounts receivable from affiliates	337,130	1,277	144,553	67,034	76,606	3,260,567	(3,887,167)
Prepaid expenses and other current assets	46	—	1,965	—	—	96,984	—
Total current assets	339,157	22,155	313,502	67,035	1,426,314	4,244,936	(5,533,401)
Property and equipment, at cost	—	—	2,358,530	—	—	12,246,266	—
Accumulated depreciation	—	—	(410,082)	—	—	(2,602,926)	—
Property and equipment, net	—	—	1,948,448	—	—	9,643,340	—
Notes receivable from affiliates	3,304,672	—	112,705	69,563	5,000	1,995,607	(5,487,547)
Investments in affiliates	3,948,861	2,346,182	2,305,255	9,344,115	6,224,556	—	(24,168,969)
Other assets	4,708	—	7,127	—	—	89,729	—
Total assets	\$ 7,597,398	\$ 2,368,337	\$ 4,687,037	\$ 9,480,713	\$ 7,655,870	\$ 15,973,612	\$ (35,189,917)
LIABILITIES AND EQUITY							
Current liabilities							
Short-term notes payables from affiliates	\$—	\$—	\$—	\$—	\$—	\$—	\$—
Current maturities of long-term debt	—	171,925	—	299,762	—	1,474,309	(1,646,234)
Accounts payable	—	—	3,245	—	—	110,872	—
Accrued payroll and related costs	—	—	5,004	—	—	48,333	—
Accounts payable to affiliates	537,755	104,854	2,354,295	274,177	—	616,086	(3,887,167)
Taxes payable	—	—	—	—	—	98,019	—
Interest payable	—	—	—	45,410	630	—	—
Other current liabilities	—	—	4,311	—	—	67,548	—
Total current liabilities	537,755	276,779	2,366,855	619,349	630	2,415,167	(5,533,401)
Long-term debt	—	—	—	3,628,832	201,392	—	—
Notes payable to affiliates	—	900,000	464,132	744,181	—	3,379,234	(5,487,547)
Deferred income taxes	—	—	840	—	—	10,647	—
Other liabilities	19,929	—	25,097	—	—	250,417	—
Total liabilities	557,684	1,176,779	2,856,924	4,992,362	202,022	6,055,465	(11,020,948)
Commitments and contingencies							
Total shareholder equity	7,039,714	1,191,558	1,830,113	4,488,351	7,453,848	8,749,887	(23,713,757)
Noncontrolling interests	—	—	—	—	—	1,168,260	(455,212)

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Total equity	7,039,714	1,191,558	1,830,113	4,488,351	7,453,848	9,918,147	(24,168,969
Total liabilities and equity	\$7,597,398	\$2,368,337	\$4,687,037	\$9,480,713	\$7,655,870	\$15,973,612	\$(35,189,917

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NOBLE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEET

December 31, 2015

(in thousands)

(Unaudited)

	Noble- Cayman	NHC	NDH	NHIL	NDS6	Other Non-guarantor Subsidiaries of Noble	Consolidating Adjustments	Total
ASSETS								
Current assets								
Cash and cash equivalents	\$1,627	\$—	\$2,101	\$—	\$—	\$508,067	\$—	\$511,795
Accounts receivable	—	—	9,381	—	—	489,550	—	498,931
Taxes receivable	—	12,124	27	—	—	43,291	—	55,442
Short-term notes receivable from affiliates	—	—	119,476	—	—	171,925	(291,401)	—
Accounts receivable from affiliates	626,305	451,201	128,457	811,785	67,684	3,445,590	(5,531,022)	—
Prepaid expenses and other current assets	246	—	1,696	—	—	166,527	—	168,469
Total current assets	628,178	463,325	261,138	811,785	67,684	4,824,950	(5,822,423)	1,234,637
Property and equipment, at cost	—	—	1,877,520	—	—	12,177,038	—	14,054,558
Accumulated depreciation	—	—	(344,591)	—	—	(2,227,740)	—	(2,572,331)
Property and equipment, net	—	—	1,532,929	—	—	9,949,298	—	11,482,227
Notes receivable from affiliates	3,304,652	—	236,921	1,587,927	5,000	2,435,154	(7,569,654)	—
Investments in affiliates	5,159,064	2,174,480	3,001,327	9,752,912	7,438,397	—	(27,526,180)	—
Other assets	5,954	—	7,496	—	—	118,869	—	132,319
Total assets	\$9,097,848	\$2,637,805	\$5,039,811	\$12,152,624	\$7,511,081	\$17,328,271	\$(40,918,257)	\$12,849,183
LIABILITIES AND EQUITY								

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Current liabilities								
Short-term notes payables from affiliates	\$—	\$171,925	\$—	\$—	\$—	\$119,476	\$(291,401)	\$—
Current maturities of long-term debt	—	—	—	299,924	—	—	—	299,924
Accounts payable	—	—	10,676	—	—	210,401	—	221,077
Accrued payroll and related costs	—	—	6,584	—	—	74,780	—	81,364
Accounts payable to affiliates	868,046	60,100	2,440,965	96,543	6,426	2,058,942	(5,531,022)	—
Taxes payable	—	917	—	—	—	87,191	—	88,108
Interest payable	—	—	—	68,549	4,412	—	—	72,961
Other current liabilities	40	—	4,108	—	—	92,183	—	96,331
Total current liabilities	868,086	232,942	2,462,333	465,016	10,838	2,642,973	(5,822,423)	859,765
Long-term debt	—	—	—	3,961,338	201,300	—	—	4,162,638
Notes payable to affiliates	1,518,363	—	461,379	2,086,480	124,216	3,379,216	(7,569,654)	—
Deferred income taxes	—	—	1,529	—	—	91,268	—	92,797
Other liabilities	19,929	—	25,312	—	—	274,271	—	319,512
Total liabilities	2,406,378	232,942	2,950,553	6,512,834	336,354	6,387,728	(13,392,077)	5,434,712
Commitments and contingencies								
Total shareholder equity	6,691,470	2,404,863	2,089,258	5,639,790	7,174,727	9,781,284	(27,089,922)	6,691,470
Noncontrolling interests	—	—	—	—	—	1,159,259	(436,258)	723,001
Total equity	6,691,470	2,404,863	2,089,258	5,639,790	7,174,727	10,940,543	(27,526,180)	7,414,471
Total liabilities and equity	\$9,097,848	\$2,637,805	\$5,039,811	\$12,152,624	\$7,511,081	\$17,328,271	\$(40,918,257)	\$12,849,183

NOBLE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS and COMPREHENSIVE INCOME (LOSS)

Three Months Ended September 30, 2016

(in thousands)

(Unaudited)

	Noble- Cayman	NHC	NDH	NHIL	NDS6	Other Non-guarantor Subsidiaries of Noble	Consolidating Adjustments	Total
Operating revenues								
Contract drilling services	\$—	\$—	\$52,333	\$—	\$—	\$ 331,916	\$(10,992)	\$373,257
Reimbursables	—	—	2,933	—	—	8,800	—	11,733
Other	—	—	—	—	—	163	—	163
Total operating revenues	—	—	55,266	—	—	340,879	(10,992)	385,153
Operating costs and expenses								
Contract drilling services	857	3,914	20,487	17,483	—	174,323	(10,992)	206,072
Reimbursables	—	—	2,702	—	—	6,440	—	9,142
Depreciation and amortization	—	—	22,661	—	—	132,581	—	155,242
General and administrative	203	1,552	—	7,231	—	3,047	—	12,033
Loss on impairment	—	—	—	—	—	—	—	—
Total operating costs and expenses	1,060	5,466	45,850	24,714	—	316,391	(10,992)	382,489
Operating income (loss)	(1,060)	(5,466)	9,416	(24,714)	—	24,488	—	2,664
Other income (expense)								
Income (loss) of unconsolidated affiliates	(49,010)	17,529	(6,572)	10,186	12,187	—	15,680	—
Interest expense, net of amounts capitalized	(2,472)	(25,311)	(2,872)	(52,073)	(3,258)	(10,278)	43,695	(52,569)
Gain on extinguishment of debt, net	—	—	—	—	—	—	—	—
Interest income and other, net	1,666	30	2,816	525	6,046	33,180	(43,695)	568
Income (loss) before income taxes	(50,876)	(13,218)	2,788	(66,076)	14,975	47,390	15,680	(49,337)
Income tax benefit (provision)	—	(10,050)	(167)	—	—	19,524	—	9,307
Net income (loss)	(50,876)	(23,268)	2,621	(66,076)	14,975	66,914	15,680	(40,030)
Net income attributable to noncontrolling interests	—	—	—	—	—	(5,933)	(4,913)	(10,846)
Net income (loss) attributable to Noble	(50,876)	(23,268)	2,621	(66,076)	14,975	60,981	10,767	(50,876)

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Corporation									
Other comprehensive income, net	701	—	—	—	—	701	(701)	701
Comprehensive income (loss) attributable to Noble Corporation	\$(50,175)	\$(23,268)	\$2,621	\$(66,076)	\$14,975	\$ 61,682	\$ 10,066		\$(50,175)

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NOBLE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS and COMPREHENSIVE INCOME (LOSS)

Nine months Ended September 30, 2016

(in thousands)

(Unaudited)

	Noble- Cayman	NHC	NDH	NHIL	NDS6	Other Non-guarantor Subsidiaries of Noble	Consolidating Adjustments	Total
Operating revenues								
Contract drilling services	\$—	\$—	\$169,379	\$—	\$—	\$1,728,374	\$(56,432)	\$1,841,321
Reimbursables	—	—	6,301	—	—	43,971	—	50,272
Other	—	—	—	—	—	1,016	—	1,016
Total operating revenues	—	—	175,680	—	—	1,773,361	(56,432)	1,892,609
Operating costs and expenses								
Contract drilling services	3,574	15,627	47,005	69,087	—	618,735	(56,432)	697,596
Reimbursables	—	—	5,589	—	—	33,857	—	39,446
Depreciation and amortization	—	—	66,431	—	—	389,422	—	455,853
General and administrative	928	7,207	—	32,696	1	(4,341)	) —	36,491
Loss on impairment	—	—	—	—	—	16,616	—	16,616
Total operating costs and expenses	4,502	22,834	119,025	101,783	1	1,054,289	(56,432)	1,246,002
Operating income (loss)	(4,502)	(22,834)	56,655	(101,783)	(1)	719,072	—	646,607
Other income (expense)								
Income (loss) of unconsolidated affiliates	331,777	58,134	(64,854)	640,942	610,992	—	(1,576,991)	—
Interest expense, net of amounts capitalized	(25,256)	(47,977)	(8,436)	(173,294)	(11,722)	(109,781)	) 209,491	(166,975)
Gain on extinguishment of debt, net	—	—	—	11,066	—	—	—	11,066
Interest income and other, net	94,974	80	9,719	19,885	6,808	76,657	(209,491)	(1,368)
Income (loss) before income taxes	396,993	(12,597)	(6,916)	396,816	606,077	685,948	(1,576,991)	489,330

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Income tax benefit (provision)	—	(43,788)	(545)	—	—	4,023	—	(40,310)
Net income (loss)	396,993	(56,385)	(7,461)	396,816	606,077	689,971	(1,576,991)	449,020
Net income attributable to noncontrolling interests	—	—	—	—	—	(70,980)	18,953	(52,027)
Net income (loss) attributable to Noble Corporation	396,993	(56,385)	(7,461)	396,816	606,077	618,991	(1,558,038)	396,993
Other comprehensive income, net	2,006	—	—	—	—	2,006	(2,006)	2,006
Comprehensive income (loss) attributable to Noble Corporation	\$398,999	\$(56,385)	\$(7,461)	\$396,816	\$606,077	\$620,997	\$(1,560,044)	\$398,999

NOBLE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF INCOME and COMPREHENSIVE INCOME
Three months Ended September 30, 2015
(in thousands)
(Unaudited)

	Noble- Cayman	NHC	NDH	NHIL	NDS6	Other Non-guarantor Subsidiaries of Noble	Consolidating Adjustments	Total
Operating revenues								
Contract drilling services	\$—	\$—	\$37,659	\$—	\$—	\$ 856,145	\$ (19,991)	\$873,813
Reimbursables	—	—	4,662	—	—	18,196	—	22,858
Total operating revenues	—	—	42,321	—	—	874,341	(19,991)	896,671
Operating costs and expenses								
Contract drilling services	850	3,630	32,370	14,850	—	260,770	(19,991)	292,479
Reimbursables	—	—	8,414	—	—	9,369	—	17,783
Depreciation and amortization	—	—	20,690	—	—	139,693	—	160,383
General and administrative	192	1,866	—	7,524	—	794	—	10,376
Total operating costs and expenses	1,042	5,496	61,474	22,374	—	410,626	(19,991)	481,021
Operating income (loss)	(1,042)	(5,496)	(19,153)	(22,374)	—	463,715	—	415,650
Other income (expense)								
Income (loss) of unconsolidated affiliates	334,441	130,794	70,445	344,840	132,616	—	(1,013,136)	—
Interest expense, net of amounts capitalized	(17,914)	(1,342)	(3,204)	(58,129)	(7,522)	(37,611)	71,035	(54,687)
Interest income and other, net	16,052	4	22,837	17,876	2,283	43,049	(71,035)	31,066
Income before income taxes	331,537	123,960	70,925	282,213	127,377	469,153	(1,013,136)	392,029
Income tax (provision) benefit	—	(53,518)	(1,198)	—	—	12,848	—	(41,868)
Net income	331,537	70,442	69,727	282,213	127,377	482,001	(1,013,136)	350,161
Net income attributable to noncontrolling interests	—	—	—	—	—	(32,733)	14,109	(18,624)
Net income attributable to Noble	331,537	70,442	69,727	282,213	127,377	449,268	(999,027)	331,537

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Corporation								
Other comprehensive loss, net	(2,859)	—	—	—	—	(2,859)	2,859	(2,859)
Comprehensive income attributable to Noble Corporation	\$ 328,678	\$ 70,442	\$ 69,727	\$ 282,213	\$ 127,377	\$ 446,409	\$ (996,168)	\$ 328,678

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NOBLE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF INCOME and COMPREHENSIVE INCOME
Nine months Ended September 30, 2015
(in thousands)
(Unaudited)

	Noble- Cayman	NHC	NDH	NHIL	NDS6	Other Non-guarantor Subsidiaries of Noble	Consolidating Adjustments	Total
Operating revenues								
Contract drilling services	\$—	\$—	\$176,987	\$—	\$—	\$2,349,537	\$(102,043)	\$2,424,481
Reimbursables	—	—	15,578	—	—	54,509	—	70,087
Total operating revenues	—	—	192,565	—	—	2,404,046	(102,043)	2,494,568
Operating costs and expenses								
Contract drilling services	5,457	20,223	79,612	61,078	—	866,598	(102,043)	930,925
Reimbursables	—	—	13,195	—	—	42,397	—	55,592
Depreciation and amortization	—	—	58,741	—	—	414,305	—	473,046
General and administrative	1,131	8,926	—	24,918	1	1,117	—	36,093
Total operating costs and expenses	6,588	29,149	151,548	85,996	1	1,324,417	(102,043)	1,495,656
Operating income (loss)	(6,588)	(29,149)	41,017	(85,996)	(1)	1,079,629	—	998,912
Other income (expense)								
Income (loss) of unconsolidated affiliates	738,742	197,773	162,486	883,323	475,715	—	(2,458,039)	—
Interest expense, net of amounts capitalized	(63,800)	(3,590)	(9,769)	(167,017)	(21,491)	(65,553)	170,024	(161,196)
Interest income and other, net	22,525	4,835	49,824	59,666	5,096	63,691	(170,024)	35,613
Income before income taxes	690,879	169,869	243,558	689,976	459,319	1,077,767	(2,458,039)	873,329
Income tax provision	—	(87,203)	(2,974)	—	—	(34,785)	—	(124,962)
Net income	690,879	82,666	240,584	689,976	459,319	1,042,982	(2,458,039)	748,367
Net income attributable to noncontrolling interests	—	—	—	—	—	(90,557)	33,069	(57,488)

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Net income attributable to Noble Corporation	690,879	82,666	240,584	689,976	459,319	952,425	(2,424,970)	690,879
Other comprehensive loss, net	(2,614)	—	—	—	—	(2,614)	2,614	(2,614)
Comprehensive income attributable to Noble Corporation	\$688,265	\$82,666	\$240,584	\$689,976	\$459,319	\$949,811	\$(2,422,356)	\$688,265

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NOBLE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

Nine months Ended September 30, 2016

(in thousands)

(Unaudited)

	Noble- Cayman	NHC	NDH	NHIL	NDS6	Other Non-guarantor Subsidiaries of Noble	Consolidating Adjustments	Total
Cash flows from operating activities								
Net cash from operating activities	\$91,918	\$(124,190)	\$81,355	\$(278,331)	\$(8,697)	\$1,223,801	\$	—\$985,856
Cash flows from investing activities								
Capital expenditures	—	—	(473,460)	—	—	(159,813)	) —	(633,273)
Proceeds from disposal of assets	—	—	—	—	—	23,390	—	23,390
Net cash from investing activities	—	—	(473,460)	—	—	(136,423)	) —	(609,883)
Cash flows from financing activities								
Repayment of long-term debt	—	—	—	(300,000)	—	—	—	(300,000)
Early repayment of long-term debt	—	—	—	(22,207)	—	—	—	(22,207)
Premiums paid on early repayment of long-term debt	—	—	—	(1,781)	—	—	—	(1,781)
Dividends paid to noncontrolling interests	—	—	—	—	—	(61,980)	) —	(61,980)
Distributions to parent company, net	(76,051)	—	—	—	—	—	—	(76,051)
Advances (to) from affiliates	(15,513)	124,190	390,122	602,320	8,697	(1,109,816)) —	—
Net cash from financing activities	(91,564)	124,190	390,122	278,332	8,697	(1,171,796)	) —	(462,019)
Net change in cash and cash equivalents	354	—	(1,983)	1	—	(84,418)	) —	(86,046)
Cash and cash equivalents, beginning of period	1,627	—	2,101	—	—	508,067	—	511,795
Cash and cash equivalents, end of period	\$1,981	\$—	\$118	\$1	\$—	\$423,649	\$	—\$425,749

NOBLE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

Nine months Ended September 30, 2015

(in thousands)

(Unaudited)

	Noble- Cayman	NHC	NDH	NHIL	NDS6	Other Non-guarantor Subsidiaries of Noble	Consolidating Adjustments	Total
Cash flows from operating activities								
Net cash from operating activities	\$(33,578)	\$(28,115)	\$141,329	\$(210,734)	\$(20,085)	\$1,397,280	\$ —	\$1,246,097
Cash flows from investing activities								
Capital expenditures	—	—	(80,743)	—	—	(242,745)	—	(323,488)
Proceeds from disposal of assets	—	—	—	—	—	2,535	—	2,535
Notes receivable from affiliates	124,951	—	—	608,771	—	—	(733,722)	—
Net cash from investing activities	124,951	—	(80,743)	608,771	—	(240,210)	(733,722)	(320,953)
Cash flows from financing activities								
Net change in borrowings outstanding on bank credit facilities	(1,123,495)	—	—	—	—	—	—	(1,123,495)
Repayment of long-term debt	—	—	—	(350,000)	—	—	—	(350,000)
Issuance of senior notes	—	—	—	1,092,728	—	—	—	1,092,728
Debt issuance costs on senior notes and credit facilities	(6,450)	—	—	(9,620)	—	—	—	(16,070)
Dividends paid to noncontrolling interests	—	—	—	—	—	(57,048)	—	(57,048)
Distributions to parent company, net	(372,799)	—	—	—	—	—	—	(372,799)
Notes payable to affiliates	(608,771)	—	—	—	—	(124,951)	733,722	—
Advances (to) from affiliates	2,020,141	28,115	(60,705)	(1,131,145)	20,085	(876,491)	—	—
Net cash from financing activities	(91,374)	28,115	(60,705)	(398,037)	20,085	(1,058,490)	733,722	(826,684)
Net change in cash and cash equivalents	(1)	—	(119)	—	—	98,580	—	98,460
	5	—	254	—	—	65,521	—	65,780

Cash and cash
equivalents,
beginning of period

Cash and cash equivalents, end of period	\$4	\$—	\$135	\$—	\$—	\$164,101	\$ —	\$164,240
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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 September 30, 2016, and our results of operations for the three and nine months ended September 30, 2016 and 2015. The following discussion should be read in conjunction with the consolidated financial statements and related notes contained in this Quarterly Report on Form 10-Q and the consolidated financial statements and notes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2015 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 regarding rig demand, the offshore drilling market, oil prices, contract backlog, fleet status, our financial position, business strategy, impairments, repayment of debt, credit ratings, borrowings under our credit facility 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, construction and upgrade of rigs, industry conditions, access to financing, impact of competition, governmental regulations and permitting, availability of labor, worldwide economic conditions, taxes and tax rates, indebtedness covenant compliance, dividends and distributable reserves, timing or results of acquisitions or dispositions, and timing for compliance with any new regulations are forward-looking statements. When used in this report, the words "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "project," "should" and similar expressions are intended to be among 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, 2015, our Quarterly Reports on Form 10-Q and in our other filings with the U.S. Securities and Exchange Commission ("SEC"). We cannot control such risk factors and other uncertainties, and in many cases, we cannot predict the risks and uncertainties that could cause our actual results to differ materially from those indicated by the forward-looking statements. You should consider these risks and uncertainties when you are evaluating us.

Executive Overview

We are a leading offshore drilling contractor for the oil and gas industry. We perform contract drilling services with our global fleet of mobile offshore drilling units. As of the filing date of this Quarterly Report on Form 10-Q, our fleet consisted of 14 jackups, eight drillships and eight semisubmersibles.

We report our contract drilling operations as a single reportable segment, Contract Drilling Services, which reflects how we manage our business, and the fact that all of our drilling fleet is dependent upon the worldwide oil and gas industry. The mobile offshore drilling units comprising our offshore rig fleet operate in a global market for contract drilling services and are often redeployed to different regions due to changing demands of our customers, which consist largely of major independent and government owned/controlled oil and gas companies throughout the world. As of September 30, 2016, our contract drilling services segment conducted operations in the United States, the North Sea, the Middle East, Asia and Australia. Noble and its predecessors have been engaged in the contract drilling of oil

and gas wells since 1921.

Outlook

The business environment for offshore drillers during the first nine months of 2016 remained challenging. A rig supply imbalance has expanded throughout the year, due primarily to reduced offshore spending by customers, leaving a growing number of rigs without follow on drilling programs as current contracts expired. In addition, newbuild rigs ordered prior to the decline in industry activity continue to exit shipyards, adding to the supply imbalance. Our customers have adopted a cautious approach to offshore spending as crude oil prices experienced a significant decline beginning in mid-2014 and continuing to the present, with

the price of Brent crude declining from approximately \$112 per barrel on June 30, 2014 to as low as \$30 per barrel in January 2016, before improving to \$49 per barrel on September 30, 2016. We do not expect that the price improvement during the first nine months of 2016 from the January lows will stimulate customer spending on offshore projects in 2016 and the impact of such price increase on spending in 2017 remains uncertain. Rather, we expect that the offshore drilling programs of operators will remain curtailed, especially exploration activity, until higher, sustainable crude oil prices are achieved. Until then, further deterioration in rig utilization and dayrates is possible.

We expect that the business environment for the remainder of 2016 and into 2017 will remain challenging and could potentially deteriorate further. The present subdued level of global economic activity, a reluctance to restrain production within the Organization of Petroleum Exporting Countries (“OPEC”), the incremental production capacity in non-OPEC countries, including the U.S., and the recent Brexit vote in the UK are contributing to an uncertain oil price environment, leading to a persistent disruption in our customers’ exploration and production spending plans. However, the recent potential strategy change by OPEC, if it leads to defined production limits, could help to establish support for crude price sustainability into 2017. In general, recent contract awards have been short-term in nature and 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, or when the oversupply of available drilling rigs will end. While current market conditions persist, we will continue to focus on operating efficiency, cost control and managing liquidity and could stack or retire additional drilling rigs.

We believe in the long-term fundamentals for the industry, especially for those contractors with a modern fleet of high-specification rigs like ours. We expect the persistent rig supply imbalance to improve over time, with the combination of further fleet attrition and a rebound in offshore spending by our customers. Also, we believe the ultimate market recovery will benefit from any sustained under-investment by customers during this current phase of the market cycle.

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

Results and Strategy

Our business strategy focuses on deepwater drilling and high-specification jackups and the deployment of our drilling rigs in important oil and gas basins around the world.

Over the past five years, we have expanded our offshore deepwater drilling and high-specification jackup capabilities through the construction of rigs. We took delivery of our remaining newbuild project, the heavy-duty, harsh environment jackup, Noble Lloyd Noble, on July 15, 2016. The Noble Lloyd Noble is on drilling location undergoing final acceptance testing before commencing operations under a four-year contract in the North Sea. Although we plan to focus on capital preservation and liquidity based on current market conditions, we also plan to continue to evaluate opportunities as they arise from time to time to enhance our fleet, particularly focusing on higher specification rigs, to execute the increasingly more complex drilling programs required by our customers.

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

Spin-off of Paragon Offshore plc

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

In February 2016, we entered into an agreement in principle for a settlement with Paragon Offshore under which, in exchange for a full and unconditional release of any claims by Paragon Offshore in connection with the Spin-off (including certain claims that could be brought on behalf of Paragon Offshore’s creditors), we agreed to assume the administration of Mexican tax claims for specified years up to and including 2010, as well as the related bonding obligations and certain of the related tax liabilities. The settlement agreement with Paragon Offshore, which was

signed by the parties on April 29, 2016, is subject to the approval of Paragon Offshore's bankruptcy plan by the bankruptcy court. On October 28, 2016, the bankruptcy court having jurisdiction over the Paragon Offshore bankruptcy denied confirmation of Paragon Offshore's bankruptcy plan. In the oral ruling, the judge

noted that his decision to deny confirmation did not preclude Paragon Offshore from restructuring, only that they could not do so under the existing plan. Paragon Offshore has announced that it is evaluating its options. For additional information regarding the Spin-off and the settlement agreement with Paragon Offshore, see Note 2 and Note 14 to the consolidated financial statements included in this report.

Contract Drilling Services Backlog

We maintain a backlog (as defined below) of commitments for contract drilling services. The following table sets forth, as of September 30, 2016, the amount of our contract drilling services backlog and the percent of available operating days committed for the periods indicated:

	Year Ending December 31,						
	Total	2016 ⁽¹⁾	2017	2018	2019	2020-2023	
	(In millions)						
Contract Drilling Services Backlog							
Semisubmersibles/Drillships ⁽⁴⁾⁽⁶⁾	\$3,526	\$272	\$728	\$656	\$506	\$1,364	
Jackups ⁽³⁾	1,164	144	460	285	159	116	
Total ⁽²⁾	\$4,690	\$416	\$1,188	\$941	\$665	\$1,480	
Percent of Available Days Committed ⁽⁵⁾							
Semisubmersibles/Drillships		41	% 28	% 25	% 20	% 13	%
Jackups		85	% 69	% 36	% 7	% 1	%
Total		62	% 47	% 30	% 14	% 8	%

(1) Represents a three month period beginning October 1, 2016.

Some of our drilling contracts provide the customer with certain early termination rights and, in very limited cases, these termination rights require minimal or no notice or financial penalties. On August 24, 2016 we received notice of the cancellation of the Noble Tom Prosser which has been reflected in our backlog as of September 30, 2016. No other notifications of contract terminations have been received.

Our Saudi Aramco contract rates were adjusted downward for 2016. Given current market conditions and based on discussions with the customer, we do not expect the rates to return to the original contract rates. Instead, we expect the contract rates to be in the general range of the amended rates for 2016 through the end of each respective contract. Backlog for these contracts has been prepared assuming the reduced rates for 2016 apply for the remainder of the contract.

Three of our long-term contracts with Shell, relating to the Noble Bully II, the Noble Globetrotter I and the Noble Globetrotter II, respectively, contain dayrate adjustment clauses after the initial five-year contract term. After the initial five-year term, dayrates adjust up or down every six months based on a discount to a market basket of comparable dayrates, all as defined in the contracts. These contracts commence indexing in April 2017, July 2017 and September 2018 for the Noble Bully II, the Noble Globetrotter I and the Noble Globetrotter II, respectively. There can be no assurance regarding the level of future dayrates under these market-indexed contracts. For every \$50,000 change in dayrate under one of these contracts, our backlog would be adjusted by approximately \$91 million. The backlog shown herein assumes the initial dayrate continues for the entirety of the contract given the uncertainty surrounding the level of dayrates through the end of the respective terms, although we do expect the initial adjustments in 2017 to be materially lower than the initial five-year term rates. Should the adverse market conditions persist into 2018 or beyond, we would also expect a material reduction to the dayrates for those rigs as compared to the initial five-year term rates.

(5) 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.

Percentages take into account additional capacity from the estimated date of deployment of our newbuild rig that is scheduled to commence operations during 2016.

(6) Noble and a subsidiary of Shell are involved in joint ventures that own and operate both the Noble Bully I and the Noble Bully II. Pursuant to these agreements, each party has an equal 50 percent share in both vessels. As of September 30, 2016, the combined amount of backlog for these rigs totals \$1 billion, all of which is included in backlog. Noble's proportional interest in the backlog for these rigs totals \$500 million.

Our contract drilling services backlog reflects estimated future revenues attributable to both signed drilling contracts and letters of intent that we expect to result in binding drilling contracts. A letter of intent is generally subject to customary conditions, including the execution of a definitive drilling contract. It is possible that some customers that have entered into letters of intent will not enter into signed drilling contracts. As of September 30, 2016, our contract drilling services backlog did not include any letters of intent.

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

The amount of actual revenues earned and the actual periods during which revenues are earned may be materially different than the backlog amounts and backlog periods set forth in the table above due to various factors, including, but not limited to, shipyard and maintenance projects, unplanned downtime, 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 rights contained in some of our drilling contracts or decline to enter into a drilling contract after executing a letter of intent. As a result, our backlog as of any particular date may not be indicative of our actual operating results for the periods for which the backlog is calculated. See Part I, Item 1A, "Risk Factors – We can provide no assurance that our current backlog of contract drilling revenue will be ultimately realized" in our Annual Report on Form 10-K for the year ended December 31, 2015.

As of September 30, 2016, Shell and Statoil ASA represented approximately 75 percent and 14 percent of our backlog, respectively.

Results of Operations

For the Three Months Ended September 30, 2016 and 2015

Net loss attributable to Noble-UK for the three months ended September 30, 2016 (the "Current Quarter") was \$55 million, or \$0.23 per diluted share, on operating revenues of \$385 million, compared to net income for the three months ended September 30, 2015 (the "Comparable Quarter") of \$326 million, or \$1.32 per diluted share, on operating revenues of \$897 million.

As a result of Noble-UK conducting all of its business through Noble-Cayman and its subsidiaries, the financial position and results of operations for Noble-Cayman, and the reasons for material changes in the amount of revenue and expense items between the Current Quarter and the Comparable Quarter, would be the same as the information presented below regarding Noble-UK in all material respects, except operating loss for Noble-Cayman for the three months ended September 30, 2016 and operating income for Noble-Cayman for the three months ended September 30, 2015 was \$4 million less and \$6 million higher, respectively, than operating loss/income for Noble-UK for the same periods. The operating income difference is primarily a result of executive costs directly attributable to Noble-UK for operations support and stewardship related services.

Rig Utilization, Operating Days and Average Dayrates

Operating results for our contract drilling services segment are dependent on three primary metrics: rig utilization, operating days and dayrates. The following table sets forth the average rig utilization, operating days and average dayrates for our rig fleet for the three months ended September 30, 2016 and 2015:

	Average Rig Utilization (1)		Operating Days ⁽²⁾		% Change	Average Dayrates		
	Three Months Ended September 30, 2016	2015	Three Months Ended September 30, 2016	2015		2016	2015	% Change
Jackups	80%	84%	954	1,005	(5)%	\$109,387	\$159,745	(32)%
Semisubmersibles	13%	59%	92	432	(79)%	293,269	698,512 ⁽³⁾	(58)%
Drillships	70%	100%	517	828	(38)%	467,949	497,147	(6)%
Total	59%	82%	1,563	2,265	(31)%	\$238,869	\$385,755 ⁽³⁾	(38)%

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 rig under construction.

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

(2) Includes the contract drilling services revenue portion of the Noble Homer Ferrington arbitration award during the Comparable Quarter. Exclusive of the arbitration award, the average dayrate for the three months ended September 30, 2015 was \$382,545 and \$325,537 for semisubmersibles and the total fleet, respectively.

Contract Drilling Services

The following table sets forth the operating results for our contract drilling services segment for the three months ended September 30, 2016 and 2015 (dollars in thousands):

	Three Months Ended September 30,		Change	
	2016	2015	\$	%
Operating revenues:				
Contract drilling services	\$373,257	\$873,813	\$(500,556)	(57)%
Reimbursables ⁽¹⁾	11,733	22,858	(11,125)	(49)%
Other	163	—	163	**
	\$385,153	\$896,671	\$(511,518)	(57)%
Operating costs and expenses:				
Contract drilling services	\$207,204	\$293,067	\$(85,863)	(29)%
Reimbursables ⁽¹⁾	9,142	17,783	(8,641)	(49)%
Depreciation and amortization	149,398	155,180	(5,782)	(4)%
General and administrative	15,773	15,196	577	4%
	381,517	481,226	(99,709)	(21)%
Operating income	\$3,636	\$415,445	\$(411,809)	(99)%

(1)

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

**Not a meaningful percentage.

Operating Revenues. Changes in contract drilling services revenues for the Current Quarter as compared to the Comparable Quarter were driven by a 31 percent decrease in operating days, which decreased revenues by \$271 million, as well as a 38 percent decrease in average dayrates, which decreased revenues by \$230 million. Contract drilling services revenues decreased for the Current Quarter as compared to the Comparable Quarter by \$275 million, \$170 million and \$56 million on our semisubmersibles, drillships and jackups, respectively.

During the Comparable Quarter, we recognized \$137 million of dayrate revenues related to the Noble Homer Ferrington arbitration award. Excluding the arbitration award in the Comparable Quarter, semisubmersible revenues decreased by \$138 million, driven by a 79 percent decline in operating days and a 23 percent decline in average dayrates, resulting in a \$130 million and \$8 million decline in revenues, respectively, from the Comparable Quarter. The decrease in both operating days and average dayrates was attributable to the contract completions since the Comparable Quarter for the Noble Jim Day, Noble Clyde Boudreaux, Noble Amos Runner, Noble Dave Beard and Noble Danny Adkins each of which has not returned to work since their respective completions. The decrease in revenues and operating days was partially offset by the Noble Paul Romano, which operated during the Current Quarter but was off contract most of the Comparable Quarter.

Drillship revenues decreased by \$170 million driven by a 38 percent decrease in operating days and a 6 percent decrease in average dayrates, resulting in decreases in revenues of \$155 million and \$15 million, respectively, from the Comparable Quarter. The decrease in both operating days and average dayrates was primarily the result of the contract cancellations of the Noble Sam Croft and the Noble Tom Madden, which operated in the Comparable Quarter, the retirement and subsequent sale of the Noble Discoverer, which operated in the Comparable Quarter, as well as increased shipyard days on the Noble Bully I and the Noble Globetrotter I in the Current Quarter.

Additionally, the valuation of the contingent payments from the FCX Settlement declined \$5 million in the Current Quarter.

The \$56 million decrease in jackup revenues was driven by a 32 percent decline in average dayrates and a 5 percent decline in operating days, resulting in a \$48 million and an \$8 million decline in revenues, respectively, from the Comparable Quarter. The decrease in both average dayrates and operating days was primarily driven by the Noble Houston Colbert and the Noble Regina Allen, which were off contract during the Current Quarter but operated during the Comparable Quarter, the retirement and subsequent sale of the Noble Charles Copeland, which operated in the Comparable Quarter and the Noble Alan Hay, which had increased shipyard days in the Current Quarter. Additionally, unfavorable dayrate changes on contracts across the jackup fleet contributed to the decrease in average dayrates. This was partially offset by the commencement of the newbuilds, the Noble Tom Prosser and the Noble Sam Hartley which commenced their contracts in October 2015 and January 2016, respectively, as well as the Noble Mick O'Brien which commenced its contract in July 2016, but was off contract during the Comparable Quarter.

Operating Costs and Expenses. Contract drilling services operating costs and expenses decreased \$86 million for the Current Quarter as compared to the Comparable Quarter. Costs decreased \$80 million for rigs that operated during the Comparable Quarter but were idle or stacked at the end of the Current Quarter, \$15 million related to the retirement of the Noble Discoverer, Noble Charles Copeland, Noble Jim Thompson, Noble Driller and Noble Paul Wolff and \$10 million related to other-rig related expenses. This was partially offset by the Noble Paul Romano and Noble Mick O'Brien, which returned to operation in the Current Quarter, and the newly operating rigs, the Noble Tom Prosser and Noble Sam Hartley, all of which added costs of approximately \$19 million.

The \$6 million decrease in depreciation and amortization in the Current Quarter from the Comparable Quarter was primarily attributable to the retirement and subsequent sale of the Noble Discoverer and Noble Charles Copeland, partially offset by the newbuild rig, the Noble Sam Hartley, placed in service January 2016.

Other Income and Expenses

General and administrative expenses. Overall, general and administrative expenses were materially consistent (less than \$1 million) in the Current Quarter as compared to the Comparable Quarter.

Interest Expense, net of amount capitalized. Interest expense, net of amount capitalized decreased \$2 million in the Current Quarter as compared to the Comparable Quarter. Greater capitalized interest due to our final payment on the Noble Lloyd Noble (\$409 million) led to lower interest expense in the Current Quarter compared to the Comparable Quarter. During the Current Quarter, we capitalized approximately 14 percent of total interest charges versus approximately 11 percent during the Comparable Quarter. Interest decreases also related to the repayment of our maturing \$350 million 3.45% Senior Notes and our \$300 million 3.05% Senior Notes in August 2015 and March 2016, respectively. This was partially offset by an increase in applicable interest rates on the senior notes issued in March 2015 due to the downgrading of our credit rating below investment grade.

Income Tax Provision. Our income tax provision decreased \$52 million in the Current Quarter, of which \$29 million related to the Noble Homer Ferrington arbitration award in the Comparable Quarter. Excluding the arbitration award from the Comparable Quarter, a \$23 million decrease in our income tax provision was a result of a higher effective tax rate in the Current Quarter applied to a pre-tax book loss as compared to pre-tax book income in the Comparable Quarter. The decreases in pre-tax earnings and the increase in worldwide effective tax rate generated a \$16 million and a \$7 million decrease in income tax expense, respectively, in

the Current Quarter. The increase in the worldwide effective tax rate is primarily a result of the geographic mix of income and sources of revenue during the Current Quarter.

For the Nine Months Ended September 30, 2016 and 2015

Net income attributable to Noble-UK for the nine months ended September 30, 2016 (the “Current Period”) was \$373 million, or \$1.48 per diluted share, on operating revenues of \$1.9 billion, compared to net income for the nine months ended September 30, 2015 (the “Comparable Period”) of \$663 million, or \$2.68 per diluted share, on operating revenues of \$2.5 billion.

As a result of Noble-UK conducting all of its business through Noble-Cayman and its subsidiaries, the financial position and results of operations for Noble-Cayman, and the reasons for material changes in the amount of revenue and expense items between the Current Period and the Comparable Period, would be the same as the information presented below regarding Noble-UK in all material respects, except operating income for Noble-Cayman for the nine months ended September 30, 2016 and 2015 was \$24 million and \$29 million higher, respectively, than operating income for Noble-UK for the same periods. The operating income difference is primarily a result of executive costs directly attributable to Noble-UK for operations support and stewardship related services.

Rig Utilization, Operating Days and Average Dayrates

Operating results for our contract drilling services segment are dependent on three primary metrics: rig utilization, operating days and dayrates. The following table sets forth the average rig utilization, operating days and average dayrates for our rig fleet for the nine months ended September 30, 2016 and 2015:

	Average Rig Utilization (1)		Operating Days ⁽²⁾		% Change	Average Dayrates Nine Months Ended September 30,		
	2016	2015	2016	2015		2016	2015	% Change
Jackups	82%	86%	2,916	2,989	(2)%	\$126,931	\$167,937	(24)%
Semisubmersibles	25%	62%	557	1,379	(60)%	270,953	491,951 ⁽⁴⁾	(45)%
Drillships	85%	100%	1,871	2,457	(24)%	705,648 ⁽³⁾	506,341	39%
Total	67%	84%	5,344	6,825	(22)%	\$344,571 ⁽³⁾	\$355,246 ⁽⁴⁾	(3)%

(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 nine months ended September 30, 2016 includes the impact of the FCX Settlement.

(3) Exclusive of these items, the average dayrate for the nine months ended September 30, 2016 would have been \$495,588 and \$271,020 for drillships and the total fleet, respectively.

Includes the contract drilling services revenue portion of the Noble Homer Ferrington arbitration award during the

(4) Comparable Period. Exclusive of the arbitration award, the average dayrate for the nine months ended September 30, 2015 was \$393,052 and \$335,259 for semisubmersibles and the total fleet, respectively.

Contract Drilling Services

The following table sets forth the operating results for our contract drilling services segment for the nine months ended September 30, 2016 and 2015 (dollars in thousands):

	Nine Months Ended		Change	
	September 30, 2016	September 30, 2015	\$	%
Operating revenues:				
Contract drilling services	\$1,841,321	\$2,424,481	\$(583,160)	(24)%
Reimbursables ⁽¹⁾	50,272	70,087	(19,815)	(28)%
Other	316	—	316	**
	\$1,891,909	\$2,494,568	\$(602,659)	(24)%
Operating costs and expenses:				
Contract drilling services	\$702,628	\$934,024	\$(231,396)	(25)%
Reimbursables ⁽¹⁾	39,555	55,592	(16,037)	(29)%
Depreciation and amortization	438,664	456,967	(18,303)	(4)%
General and administrative	54,346	61,558	(7,212)	(12)%
Loss on impairment	16,616	—	16,616	**
	1,251,809	1,508,141	(256,332)	(17)%
Operating income	\$640,100	\$986,427	\$(346,327)	(35)%

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

**Not a meaningful percentage.

Operating Revenues. Changes in contract drilling services revenues for the Current Period as compared to the Comparable Period were driven by a 22 percent decrease in operating days, which reduced revenues by \$526 million, as well as a 3 percent decrease in average dayrates, which decreased revenues by \$57 million.

The decrease in contract drilling services revenues was related to our semisubmersibles and jackups, which generated \$528 million and \$131 million less revenue, respectively, than in the Comparable Period. This reduction in contract drilling services revenues was partially offset by our drillships, which generated \$76 million more revenue than in the Comparable Period.

During the Current Period, we recognized \$393 million of dayrate revenues related to the FCX Settlement, of which \$14 million related to the termination date (May 10, 2016) valuation of the contingent payments. Excluding these items, drillship revenues decreased by \$317 million driven by a 24 percent decrease in operating days and a 2 percent decrease in average dayrates, resulting in a \$297 million and a \$20 million decrease in revenues, respectively, from the Comparable Period. The decrease in both operating days and average dayrates was the result of the retirement and subsequent sale of the Noble Discoverer, which operated in the Comparable Period, the contract cancellations of the Noble Sam Croft and the Noble Tom Madden in the Current Period and increased shipyard days on the Noble Bully I and the Noble Globetrotter I in the Current Period. Additionally, unfavorable dayrate changes on contracts across the drillship fleet contributed to the decrease in average dayrates. Finally, the valuation of the contingent payments from the FCX Settlement declined \$2 million between the termination date (May 10, 2016) and September 30, 2016.

During the Comparable Period, we recognized \$137 million of dayrate revenues related to the Noble Homer Ferrington arbitration award. Excluding the arbitration award in the Comparable Period, semisubmersible revenues decreased by \$391 million, driven by a 60 percent decline in operating days and a 31 percent decline in average dayrates, resulting in a \$323 million and \$68 million decline in revenues, respectively, from the Comparable Period. The decrease in both operating days and average dayrates was primarily attributable to contract completions during the Current Period for the Noble Jim Day, Noble Clyde Boudreaux, Noble Amos Runner, Noble Danny Adkins and the Noble Dave Beard. The decrease in revenue was partially offset by the Noble Paul Romano, which operated in the majority of the Current Period but was off contract the majority of the Comparable Period.

The \$131 million decrease in jackup revenues was driven by a 24 percent decrease in average dayrates and a 2 percent decrease in operating days, resulting in a \$119 million and a \$12 million decrease in revenues, respectively, from the Comparable Period. The decrease in both average dayrates and operating days was primarily driven by the Noble Regina Allen which was off

contract during the Current Period but operated during the Comparable Period, the Noble Houston Colbert which completed its contract during the Current Period and the retirement and subsequent sale of the Noble Charles Copeland, which operated in the Comparable Period. Additionally, unfavorable dayrate changes on contracts across the jackup fleet contributed to the decrease in average dayrates. This was partially offset by the commencement of the newbuilds, the Noble Tom Prosser and the Noble Sam Hartley, which commenced their contracts in October 2015 and January 2016, respectively, as well as the Noble Mick O'Brien which commenced its contract in July 2016, but was off contract during the Comparable Period.

Operating Costs and Expenses. Contract drilling services operating costs and expenses decreased \$231 million for the Current Period as compared to the Comparable Period. Decreased costs of \$159 million related to rigs that were operating in the Comparable Period but were idle or stacked in the Current Period, \$71 million related to the retirement of the Noble Discoverer, Noble Charles Copeland, Noble Jim Thompson, Noble Driller and Noble Paul Wolff, \$11 million from the accelerated recognition of deferred mobilization and other expenses resulting from the FCX Settlement, \$8 million related to rigs that completed stacking activities in the Current Period. Additionally, cost control initiatives contributed \$41 million in lower expenses; these savings were primarily realized in labor and personnel expenses (\$18 million), repairs and maintenance (\$14 million) and other rig-related and overhead expenses. This was partially offset by the Noble Paul Romano and the Noble Mick O'Brien, which operated the majority of the Current Period but were off contract during the Comparable Period and operating expenses for our newbuild rigs as they commenced operating under contracts, all of which added approximately \$59 million.

The \$18 million decrease in depreciation and amortization in the Current Period from the Comparable Period was primarily attributable to the retirement and subsequent sale of the Noble Discoverer and Noble Charles Copeland, partially offset by the newbuild rigs placed in service.

Loss on impairment of \$17 million in the Current Period was a result of our decision to dispose of certain capital spare equipment.

Other Income and Expenses

General and administrative expenses. Overall, general and administrative expenses decreased \$7 million in the Current Period as compared to the Comparable Period primarily as a result of decreased employee related costs.

Interest Expense, net of amount capitalized. Interest expense, net of amount capitalized, increased \$6 million in the Current Period as compared to the Comparable Period. The increase is a result of a full period of interest in respect of the senior notes issued in March 2015, an increase in applicable interest rates on those senior notes due to the downgrading of our credit rating below investment grade during the Current Period, as well as lower capitalized interest in the Current Period as compared to the Comparable Period due to the completion of construction of two newbuild jackups. During the Current Period, we capitalized approximately 9 percent of total interest charges versus approximately 10 percent during the Comparable Period. These expense increases were partially offset by the repayment of our maturing \$350 million 3.45% Senior Notes and our \$300 million 3.05% Senior Notes in August 2015 and March 2016, respectively, decreased activity on the credit facility and commercial paper program in the Current Period as compared to the Comparable Period and the Current Period retirement of a portion of our 2020 and 2021 Senior Notes as a result of a tender offer.

Gain on extinguishment of debt, net. In March 2016, we commenced cash tender offers for our 4.90% Senior Notes due 2020, of which \$500 million principal amount was outstanding, and our 4.625% Senior Notes due 2021, of which \$400 million principal amount was outstanding. On April 1, 2016, we purchased \$36 million of these Senior Notes for \$24 million, plus accrued interest, using cash on hand. As a result of this transaction, we recognized a gain of approximately \$11 million during the Current Period.

Income Tax Provision. Our income tax provision decreased \$84 million in the Current Period, of which \$27 million related to the FCX Settlement, the impairment of certain capital spare equipment, the retirement of a portion of our 2020 and 2021 Senior Notes as a result of a tender offer and discrete tax items in the Current Period and \$29 million related to the Noble Homer Ferrington arbitration award in the Comparable Period. Excluding the impact of these items, taxes decreased by \$82 million as a result of lower pre-tax income than in the Comparable Period.

Liquidity and Capital Resources

Overview

Net cash from operating activities was \$1.0 billion for the nine months ended September 30, 2016 (“Current Period”) and \$1.3 billion for the nine months ended September 30, 2015 (“Comparable Period”). The decrease in net cash from operating activities in the Current Period was primarily attributable to lower net income. We had working capital of \$200 million and \$377 million at September 30, 2016 and December 31, 2015, respectively.

Net cash used in investing activities in the Current Period was \$610 million as compared to \$321 million in the Comparable Period. The variance primarily relates to higher capital expenditures related to our major projects and newbuild expenditures and proceeds from the disposal of assets in the Current Period.

Net cash used in financing activities in the Current Period was \$439 million as compared to \$835 million in the Comparable Period. During the Current Period, our primary uses of cash included the repayment of our maturing \$300 million 3.05% Senior Notes, coupled with shareholder dividend payments of approximately \$48 million, and dividends paid to noncontrolling interests of approximately \$62 million. Our total debt as a percentage of total debt plus equity was 35 percent at September 30, 2016, down from 38 percent at December 31, 2015 as a result of the repayment of certain maturing notes in 2016.

Our principal source of capital in the Current Period was cash generated from operating activities. Cash generated during the Current Period was primarily used for the following:

- normal recurring operating expenses;
- repayment of our maturing \$300 million 3.05% Senior Notes;
- capital expenditures; and
- payment of a quarterly dividend.

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

- normal recurring operating expenses;
- committed and discretionary capital expenditures; and
- repayment of debt.

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

At September 30, 2016, we had a total contract drilling services backlog of approximately \$4.7 billion. Our backlog as of September 30, 2016 includes a commitment of 62 percent of available days for the remainder of 2016 and 47 percent of available days for 2017. For additional information regarding our backlog, see “Contract Drilling Services Backlog.”

Capital Expenditures

Capital expenditures, including capitalized interest, totaled \$592 million and \$280 million for the nine months ended September 30, 2016 and 2015, respectively. Capital expenditures during the first nine months of 2016 consisted of the following:

- \$145 million for sustaining capital, upgrades and replacements to drilling equipment, major projects and subsea related expenditures;
- \$431 million in newbuild expenditures, including costs for the Noble Lloyd Noble and trailing costs on our recently completed newbuilds; and
- \$16 million in capitalized interest.

Our total capital expenditure estimate for 2016 is approximately \$653 million.

In connection with our capital expenditure program, as of September 30, 2016, we had outstanding commitments, including shipyard and purchase commitments, for approximately \$88 million, all of which we expect to spend within the next twelve months. On July 15, 2016, we took delivery of the Noble Lloyd Noble and made the final payment of \$409 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 and changes in design criteria or specifications during repair or construction.

Dividends

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

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

The declaration and payment of dividends require authorization of the Board of Directors of Noble-UK, provided that such dividends on issued share capital may be paid only out of Noble-UK's "distributable reserves" on its statutory balance sheet. Noble-UK is not permitted to pay dividends out of share capital, which includes share premiums. The resumption of the payment of future dividends will depend on our results of operations, financial condition, cash requirements, future business prospects, contractual restrictions and other factors deemed relevant by our Board of Directors.

Share Repurchases

In December 2014, we received shareholder approval to repurchase up to 37 million additional ordinary shares, or approximately 15 percent of our outstanding ordinary shares at the time of the shareholder approval. The authority to make such repurchases expired at the end of the Company's 2016 annual general meeting of shareholders, which was held on April 22, 2016.

Credit Facility and Senior Unsecured Notes

Credit Facility and Commercial Paper Program

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

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

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

Senior Unsecured Notes

Our total debt related to senior unsecured notes was \$4.2 billion at September 30, 2016 as compared to \$4.5 billion at December 31, 2015. The decrease in senior unsecured notes outstanding is a result of the March 2016 repayment of our maturing \$300 million 3.05% Senior Notes using cash on hand.

In February 2016, as a result of a reduction in our debt rating below investment grade by Moody's Investors Service, the interest rates on the Senior Notes due 2018, Senior Notes due 2025 and Senior Notes due 2045 were increased 1.00% each to 5.00%, 6.95% and 7.95%, respectively, effective the first day of each interest period after which the downgrade occurred. As a result of an additional downgrade by S&P Global Ratings in July 2016, the interest rates on these Senior Notes were further increased by 0.25% each to 5.25%, 7.20% and 8.20%, respectively, with the interest rate increase taking effect during the third quarter for the Senior Notes due 2018 and during the fourth quarter for the Senior Notes due 2025 and the Senior Notes due 2045. The interest rates on these Senior Notes may be further increased if our debt rating were to be downgraded further (up to a maximum of an additional 75 basis points). Our other outstanding senior notes do not contain provisions varying applicable interest rates based upon our credit rating. In March 2016, we commenced cash tender offers for our 4.90% Senior Notes due 2020, of which \$500 million principal amount was outstanding, and our 4.625% Senior Notes due 2021, of which \$400 million principal amount was outstanding. On April 1, 2016, we purchased \$36 million of these Senior Notes for \$24 million, plus accrued interest, using cash on hand. As a

result of this transaction, we recognized a net gain of approximately \$11 million during the nine months ended September 30, 2016, which is reflected as “Gain on extinguishment of debt, net” in the accompanying Consolidated Statements of Operations.

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

Covenants

The credit facility is guaranteed by Noble Holding International Limited and Noble Holding Corporation. The credit facility contains a covenant that limits our ratio of debt to total tangible capitalization, as defined in the credit facility, to 0.60. At September 30, 2016, our ratio of debt to total tangible capitalization was approximately 0.35. We were in compliance with all covenants under the credit facility as of September 30, 2016.

In addition to the covenants from the credit facility noted above, the indentures governing our outstanding senior unsecured notes contain covenants that place restrictions on certain merger and consolidation transactions, unless we are the surviving entity or the other party assumes the obligations under the indenture, and on the ability to sell or transfer all or substantially all of our assets. In addition, there are restrictions on incurring or assuming certain liens and entering into sale and lease-back transactions. At September 30, 2016, we were in compliance with all of our debt covenants. We continually monitor compliance with the covenants under our notes and expect to remain in compliance during the remainder of 2016.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2014-09, 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. 2014-09 supersedes the cost guidance in Subtopic 605-35, “Revenue Recognition—Construction-Type and Production-Type Contracts,” and creates new Subtopic 340-40, “Other Assets and Deferred Costs—Contracts with Customers.” In summary, the core principle of Topic 606 is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. Companies are allowed to select between two transition methods: (1) a full retrospective transition method with the application of the new guidance to each prior reporting period presented, or (2) a retrospective transition method that recognizes the cumulative effect on prior periods at the date of adoption together with additional footnote disclosures. The amendments in ASU No. 2014-09 are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, and early application is permitted for periods beginning after December 15, 2016. A number of amendments have been issued in connection with ASU No. 2014-09, all of which are effective upon adoption of Topic 606. In March 2016 and April 2016, the FASB issued clarification amendments ASU No. 2016-08 and ASU No. 2016-10 which clarify the implementation guidance on principle versus agent considerations and identify performance obligations and the licensing implementation guidance, respectively. In May 2016, the FASB issued ASU No. 2016-11 and ASU No. 2016-12 which rescind certain SEC Staff Observer comments that are codified in Topic 605, “Revenue Recognition,” and Topic 932, “Extractive Activities—Oil and Gas” and provide improvements to narrow aspects of ASU No. 2014-09, respectively. We are currently evaluating the impact the adoption of this guidance will have on our consolidated financial statements and have not made any decision on the method of adoption.

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

In August 2014, the FASB issued ASU No. 2014-15, which amends ASC Subtopic 205-40, “Disclosure of Uncertainties about an Entity’s Ability to continue as a Going Concern.” The amendments in this ASU provide guidance related to management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures. The amendments are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. The adoption of this guidance is not anticipated to have a material impact on our financial condition, results of operations, cash flows or financial disclosures.

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

amendments in this update are effective for interim and annual reporting periods beginning after December 15, 2015. The adoption of this guidance did not have an impact on our financial condition, results of operations, cash flows or financial disclosures.

In February 2015, the FASB issued ASU No. 2015-02, which amends ASC Subtopic 810, "Consolidations." This amendment affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. Specifically, the amendments modify the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities; eliminate the presumption that a general partner should consolidate a limited partnership; affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships. The standard is effective for interim and annual reporting periods beginning after December 15, 2015. The standard may be applied retrospectively or through a cumulative effect adjustment to retained earnings as of the beginning of the year of adoption. The adoption of this guidance did not have an impact on our financial condition, results of operations, cash flows or financial disclosures.

In April 2015, the FASB issued ASU No. 2015-03, which amends ASC Subtopic 835-30, "Interest – Imputation of Interest." The guidance requires debt issuance costs to be presented in the balance sheet as a direct reduction from the associated debt liability. The standard is effective for interim and annual reporting periods beginning after December 15, 2015. In August 2015, the FASB issued ASU No. 2015-15 which amends ASC Subtopic 835-30, "Interest – Imputation of Interest." The guidance allows a debt issuance cost related to a line-of-credit to be presented in the balance sheet as an asset and subsequently amortized ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The new guidance is applied on a retrospective basis. In accordance with our adoption of ASU No. 2015-03, unamortized debt issuance costs related to our senior notes of approximately \$26 million as of December 31, 2015, which were previously included in "Other assets," are included in either "Current maturities of long-term debt" or "Long-term debt" in the accompanying Consolidated Balance Sheets, based upon the maturity date of the respective senior notes.

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

In July 2015, the FASB issued ASU No. 2015-12, which amends ASC Topic 960, "Plan Accounting-Defined Benefit Pension Plans," ASC Topic 962, "Defined Contribution Pension Plans" and ASC Topic 965, "Health and Welfare Benefit Plans." There are three parts to the ASU that aim to simplify the accounting and presentation of plan accounting. Part I of this ASU requires fully benefit-responsive investment contracts to be measured at contract value instead of the current fair value measurement. Part II of this ASU requires investments (both participant-directed and nonparticipant-directed investments) of employee benefit plans be grouped only by general type, eliminating the need to disaggregate the investments in multiple ways. Part III of this ASU provides a similar measurement date practical expedient for employee benefit plans as available in ASU No. 2015-04, which allows employers to measure defined benefit plan assets on a month-end date that is nearest to the year's fiscal year-end when the fiscal period does not coincide with a month-end. Parts I and II of the new guidance should be applied on a retrospective basis. Part III of the new guidance should be applied on a prospective basis. This guidance is effective for interim and annual reporting periods beginning after December 15, 2015. The adoption of this guidance did not have an impact on our financial condition, results of operations, cash flows or financial disclosures.

In September 2015, the FASB issued ASU 2015-16, which amends Topic 805, "Business Combinations." This amendment eliminates the requirement to retrospectively account for adjustments made to provisional amounts recognized in a business combination at the acquisition date with a corresponding adjustment to goodwill, and revise comparative information for prior periods presented in financial statements. Those adjustments are required when new information about circumstances that existed as of the acquisition date would have affected the measurement of the amount initially recognized. This update requires an entity to recognize these adjustments in the reporting period in

which the adjustment amounts are determined. An acquirer must record the effect on earnings of changes in depreciation, amortization, or other income effects, calculated as if the accounting had been completed at the acquisition date. An entity must present separately on the face of the income statement, or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment had been recognized as of the acquisition date. This guidance is effective for interim and annual reporting periods beginning after December 15, 2015. The adoption of this guidance did not have an impact on our financial condition, results of operations, cash flows or financial disclosures.

In November 2015, the FASB issued ASU No. 2015-17, which amends ASC Topic 740, "Income Taxes." This amendment aligns the presentation of deferred income tax assets and liabilities with International Financial Reporting Standards. International Accounting Standard 1, Presentation of Financial Statements, requires deferred tax assets and liabilities to be classified as noncurrent

in a classified statement of financial position. The current requirement that deferred tax liabilities and assets be offset and presented as a single amount is not affected by the amendments in this update. The standard is effective for interim and annual reporting periods beginning after December 15, 2016. Early adoption is permitted for all entities as of the beginning of an interim or annual reporting period. The amendments in this update may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. We are evaluating what impact, if any, the adoption of this guidance will have on our financial condition, results of operations, cash flows or financial disclosures.

In February 2016, the FASB issued ASU No. 2016-02, which creates ASC Topic 842, "Leases." This update increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This guidance is effective for interim and annual reporting periods beginning after December 15, 2018. We are evaluating what impact, if any, the adoption of this guidance will have on our financial condition, results of operations, cash flows or financial disclosures.

In March 2016, the FASB issued ASU No. 2016-05, which amends ASC Topic 815, "Derivatives and Hedging." This amendment clarifies that a change in the counterparty to a derivative instrument that has been designated as a hedging instrument under Topic 815 does not, in and of itself, require dedesignation of that hedging relationship provided that all other hedge accounting criteria continue to be met. This guidance is effective for interim and annual reporting periods beginning after December 15, 2016 and may be applied on either a prospective basis or a modified retrospective basis. We are evaluating what impact, if any, the adoption of this guidance will have on our financial condition, results of operations, cash flows or financial disclosures.

In March 2016, the FASB issued ASU No. 2016-09, which amends ASC Topic 718, "Compensation – Stock Compensation." This amendment simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. This guidance is effective for interim and annual reporting periods beginning after December 15, 2016. We are evaluating what impact, if any, the adoption of this guidance will have on our financial condition, results of operations, cash flows or financial disclosures.

In August 2016, the FASB issued ASU No. 2016-15 which amends ASC Topic 230, "Classification of Certain Cash Receipts and Cash Payments." The amendments in this Update address eight specific cash flow issues with the objective of reducing the existing diversity in practice. The update outlines the classification of specific transactions as either cash inflows or outflows from financing activities, operating activities, investing activities or non-cash activities. This guidance is effective for interim and annual reporting periods beginning after December 15, 2017. We are evaluating what impact, if any, the adoption of this guidance will have on our financial condition, results of operations, cash flows or financial disclosures.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Interest Rate Risk

We are subject to market risk exposure related to changes in interest rates on borrowings under the credit facility. Interest on borrowings under the credit facility is at an agreed upon percentage point spread over LIBOR, or a base rate stated in the agreement. At September 30, 2016, we had no borrowings outstanding under our credit facility.

During the three months ended September 30, 2016, we terminated our commercial paper program. This termination does not reduce the capacity under our credit facility.

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

Senior Notes due 2025 and the Senior Notes due 2045. The interest rates on these Senior Notes may be further increased if our debt rating were to be downgraded further (up to a maximum of an additional 75 basis points). Our other outstanding senior notes do not contain provisions varying applicable interest rates based upon our credit rating.

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 \$3.1 billion and \$3.3 billion at September 30, 2016 and December 31, 2015, respectively. The decrease in the fair value of debt primarily relates to the repayment of our maturing \$300 million 3.05% Senior Notes, which matured in March 2016, partially offset with 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 primarily the U.S. Dollar, which is consistent with the oil and gas industry. However, outside the United States, a portion of our expenses are incurred in local currencies. Therefore, when the U.S. Dollar weakens (strengthens) in relation to the currencies of the countries in which we operate, our expenses reported in U.S. Dollars will increase (decrease).

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

Several of our regions, including our operations in the North Sea and Australia, have a significant amount of their cash operating expenses payable in local currencies. To limit the potential risk of currency fluctuations, we periodically enter into forward contracts, which settle monthly in the operations' respective local currencies. All of these contracts have a maturity of less than 12 months. The forward contract settlements in the remainder of 2016 represent approximately 60 percent of these forecasted local currency requirements. The notional amount of the forward contracts outstanding, expressed in U.S. dollars, was approximately \$15 million at September 30, 2016. Total unrealized losses related to these forward contracts were approximately \$1 million as of September 30, 2016 and were recorded as part of AOCL. A 10 percent change in the exchange rate for the local currencies would change the fair value of these forward contracts by approximately \$2 million.

Market Risk

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

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

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

Item 4. Controls and Procedures

David W. Williams, Chairman, President and Chief Executive Officer of Noble-UK, and Dennis J. Lubojacky, Chief Financial Officer, Vice President, Controller and Treasurer of Noble-UK, have evaluated the disclosure controls and procedures of Noble-UK as of the end of the period covered by this report. On the basis of this evaluation, Mr. Williams and Mr. Lubojacky

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have concluded that Noble-UK's disclosure controls and procedures were effective as of September 30, 2016. Noble-UK's disclosure controls and procedures are designed to ensure that information required to be disclosed by Noble-UK in the reports that it files with or submits to the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

David W. Williams, President and Chief Executive Officer of Noble-Cayman, and Dennis J. Lubojacky, Vice President and Chief Financial Officer of Noble-Cayman, have evaluated the disclosure controls and procedures of Noble-Cayman as of the end of the period covered by this report. On the basis of this evaluation, Mr. Williams and Mr. Lubojacky have concluded that Noble-Cayman's disclosure controls and procedures were effective as of September 30, 2016. Noble-Cayman's disclosure controls and procedures are designed to ensure that information required to be disclosed by Noble-Cayman in the reports that it files with or submits to the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

There was no change in either Noble-UK's or Noble-Cayman's internal control over financial reporting that occurred during the quarter ended September 30, 2016 that has materially affected, or is reasonably likely to materially affect, the internal control over financial reporting of each of Noble-UK or Noble-Cayman, respectively.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

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

Under UK law, the Company is only permitted to purchase its own shares by way of an “off-market purchase” in a plan approved by shareholders. As of the date of this report, no such plan has been approved and during the three months ended September 30, 2016, there were no repurchases by Noble-UK of its shares.

Item 6. Exhibits

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

SIGNATURES

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

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

/s/ David W. Williams
David W. Williams
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

November 7, 2016
Date

/s/ Dennis J. Lubojacky
Dennis J. Lubojacky
Chief Financial Officer, Vice President, Controller and Treasurer
(Principal Financial Officer)

Noble Corporation, a Cayman Islands company

/s/ David W. Williams
David W. Williams
President and Chief Executive Officer
(Principal Executive Officer)

November 7, 2016
Date

/s/ Dennis J. Lubojacky
Dennis J. Lubojacky
Vice President and Chief Financial Officer
(Principal Financial Officer)

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 (“Noble-UK”) (filed as Exhibit 2.1 to Noble-Swiss’ Current Report on Form 8-K filed on July 1, 2013 and incorporated herein by reference).
- 2.2 Agreement and Plan of Merger, Reorganization and Consolidation, dated as of December 19, 2008, among Noble Corporation, a Swiss corporation (“Noble-Swiss”), Noble Corporation, a Cayman Islands company (“Noble-Cayman”), and Noble Cayman Acquisition Ltd. (filed as Exhibit 1.1 to Noble-Cayman’s Current Report on Form 8-K filed on December 22, 2008 and incorporated herein by reference).
- 2.3 Amendment No. 1 to Agreement and Plan of Merger, Reorganization and Consolidation, dated as of February 4, 2009, among Noble-Swiss, Noble-Cayman and Noble Cayman Acquisition Ltd. (filed as Exhibit 2.2 to Noble-Cayman’s Current Report on Form 8-K filed on February 4, 2009 and incorporated herein by reference).
- 2.4 Master Separation Agreement, dated as of July 31, 2014, between Noble-Cayman and Paragon Offshore plc. (filed as Exhibit 2.1 to Noble-UK’s Current Report on Form 8-K filed on August 5, 2014 and incorporated herein by reference).
- 3.1 Composite Copy of Articles of Association of Noble-UK, as of June 10, 2014 (filed as Exhibit 3.1 to Noble-UK’s Quarterly Report on Form 10-Q for the quarter ended 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).
- 4.1 Revolving Credit Agreement dated as of January 26, 2015, among Noble-Cayman and Noble International Finance Company, a Cayman Islands company, as borrowers; JPMorgan Chase Bank, N.A., as administrative agent and a swingline lender; Wells Fargo Bank, National Association, as a swingline lender; the lenders party thereto; Barclays Bank PLC, Citibank, N.A., DNB Bank ASA New York Branch, HSBC Bank USA, N.A., SunTrust Bank and Wells Fargo, as co-syndication agents; BNP Paribas, Credit Suisse AG, Cayman Islands Branch and Mizuho Bank, Ltd, as co-documentation agents; and J.P. Morgan Securities LLC, Barclays Bank PLC, Citigroup Global Markets Inc., DNB Markets, Inc., HSBC Securities (USA) Inc., SunTrust Robinson Humphrey, Inc. and Wells Fargo Securities, LLC, as joint lead arrangers and joint lead bookrunners (filed as Exhibit 4.1 to Noble-UK’s Current Report on Form 8-K filed on January 29, 2015 and incorporated herein by reference).
- 4.2 Indenture, dated as of March 16, 2015, among Noble Holding International Limited, as Issuer, and Wells Fargo N.A., as Trustee, relating to 4.000% senior notes due 2018, 5.950% senior notes due 2025 and 6.95% senior notes due 2045 of Noble Holding International Limited (filed as Exhibit 4.1 to Noble-UK’s Current Report on Form 8-K filed on March 16, 2015 and incorporated herein by reference).
- 4.3 First Supplemental Indenture, dated as of March 16, 2015, among Noble Holding International Limited, as Issuer, Noble Corporation, as Guarantor, and Wells Fargo N.A., as Trustee, relating to 4.000% senior notes due 2018, 5.950% senior notes due 2025 and 6.95% senior notes due 2045 of Noble Holding International

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Limited (filed as Exhibit 4.2 to Noble-UK's Current Report on Form 8-K filed on March 16, 2015 and incorporated herein by reference).

10.1 Tax Sharing Agreement, dated as of July 31, 2014, between Noble-UK and Paragon Offshore plc. (filed as Exhibit 10.1 to Noble-UK's Current Report on Form 8-K filed on August 5, 2014 and incorporated herein by reference).

10.2 Employee Matters Agreement, dated as of July 31, 2014, between Noble-Cayman and Paragon Offshore plc. (filed as Exhibit 10.2 to Noble-UK's Current Report on Form 8-K filed on August 5, 2014 and incorporated herein by reference).

10.3 Transition Services Agreement, dated as of July 31, 2014, between Noble-Cayman and Paragon Offshore plc. (filed as Exhibit 10.3 to Noble-UK's Current Report on Form 8-K filed on August 5, 2014 and incorporated herein by reference).

Exhibit Number	Exhibit
10.4	Transition Services Agreement (Brazil), dated as of July 31, 2014, among Paragon Offshore do Brasil Limitada, Paragon Offshore (Nederland) B.V., Paragon Offshore plc, Noble-Cayman, Noble Dave Beard Limited and Noble Drilling (Nederland) II B.V. (filed as Exhibit 10.4 to Noble-UK's Current Report on Form 8-K filed on August 5, 2014 and incorporated herein by reference).
10.5*	Noble Corporation plc 2015 Omnibus Incentive Plan, restated as of May 1, 2016 (filed as Exhibit 10.1 to Noble-UK's Current Report on Form 8-K filed on April 26, 2016 and incorporated herein by reference).
10.6	Definitive Settlement Agreement, dated as of April 29, 2016, by and between Paragon Offshore plc and Noble-UK (filed as Exhibit 10.7 to Noble-UK's Quarterly Report on Form 10-Q for the period ended March 31, 2016 and incorporated herein by reference).
10.7	Settlement and Termination Agreement, dated as of May 10, 2016, by and among Freeport-McMoRan Inc., Freeport-McMoRan Oil & Gas LLC and Noble Drilling (U.S.) LLC (filed as Exhibit 10.1 to Noble-UK's Current Report on Form 8-K filed on May 10, 2016 and incorporated herein by reference).
10.8	Term Sheet for Proposed Amendment to Settlement Agreement, dated as of August 5, 2016, by and between Paragon Offshore plc and Noble-UK.
31.1	Certification of David W. Williams pursuant to the U.S. Securities Exchange Act of 1934, as amended, Rule 13a-14(a) or Rule 15d-14(a), for Noble-UK and for Noble-Cayman.
31.2	Certification of Dennis J. Lubojacky pursuant to the U.S. Securities Exchange Act of 1934, as amended, Rule 13a- 14(a) or Rule 15d-14(a), for Noble-UK and for Noble-Cayman.
32.1+	Certification of David W. Williams pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, for Noble-UK and for Noble-Cayman.
32.2+	Certification of Dennis J. Lubojacky pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, for Noble-UK and for Noble-Cayman.
101	Interactive Data File

*Management contract or compensatory plan or arrangement

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