

Noble Corp / Switzerland
Form 10-Q
August 05, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: June 30, 2013

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: 000-53604

NOBLE CORPORATION

(Exact name of registrant as specified in its charter)

Switzerland
(State or other jurisdiction of
incorporation or organization)
98-0619597
(I.R.S. employer
identification number)
Dorfstrasse 19A, Baar, Switzerland 6340
(Address of principal executive offices) (Zip Code)
Registrant's Telephone Number, Including Area Code: 41 (41) 761-65-55
Commission file number: 001-31306

NOBLE CORPORATION

(Exact name of registrant as specified in its charter)

Cayman Islands
(State or other jurisdiction of
incorporation or organization)
98-0366361
(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) 949-8066

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 ☐

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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-Swiss:	Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
Noble-Cayman:	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

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, 2013: Noble Corporation (Switzerland) 253,368,874

Number of shares outstanding at July 31, 2013: Noble Corporation (Cayman Islands) 261,245,693

Noble Corporation, a Cayman Islands company and a wholly owned subsidiary of Noble Corporation, a Swiss corporation, 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.

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This combined Quarterly Report on Form 10-Q is separately filed by Noble Corporation, a Swiss corporation (Noble-Swiss), and Noble Corporation, a Cayman Islands company (Noble-Cayman). Information in this filing relating to Noble-Cayman is filed by Noble-Swiss and separately by Noble-Cayman on its own behalf. Noble-Cayman makes no representation as to information relating to Noble-Swiss (except as it may relate to Noble-Cayman) or any other affiliate or subsidiary of Noble-Swiss. 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. 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-Swiss and its consolidated subsidiaries, including Noble-Cayman.

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

	June 30, 2013	December 31, 2012
ASSETS		
Current assets		
Cash and cash equivalents	\$ 166,207	\$ 282,092
Accounts receivable	834,576	743,673
Taxes receivable	148,281	112,423
Prepaid expenses	71,824	43,962
Other current assets	123,338	123,175
Total current assets	1,344,226	1,305,325
Property and equipment, at cost	18,198,504	16,971,666
Accumulated depreciation	(4,354,168)	(3,945,694)
Property and equipment, net	13,844,336	13,025,972
Other assets	277,524	276,477
Total assets	\$ 15,466,086	\$ 14,607,774
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	\$ 344,468	\$ 350,147
Accrued payroll and related costs	126,267	132,728
Interest payable	67,255	68,436
Taxes payable	123,234	135,257
Dividends payable	256,420	66,369
Other current liabilities	168,946	158,512
Total current liabilities	1,086,590	911,449
Long-term debt	5,276,304	4,634,375
Deferred income taxes	218,513	226,045
Other liabilities	324,379	347,615
Total liabilities	6,905,786	6,119,484
Commitments and contingencies		
Shareholders' equity		

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Shares; 254,080 and 253,348 shares outstanding	712,183	710,130
Treasury shares, at cost; 764 and 589 shares	(28,146)	(21,069)
Additional paid-in capital	103,878	83,531
Retained earnings	7,135,980	7,066,023
Accumulated other comprehensive loss	(116,429)	(115,449)
Total shareholders' equity	7,807,466	7,723,166
Noncontrolling interests	752,834	765,124
Total equity	8,560,300	8,488,290
Total liabilities and equity	\$ 15,466,086	\$ 14,607,774

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**NOBLE CORPORATION (NOBLE-SWISS) AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME**

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Operating revenues				
Contract drilling services	\$ 975,455	\$ 848,237	\$ 1,904,192	\$ 1,594,547
Reimbursables	28,260	30,812	49,434	65,953
Labor contract drilling services	13,603	19,863	34,657	35,871
Other	67	11	77	242
	1,017,385	898,923	1,988,360	1,696,613
Operating costs and expenses				
Contract drilling services	491,983	423,502	976,070	843,513
Reimbursables	22,701	24,970	37,623	55,571
Labor contract drilling services	9,402	11,847	21,651	21,079
Depreciation and amortization	212,589	183,615	418,745	354,692
General and administrative	26,850	25,404	52,420	48,530
Loss on impairment		18,345		18,345
Gain on contract settlements/extinguishments, net		(33,255)	(1,800)	(33,255)
	763,525	654,428	1,504,709	1,308,475
Operating income	253,860	244,495	483,651	388,138
Other income (expense)				
Interest expense, net of amount capitalized	(24,665)	(20,652)	(51,966)	(31,148)
Interest income and other, net	955	1,188	530	2,973
Income before income taxes	230,150	225,031	432,215	359,963
Income tax provision	(36,824)	(46,356)	(71,176)	(67,945)
Net income	193,326	178,675	361,039	292,018
Net income attributable to noncontrolling interests	(16,706)	(18,857)	(34,359)	(12,025)
Net income attributable to Noble Corporation	\$ 176,620	\$ 159,818	\$ 326,680	\$ 279,993
Net income per share				
Basic	\$ 0.69	\$ 0.63	\$ 1.28	\$ 1.10
Diluted	\$ 0.69	\$ 0.63	\$ 1.27	\$ 1.10

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**NOBLE CORPORATION (NOBLE-SWISS) AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(In thousands)****(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income	\$ 193,326	\$ 178,675	\$ 361,039	\$ 292,018
Other comprehensive income/(loss), net of tax				
Foreign currency translation adjustments	(2,180)	(6,949)	477	(7,027)
Foreign currency forward contracts	(3,529)	644	(4,731)	3,061
Amortization of deferred pension plan amounts (net of tax provision of \$730 and \$647 for the three months ended June 30, 2013 and 2012, respectively, and \$1,460 and \$1,367 for the six months ended June 30, 2013 and 2012, respectively)	1,632	1,404	3,274	2,826
Other comprehensive loss, net	(4,077)	(4,901)	(980)	(1,140)
Net comprehensive income attributable to noncontrolling interests	(16,706)	(18,857)	(34,359)	(12,025)
Comprehensive income attributable to Noble Corporation	\$ 172,543	\$ 154,917	\$ 325,700	\$ 278,853

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**NOBLE CORPORATION (NOBLE-SWISS) AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)****(Unaudited)**

	Six Months Ended June 30,	
	2013	2012
Cash flows from operating activities		
Net income	\$ 361,039	\$ 292,018
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	418,745	354,692
Loss on impairment		18,345
Deferred income taxes	(7,505)	(7,765)
Amortization of share-based compensation	20,335	17,840
Net change in other assets and liabilities	(146,549)	(139,184)
Net cash from operating activities	646,065	535,946
Cash flows from investing activities		
Capital expenditures	(1,244,311)	(665,140)
Change in accrued capital expenditures	(39,047)	(159,134)
Net cash from investing activities	(1,283,358)	(824,274)
Cash flows from financing activities		
Net change in borrowings outstanding on bank credit facilities	941,653	(825,000)
Repayment of long-term debt	(300,000)	
Proceeds from issuance of senior notes, net of debt issuance costs		1,186,636
Dividends paid to joint venture partner	(46,649)	
Contributions from joint venture partner		40,000
Financing costs on credit facilities	(1,912)	(5,014)
Par value reduction/dividend payments	(66,672)	(71,897)
Proceeds from employee stock transactions	2,065	9,465
Repurchases of employee shares surrendered for taxes	(7,077)	(9,765)
Net cash from financing activities	521,408	324,425
Net change in cash and cash equivalents	(115,885)	36,097
Cash and cash equivalents, beginning of period	282,092	239,196
Cash and cash equivalents, end of period	\$ 166,207	\$ 275,293

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**NOBLE CORPORATION (NOBLE-SWISS) AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF EQUITY**

(In thousands)

(Unaudited)

	Shares		Additional	Retained	Treasury	Accumulated Other	Noncontrolling	Total
	Balance	Par Value	Paid-in Capital	Earnings	Shares	Comprehensive Loss	Interests	Equity
Balance at December 31, 2011	252,639	\$ 766,595	\$ 48,356	\$ 6,676,444	\$ (10,553)	\$ (74,321)	\$ 691,331	\$ 8,097,852
Employee related equity activity								
Amortization of share-based compensation			17,840					17,840
Issuance of share-based compensation shares	364	1,104	(1,099)					5
Exercise of stock options	447	1,277	8,735					10,012
Tax benefit of employee stock transactions			(552)					(552)
Restricted shares forfeited or repurchased for taxes	(374)	(1,138)	1,138		(9,765)			(9,765)
Net income				279,993			12,025	292,018
Equity contribution by joint venture partner							40,000	40,000
Other							(1,527)	(1,527)
Par value reduction payments		(58,470)	(13,427)					(71,897)
Dividends payable				(132,679)				(132,679)
Other comprehensive loss, net						(1,140)		(1,140)
Balance at June 30, 2012	253,076	\$ 709,368	\$ 60,991	\$ 6,823,758	\$ (20,318)	\$ (75,461)	\$ 741,829	\$ 8,240,167
Balance at December 31, 2012	253,348	\$ 710,130	\$ 83,531	\$ 7,066,023	\$ (21,069)	\$ (115,449)	\$ 765,124	\$ 8,488,290
Employee related equity activity								
Amortization of share-based compensation			20,335					20,335
Issuance of share-based compensation shares	601	1,688	(1,671)					17
Exercise of stock options	131	365	3,161					3,526
Tax benefit of employee stock transactions			(1,478)					(1,478)
Restricted shares forfeited or repurchased for taxes					(7,077)			(7,077)
Net income				326,680			34,359	361,039
Net change in dividends payable				(256,723)				(256,723)
Dividends paid to joint venture partner							(46,649)	(46,649)
Other comprehensive loss, net						(980)		(980)
Balance at June 30, 2013	254,080	\$ 712,183	\$ 103,878	\$ 7,135,980	\$ (28,146)	\$ (116,429)	\$ 752,834	\$ 8,560,300

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**NOBLE CORPORATION (NOBLE-CAYMAN) AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****(In thousands)****(Unaudited)**

	June 30, 2013	December 31, 2012
ASSETS		
Current assets		
Cash and cash equivalents	\$ 162,029	\$ 277,375
Accounts receivable	834,576	743,673
Taxes receivable	148,158	112,310
Prepaid expenses	70,180	41,232
Other current assets	123,336	122,649
Total current assets	1,338,279	1,297,239
Property and equipment, at cost	18,161,913	16,935,147
Accumulated depreciation	(4,346,230)	(3,938,518)
Property and equipment, net	13,815,683	12,996,629
Other assets	277,609	276,558
Total assets	\$ 15,431,571	\$ 14,570,426
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	\$ 344,012	\$ 349,594
Accrued payroll and related costs	117,340	123,936
Interest payable	67,255	68,436
Taxes payable	120,622	130,844
Other current liabilities	168,946	158,499
Total current liabilities	818,175	831,309
Long-term debt	5,276,304	4,634,375
Deferred income taxes	218,513	226,045
Other liabilities	324,379	347,615
Total liabilities	6,637,371	6,039,344
Commitments and contingencies		
Shareholders' equity		
Ordinary shares; 261,246 shares outstanding	26,125	26,125
Capital in excess of par value	482,637	470,454
Retained earnings	7,649,033	7,384,828
Accumulated other comprehensive loss	(116,429)	(115,449)

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Total shareholders' equity	8,041,366	7,765,958
Noncontrolling interests	752,834	765,124
Total equity	8,794,200	8,531,082
Total liabilities and equity	\$ 15,431,571	\$ 14,570,426

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**NOBLE CORPORATION (NOBLE-CAYMAN) AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME****(In thousands)****(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Operating revenues				
Contract drilling services	\$ 975,455	\$ 848,237	\$ 1,904,192	\$ 1,594,547
Reimbursables	28,260	30,812	49,434	65,953
Labor contract drilling services	13,603	19,863	34,657	35,871
Other	67	11	77	242
	1,017,385	898,923	1,988,360	1,696,613
Operating costs and expenses				
Contract drilling services	485,445	421,598	962,006	836,744
Reimbursables	22,701	24,970	37,623	55,571
Labor contract drilling services	9,402	11,847	21,651	21,079
Depreciation and amortization	212,232	183,103	417,983	353,676
General and administrative	15,588	15,467	30,431	29,477
Loss on impairment		18,345		18,345
Gain on contract settlements/extinguishments, net		(33,255)	(1,800)	(33,255)
	745,368	642,075	1,467,894	1,281,637
Operating income	272,017	256,848	520,466	414,976
Other income (expense)				
Interest expense, net of amount capitalized	(24,665)	(20,652)	(51,966)	(31,148)
Interest income and other, net	705	1,608	768	3,007
Income before income taxes	248,057	237,804	469,268	386,835
Income tax provision	(35,730)	(45,977)	(69,744)	(67,188)
Net income	212,327	191,827	399,524	319,647
Net income attributable to noncontrolling interests	(16,706)	(18,857)	(34,359)	(12,025)
Net income attributable to Noble Corporation	\$ 195,621	\$ 172,970	\$ 365,165	\$ 307,622

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**NOBLE CORPORATION (NOBLE-CAYMAN) AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(In thousands)****(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income	\$ 212,327	\$ 191,827	\$ 399,524	\$ 319,647
Other comprehensive income/(loss), net of tax				
Foreign currency translation adjustments	(2,180)	(6,949)	477	(7,027)
Foreign currency forward contracts	(3,529)	644	(4,731)	3,061
Amortization of deferred pension plan amounts (net of tax provision of \$730 and \$647 for the three months ended June 30, 2013 and 2012, respectively, and \$1,460 and \$1,367 for the six months ended June 30, 2013 and 2012, respectively)	1,632	1,404	3,274	2,826
Other comprehensive loss, net	(4,077)	(4,901)	(980)	(1,140)
Net comprehensive income attributable to noncontrolling interests	(16,706)	(18,857)	(34,359)	(12,025)
Comprehensive income attributable to Noble Corporation	\$ 191,544	\$ 168,069	\$ 364,185	\$ 306,482

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**NOBLE CORPORATION (NOBLE-CAYMAN) AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)****(Unaudited)**

	Six Months Ended June 30,	
	2013	2012
Cash flows from operating activities		
Net income	\$ 399,524	\$ 319,647
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	417,983	353,676
Loss on impairment		18,345
Deferred income taxes	(7,505)	(7,765)
Capital contribution by parent share-based compensation	12,183	10,438
Net change in other assets and liabilities	(146,377)	(142,640)
Net cash from operating activities	675,808	551,701
Cash flows from investing activities		
Capital expenditures	(1,244,239)	(663,700)
Change in accrued capital expenditures	(39,047)	(159,134)
Net cash from investing activities	(1,283,286)	(822,834)
Cash flows from financing activities		
Net change in borrowings outstanding on bank credit facilities	941,653	(825,000)
Repayment of long-term debt	(300,000)	
Proceeds from issuance of senior notes, net of debt issuance costs		1,186,636
Dividends paid to joint venture partner	(46,649)	
Contributions from joint venture partner		40,000
Financing costs on credit facilities	(1,912)	(5,014)
Distributions to parent company, net	(100,960)	(92,675)
Net cash from financing activities	492,132	303,947
Net change in cash and cash equivalents	(115,346)	32,814
Cash and cash equivalents, beginning of period	277,375	235,056
Cash and cash equivalents, end of period	\$ 162,029	\$ 267,870

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**NOBLE CORPORATION (NOBLE-CAYMAN) AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF EQUITY****(In thousands)****(Unaudited)**

	Shares		Capital in	Retained	Accumulated	Noncontrolling	Total
	Balance	Par Value	Excess of Par Value	Earnings	Other Comprehensive Loss	Interests	Equity
Balance at December 31, 2011	261,246	\$ 26,125	\$ 450,616	\$ 6,979,882	\$ (74,321)	\$ 691,331	\$ 8,073,633
Net income				307,622		12,025	319,647
Capital contributions by parent share-based compensation			10,438				10,438
Distributions to parent				(92,675)			(92,675)
Other						(1,527)	(1,527)
Equity contribution by joint venture partner						40,000	40,000
Other comprehensive loss, net					(1,140)		(1,140)
Balance at June 30, 2012	261,246	\$ 26,125	\$ 461,054	\$ 7,194,829	\$ (75,461)	\$ 741,829	\$ 8,348,376
Balance at December 31, 2012	261,246	\$ 26,125	\$ 470,454	\$ 7,384,828	\$ (115,449)	\$ 765,124	\$ 8,531,082
Net income				365,165		34,359	399,524
Capital contributions by parent share-based compensation			12,183				12,183
Distributions to parent				(100,960)			(100,960)
Dividends paid to joint venture partner						(46,649)	(46,649)
Other comprehensive loss, net					(980)		(980)
Balance at June 30, 2013	261,246	\$ 26,125	\$ 482,637	\$ 7,649,033	\$ (116,429)	\$ 752,834	\$ 8,794,200

See accompanying notes to the unaudited consolidated financial statements.

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NOBLE CORPORATION (NOBLE-SWISS) AND SUBSIDIARIES

NOBLE CORPORATION (NOBLE-CAYMAN) AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

Note 1 Organization and Basis of Presentation

Noble Corporation, a Swiss corporation (Noble-Swiss), is a leading offshore drilling contractor for the oil and gas industry. We perform contract drilling services with our fleet of 79 mobile offshore drilling units located worldwide. We also own one floating production storage and offloading unit. Currently, our fleet consists of 14 semisubmersibles, 14 drillships, 49 jackups and two submersibles, including 10 units under construction as follows:

three dynamically positioned, ultra-deepwater, harsh environment drillships; and

seven high-specification heavy-duty, harsh environment jackups.

Our fleet is deployed globally in oil and gas producing regions. 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 a direct, wholly-owned subsidiary of Noble-Swiss, our publicly-traded parent company. Noble-Swiss' principal asset is all of the shares of Noble-Cayman. Noble-Cayman has no public equity outstanding. The consolidated financial statements of Noble-Swiss include the accounts of Noble-Cayman, and Noble-Swiss conducts substantially all of its business through Noble-Cayman and its subsidiaries.

The accompanying unaudited consolidated financial statements of Noble-Swiss 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 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, 2012 Consolidated Balance Sheets presented herein are derived from the December 31, 2012 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, 2012, filed by both Noble-Swiss 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.

Proposed Transaction

In July 2013, we announced a proposed corporate reorganization transaction (the Transaction) of Noble-Swiss and the group of companies it controls. The Transaction would merge Noble-Swiss into a newly formed subsidiary incorporated under English law, Noble Corporation plc (Noble-UK), which would become our new holding company. The Transaction would effectively change the place of incorporation of the publicly traded parent company from Switzerland to the United Kingdom. We expect an extraordinary general meeting of Noble-Swiss shareholders to take place in October 2013 to consider the Transaction. If shareholders approve the Transaction at that meeting, and the other conditions to completing the Transaction are satisfied, the Transaction is expected to be completed in November 2013.

In the Transaction, all of the outstanding ordinary shares of Noble-Swiss will be cancelled, and Noble-UK will issue, through an exchange agent, one share of Noble-UK in exchange for each share of Noble-Swiss. Upon completion of the Transaction, Noble-UK will own and continue to

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conduct the same businesses through the Noble group as Noble-Swiss conducted prior to the Transaction, except that Noble-UK will be the parent company of the Noble group of companies. Noble-UK is expected to remain subject to SEC reporting requirements and will file an application with the New York Stock Exchange to have its ordinary shares listed.

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Note 2 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 for accounting purposes. 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.

In April 2011, the Bully joint venture partners entered into capital contribution agreements whereby capital calls up to a total of \$360 million could be made for funds needed to complete the construction of the drillships. All contributions under these agreements have been made, with the final contribution made in the first quarter of 2012.

In June 2013, the Bully joint venture partners approved and paid a dividend totaling \$93 million.

The combined carrying amount of the *Bully*-class drillships at both June 30, 2013 and December 31, 2012 totaled \$1.4 billion. These assets were primarily funded through partner equity contributions. During 2012, these rigs commenced operations. Operational results for the three and six months ended June 30, 2013 and 2012 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Operating revenues	\$ 87,478	\$ 78,691	\$ 177,773	\$ 84,445
Net income	\$ 35,914	\$ 40,773	\$ 73,413	\$ 26,429

Note 3 Share Data***Share capital***

The following details Noble-Swiss share capital as of June 30, 2013 and December 31, 2012:

	June 30, 2013	December 31, 2012
Shares outstanding and trading	253,316	252,759
Treasury shares	764	589
Total shares outstanding	254,080	253,348
Treasury shares held for share-based compensation plans	12,070	12,802
Total shares authorized for issuance	266,150	266,150

Par value per share (in Swiss Francs) 3.15 3.15

Repurchased treasury shares are recorded at cost, and relate to shares surrendered by employees for taxes payable upon the vesting of restricted stock.

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Our Board of Directors may further increase Noble-Swiss share capital through the issuance of up to 133.1 million authorized shares without obtaining shareholder approval. The issuance of these authorized shares is subject to certain conditions regarding their use.

In April 2012, our shareholders approved the payment of a dividend aggregating \$0.52 per share, which was paid in four equal installments. The final payment of this obligation was made in May 2013.

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In April 2013, our shareholders approved the payment of a dividend aggregating \$1.00 per share to be paid in four equal installments currently scheduled for August 2013, November 2013, February 2014 and May 2014. In connection with this approval, and the resulting obligation to shareholders, we recorded dividends payable of approximately \$256 million during the second quarter of 2013. Our Board of Directors has the authority to accelerate the payment of any installment, or portions thereof, at its sole discretion at any time prior to payment of the final installment.

Earnings per share

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

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Allocation of net income				
Basic				
Net income attributable to Noble Corporation	\$ 176,620	\$ 159,818	\$ 326,680	\$ 279,993
Earnings allocated to unvested share-based payment awards	(2,169)	(1,694)	(3,822)	(2,797)
Net income to common shareholders basic	\$ 174,451	\$ 158,124	\$ 322,858	\$ 277,196
Diluted				
Net income attributable to Noble Corporation	\$ 176,620	\$ 159,818	\$ 326,680	\$ 279,993
Earnings allocated to unvested share-based payment awards	(2,167)	(1,692)	(3,819)	(2,793)
Net income to common shareholders diluted	\$ 174,453	\$ 158,126	\$ 322,861	\$ 277,200
Weighted average shares outstanding basic				
	253,295	252,387	253,184	252,179
Incremental shares issuable from assumed exercise of stock options	261	358	265	425
Weighted average shares outstanding diluted	253,556	252,745	253,449	252,604
Weighted average unvested share-based payment awards	3,150	2,704	2,998	2,555
Earnings per share				
Basic	\$ 0.69	\$ 0.63	\$ 1.28	\$ 1.10
Diluted	\$ 0.69	\$ 0.63	\$ 1.27	\$ 1.10

Only those items having a dilutive impact on our basic earnings per share are included in diluted earnings per share. For the three months ended June 30, 2013 and 2012, stock options representing approximately 0.9 million and 1.2 million shares, respectively, were excluded from the diluted earnings per share as they were not dilutive.

Note 4 Receivables from Customers

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At June 30, 2013, we had receivables of approximately \$14 million related to the *Noble Max Smith*, which are being disputed by our customer, Pemex Exploracion y Produccion (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.

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Note 5 Property and Equipment

Property and equipment, at cost, as of June 30, 2013 and December 31, 2012 consisted of the following:

	June 30, 2013	December 31, 2012
Drilling equipment and facilities	\$ 14,461,241	\$ 14,099,628
Construction in progress	3,548,650	2,677,385
Other	188,613	194,653
Property and equipment, at cost	\$ 18,198,504	\$ 16,971,666

Capital expenditures, including capitalized interest, totaled \$1.24 billion and \$665 million for the six months ended June 30, 2013 and 2012, respectively. Interest is capitalized on construction-in-progress at the weighted average cost of debt outstanding during the period of construction. Capitalized interest was \$32 million and \$62 million for the three and six months ended June 30, 2013, respectively, as compared to \$36 million and \$77 million for the three and six months ended June 30, 2012.

Note 6 Loss on Impairment

During the second quarter of 2012, our submersible rig fleet, consisting of two cold stacked rigs, was partially impaired due to the declining market outlook for drilling services for this rig type. We estimated the fair value of the rigs based on the salvage value of the rigs and a transaction involving a similar unit owned by a peer company (Level 2 fair value measurement). Based on these estimates, we recognized a charge of approximately \$13 million in 2012.

Also, during the second quarter of 2012, we determined that certain corporate assets were partially impaired due to a declining market for, and the potential disposal of, the assets. We estimated the fair value of the assets based on transactions involving similar units in the market (Level 2 fair value measurement). Based on these estimates, we recognized a charge of approximately \$5 million in 2012.

Note 7 Gain on Contract Settlements/Extinguishments, net

During the second quarter of 2012, we received approximately \$5 million from the settlement of a claim relating to the *Noble David Tinsley*, which had experienced a punch-through while being positioned on location in 2009. We had originally recorded a \$17 million charge during 2009 related to this incident. Additionally, during the second quarter of 2012, we settled an action against certain vendors for damages sustained during Hurricane Ike. We recognized a net gain of approximately \$28 million related to this settlement. We also resolved all outstanding matters with Anadarko Petroleum Company (Anadarko) in the second quarter of 2012 related to the previously disclosed force majeure action, Hurricane Ike matters and receivables relating to the *Noble Amos Runner*.

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Note 8 Debt

Total debt consisted of the following at June 30, 2013 and December 31, 2012:

	June 30, 2013	December 31, 2012
Senior unsecured notes:		
5.875% Senior Notes due 2013	\$	\$ 299,985
7.375% Senior Notes due 2014	249,880	249,799
3.45% Senior Notes due 2015	350,000	350,000
3.05% Senior Notes due 2016	299,959	299,952
2.50% Senior Notes due 2017	299,869	299,852
7.50% Senior Notes due 2019	201,695	201,695
4.90% Senior Notes due 2020	498,960	498,900
4.625% Senior Notes due 2021	399,551	399,527
3.95% Senior Notes due 2022	399,136	399,095
6.20% Senior Notes due 2040	399,892	399,891
6.05% Senior Notes due 2041	397,630	397,613
5.25% Senior Notes due 2042	498,270	498,257
Total senior unsecured notes	3,994,842	4,294,566
Commercial paper program	1,281,462	339,809
Total long-term debt	\$ 5,276,304	\$ 4,634,375

Credit Facilities and Commercial Paper Program

We currently have two separate credit facilities with an aggregate maximum available capacity of \$2.3 billion. One credit facility matures in 2015 and the other matures in 2017 (together, the Credit Facilities). In January 2013, we increased the maximum amount available under our credit facility maturing in 2015 from \$600 million to \$800 million and the maximum amount available under our credit facility maturing in 2017 from \$1.2 billion to \$1.5 billion. We have also established a commercial paper program, which allows us to issue up to \$1.8 billion in unsecured commercial paper notes. Amounts issued under the commercial paper program are supported by our Credit Facilities and, therefore, are classified as long-term on our Consolidated Balance Sheet. At June 30, 2013, we had approximately \$1.02 billion of available capacity under the Credit Facilities.

The Credit Facilities provide us with the ability to issue up to \$375 million in letters of credit in the aggregate. The issuance of letters of credit does not increase our borrowings outstanding under the Credit Facilities, but it does reduce the amount available. At June 30, 2013, we had no letters of credit issued under the Credit Facilities.

Senior Unsecured Notes

In February 2012, we issued, through our indirect wholly-owned subsidiary, Noble Holding International Limited (NHIL), \$1.2 billion aggregate principal amount of senior notes in three separate tranches, comprising \$300 million of 2.50% Senior Notes due 2017, \$400 million of 3.95%

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Senior Notes due 2022, and \$500 million of 5.25% Senior Notes due 2042. The weighted average coupon of all three tranches is 4.13%. The net proceeds of approximately \$1.19 billion, after expenses, were primarily used to repay the then outstanding balance on our Credit Facilities.

Our 5.875% Senior Notes matured during the second quarter of 2013. We used proceeds from our commercial paper program to repay the \$300 million outstanding balance.

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Covenants

The Credit Facilities are guaranteed by our indirect wholly-owned subsidiaries, NHIL and Noble Drilling Corporation (NDC). The covenants and events of default under the Credit Facilities are substantially similar, and each facility contains a covenant that limits our ratio of debt to total tangible capitalization, as defined in the Credit Facilities, to 0.60. At June 30, 2013, our ratio of debt to total tangible capitalization was approximately 0.38. We were in compliance with all covenants under the Credit Facilities as of June 30, 2013.

In addition to the covenants from the Credit Facilities 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 sale and lease-back transactions. At June 30, 2013, we were in compliance with all of our debt covenants. We continually monitor compliance with the covenants under our notes and, based on our expectations for 2013, expect to remain in compliance during the year.

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).

The following table presents the estimated fair value of our long-term debt as of June 30, 2013 and December 31, 2012, respectively:

	June 30, 2013		December 31, 2012	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Senior unsecured notes:				
5.875% Senior Notes due 2013	\$	\$	\$ 299,985	\$ 305,594
7.375% Senior Notes due 2014	249,880	260,845	249,799	269,008
3.45% Senior Notes due 2015	350,000	363,129	350,000	368,824
3.05% Senior Notes due 2016	299,959	308,116	299,952	316,268
2.50% Senior Notes due 2017	299,869	298,148	299,852	309,846
7.50% Senior Notes due 2019	201,695	242,129	201,695	249,358
4.90% Senior Notes due 2020	498,960	526,123	498,900	562,530
4.625% Senior Notes due 2021	399,551	412,416	399,527	442,776
3.95% Senior Notes due 2022	399,136	391,005	399,095	422,227
6.20% Senior Notes due 2040	399,892	417,943	399,891	477,327
6.05% Senior Notes due 2041	397,630	405,013	397,613	468,256
5.25% Senior Notes due 2042	498,270	453,567	498,257	533,422
Total senior unsecured notes	3,994,842	4,078,434	4,294,566	4,725,436
Commercial paper program	1,281,462	1,281,462	339,809	339,809
Total long-term debt	\$ 5,276,304	\$ 5,359,896	\$ 4,634,375	\$ 5,065,245

Note 9 Income Taxes

At December 31, 2012, the reserves for uncertain tax positions totaled \$125 million (net of related tax benefits of \$10 million). At June 30, 2013, the reserves for uncertain tax positions totaled \$116 million (net of related tax benefits of \$2 million), and if not utilized, would reduce the provision for income taxes by \$116 million.

It is possible that our existing liabilities related to our reserves for uncertain tax positions may change 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:

	Three Months Ended June 30,			
	2013		2012	
	Non-U.S.	U.S.	Non-U.S.	U.S.
Service cost	\$ 1,349	\$ 2,681	\$ 1,111	\$ 2,375
Interest cost	1,252	2,262	1,350	2,164
Return on plan assets	(1,437)	(3,276)	(1,342)	(2,793)
Amortization of prior service cost		57		57
Recognized net actuarial loss	395	1,910	201	1,793
Net pension expense	\$ 1,559	\$ 3,634	\$ 1,320	\$ 3,596

	Six Months Ended June 30,			
	2013		2012	
	Non-U.S.	U.S.	Non-U.S.	U.S.
Service cost	\$ 2,728	\$ 5,362	\$ 2,234	\$ 4,806
Interest cost	2,534	4,524	2,708	4,360
Return on plan assets	(2,908)	(6,552)	(2,688)	(5,586)
Amortization of prior service cost		114		114
Recognized net actuarial loss	800	3,820	401	3,678
Net pension expense	\$ 3,154	\$ 7,268	\$ 2,655	\$ 7,372

During the three and six months ended June 30, 2013, we made contributions to our pension plans totaling \$5 million and \$8 million, respectively.

Note 11 Derivative Instruments and Hedging Activities

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

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

Cash Flow Hedges

Our North Sea and Brazil 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, all of which have a maturity of less than 12 months. The

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forward contracts maturing during the remainder of 2013 represent approximately 59 percent of these forecasted local currency requirements. The notional amount of the forward contracts outstanding, expressed in U.S. Dollars, was approximately \$84 million at June 30, 2013. Total unrealized loss related to these forward contracts was approximately \$5 million as of June 30, 2013 and was recorded as part of Accumulated other comprehensive loss (AOCL).

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The balance of the net unrealized loss related to our cash flow hedges included in AOCL and related activity is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net unrealized loss at beginning of period	\$ (1,202)	\$ (644)	\$	\$ (3,061)
Activity during period:				
Settlement of foreign currency forward contracts during the period	265	644		3,061
Net unrealized loss on outstanding foreign currency forward contracts	(3,794)		(4,731)	
Net unrealized loss at end of period	\$ (4,731)	\$	\$ (4,731)	\$

Financial Statement Presentation

The following tables, together with Note 12, summarize the financial statement presentation and fair value of our derivative positions as of June 30, 2013 and December 31, 2012:

	Balance sheet classification	Estimated fair value	
		June 30, 2013	December 31, 2012
Asset derivatives			
Cash flow hedges			
Short-term foreign currency forward contracts	Other current assets	\$ 700	\$
Liability derivatives			
Cash flow hedges			
Short-term foreign currency forward contracts	Other current liabilities	\$ 5,431	\$

To supplement the fair value disclosures in Note 12, the following summarizes the recognized gains and losses of cash flow hedges through AOCL or through other income for the three months ended June 30, 2013 and 2012:

	Gain/(loss) recognized through AOCL		Gain/(loss) reclassified from AOCL to other income		Gain/(loss) recognized through other income	
	2013	2012	2013	2012	2013	2012
Cash flow hedges						
Foreign currency forward contracts	\$ (3,794)	\$	\$ 265	\$ 644	\$	\$

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To supplement the fair value disclosures in Note 12, the following summarizes the recognized gains and losses of cash flow hedges through AOCL or through other income for the six months ended June 30, 2013 and 2012:

	Gain/(loss) recognized through AOCL		Gain/(loss) reclassified from AOCL to other income		Gain/(loss) recognized through other income	
	2013	2012	2013	2012	2013	2012
Cash flow hedges						
Foreign currency forward contracts	\$ (4,996)	\$	\$ 265	\$ 3,061	\$	\$

Note 12 Fair Value of Financial Instruments

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

	Carrying Amount	June 30, 2013 Estimated Fair Value Measurements		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets -				
Marketable securities	\$ 6,178	\$ 6,178	\$	\$
Foreign currency forward contracts	700		700	
Liabilities -				
Foreign currency forward contracts	\$ 5,431	\$	\$ 5,431	\$

	Carrying Amount	December 31, 2012 Estimated Fair Value Measurements		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets -				
Marketable securities	\$ 5,816	\$ 5,816	\$	\$

The foreign currency instruments have been valued using actively quoted prices and quotes obtained from the counterparties to the derivative instruments. 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.

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Note 13 Accumulated Other Comprehensive Loss

The following tables set forth the changes in AOCL by component for the three and six months ended June 30, 2013. All amounts within the tables are shown net of tax.

	Three months ended June 30, 2013			
	Losses on Cash Flow Hedges ⁽¹⁾	Benefit Pension Items ⁽²⁾	Foreign Currency Items	Total
Balance at beginning of period	\$ (1,202)	\$ (93,429)	\$ (17,721)	\$ (112,352)
Activity during period:				
Other comprehensive income/(loss) before reclassifications	(3,794)		(2,180)	(5,974)
Amounts reclassified from AOCL	265	1,632		1,897
Net current period other comprehensive income/(loss)	(3,529)	1,632	(2,180)	(4,077)
Balance at end of period	\$ (4,731)	\$ (91,797)	\$ (19,901)	\$ (116,429)

	Six months ended June 30, 2013			
	Losses on Cash Flow Hedges ⁽¹⁾	Benefit Pension Items ⁽²⁾	Foreign Currency Items	Total
Balance at beginning of period	\$	\$ (95,071)	\$ (20,378)	\$ (115,449)
Activity during period:				
Other comprehensive income/(loss) before reclassifications	(4,731)		477	(4,254)
Amounts reclassified from AOCL		3,274		3,274
Net current period other comprehensive income/(loss)	(4,731)	3,274	477	(980)
Balance at end of period	\$ (4,731)	\$ (91,797)	\$ (19,901)	\$ (116,429)

- (1) Losses on cash flow hedges are related to our foreign currency forward contracts. Reclassifications from AOCL are recognized through other income on our Consolidated Statement of Income. See Note 11 for additional information.

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- (2) Defined benefit pension items relate to actuarial losses and the amortization of prior service costs. Reclassifications from AOCL are recognized as expense on our Consolidated Statement of Income through either contract drilling services or general and administrative . See Note 10 for additional information

Note 14 Commitments and Contingencies

The *Noble Homer Ferrington* was under contract with a subsidiary of ExxonMobil Corporation (ExxonMobil), which entered into an assignment agreement with BP for a two-well farmout of the rig in Libya after successfully drilling two wells with the rig for ExxonMobil. In August 2010, BP attempted to terminate the assignment agreement claiming that the rig was not in the required condition, and ExxonMobil informed us that we must look to BP for payment of the dayrate during the assignment period. In August 2010, we initiated arbitration proceedings under the drilling contract against both BP and ExxonMobil. We do not believe BP had the right to terminate the assignment agreement and believe the rig was ready to operate under the drilling contract. The rig operated under farmout arrangements from March 2011 to the conclusion of the contract in the second quarter of 2012. We believe we are owed dayrate by either or both of these clients. The operating dayrate was approximately \$538,000 per day for the work in Libya. The arbitration process is proceeding, and we intend to vigorously pursue these claims. As a result of the uncertainties noted above, we have not recognized any revenue during the assignment period.

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In August 2007, we entered into a drilling contract with Marathon Oil Company (Marathon) for the *Noble Jim Day* to operate in the U.S. Gulf of Mexico. On January 1, 2011, Marathon provided notice that it was terminating the contract. Marathon's stated reason for the termination was that the rig had not been accepted by Marathon by December 31, 2010, and Marathon also maintained that a force majeure condition existed under the contract. The contract contained a provision allowing Marathon to terminate if the rig had not commenced operations by December 31, 2010. We believe the rig was ready to commence operations and should have been accepted by Marathon. The contract term was for four years. No revenue has been recognized under this contract. We have contracted the rig for much of the original term with other customers. In March 2011, we filed suit in Texas State District Court against Marathon seeking damages for its actions. The suit is proceeding and we expect the trial to occur in the fourth quarter of 2013. We cannot predict the outcome of this lawsuit.

In November 2012, the U.S. Coast Guard in Alaska conducted an inspection of our drillship, the *Noble Discoverer*, and cited a number of deficiencies to be remediated, including issues relating to the main propulsion and safety management systems. We initiated a comprehensive effort to address the deficiencies identified by the Coast Guard and commenced an ongoing dialogue with the agency to keep it apprised of our progress. We began an internal investigation in conjunction with the Coast Guard inspection, and the Coast Guard then began its own investigation. We reported certain potential violations of applicable law to the Coast Guard identified as a result of our internal investigation. These related to what we believe were certain unauthorized disposals of collected deck and sea water from the *Noble Discoverer*, collected, treated deck water from the *Kulluk* and potential record-keeping issues with the oil record books for the *Noble Discoverer*, *Kulluk* and other rigs, and with the garbage log for the *Kulluk*. The Coast Guard referred the *Noble Discoverer* and *Kulluk* matters to the U.S. Department of Justice (DOJ) for further investigation. We are cooperating with the DOJ and Coast Guard in connection with their investigation, and are maintaining a dialogue with the DOJ. We cannot predict when the DOJ and Coast Guard will conclude the investigation and cannot provide any assurances with respect to the outcome. If the DOJ or Coast Guard determines that violations of applicable law have occurred, they could seek civil and criminal sanctions, including monetary penalties, against us and/or certain of our employees, as well as oversight of our operational compliance programs. Based on information obtained to date, we believe it is probable that we will have to pay some amount in fines and penalties to resolve this matter. However, at this time we cannot appropriately estimate the potential liability that may result and we have not made any accrual in our consolidated financial statements at June 30, 2013 related to the matter.

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 June 30, 2013, there were 33 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, Mississippi and Texas. 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, including certain disputes with customers over receivables discussed in Note 4, 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. The U.S. Internal Revenue Service (IRS) has completed its examination of our tax reporting for the taxable year ended December 31, 2008. In June 2013, the IRS examination team notified us that they were no longer proposing any adjustments with respect to our tax reporting for the taxable year ended December 31, 2008. We are due a refund for the 2008 tax year, and our refund claim is currently under review. The IRS began its examination of our tax reporting for the taxable year ended December 31, 2009. We believe that we have accurately reported all amounts in our 2009 tax returns. Furthermore, we are currently contesting several non-U.S. tax assessments and may contest future assessments. We believe the ultimate resolution of the outstanding assessments, for which we have not made any accrual, will not have a material adverse effect on our consolidated financial statements. 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.

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During the second quarter of 2013, we reached an agreement with the Mexican tax authorities resolving certain previously disclosed tax assessments. This settlement removes potential contingent tax exposure of \$502 million in Mexico for periods prior to 2007, which includes the assessments for years 2002 through 2005 of approximately \$348 million, as well as settlement for 2006. The settlement of these assessments did not have a material impact on our consolidated financial statements. Tax authorities in Mexico and other jurisdictions 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.

Audit claims of approximately \$115 million attributable to income, customs and other business taxes have been assessed against us in other jurisdictions. We have contested, or intend to contest, these assessments, 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.

We maintain certain insurance coverage against specified marine perils, which includes physical damage and loss of hire. Damage caused by hurricanes has negatively impacted the energy insurance market, resulting in more restrictive and expensive coverage for U.S. named windstorm perils. Accordingly, we have elected to significantly reduce the named windstorm insurance on our rigs operating in the U.S. Gulf of Mexico. Presently, we insure the *Noble Jim Thompson*, *Noble Amos Runner* and *Noble Driller* for total loss only when caused by a named windstorm. 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 remaining rigs in the U.S. Gulf of Mexico are self-insured for named windstorm perils. Our rigs located in the Mexico portion of the Gulf of Mexico remain covered by commercial insurance for windstorm damage. In addition, we maintain physical damage deductibles on our rigs ranging from \$15 million to \$25 million per occurrence, depending on location. 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 or strikes. 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, we had outstanding commitments, including shipyard and purchase commitments of approximately \$2.7 billion at June 30, 2013.

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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-Swiss (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.

Nigerian Operations

During the fourth quarter of 2007, our Nigerian subsidiary received letters from the Nigerian Maritime Administration and Safety Agency (NIMASA) seeking to collect a 2 percent surcharge on contract amounts under contracts performed by vessels, within the meaning of Nigeria's cabotage laws, engaged in the Nigerian coastal shipping trade. Although we do not believe that these laws apply to our ownership of drilling units, NIMASA is seeking to apply a provision of the Nigerian cabotage laws (which became effective on May 1, 2004) to our offshore drilling units by considering these units to be vessels within the meaning of those laws and therefore subject to the surcharge, which is imposed only upon vessels. Our offshore drilling units are not engaged in the Nigerian coastal shipping trade and are not in our view vessels within the meaning of Nigeria's cabotage laws. In January 2008, we filed an originating summons against NIMASA and the Minister of Transportation in the Federal High Court of Lagos, Nigeria seeking, among other things, a declaration that our drilling operations do not constitute coastal trade or cabotage within the meaning of Nigeria's cabotage laws and that our offshore drilling units are not vessels within the meaning of those laws. In February 2009, NIMASA filed suit against us in the Federal High Court of Nigeria seeking collection of the cabotage surcharge. In August 2009, the court issued a favorable ruling in response to our originating summons stating that drilling operations do not fall within the cabotage laws and that drilling rigs are not vessels for purposes of those laws. The court also issued an injunction against the defendants prohibiting their interference with our drilling rigs or drilling operations. NIMASA has appealed the court's ruling, although the court dismissed NIMASA's lawsuit filed against us in February 2009. We intend to take all further appropriate legal action to resist the application of Nigeria's cabotage laws to our drilling units. The outcome of any such legal action and the extent to which we may ultimately be responsible for the surcharge is uncertain. If it is ultimately determined that offshore drilling units constitute vessels within the meaning of the Nigerian cabotage laws, we may be required to pay the surcharge and comply with other aspects of the Nigerian cabotage laws, which could adversely affect our operations in Nigerian waters and require us to incur additional costs of compliance.

NIMASA had previously informed the Nigerian Content Division of its position that we were not in compliance with the cabotage laws. The Nigerian Content Division makes determinations of companies' compliance with applicable local content regulations for purposes of government contracting, including contracting for services in connection with oil and gas concessions where the Nigerian national oil company is a partner. The Nigerian Content Division had previously barred us from participating in new tenders as a result of NIMASA's allegations, although the Division reversed its actions based on the favorable Federal High Court ruling. However, no assurance can be given with respect to our ability to bid for future work in Nigeria until our dispute with NIMASA is resolved.

Under the Nigerian Industrial Training Fund Act of 2004, as amended, (the Act), Nigerian companies with five or more employees must contribute annually 1 percent of their payroll to the Industrial Training Fund (ITF) established under the Act to be used for the training of Nigerian nationals with a view towards generating a pool of indigenously trained manpower. We have not paid this amount on our expatriate workers employed by our non-Nigerian employment entity in the past as we did not believe the contribution obligation was applicable to them. In October 2012, we received a demand from the ITF for payments going back to 2004 and associated penalties in respect of these expatriate employees. In February 2013, the ITF filed suit seeking payment of these amounts. We do not believe that we owe the amount claimed. We are in discussions with the ITF to resolve the issue and do not believe the resolution of this matter will have a material adverse effect on our financial position or cash flows.

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Note 15 Segment and Related Information

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 industry. The mobile offshore drilling units comprising our offshore rig fleet operate in a single, global market for contract drilling services and are often redeployed globally due to changing demands of our customers, which consist largely of major non-U.S. and government owned/controlled oil and gas companies throughout the world. Our contract drilling services segment conducts contract drilling operations in the United States, Mexico, Brazil, the North Sea, the Mediterranean, West Africa, the Middle East, India, Asia and Australia.

We evaluate the performance of our operating segment based on revenues from external customers and segment profit. Summarized financial information of our reportable segment for the three and six months ended June 30, 2013 and 2012 is shown in the following table. The Other column includes results of labor contract drilling services in Canada and Alaska, as well as corporate related items. The consolidated financial statements of Noble-Swiss include the accounts of Noble-Cayman, and Noble-Swiss conducts substantially all of its business through Noble-Cayman and its subsidiaries. As a result, the summarized financial information for Noble-Cayman is substantially the same as Noble-Swiss.

	Three Months Ended June 30,					
	2013			2012		
	Contract Drilling Services	Other	Total	Contract Drilling Services	Other	Total
Revenues from external customers	\$ 1,003,522	\$ 13,863	\$ 1,017,385	\$ 878,372	\$ 20,551	\$ 898,923
Depreciation and amortization	209,082	3,507	212,589	180,112	3,503	183,615
Segment operating income/(loss)	253,610	250	253,860	246,161	(1,666)	244,495
Interest expense, net of amount capitalized	(102)	(24,563)	(24,665)	(105)	(20,547)	(20,652)
Income tax (provision)/benefit	(40,600)	3,776	(36,824)	(51,098)	4,742	(46,356)
Segment profit/(loss)	196,439	(19,819)	176,620	178,094	(18,276)	159,818
Total assets (at end of period)	14,777,991	688,095	15,466,086	13,483,083	552,933	14,036,016

	Six Months Ended June 30,					
	2013			2012		
	Contract Drilling Services	Other	Total	Contract Drilling Services	Other	Total
Revenues from external customers	\$ 1,952,980	\$ 35,380	\$ 1,988,360	\$ 1,659,615	\$ 36,998	\$ 1,696,613
Depreciation and amortization	411,701	7,044	418,745	348,060	6,632	354,692
Segment operating income/(loss)	478,744	4,907	483,651	386,428	1,710	388,138
Interest expense, net of amount capitalized	(222)	(51,744)	(51,966)	(194)	(30,954)	(31,148)
Income tax (provision)/benefit	(78,841)	7,665	(71,176)	(73,698)	5,753	(67,945)
Segment profit/(loss)	365,490	(38,810)	326,680	303,578	(23,585)	279,993
Total assets (at end of period)	14,777,991	688,095	15,466,086	13,483,083	552,933	14,036,016

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Note 16 Accounting Pronouncements

In February 2013, the FASB issued Accounting Standards Update (ASU) No. 2013-02, which amends FASB Accounting Standards Codification (ASC) Topic 220, Comprehensive Income. This amended guidance requires additional information about reclassification adjustments out of comprehensive income, including changes in comprehensive income balances by component and significant items reclassified out of comprehensive income. This guidance is effective for reporting periods beginning after December 15, 2012. The adoption of this guidance did not have a material impact on our financial condition, results of operations, cash flows or financial disclosures.

In March 2013, the FASB issued ASU No. 2013-05, which amends ASC Topic 830, Foreign Currency Matters. This ASU provides guidance on foreign currency translation adjustments when a parent entity ceases to have a controlling interest on a previously consolidated subsidiary or group of assets. The guidance is effective for fiscal years beginning on or after December 15, 2013. We are still 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 July 2013, the FASB issued ASU No. 2013-11, which amends ASC Topic 740, Taxes. This ASU provides guidance on the presentation of tax benefits when a net operating loss carryforward or other tax credit carryforward exists. The guidance is effective for fiscal years beginning on or after December 15, 2013. We are still 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 17 Net Change in Other Assets and Liabilities

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

	Noble-Swiss		Noble-Cayman	
	Six months ended		Six months ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Accounts receivable	\$ (90,903)	\$ (87,244)	\$ (90,903)	\$ (87,244)
Other current assets	(68,614)	(82,590)	(70,214)	(85,357)
Other assets	1,191	(10,452)	1,145	(10,454)
Accounts payable	32,125	9,776	32,222	8,804
Other current liabilities	(8,057)	(2,282)	(6,336)	(1,997)
Other liabilities	(12,291)	33,608	(12,291)	33,608