

Noble Corp plc
Form 10-Q
August 08, 2014
Table of Contents

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

FORM 10-Q

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

For the quarterly period ended: June 30, 2014

OR

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

For the transition period from _____ to _____

Commission file number: 001-36211

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

England and Wales (Registered Number 83549545)

98-0619597

**(State or other jurisdiction of incorporation or
organization)**

(I.R.S. employer identification number)

Devonshire House, 1 Mayfair Place, London, England, W1J8AJ

(Address of principal executive offices) (Zip Code)

Registrant's Telephone Number, Including Area Code: +44 20 3300 2300

Commission file number: 001-31306

Noble Corporation

(Exact name of registrant as specified in its charter)

Cayman Islands

98-0366361

**(State or other jurisdiction of incorporation or
organization)**

(I.R.S. employer identification number)

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

(Address of principal executive offices) (Zip Code)

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

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

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

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

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

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

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

Number of shares outstanding and trading at July 31, 2014: Noble Corporation plc 254,260,645

Number of shares outstanding at July 31, 2014: Noble Corporation 261,245,693

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

Table of Contents**TABLE OF CONTENTS**

	Page
PART I	
<u>FINANCIAL INFORMATION</u>	
Item 1	
<u>Financial Statementss</u>	
<u>Noble Corporation plc (Noble-UK) Financial Statementss:</u>	
<u>Consolidated Balance Sheets as of June 30, 2014 and December 31, 2013</u>	3
<u>Consolidated Statements of Income for the three and six months ended June 30, 2014 and 2013</u>	4
<u>Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2014 and 2013</u>	5
<u>Consolidated Statements of Cash Flows for the six months ended June 30, 2014 and 2013</u>	6
<u>Consolidated Statements of Equity for the six months ended June 30, 2014 and 2013</u>	7
<u>Noble Corporation (Noble-Cayman) Financial Statementss:</u>	
<u>Consolidated Balance Sheets as of June 30, 2014 and December 31, 2013</u>	8
<u>Consolidated Statements of Income for the three and six months ended June 30, 2014 and 2013</u>	9
<u>Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2014 and 2013</u>	10
<u>Consolidated Statements of Cash Flows for the six months ended June 30, 2014 and 2013</u>	11
<u>Consolidated Statements of Equity for the six months ended June 30, 2014 and 2013</u>	12
<u>Notes to Combined Consolidated Financial Statements</u>	13
Item 2	
<u>Management s Discussion and Analysis of Financial Condition and Results of Operations</u>	36
Item 3	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	49
Item 4	
<u>Controls and Procedures</u>	50
PART II	
<u>OTHER INFORMATION</u>	
Item 1	
<u>Legal Proceedings</u>	51
Item 1A	
<u>Risk Factors</u>	51
Item 2	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	52
Item 6	
<u>Exhibits</u>	52
<u>SIGNATURES</u>	53
<u>Index to Exhibits</u>	54

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

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

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

	June 30, 2014	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 140,537	\$ 114,458
Accounts receivable	889,942	949,069
Taxes receivable	148,345	140,269
Prepaid expenses and other current assets	233,252	187,139
Total current assets	1,412,076	1,390,935
Property and equipment, at cost	20,391,892	19,198,767
Accumulated depreciation	(5,118,363)	(4,640,677)
Property and equipment, net	15,273,529	14,558,090
Other assets	304,295	268,932
Total assets	\$ 16,989,900	\$ 16,217,957
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	\$ 365,961	\$ 347,214
Accrued payroll and related costs	148,447	151,161
Taxes payable	127,739	125,119
Dividends payable		128,249
Other current liabilities	258,667	300,172
Total current liabilities	900,814	1,051,915
Long-term debt	6,013,946	5,556,251
Deferred income taxes	233,419	225,455
Other liabilities	338,888	334,308

Total liabilities	7,487,067	7,167,929
Commitments and contingencies		
Shareholders' equity		
Shares; 254,258 and 253,448 shares outstanding	2,543	2,534
Additional paid-in capital	828,879	810,286
Retained earnings	8,017,321	7,591,927
Accumulated other comprehensive loss	(71,264)	(82,164)
Total shareholders' equity	8,777,479	8,322,583
Noncontrolling interests	725,354	727,445
Total equity	9,502,833	9,050,028
Total liabilities and equity	\$ 16,989,900	\$ 16,217,957

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**NOBLE CORPORATION PLC AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME****(In thousands, except per share amounts)****(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Operating revenues				
Contract drilling services	\$ 1,200,406	\$ 975,455	\$ 2,406,710	\$ 1,904,192
Reimbursables	31,811	28,260	68,464	49,434
Labor contract drilling services	8,146	13,603	16,358	34,657
Other		67	1	77
	1,240,363	1,017,385	2,491,533	1,988,360
Operating costs and expenses				
Contract drilling services	577,134	487,971	1,138,265	968,097
Reimbursables	22,460	22,701	53,066	37,623
Labor contract drilling services	6,261	9,349	12,487	21,598
Depreciation and amortization	254,394	212,589	500,299	418,745
General and administrative	27,080	26,850	52,717	52,419
Non-recurring spin-off related costs	6,458	4,065	18,863	8,027
Gain on contract extinguishment				(1,800)
	893,787	763,525	1,775,697	1,504,709
Operating income	346,576	253,860	715,836	483,651
Other income (expense)				
Interest expense, net of amount capitalized	(36,351)	(24,665)	(76,743)	(51,966)
Interest income and other, net	(328)	955	(1,518)	530
Income before income taxes	309,897	230,150	637,575	432,215
Income tax provision	(52,435)	(36,824)	(106,871)	(71,176)
Net income	257,462	193,326	530,704	361,039
Net income attributable to noncontrolling interests	(22,903)	(16,706)	(39,819)	(34,359)
Net income attributable to Noble Corporation	\$ 234,559	\$ 176,620	\$ 490,885	\$ 326,680
Net income per share				
Basic	\$ 0.91	\$ 0.69	\$ 1.90	\$ 1.28
Diluted	\$ 0.91	\$ 0.69	\$ 1.90	\$ 1.27

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

NOBLE CORPORATION PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net income	\$ 257,462	\$ 193,326	\$ 530,704	\$ 361,039
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	1,711	(2,180)	2,720	477
Foreign currency forward contracts	706	(3,529)	6,652	(4,731)
Amortization of deferred pension plan amounts (net of tax provision of \$253 and \$730 for the three months ended June 30, 2014 and 2013, respectively, and \$505 and \$1,460 for the six months ended June 30, 2014 and 2013, respectively)	765	1,632	1,528	3,274
Other comprehensive income (loss), net	3,182	(4,077)	10,900	(980)
Net comprehensive income attributable to noncontrolling interests	(22,903)	(16,706)	(39,819)	(34,359)
Comprehensive income attributable to Noble Corporation	\$ 237,741	\$ 172,543	\$ 501,785	\$ 325,700

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

NOBLE CORPORATION PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six Months Ended June 30,	
	2014	2013
Cash flows from operating activities		
Net income	\$ 530,704	\$ 361,039
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	500,299	418,745
Deferred income taxes	10,127	(7,505)
Amortization of share-based compensation	26,517	20,335
Net change in other assets and liabilities	(35,824)	(146,549)
Net cash from operating activities	1,031,823	646,065
Cash flows from investing activities		
Capital expenditures	(1,216,404)	(1,244,311)
Change in accrued capital expenditures	(11,813)	(39,047)
Net cash from investing activities	(1,228,217)	(1,283,358)
Cash flows from financing activities		
Net change in borrowings outstanding on bank credit facilities	707,472	941,653
Repayment of long-term debt	(250,000)	(300,000)
Dividends paid to noncontrolling interests	(41,910)	(46,649)
Financing costs on credit facilities	(386)	(1,912)
Dividend payments	(193,740)	(66,672)
Employee stock transactions	1,037	2,065
Repurchases of employee shares surrendered for taxes		(7,077)
Net cash from financing activities	222,473	521,408
Net change in cash and cash equivalents	26,079	(115,885)
Cash and cash equivalents, beginning of period	114,458	282,092
Cash and cash equivalents, end of period	\$ 140,537	\$ 166,207

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

NOBLE CORPORATION PLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

(In thousands)

(Unaudited)

	Additional	Accumulated Other
--	-------------------	------------------------------