

**Deliver Optimal Returns**  
**Position for Growth**  
**Accelerate Earnings**  
**Value Creator**

## CORPORATE OVERVIEW

### PROFILE

Noble Corporation is a leading provider of diversified services for the oil and gas industry. Contract drilling services are performed with the Company's fleet of 60 premium mobile offshore drilling units, located in key markets worldwide. Noble's fleet consists of 13 semisubmersibles, three dynamically positioned drillships, 41 jackups and three submersibles. The Company is geographically balanced with operations in the U.S., Canada, Mexico, Brazil, the North Sea, West Africa, the Middle East, India and the Mediterranean Sea, with approximately 80 percent of the fleet currently deployed in international markets. Noble also provides technologically advanced drilling-related products and services designed to create value for our customers, well site and project management services and engineering services.

### MISSION STATEMENT

To be the contractor of choice for providing drilling services and drilling technology around the world.

### BACKGROUND

Founded in 1921 with a single land drilling rig, Noble today competes in the world's major offshore oil and gas regions, offering a full range of services to the global energy industry.

In the year ended 2004, we earned net income of \$146.1 million, or \$1.09 per diluted share, on operating revenues of \$1,066.2 million, while employing approximately 5,300 persons worldwide, representing 45 different nationalities.

Headquartered in Sugar Land, Texas, Noble's ordinary shares are traded on the New York Stock Exchange under the symbol "NE".





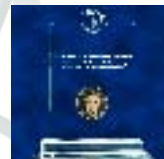



## FINANCIAL HIGHLIGHTS

(In thousands, except per share amounts and ratios)

Year Ended December 31,

	2004	2003	2002
Operating revenues	\$ 1,066,231	\$ 987,380	\$ 990,248
Operating income	187,182	221,138	283,557
Income before income taxes	161,817	186,984	243,325
Net income	146,086	166,416	209,503
Net income per share – diluted	1.09	1.25	1.57
Net cash provided by operating activities	332,221	365,308	445,364
Capital investments	333,989	344,118	521,125
Return on capital employed	7%	8%	10%
At year end:			
Total assets	3,307,973	3,189,633	3,065,714
Property and equipment, net	2,743,620	2,625,866	2,471,043
Total debt	511,649	589,573	670,139
Shareholders' equity	2,384,434	2,178,425	1,989,210
Book value per share	17.74	16.27	14.90
Current ratio	1.99	1.73	1.73

## 2004 Timeline

January	June 25th	July 16th	August 20th	September 13th	October 28th	October 30th	December 20th
<p>Received initial contract for the <i>Noble Therald Martin</i> from Mariner Energy, Inc.</p> 	<p>Acquisition of the <i>Noble Mark Burns</i> (ex-Okhi) and commencement of upgrade. On February 23, 2005, we received a Letter of Intent from RasGas in Qatar for a 475-day contract for the use of the unit.</p> 	<p>Acquisition of the <i>Noble Cees van Diemen</i> (ex-Maersk Viking) and commencement of upgrade. The unit is currently under contract to RasGas in Qatar.</p> 	<p><i>Noble Dick Favor</i> departs shipyard for contract in the Middle East after upgrade and refurbishment program. The unit is currently under contract to Anadarko in Qatar through June 2005.</p> 	<p>The National Safety Council names Noble Corporation as the inaugural winner of the Robert W. Campbell Award.</p> 	<p>Acquisition of the <i>Noble David Tinsley</i> (ex-Maersk Valiant) and commencement of upgrade. The rig commenced a contract for RasGas in Qatar on February 22, 2005.</p> 	<p><i>Noble Homer Ferrington</i> departs Pascagoula after upgrade project for the ExxonMobil contract in West Africa.</p> 	<p>Received operator commitment from Shell Exploration &amp; Production Company for the <i>Noble Clyde Boudreaux</i> and recommenced upgrade project.</p> 

## LETTER TO OUR SHAREHOLDERS

As I have indicated on many occasions, the Company's strategic objectives, while extremely challenging, are simple but obviously highly effective. Since they were implemented, they have been the guiding principles that have resulted in:

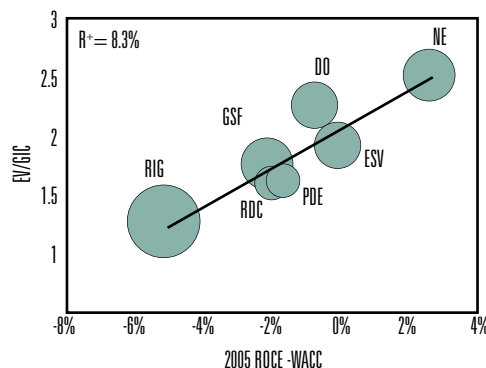
1. an industry leading health, safety and environmental program,
2. the highest return on capital of our peer group,
3. the development of a talented and effective worldwide management team,
4. a premium fleet of drilling assets operating worldwide, and
5. an outstanding and loyal customer base.

For 2004, these strategies resulted in a continued decline in our lost time incident rate for the Company with 63 percent of our fleet achieving three years or more without a lost time incident. Further, through the efforts of many, including Mike Cadigan, HSEQ Manager; Julie Robertson, Senior Vice President - Administration and Corporate Secretary; and Bill Rose, Vice President - Eastern Hemisphere Operations, we were recognized by the National Safety Council with the Robert W. Campbell Award for safety. The runner-up for this very prestigious award, sponsored by ExxonMobil, was Johnson & Johnson.

Financially, the Company achieved the highest revenue ever at \$1.066 billion and net income of \$146.1 million. A recent analysis by Goldman Sachs demonstrated the Company achieved over 200 basis points higher return than our closest competitor when measuring the return on capital over the cost of capital. Our share price responded by rising 39 percent by year end.

We continue to position the Company for the increasing activity levels with five major shipyard projects during the year including the *Noble Ronald Hoop*, a 250 foot ILC jackup, in the U.K. sector of the North Sea for a contract with Tullow Oil & Gas; the *Noble Homer Ferrington*, a 6,000 foot semisubmersible, working for ExxonMobil in Nigeria; the *Noble Dick Favor*, a 150 ILC jackup, contracted to ChevronTexaco in Bahrain; the *Noble David Tinsley*, and the *Noble Cees van Diemen*, both 300 foot ILC jackups, are under contract with RAS Laffan Gas in Qatar. The *Noble Mark Burns* upgrade project was ongoing at year end and, as anticipated, we have received a letter of intent for the unit for work in the Middle East region.

Further, as previously announced, we were able to secure a contract with Shell Exploration & Production Company, a key client, for the *Noble Clyde Boudreaux*, a 10,000 foot semisubmersible ultra-deepwater asset that, once completed in the third quarter of 2006, will be among the most competitive in its class. We continued with our fleet expansion effort which brought our fleet to 60 units. Additionally, the Company has the ability to organ-



Goldman Sachs Oil Services Valuation Trends by Segment

ically grow with three ultra-deepwater semisubmersible hulls in inventory. We are in different stages of design and engineering for the units in response to clients' interests.

Operationally, I would be remiss not recognizing the Gulf of Mexico employees who, after many days of long hours, were successful in returning to service the *Noble Lorris Bouzigard* and the *Noble Jim Thompson* after Hurricane Ivan. While we had minimum damage, the extraordinary efforts of a dedicated team, led by acting Division Manager, Therald Martin and Operations Manager, Tommy Travis, sets this Company apart.

While we did not accomplish all the goals we had established, 2004 was an excellent year in that it should prove to be the base for the cyclical recovery for the sector. Key activity indicators point to a continued expansion through 2005 and beyond. This improvement, of course, is subject to worldwide demand remaining relatively robust. Commodity prices remain strong twelve months out, further suggesting an active year. As you will note later in the annual report, the Company continues to focus on maintaining a strong balance sheet to assure that we are able to respond to our clients' requirements for rig upgrades and/or rebuilds. Our cash and marketable securities at year-end stood at \$191.6 million, which continues to build through the first quarter.

While the Noble Team is encouraged about the future, let me assure you we will remain focused on optimizing return for the shareholders. As previously announced, we instituted a dividend on March 1, 2005 for shareholders

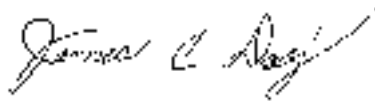
# Deliver Optimal Returns

- **Total commitment to serving our customers and shareholders**
- **Focused on offering a premium fleet that is consistently maintained and upgraded with the latest technology to meet the highest standards for safety, efficiency and reliability**
- **Create a work environment that fosters safety, innovation, accountability, respect for our communities and the environment**

of record on February 16, 2005. None of our achievements during the year would be possible without the many contributions of our talented and professional personnel at all levels of the organization, as well as the very critical support of our clients, vendors, contractors and bankers. It is truly a team effort.

The Board’s guidance and counsel were instrumental in our success in 2004, which included the completion of the requirements of Section 404 of the Sarbanes-Oxley Act of 2002.

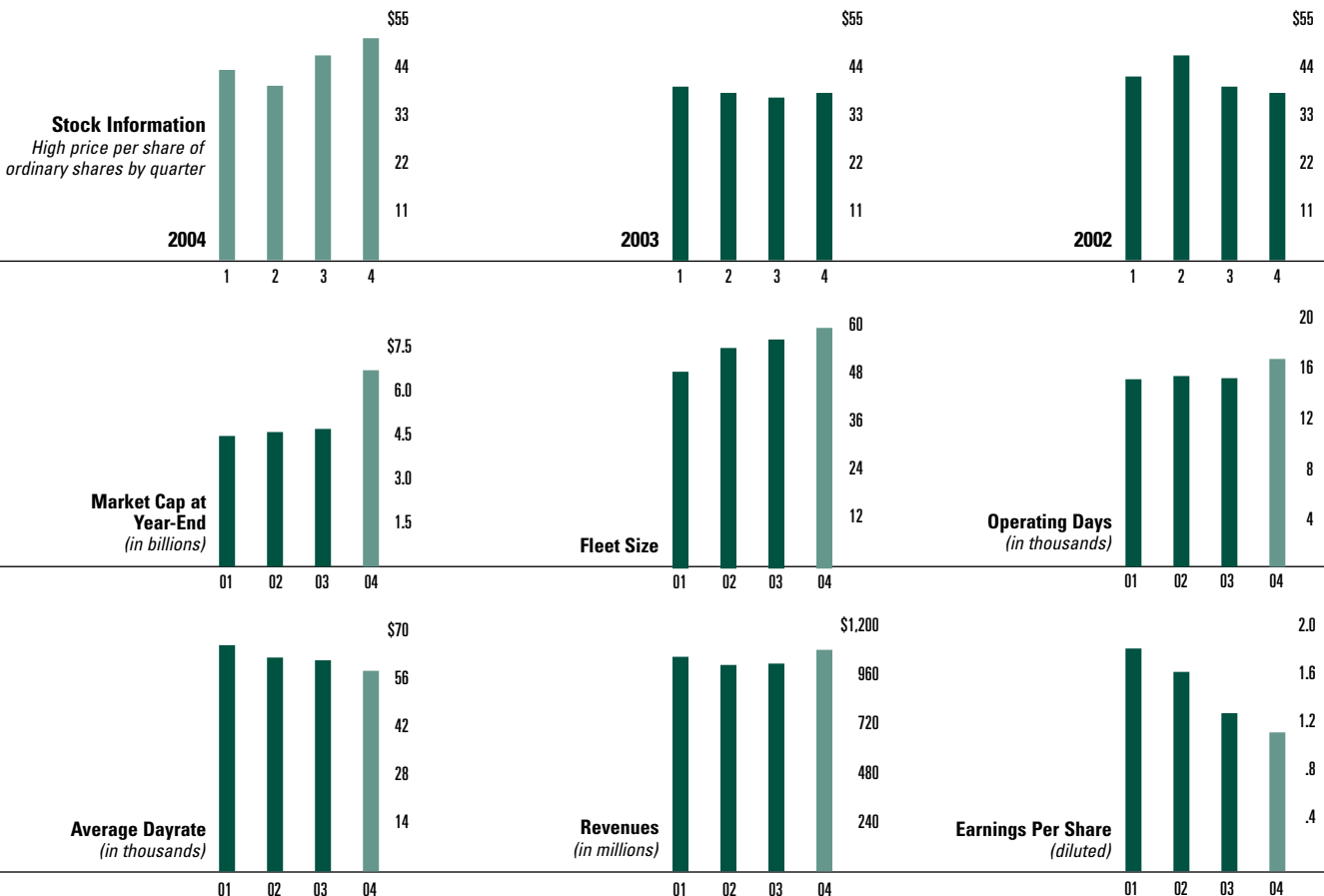
In closing, I want to thank our shareholders for their continued support and reiterate our continued commitment to being good stewards of your capital.



**James C. Day**  
 Chairman of the Board,  
 Chief Executive Officer and  
 President



*“While our industry will always face challenges, I am encouraged about the opportunities to continue to build on our past to greater shareholder value in the future.”*



### MIDDLE EAST/INDIA

Noble continued to expand our presence during 2004 in the Middle East, one of the world's premier geological regions for offshore drilling, with our operations in the Middle East, India and the Mediterranean growing to include 17 jack-up units. Reflecting higher activity, our employees worked more than 2.5 million hours in 2004, up 15% from 2003 and more than 60% from 2002.

The strong level of drilling activity in 2004 reflected in large part the drive to supply additional natural gas to new liquefied natural gas (LNG) plants in Qatar. We continued to experience growing demand for drilling services throughout the year in the region, with the *Noble Chuck Syring* commencing a contract with ConocoPhillips and QatarPetroleum for the Qatargas III project in November and the *Noble Gene House* being awarded a two-year contract beginning in January 2005 for Dolphin Energy Limited at Qatar's giant North Field.

Following an extensive upgrade and modification program to enhance its drilling capabilities, the *Noble Dick Favor* drilled three wells for ChevronTexaco and Petronas Carigali offshore Bahrain in 2004 and began a drilling project for Anadarko offshore Qatar in February 2005. Offshore Abu Dhabi, the *Noble Gas Androes'* contract with Total ABK was extended in December 2004 for another year.

In response to the strong market in the Middle East, Noble has aggressively pursued a strategy of purchasing premium jackup rigs and making capital investments to upgrade these units to meet the region's unique drilling challenges. We continued this value-adding strategy in 2004. The *Noble Cees van Diemen* commenced working for the RasGas joint venture offshore Qatar in September 2004 on a 880-day contract. Following modifications to extend its water depth rating to 300 feet, the *Noble David Tinsley* also began drilling for RasGas offshore

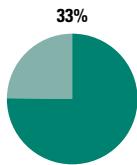
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# Positioned for growth

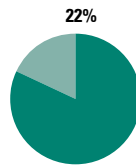
- **A highly competitive portfolio of premium drilling equipment that meets customers' requirements**
- **Strategy to acquire drilling assets and then enhance their capabilities**
- **Assure our assets are maintained and updated with the latest state-of-the-art technology to optimize performance**

## MIDDLE EAST/INDIA

Noble has an unparalleled track record of providing premium drilling equipment, technology and services to national oil companies and other producers in the Middle East and India since 1988. In the Arabian Gulf, we lead the offshore drilling industry with twice as many rigs as our closest international competitor. As of March 2005, 16 of Noble's 60 rigs—or 26 percent of our worldwide fleet—were working or preparing to work for customers in the Middle East, India and the Mediterranean. Our commitment to serving this strategic growth area is evidenced by Noble's continued investments in acquiring jackups rigs and upgrading these assets to meet the challenges of drilling some of the world's most complex and productive wells. In the past three years alone, we have purchased seven rigs to expand our services to customers in this region.



% OF RIG FLEET



% OF OPERATING REVENUE



Sharjah in February 2005 on a 500-day contract. And another recent acquisition—the *Noble Mark Burns*—is undergoing refurbishment and conversion, including modifications to increase its water depth capacity from 230 feet to 300 feet, installation of a 65-foot reach cantilever, a third mud pump and expanded living quarters. The rig is bidding on several opportunities in the Arabian Gulf.

Offshore India, we continue to provide drilling services to ONGC with two premium jackup rigs—the *Noble Ed Holt* and the *Noble Charlie Yester*—which are under contract until 2006. Opening a new market for Noble, in 2004 we commenced our first drilling operation in the Mediterranean Sea where the *Noble Carl Norberg* is working offshore Croatia for INAGIP under a contract through September 2005.

The outlook for 2005 appears promising for continued growth for our operations in the Middle East and India. Based on the current demand for drilling rigs, we expect to maintain our fleet of 14 rigs in the Arabian Gulf, primarily working on projects offshore Qatar and the United Arab Emirates. We will also seek additional opportunities in highly prospective areas offshore India.

## MEXICO

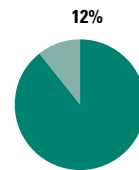
Noble's drilling operations in Mexico posted strong results in 2004, delivering a utilization rate of 100 percent. During 2004, we had eight premium jackup rigs working in the Bay of Campeche for Petroleos Mexicanos S.A. (Pemex).

Reflecting Noble's continued commitment to provide superior drilling equipment to our customers as well as maximize our assets' utilization, our team in Mexico completed several significant upgrades and maintenance programs on our fleet while continuing drilling operations, thus avoiding any downtime for our customers. On the *Noble Johnnie Hoffman* a new 60-foot crane was installed to enable the handling of larger coiled tubing units

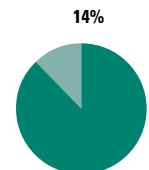


## MEXICO

Noble's operations in Mexico date to 1993, when we began drilling for Pemex with one rig. In 2005, we supply 80 percent of Pemex's requirements for premium, independent leg jackups. For more than a decade, we have worked continuously in close cooperation with Pemex to help develop the country's prolific offshore basins. Noble's premium equipment, technological expertise and experienced crews are well matched to provide drilling services in this region. Deeper waters in the Bay of Campeche reportedly hold potential for boosting Mexico's reserve base, which could meet the nation's increasing energy demand and support economic development. Noble's extensive experience in deepwater exploration and development worldwide has prepared us to continue serving Mexico on potential opportunities when they become available.



% OF RIG FLEET



% OF OPERATING REVENUE

and improve safety performance. A new top drive and traveling equipment were added to the *Noble John Sandifer* while the living quarters on the *Noble Gene Rosser* were expanded.

Looking ahead to 2005, we expect our level of activity to remain steady in Mexico with Noble rigs serving Pemex's development drilling and well workover requirements. As part of our ongoing efforts to maintain a superior rig fleet, underwater inspections will be conducted on six of our rigs working in Mexico during 2005. We also will pursue our program to continually upgrade our fleet's equipment, including adding a new 60-foot crane and third mud pump to the *Noble Lewis Dugger*.

## U.S. GULF OF MEXICO

In the U.S. Gulf of Mexico, our fleet posted higher results in 2004 as the area's utilization rate rose to 87 percent from 81 percent in 2003. We were particularly encouraged by improved demand in the second half of 2004 for our premium deepwater equipment, comprised of six semisubmersibles. A major highlight for the year was Shell Exploration & Production Company's commitment for a two-year contract for the *Noble Clyde Boudreaux*, an ultra-deepwater semisubmersible, capable of drilling in 10,000 feet of water. After completion of a significant upgrade project, the rig is slated to commence work in the third quarter of 2006.

The *Noble Therald Martin* began operations with a contract in the Gulf during 2004. The semisubmersible's debut also marked the first deployment of Noble's patented aluminum alloy drilling riser in the Gulf. This advanced technology enables an intermediate-sized asset to extend its drilling capacity to work in deeper waters without extensive capital investments. Customers benefit from more cost effective, efficient and safer drilling operations compared to conventional technology.

The outlook for 2005 is positive with strong demand for our rigs and improved dayrates. Currently, all 11



Noble rigs in the Gulf, including six semisubmersibles (excluding the *Noble Clyde Boudreaux*), two premium jack-ups and three submersibles, are working under contract.

## EUROPE

Noble's European operations, which include the U.K., Dutch and Danish sectors of the North Sea, achieved strong results in 2004, ending the year at 100 percent utilization.

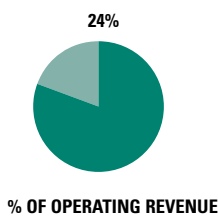
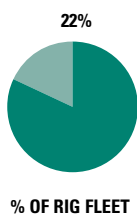
In 2004, we received three contracts for drilling and maintenance services on platform installations in the U.K. sector of the North Sea. For a prolific, but mature area such as the North Sea, these drilling and maintenance management contracts provide an attractive supplement to our contract drilling services (see accompanying story). During 2004, we also continued our focus on providing the best maintained, technologically-advanced and reliable fleet of drilling equipment to customers. The *Noble Ronald Hoop* underwent a three-month upgrade and maintenance project, including the rebuilding and recertifying of all major drilling equipment.

In 2004, Triton Engineering Services Company, a Noble subsidiary, and Noble were selected by CH4 Energy, a U.K. based independent operator, to provide project management services in the Dutch sector. Triton's full-range of services on this project included drilling engineering and well design, approval coordination and management of daily operations. Working in tandem with the Triton team, the *Noble Lynda Bossler* drilled and completed the well.

Our European operations are off to a positive start in 2005 with nine mobile rigs working in the Dutch, U.K. and Danish sectors. Demand for semisubmersibles in particular appears to be strengthening and the overall outlook is positive with improving utilization and dayrates.

## U.S. GULF OF MEXICO

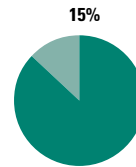
Throughout Noble's long history, the Company's industry-leading offshore technology and equipment have played a fundamental role in our growth. Our tradition for providing superior drilling services that matches our customers' challenges continues with the development of the *Noble Clyde Boudreaux*. The upgrading of the *Noble Clyde Boudreaux* utilizes the highly successful Noble EVA-4000™ operational design used on five of our moored semisubmersibles. Upon completion, the *Noble Clyde Boudreaux* will be capable of drilling 35,000 feet in water depths up to 10,000 feet with living accommodations for 200 people. The *Noble Clyde Boudreaux* team is scheduled to commence drilling for Shell in September 2006.



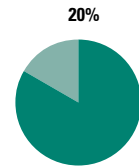


## EUROPE

For over 30 years, Noble has earned a well-deserved reputation for helping our customers in the U.K. North Sea increase their production platforms' operating efficiency in a cost-effective manner. Under drilling and maintenance services contracts, Noble provides experienced personnel who handle daily drilling operations, maintenance projects and other tasks on fixed platforms owned by the client. During 2004, Noble was awarded three drilling and maintenance services contracts for platforms in the U.K. sector. In April, we began a three-year contract to provide services to Apache Corporation's five platforms on its Forties Field, the first major oil discovery in the North Sea. In July, we commenced a five-year project for ChevronTexaco's Alba North Platform and in August, we launched a multi-year project for B.P.'s Clair Platform, west of the Shetlands.



% OF RIG FLEET



% OF OPERATING REVENUE

## WEST AFRICA

Noble's performance in West Africa during 2004 reflected a challenging market as drilling programs were delayed, however, by year end, we had all rigs working under contract and average dayrates improved, primarily driven by a resumption of exploration and development projects.

A major accomplishment for 2004 was an 18-month commitment from ExxonMobil for the *Noble Homer Ferrington* to work offshore Nigeria, marking our entry into the promising West Africa deepwater market. In preparation for its new contract, this Noble EVA-4000™ semisubmersible underwent an extensive value-adding upgrade, which included additional deck space for customer and third-party equipment, new well test pipeline and other measures to ensure improved operational safety, efficiency and competitiveness. The *Noble Homer Ferrington* began working on the ExxonMobil project in late November 2004.

In addition to the *Noble Homer Ferrington*, we also have six premium jackups working offshore Nigeria, five of which are on contract into 2006. The outlook for 2005 is encouraging as market conditions continue to reflect increased activity.

## BRAZIL

During 2004, Noble's operations offshore Brazil remained steady, while our disappointing utilization rate of 70 percent reflects shipyard time preparing the *Noble Roger Eason* for a new, long-term contract. Two of our dynamically positioned drillships, the *Noble Leo Segerius* and the *Noble Muravlenko*, as well as the Noble EVA-4000™ semisubmersible *Noble Paul Wolff* continued to work with our long-time customer Petroleo Brasileiro S.A. (Petrobras) on projects in the prolific Campos Basin.

A major achievement in 2004 was a substantial upgrade on the *Noble Roger Eason* to prepare this dynamically positioned drillship for a new 700-day contract that commenced in March 2005 for Petrobras. The upgrade included extending the drillship's water depth capability from 6,000 feet to 7,200 feet to better serve Petrobras' ultra-deepwater needs and place the rig at the top of its competitive matrix. During the upgrade, the *Noble Roger Eason* was equipped with Noble's lightweight aluminum alloy drilling riser, which not only enhanced the drillship's ability to operate in deeper waters without more costly and time-consuming modifications, but also provides maximum efficiency in completion and testing operations. The *Noble Leo Segerius* has successfully utilized Noble's proprietary aluminum alloy drilling riser since early 2003.

During 2005, we expect that our activity level will be essentially level with 2004. The *Noble Muravlenko* will commence a 547-day contract with Petrobras in March 2005 and, upon completion of its current contract in May 2005, the *Noble Paul Wolff* will begin a 912-day contract for Petrobras.

**CANADA**

Offshore the coast of Newfoundland in eastern Canada, Noble provides production drilling and related services to the Hibernia development project, which consists of a concrete gravity-based island. We operate and maintain two state-of-the-art platform drilling rigs on Hibernia under a contract with Hibernia Management and Development Company Ltd. During 2004, the two drilling rigs continued to deliver top performance with a 100% utilization rate.

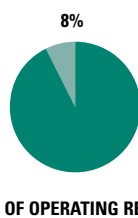
For over a decade, Noble has been continuously involved in the development of the Hibernia project with the construction and commissioning of the two drilling units. Since drilling operations commenced in 1997, we have drilled 52 wells there, including eight wells drilled or started in 2004. During 2005, we expect to drill an addi-

**WEST AFRICA**

*Noble enjoys a leading position in providing drilling services offshore Nigeria, where we have worked for nearly 15 years. Our diverse fleet of premium jackups and semisubmersible rigs has focused on meeting customers' needs in a wide range of water depths—from shallow waters to depths in excess of 5,000 feet. We have continued to focus on and maintain positive relationships with local companies and communities and we employ approximately 500 national workers and support local firms with numerous service contracts. As operators gear up to explore in deeper waters in the future, our regional knowledge, technical expertise and strong local relationships will position us as the contractor of choice for customers and communities.*



% OF RIG FLEET

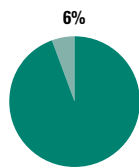


% OF OPERATING REVENUE

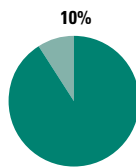


## BRAZIL

Wherever we operate, we provide world-class drilling services and equipment to tackle our customers' drilling needs. Since 1991, Noble has provided drilling services to Petrobras, which operates more deepwater wells than any other producer in the world. To help Petrobras meet the challenges of exploring for and developing hydrocarbons in deep waters, we have continuously upgraded our drilling equipment. We have invested in significant upgrade programs to extend our fleet's water depth capacity, install new or modified technologies, improve reliability, ensure safety and add advanced environmental protection systems. During 2005, two of our drillships that work for Petrobras—the Noble Roger Eason and the Noble Leo Segerius—are scheduled for extensive upgrades, including underwater inspections, steel replacement or refurbishment and other maintenance programs.



% OF RIG FLEET



% OF OPERATING REVENUE



tional eight wells and two work-over wells into the project's two reservoirs. We also will continue with several maintenance projects on the drilling units in 2005.

## TECHNOLOGY

Noble pursued its strategy in 2004 to develop and deliver proprietary drilling technologies and services through the Noble Technology Services Division. Noble Technology has refined its focus to research and development software, engineering and project management, and advanced drilling products that will add value to the Noble portfolio. We completed three research projects co-funded by the U.S. Department of Energy and industry participants in 2004. We also initiated two additional research projects related to high pressure/high temperature drilling challenges and advanced drilling diagnostics.

Noble's engineering team is committed to expanding the Company's lineup of proprietary aluminum alloy products, following the success of the aluminum alloy drilling riser, by developing the technology for other rig based equipment and production applications.

The Machinery Failure Monitoring project was completed up to the operational testing phase in 2004. This project, implemented on the *Noble Paul Romano*, is scheduled to be operational in the first half of 2005. Critical components on this semisubmersible, such as the top drive and mud pumps, have sensors attached to record and monitor the noise signature of critical components. The sensors can identify changes in the base signature to detect signs of possible early failure and, thereby, avoid costly downtime.

Noble Downhole Technology continues to make progress on the testing and commercialization for the Well Director® rotary steerable system. During 2004, 36 test runs were made at test facilities and on customer wells. These tests have resulted in design improvements to enhance the performance and reliability of the system. Testing is scheduled to continue through mid-2005, with a commercial launch anticipated for the second half of 2005.

Prototypes of the ExpressDrill™ second generation rotary steerable were delivered in 2004. Customer and vendor interest in these systems remains high and various alliance opportunities are being discussed.

The electronic automatic driller, OptiDrill™, was licensed to Nabors Industries, Inc. and 40 units were built by Nabors' subsidiary, Canrig, and installed on various land drilling rigs. In addition, Noble has successfully introduced the technology in the Gulf of Mexico and is introducing the system in Middle East on the *Noble Gus Androes*. Additional units are being planned for deployment to the Middle East.

Triton Engineering Services Company, Noble's drilling engineering and project management unit, commenced providing management and engineering services on international projects in the North Sea, India, Mexico and the Congo, as well as continuing management services in the Gulf of Mexico. These projects continue well into 2005 and Triton plans to expand into additional international markets with its reputation for delivering results and expertise in drilling project management.

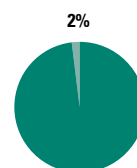
## PEOPLE, SAFETY, AND THE ENVIRONMENT

During 2004, Noble was again recognized for its outstanding H.S.E. program by being selected as the inaugural winner of the U.S. National Safety Council's Robert W. Campbell award, which recognizes global leadership in corporate excellence in health, safety and environmental performance (HSE). Sponsored by ExxonMobil, a leader in the oil and gas industry in its HSE efforts, this award identifies best safety practices that can be applied across any industry worldwide. The National Safety Council cited Noble for our overall HSE efforts, training and certification programs and continuous improvements efforts. As part of the award evaluation, an international panel of reviewers conducted an on-site visit of the *Noble Amos Runner*, an EVA-4000™ design semisubmersible drilling unit in the Gulf of Mexico.



## CANADA

Discovered in 1979, the Hibernia project represents the largest and most successful oil and gas field under development offshore eastern Canada. Noble's team of employees who work on Hibernia are proud to be part of this important project, which provides a significant portion of Canada's domestic production of conventional crude oil. In this difficult harsh environment, our highly-skilled workforce on Hibernia is well prepared to operate safely and efficiently on this world-class project.



% OF OPERATING REVENUE

# Accelerate Earnings

- **Track record of delivering the highest return on capital employed for the offshore drilling sector**
- **Focused on organically growing the asset base and, in turn, operating days**
- **Committed to leveraging the benefit of improving dayrates by focusing on cost containment**

Noble's commitment to economic, environmental and social excellence also was recognized by our inclusion in the prestigious Dow Jones Sustainability Index, which monitors results from over 300 companies in 24 countries that are industry-leaders in corporate sustainability. In 2004, Noble was selected as an industry component to this influential index, heightening our visibility among asset managers in the growing market for environmentally and socially responsible investments. The index's 2004 annual report gave Noble the top scores for economic, social and environmental results among our industry group.

Safety is a value at Noble and wherever we work, we place the utmost importance on protecting the health and safety of our fellow co-workers, customers and contract personnel with respect for our communities and the environment. Our employees' total dedication to delivering top safety, environmental and quality performance underpins all of our actions. We recognize that our ability to work safely, minimize our "footprint" on the environment and support local communities through employment, training and service contracts plays an integral role in our customers' selection of Noble to provide drilling services around the world.

For the 12th consecutive year, our employees delivered the best safety performance in the industry in 2004 with the lowest lost-time injury frequency, a significant benchmark for working safely. We continued to proactively improve our HSE and quality performance. We achieved ISO 14001 certification for all of our worldwide shore-base facilities and all eligible rigs. Noble was accepted into the U.S. Environmental Protection Agency's Climate Leaders Program, whose members are committed to reducing their greenhouse gas emissions. As the only drilling contractor in this program, we are actively testing monitoring systems on our drilling rigs to help reduce greenhouse gas emissions, improve operating efficiency and save energy. In 2004 the jackup *Noble Piet van Ede* set a record among North Sea mobile rigs by operating for seven years without a lost-time injury.

While many factors are integral in producing excellent results, none is more important than the integrity and

quality of our people. The talented men and women who work for our Company around the world provide us with a distinct advantage in the marketplace. We continually raise the bar higher while striving for best-in-class performance and every day our employees meet the challenge based on their dedication to Noble, commitment to the safety of their fellow employees, concern for the environment in which they work, pride in the work they do and the role they play within Noble.

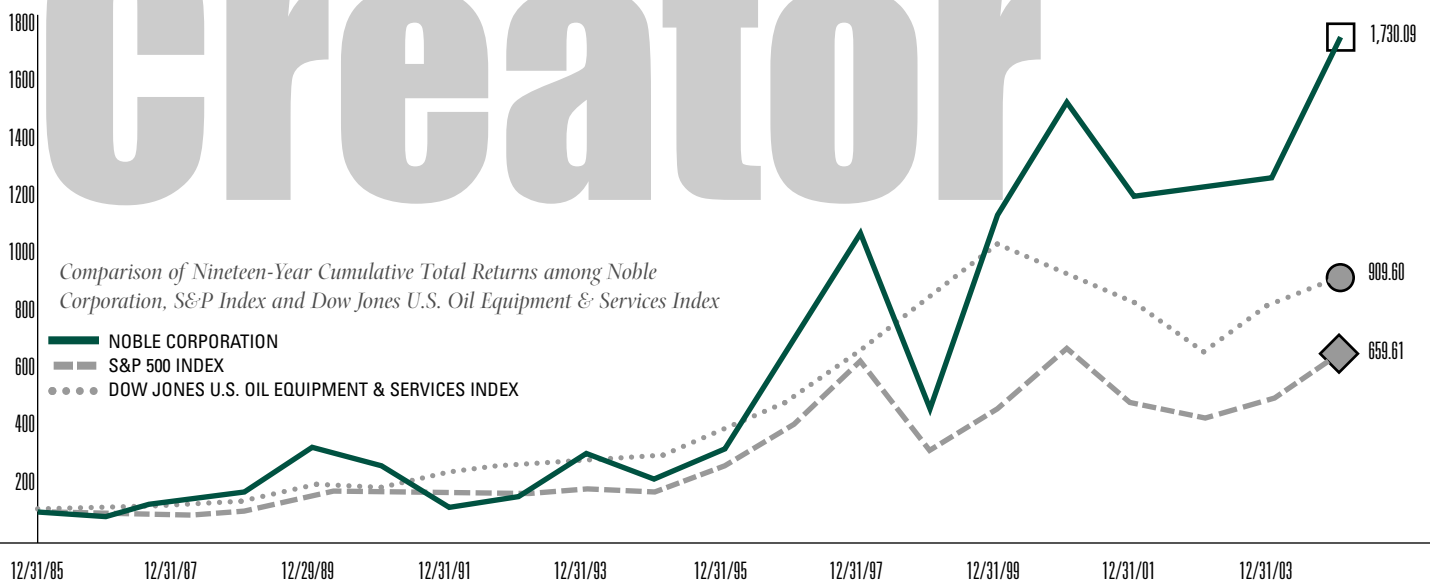
Our aggressive recruiting and training programs continue today in order to prepare for our future. In 2004, over 200 entry level field employees were introduced to Noble's rich history and culture through our Roustabout Training Program. Upon completion of this program, each employee understands Noble's core values, paradigms and policies as well as the operational, safety and environmental expectations of all employees. Each program graduate receives numerous certificates, indicating competency in various skill sets and areas of knowledge related to the offshore drilling industry. Our Safety Leadership Workshop program focuses on safety, environmental stewardship and leadership development. During 2004, over 900 employees worldwide participated in the workshops with emphasis on Noble's employee development programs and competency system. This will ensure Noble's hallmark of a well trained and competent workforce is sustained in the years ahead.

The Operations Management Development Program progresses program participants worldwide through a training pipeline designed to prepare them for the challenging environment of drilling industry management. Today, graduates of this program are an integral part of the Noble team, serving in prominent positions throughout our worldwide operations.

After our 2003 development of a Six Sigma program tailored to the offshore drilling industry, Noble continually identifies areas of opportunity for improving efficiency throughout our Company. In 2005, additional Six Sigma candidates will be selected and trained prior to assignment on a wide variety of projects focused on reinforcing our long heritage of continuous improvement.

# Value Creator

- **Strategically increased the rig fleet by 22 percent in the last three years**
- **Committed to using free cash flow to opportunistically repurchase corporate securities**
- **Introduced shareholder dividend on March 1, 2005**



Note: The index level for all index was set to \$100 on December 31, 1985. The company became a publicly held corporation in October 1985

## DRILLING FLEET

RIG NAME	RIG CLASS	TYPE	MUD PUMPS	ISO 14001	YEAR BUILT OR REBUILT	QUARTERS	WATER DEPTH RATING (FEET)	MAXIMUM DRILLING DEPTH (FEET)
<b>DOMESTIC RIGS</b>								
<b>GULF OF MEXICO JACKUPS</b>								
Noble Tom Jobe	MLT Class 82-SD-C	IC	3	•	1982	80	250	25,000
Noble Eddie Paul	MLT Class 84-E.R.C.	IC	3	•	1995 R	74	390	25,000
<b>GULF OF MEXICO SEMISUBMERSIBLES</b>								
Noble Paul Romano	Noble EVA-4000™	M	3	•	1998 R	106 <sup>(5)</sup>	6,000	30,000
Noble Jim Thompson	Noble EVA-4000™	M	4	•	1999 R	106 <sup>(5)</sup>	6,000	30,000
Noble Amos Runner	Noble EVA-4000™	M	3	•	1999 R	106 <sup>(5)</sup>	6,600	30,000
Noble Max Smith	Noble EVA-4000™	M	4	•	1999 R	106 <sup>(5)</sup>	6,000	30,000
Noble Clyde Boudreaux (3)	F&G 9500 Enhanced Pacesetter	M	5	•	2006 R	150	10,000	35,000
Noble Lorris Bouzigard	Pentagone 85	M	3	•	2003 R	120	4,000	25,000
Noble Therald Martin	Pentagone 85	M	3	•	2003 R	120	4,000	25,000
<b>GULF OF MEXICO SUBMERSIBLES</b>								
Noble Fri Rodli	Transworld	S	2	•	1998 R	56	70	25,000
Noble Joe Alford	Pace Marine 85	S	2	•	1997 R	58	85	25,000
Noble Lester Pettus	Pace Marine 85	S	2	•	1997 R	58	85	25,000
<b>INTERNATIONAL RIGS</b>								
<b>MEXICO JACKUPS</b>								
Noble Lewis Dugger	Levingston 111-C	IC	3 <sup>(1)</sup>	•	1997 R	88	300	20,000
Noble Gene Rosser	Levingston 111-C	IC	3	•	1996 R	84	300	20,000
Noble Sam Noble	Levingston 111-C	IC	3 <sup>(1)</sup>	•	1982	83	300	25,000
Noble John Sandifer	Levingston 111-C	IC	3 <sup>(1)</sup>	•	1995 R	80	300	20,000
Noble Johnnie Hoffman	Baker Marine BMC 300	IC	3 <sup>(1)</sup>	•	1993 R	99	300	25,000
Noble Bill Jennings	MLT 84-E.R.C.	IC	3	•	1997 R	90	390	25,000
Noble Leonard Jones	MLT 53-E.R.C.	IC	3	•	1998 R	92	390	25,000
Noble Earl Frederickson	MLT 84-SD-C	IC	3	•	1979	86	250	20,000
<b>BRAZIL SEMISUBMERSIBLE</b>								
Noble Paul Wolff	Noble EVA-4000™	DP	3	•	1999 R	107 <sup>(5)</sup>	8,900	30,000
<b>BRAZIL DRILLSHIPS</b>								
Noble Muravlenko	Gusto Engineering Pelican Class	DP	3	•	1997 R	116	4,800	21,000
Noble Leo Segerius	Gusto Engineering Pelican Class	DP	3	•	1996 R	115	5,900	20,000
Noble Roger Eason	Nedlloyd	DP	3	•	2005 R	122	7,200	25,000
<b>NORTH SEA JACKUPS</b>								
Noble Al White (H)	CFEM T-2005 C	IC	3	•	1997 R	80	360	25,000
Noble Byron Welliver (H)	CFEM T-2005 C	IC	3	•	1982	100	300	25,000
Noble Kolskaya (H)	Gusto Engineering-C	IC	3	•	1997 R	100	330	25,000
Noble George Sauvageau (H)	NAM Nedlloyd-C	IC	3	•	1981	80	250	35,000
Noble Ronald Hooppe (H)	Marine Structure CJ-46	IC	3	•	1982	80	250	25,000
Noble Piet van Ede (H)	Marine Structure CJ-46	IC	3	•	1982	80	250	25,000
Noble Lynda Bossler (H)	Marine Structure CJ-46	IC	3	•	1982	80	250	25,000
Noble Julie Robertson (H)	Baker Marine Europe Class	IC	3	•	2000 R	102	390	25,000



RIG NAME	RIG CLASS	TYPE	MUD PUMPS	ISO 14001	YEAR BUILT OR REBUILT	QUARTERS	WATER DEPTH RATING (FEET)	MAXIMUM DRILLING DEPTH (FEET)
<b>INTERNATIONAL RIGS - CONTINUED</b>								
<b>NORTH SEA SEMISUBMERSIBLE</b>								
Noble Ton van Langeveld (H)	Offshore Co. SCP III	M	3	•	2000 R	125	1,500	20,000
<b>WEST AFRICA JACKUPS</b>								
Noble Tommy Craighead	F&G L-780 Mod II	IC	3	•	2003 R	108	300	25,000
Noble Percy Johns	F&G L-780 Mod II	IC	3	•	1995 R	104	300	25,000
Noble Roy Butler	F&G L-780 Mod II	IC	3 <sup>(1)</sup>	•	1996 R	98	300	25,000
Noble Ed Noble	MLT Class 82-SD-C	IC	3	•	1990 R	104	250	20,000
Noble Lloyd Noble	MLT Class 82-SD-C	IC	3 <sup>(1)</sup>	•	1990 R	96	250	20,000
Noble Don Walker	Baker Marine BMC 150	IC	2	•	1992 R	94	150	20,000
<b>WEST AFRICA SEMISUBMERSIBLE</b>								
Noble Homer Ferrington	F&G 9500 Enhanced Pacesetter	M	4	•	2000 R	150	6,000	30,000
<b>ARABIAN GULF JACKUPS</b>								
Noble Kenneth Delaney	F&G L-780 Mod II	IC	3 <sup>(1)</sup>	•	1998 R	84	300	25,000
Noble George McLeod	F&G L-780 Mod II	IC	2	•	1995 R	84	300	25,000
Noble Jimmy Puckett	F&G L-780 Mod II	IC	3	•	2002 R	100	300	25,000
Noble Panon	Levingston 111-C	IC	2	•	2001 R	100	300	20,000
Noble Mark Burns	Levingston 111-C	IC	3 <sup>(1)</sup>	•	2005 R	160	300 <sup>(2)</sup>	25,000
Noble Gus Androes	Levingston 111-C	IC	3	•	1996 R	86	300	25,000
Noble Cees van Diemen	MODEC 300C	IC	3	•	2004 R	96	300	25,000
Noble Gene House	MODEC 300C-38	IC	3	•	2004 R	96	300	25,000
Noble David Tinsley	MODEC 300C	IC	3 <sup>(1)</sup>	•	2004 R	96	300 <sup>(2)</sup>	25,000
Noble Chuck Syring	MLT Class 82-C	IC	3	•	1996 R	90	250	20,000
Noble Charles Copeland	MLT Class 82-SD-C	IC	3	•	2001 R	86	280 <sup>(2)</sup>	20,000
Noble Roy Rhodes	MLT Class 116-C	IC	3 <sup>(1)</sup>	•	1979 R	90	300 <sup>(2)</sup>	25,000
DHABI II	Baker Marine BMC 150	IC	2	•	1981	88	150	20,000
Noble Dick Favor	Baker Marine BMC 150	IC	2	•	2004 R	120	150	20,000
<b>MEDITERRANEAN JACKUP</b>								
Noble Carl Norberg	MLT Class 82-C	IC	3	•	2003 R	90	250	20,000
<b>INDIA JACKUPS</b>								
Noble Ed Holt	Levingston 111-C	IC	2	•	1994 R	84	300	25,000
Noble Charlie Yester	MLT Class 116-C	IC	2	•	2003 R	90	300	25,000
<b>FAR EAST SEMISUBMERSIBLES</b>								
Noble Dave Beard <sup>(3)</sup>	F&G 9500 Enhanced	DP	5		1986	200	10,000	35,000
Noble Bingo 9003 <sup>(4)</sup>	Trosvik Bingo 9000	DP	6		1999	200	10,000	35,000
Noble Bingo 9004 <sup>(4)</sup>	Trosvik Bingo 9000	DP	6		1999	200	10,000	35,000

(DP) DYNAMIC POSITIONING, (H) HARSH ENVIRONMENT, (IC) INDEPENDENT LEG CANTILEVER, (IS) INDEPENDENT LEG SLOT, (M) MOORED, (S) SUBMERSIBLE

(1) THIRD PUMP SCHEDULED FOR INSTALLATION IN 2005

(4) NEW BUILD

(2) LEG LENGTH INCREASE SCHEDULED

(5) QUARTERS TO BE EXPANDED TO 200

(3) SCHEDULED FOR UPGRADE



*Noble Gene Rosser*



*Noble Gus Androes*



*Noble Piet van Ede*

## **CHAIRMAN'S AWARD**

Rigs that best exemplify the qualities, values and performance that are meaningful within Noble are recognized with the Chairman's Award. To be considered for a Chairman's Award, a drilling unit must demonstrate superior achievements in daily operations and health, safety and environmental performance. Winners of the Chairman's Award in 2004 were as follows:

### **WESTERN HEMISPHERE**

### **EASTERN HEMISPHERE**

#### **CHAIRMAN'S AWARD**

*Noble Gene Rosser*

*Noble Gus Androes (tie)*

*Noble Piet van Ede (tie)*

#### **FIRST RUNNER UP**

*Noble Tom Jobe*

*Noble Tommy Craighead*

#### **HONORABLE MENTION**

*Noble Jim Thompson (tie)*

*Noble Chuck Syring*

*Noble Eddie Paul (tie)*

This marks the third year that the *Noble Piet van Ede* has received the Chairman's award in the Eastern Hemisphere. Departing from standard practice we decided to award a tie by also recognizing the exemplary performance of the *Noble Gus Androes*. Working in the Dutch sector of the North Sea, the *Noble Piet van Ede* worked 2,571 days without an LTI and 2,051 days without a recordable as of December 31, 2004. The unit worked with 100% utilization in 2004 with zero downtime. Additionally, it was awarded the IADC Merit Award for working over six years without an LTI. Working in the Arabian Gulf offshore Abu Dhabi the *Noble Gus Androes* has worked 1,671 days without an LTI and 964 days without a recordable incident. Certified this year to ISO 14001 the unit has also worked with minimal downtime and zero employee turnover. In the Western Hemisphere, the *Noble Gene Rosser* worked 2,820 days without an LTI and 2,288 days without a recordable as of December 31, 2004. Located in the Mexican sector of the Gulf of Mexico the unit achieved ISO 14001 certification and implemented many improvement projects without incident or significant downtime.

Congratulations to the respective division management and offshore teams on this achievement.

## MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Noble's ordinary shares are listed and traded on the New York Stock Exchange under the symbol "NE". The following table sets forth for the periods indicated the high and low sales prices of our ordinary shares:

	High	Low
<b>2004</b>		
First quarter	\$ 42.91	\$ 35.00
Second quarter	39.69	33.53
Third quarter	46.50	35.32
Fourth quarter	50.54	42.77
<b>2003</b>		
First quarter	\$ 38.40	\$ 31.18
Second quarter	37.80	30.46
Third quarter	36.61	31.37
Fourth quarter	37.46	32.75

As previously reported on Form 8-K, in October 2004, Noble's board of directors took action to modify our then existing dividend policy and institute a new policy in the first quarter of 2005 for the payment of a quarterly cash dividend. On February 4, 2005, Noble's board of directors declared a quarterly cash dividend of \$0.02 per ordinary share. This dividend was paid on March 1, 2005 to members (shareholders) of record on February 16, 2005. Prior thereto, the Company had not paid cash dividends on its equity securities since becoming a publicly held corporation in October 1985. The declaration and payment of dividends in the future are at the discretion of Noble's board of directors and the amount thereof will depend on the Company's results of operations, financial condition, cash requirements, future business prospects, contractual restrictions and other factors deemed relevant by Noble's board of directors.

At March 3, 2005, there were 1,467 record holders of ordinary shares.

## CORPORATE GOVERNANCE CERTIFICATIONS

In accordance with Section 303A.12(a) of the New York Stock Exchange Listed Company Manual, as the Chief Executive Officer of Noble Corporation, James C. Day submitted his unqualified annual CEO certification dated April 30, 2004 to the New York Stock Exchange certifying that he was not aware of any violation by the Company of NYSE's Corporate Governance listings standards.

In addition, Mr. Day and Mark A. Jackson, as Noble Corporation's Chief Financial Officer, have filed with the U.S. Securities and Exchange Commission their respective certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and applicable SEC rules and regulations regarding the quality of the Company's public disclosure. These Section 302 certifications are filed as exhibits to the Company's 2004 Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission.

## DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This annual report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts included in this annual report, including, without limitation, statements contained in “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, regarding our financial position, business strategy, plans and objectives of management for future operations, industry conditions, and indebtedness covenant compliance, are 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 have been correct. We have identified factors that could cause actual plans or results to differ materially from those included in any forward-looking statements. These factors include, but are not limited to, the following:

- volatility in crude oil and natural gas prices;
- changes in our customers' drilling programs or budgets due to their own internal corporate events, changes in the markets and prices for oil and gas, or shifts in the relative strengths of various geographic drilling markets brought on by things such as a general economic slowdown, or regional or worldwide recession, any of which could result in deterioration in demand for our drilling services;
- our inability to execute any of our business strategies;
- cost overruns or delays in shipyard repair, maintenance, conversion or upgrade projects;
- changes in tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof, including taxing authorities not agreeing with our assessment of the effects of such laws, treaties and regulations;
- cancellation by our customers of drilling contracts or letter agreements or letters of intent for drilling contracts or their exercise of early termination provisions generally found in our drilling contracts;
- intense competition in the drilling industry;
- changes in the rate of economic growth in the U.S. or in other major international economies;
- political and economic conditions in markets where we from time to time operate;
- adverse weather (such as hurricanes and monsoons) and seas;
- operational risks (such as blowouts, fires and loss of production);
- changes in oil and gas drilling technology or in our competitors’ drilling rig fleets that could make our drilling rigs less competitive or require major capital investment to keep them competitive;
- costs and effects of unanticipated legal and administrative proceedings;
- limitations on our insurance coverage or our inability to obtain or maintain insurance coverage at rates and with deductible amounts that we believe are commercially reasonable;
- the discovery of significant additional oil and/or gas reserves or the construction of significant oil and/or gas delivery or storage systems that impact regional or worldwide energy markets;
- requirements and potential liability imposed by governmental regulation of the drilling industry (including environmental regulation);
- acts of war or terrorism;
- significant changes in trade, monetary or fiscal policies worldwide, including changes in interest rates; and
- currency fluctuations between the U.S. dollar and other currencies.

All of the foregoing risks and uncertainties are beyond our ability to control, 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. When used in this annual report, the words “believes”, “anticipates”, “expects”, “plans” and similar expressions as they relate to the Company or its management are intended to identify forward-looking statements.

## SELECTED FINANCIAL DATA

(In thousands, except per share amounts)

Year Ended December 31,

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
<b>Statement of Income Data</b>					
Operating revenues	<b>\$ 1,066,231</b>	\$ 987,380	\$ 990,248	\$ 1,029,760	\$ 898,224
Net income	<b>146,086</b>	166,416	209,503	262,922	165,554
Per share:					
Basic	<b>\$ 1.10</b>	\$ 1.26	\$ 1.58	\$ 1.98	\$ 1.24
Diluted	<b>1.09</b>	1.25	1.57	1.96	1.22
<b>Balance Sheet Data (at end of period)</b>					
Cash and marketable securities <sup>(1)</sup>	<b>\$ 191,578</b>	\$ 237,843	\$ 265,466	\$ 278,306	\$ 173,235
Property and equipment, net	<b>2,743,620</b>	2,625,866	2,471,043	2,149,217	2,095,129
Total assets	<b>3,307,973</b>	3,189,633	3,065,714	2,750,740	2,595,531
Long-term debt	<b>503,288</b>	541,907	589,562	550,131	650,291
Total debt <sup>(2)</sup>	<b>511,649</b>	589,573	670,139	605,561	699,642
Shareholders' equity	<b>2,384,434</b>	2,178,425	1,989,210	1,778,319	1,576,719
<b>Other Data</b>					
Net cash provided by operating activities	<b>\$ 332,221</b>	\$ 365,308	\$ 445,364	\$ 451,046	\$ 330,736
Acquisitions and related capital upgrades	<b>110,548</b>	194,400	356,854	50,440	58,993
Other capital expenditures	<b>150,493</b>	112,734	121,500	89,426	66,206

(1) Consists of Cash and cash equivalents and Investments in marketable securities as reported on our consolidated balance sheets.

(2) Consists of long-term debt and current maturities of long-term debt.

## 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 as of December 31, 2004 and 2003, and our results of operations for each of the three years in the period ended December 31, 2004. You should read the accompanying consolidated financial statements and their notes in conjunction with this discussion.

### EXECUTIVE OVERVIEW

Demand for drilling services depends on a variety of economic and political factors, including worldwide demand for oil and gas, the ability of OPEC to set and maintain production levels and pricing, the level of production of non-OPEC countries and the policies of the various governments regarding exploration and development of their oil and gas reserves.

Our results of operations depend on the levels of activity in offshore oil and gas exploration, development and production in markets worldwide. Historically, oil and gas prices and market expectations of potential changes in these prices have significantly affected that level of activity. Generally speaking, higher oil and natural gas prices or our customers' expectations of higher prices result in a greater demand for our services. These prices are extremely volatile. Despite favorable oil prices in 2004, drilling activity in certain international markets, which are influenced more by oil prices than natural gas prices, was generally weaker in 2004 as compared to 2003 and 2002. We believe that operators in these international markets have been reluctant to increase drilling activity due to the uncertainty surrounding the worldwide economy, the political unrest in the Middle East (including the military action in Iraq), Nigeria and Venezuela, and difficulties in obtaining funding from government-affiliated oil companies. However, drilling activity in the North Sea and West Africa began to improve in the latter part of 2004, while remaining strong in other international markets in which we operate, including the Middle East, Mexico and Brazil.

Natural gas prices during 2004 averaged \$6.13 per thousand cubic feet (source: average Henry Hub closing bidweek price). Although natural gas prices in 2004 were 12 percent higher than 2003, and significantly higher than historical prices, operators generally did not significantly increase drilling activities in the U.S. Gulf of Mexico in water depths applicable to jackups and submersibles until the second half of 2004 due principally to a lack of economically viable drilling prospects and uncertainty surrounding the worldwide economy. Drilling activity levels in water depths applicable to semisubmersibles also began to improve during the second half of 2004.

We cannot predict the future level of demand for our drilling services or future conditions in the offshore contract drilling industry. Decreases in the level of demand for our drilling services have an adverse effect on our results of operations.

In recent years, we have focused on increasing the number of rigs in our fleet capable of ultra-deepwater offshore drilling. We have incorporated this focus into our broader, long-standing business strategy to actively expand our international and offshore deepwater capabilities through acquisitions, rig upgrades and modifications and to deploy assets in important geological areas. We have also increased the number of jackups in key international markets. Since the beginning of 2000, we have mobilized nine jackup rigs and one semisubmersible from the U.S. Gulf of Mexico to international markets. We have also added nine jackups to our international fleet through rig acquisitions during this same period. In addition, we have added two deepwater semisubmersibles to our fleet and have acquired two additional semisubmersible baredeck hulls since the beginning of 2000.

## RESULTS OF OPERATIONS

### 2004 Compared to 2003

#### General

Net income for 2004 was \$146,086,000, or \$1.09 per diluted share, on operating revenues of \$1,066,231,000, compared to net income of \$166,416,000, or \$1.25 per diluted share, on operating revenues of \$987,380,000 for 2003.

The following table sets forth operating revenues and operating costs and expenses for each of our reportable segments (for additional information regarding our reportable segments, see Note 16 of our accompanying consolidated financial statements) for the periods indicated:

(In thousands)	International Contract Drilling Services	Domestic Contract Drilling Services	Engineering & Consulting Services	Other	Total
<b>2004</b>					
<b>Operating Revenues:</b>					
Contract drilling services	\$ 697,858	\$ 239,556	\$ -	\$ -	\$ 937,414
Reimbursables	19,720	13,777	7,557	9,180	50,234
Labor contract drilling services	-	-	-	51,327	51,327
Engineering, consulting and other	2,834	1,694	13,935	8,793	27,256
	<u>\$ 720,412</u>	<u>\$ 255,027</u>	<u>\$ 21,492</u>	<u>\$ 69,300</u>	<u>\$ 1,066,231</u>
<b>Operating Costs and Expenses:</b>					
Contract drilling services	\$ 436,895	\$ 125,613	\$ -	\$ -	\$ 562,508
Reimbursables	15,184	13,100	7,509	8,817	44,610
Labor contract drilling services	-	-	-	42,669	42,669
Engineering, consulting and other	(2,250)	620	20,034	8,935	27,339
Depreciation	119,608	44,566	589	3,456	168,219
Selling, general and administrative	22,340	8,602	1,113	1,659	33,714
	<u>\$ 591,777</u>	<u>\$ 192,501</u>	<u>\$ 29,245</u>	<u>\$ 65,536</u>	<u>\$ 879,059</u>
<b>2003</b>					
<b>Operating Revenues:</b>					
Contract drilling services	\$ 646,949	\$ 242,654	\$ -	\$ -	\$ 889,603
Reimbursables	15,234	10,350	13,887	4,743	44,214
Labor contract drilling services	-	-	-	28,492	28,492
Engineering, consulting and other	1,138	9,374	9,658	4,901	25,071
	<u>\$ 663,321</u>	<u>\$ 262,378</u>	<u>\$ 23,545</u>	<u>\$ 38,136</u>	<u>\$ 987,380</u>
<b>Operating Costs and Expenses:</b>					
Contract drilling services	\$ 380,029	\$ 125,009	\$ -	\$ -	\$ 505,038
Reimbursables	11,135	9,722	13,606	4,561	39,024
Labor contract drilling services	-	-	-	22,642	22,642
Engineering, consulting and other	(614)	3,012	21,270	4,581	28,249
Depreciation	97,584	46,473	610	3,460	148,127
Selling, general and administrative	15,839	8,527	1,235	1,033	26,634
Gain on sale of property and equipment	-	(3,472)	-	-	(3,472)
	<u>\$ 503,973</u>	<u>\$ 189,271</u>	<u>\$ 36,721</u>	<u>\$ 36,277</u>	<u>\$ 766,242</u>

*Rig Utilization, Operating Days and Average Dayrates*

The following table sets forth the average rig utilization, operating days and average dayrates for our rig fleet for 2004 and 2003:

	Average Rig Utilization <sup>(1)</sup>		Operating Days <sup>(2)</sup>		Average Dayrate	
	2004	2003	2004	2003	2004	2003
International <sup>(3)</sup> :						
Jackups	87%	82%	11,332	9,620	\$ 50,325	\$ 51,614
Semisubmersibles - >6,000 <sup>(4)</sup>	72%	100%	397	365	\$ 144,018	\$ 149,217
Semisubmersibles - <6,000 <sup>(5)</sup>	100%	95%	366	347	\$ 49,877	\$ 44,131
Drillships	60%	98%	659	1,071	\$ 79,134	\$ 75,296
Total International	85%	84%	12,754	11,403	\$ 54,717	\$ 56,735
Domestic <sup>(6)</sup> :						
Jackups	97%	91%	713	1,144	\$ 45,785	\$ 30,271
Semisubmersibles - >6,000 <sup>(4)</sup>	97%	87%	1,612	1,580	\$ 103,210	\$ 120,784
Semisubmersibles - <6,000 <sup>(5)</sup>	43%	29%	313	107	\$ 44,144	\$ 45,025
Submersibles	94%	77%	1,034	613	\$ 25,840	\$ 20,188
Total Domestic	87%	81%	3,672	3,444	\$ 65,239	\$ 70,457

- (1) Information reflects our policy of reporting on the basis of the number of actively marketed rigs in our fleet. Percentages reflect the results of rigs only during the period in which they are owned or operated by us.
- (2) Information reflects the number of days that our rigs were operating under contractual terms.
- (3) "International" encompasses contract drilling services conducted in the Middle East, Mexico, the North Sea, Brazil, West Africa, India and the Mediterranean Sea.
- (4) These units have water depth ratings of 6,000 feet or greater depending on the unit.
- (5) These units have water depth ratings less than 6,000 feet.
- (6) "Domestic" encompasses contract drilling services conducted in the U.S. Gulf of Mexico.

*International Contract Drilling Services*

The following table sets forth the operating revenues and the operating costs and expenses for our international contract drilling services segment for 2004 and 2003:

(In thousands)	Operating Revenues		Operating Costs and Expenses	
	2004	2003	2004	2003
Contract drilling services	\$ 697,858	\$ 646,949	\$ 436,895	\$ 380,029
Reimbursables <sup>(1)</sup>	19,720	15,234	15,184	11,135
Labor contract drilling services	-	-	-	-
Engineering, consulting and other	2,834	1,138	(2,250)	(614)
Depreciation	N/A	N/A	119,608	97,584
Selling, general and administrative	N/A	N/A	22,340	15,839
Total	\$ 720,412	\$ 663,321	\$ 591,777	\$ 503,973

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

*Operating Revenues.* International contract drilling services revenues increased \$50,909,000 as additional operating days in our Middle East, Mexico and West Africa divisions were partially offset by weaker market conditions in the North Sea, and a shipyard project on the *Noble Roger Eason* drillship in Brazil. We had 1,392 additional operating days in our Middle East division due primarily to the acquisition of the *Noble Gene House*, *Noble Charlie Yester* and *Noble Cees van Diemen* premium jackups in July 2003, September 2003, and July 2004, respectively, the mobilization of the *Noble Carl Norberg* premium jackup to the Mediterranean Sea from the U.S. Gulf of Mexico in December 2003, and additional operating days on the *Noble Dick Favor*. The additional operating days in our Middle East division resulted in additional revenues of approximately \$68,000,000. In Mexico, we experienced an additional 373 operating days due to the mobilization of three premium jackups from the U.S. Gulf of Mexico since the beginning of 2003 for long-term contracts with Pemex, which resulted in additional international contract drilling services revenues of approximately \$19,000,000. An increase in activity in West Africa over the latter part of 2004 resulted in an additional 256 operating days on our jackups in the region as compared to 2003. In addition, we transferred the *Noble Homer Ferrington*



semisubmersible to our West Africa division in July 2004 from the U.S. Gulf of Mexico for a two-year contract that commenced in November 2004. The additional operating days in West Africa resulted in additional revenues of approximately \$13,000,000. The generally weaker market conditions in the North Sea resulted in lower utilization and average dayrates in 2004 for this region. Utilization in the North Sea during 2004 decreased to 91 percent from 97 percent in 2003, while our average dayrate decreased 10 percent to \$52,090. The weaker market conditions in the North Sea and the shipyard project on the *Noble Roger Eason* decreased revenues by approximately \$28,000,000 and \$21,000,000, respectively. The increase in engineering, consulting and other revenue of \$1,696,000 was attributable primarily to an equipment inspection fee earned on a per day basis by the *Noble Homer Ferrington* as part of the rig's preparations for its long-term contract in Nigeria.

Since September 2002, we have mobilized a total of seven jackups from the U.S. Gulf of Mexico to Mexico for long-term contracts with Petroleos Mexicanos ("Pemex"), including three since the beginning of 2003. The mobilization of these jackup rigs was pursuant to our long-standing business strategy of deploying our assets in important geological regions. We believe the long-term financial returns for our jackup rigs will be higher in international regions due to relatively fewer quality drilling prospects in the U.S. Gulf of Mexico at water depths applicable to these units. As a result, we made the strategic decision to mobilize these units to Mexico for long-term contracts. Following the completion of its contract in early January 2005, we mobilized the *Noble Lewis Dugger* from Mexico to the U.S. Gulf of Mexico for upgrades and refurbishments. Following this shipyard work, we plan to mobilize the rig back to Mexico if successful on a recent bid to Pemex for a one-year contract that is expected to commence in May 2005.

Nigeria traditionally has had the largest concentration of drilling rigs in West Africa. Demand in Nigeria began to decline in the latter part of 2002 due to political unrest attributable to elections and strikes. Although this unrest declined towards the end of 2003, demand did not improve as our customers were in the process of obtaining approval for projects from the government-affiliated oil companies. Due to geology which is favorable for offshore exploration and production, we believe the prospects for drilling activity in West Africa are good and that our operations in the region will provide financial returns over time which are comparable to other key international regions, and as a result, we have kept our six jackups in this market. Utilization on our six jackups in West Africa improved during 2004, especially over the second half of the year. By the middle of the fourth quarter of 2004, all six of our jackups were under contract, with five contracted through 2005. In November 2004, the *Noble Homer Ferrington* semisubmersible commenced a two-year contract with ExxonMobil in Nigeria. This unit previously operated in the U.S. Gulf of Mexico. We believe that the long-term contracts initiated during 2004 for our jackups and the *Noble Homer Ferrington* semisubmersible support our favorable outlook for this region.

We believe that the weaker market conditions in the North Sea during 2004 were attributable to the gradual maturing of the North Sea basin. We also believe that improvement in dayrates in this region will be driven by the independent operators, who historically have been more aggressive than major oil and gas companies in developing smaller reserve targets. Market conditions in the North Sea improved during the second half of 2004, as the supply and demand of rigs in the region came closer into balance. All of our units in the region are currently operating and dayrates have continued to strengthen on recent contracts. In Brazil, the *Noble Roger Eason* drillship was in the shipyard for all of 2004. We performed regulatory maintenance and upgrades to the unit, including water depth increase to 7,200 feet, which we recently completed. The unit has a 700-day contract with Petrobras at a dayrate of \$96,250, plus the opportunity for a performance bonus, which we anticipate will commence in March 2005.

*Operating Costs and Expenses.* International contract drilling services expenses increased \$56,866,000 due to the additional operating days in our Middle East, Mexico and West Africa divisions following the acquisition of five international jackups since July 2003, the mobilization of four premium jackups out of the U.S. Gulf of Mexico to international locations since the beginning of 2003, and the transfer of the *Noble Homer Ferrington* semisubmersible to our West Africa division in July 2004 for a contract that commenced in November 2004. In addition, we performed maintenance projects on our three drillships in Brazil, including the *Noble Roger Eason* upgrade project that we recently completed, and we experienced higher labor costs in all our international regions. Approximately two-thirds of the increase in our international contract drilling services expenses was attributable to the additional operating days. Engineering, consulting and other expenses in our international contract drilling services segment decreased \$1,636,000 due to a lower minority interest amount related to our *Noble Muravlenko* drillship. The *Noble Muravlenko*, in which we own an 82 percent interest, incurred additional downtime in 2004, as well as the rig's drydocking in late July 2004, resulting in a reduced minority interest amount. Depreciation expense increased \$22,024,000 due to the rig acquisitions, mobilization of jackup rigs to international locations, and transfer of the *Noble Homer Ferrington* to our West Africa division discussed above. See the discussion below under "Other Items" regarding selling, general and administrative expenses.

### Domestic Contract Drilling Services

The following table sets forth the operating revenues and the operating costs and expenses for our domestic contract drilling services segment for 2004 and 2003:

(In thousands)	Operating Revenues		Operating Costs and Expenses	
	2004	2003	2004	2003
Contract drilling services	\$ 239,556	\$ 242,654	\$ 125,613	\$ 125,009
Reimbursables <sup>(1)</sup>	13,777	10,350	13,100	9,722
Labor contract drilling services	-	-	-	-
Engineering, consulting and other	1,694	9,374	620	3,012
Depreciation	N/A	N/A	44,566	46,473
Selling, general and administrative	N/A	N/A	8,602	8,527
Gain on sale of property and equipment	N/A	N/A	-	(3,472)
Total	\$ 255,027	\$ 262,378	\$ 192,501	\$ 189,271

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

*Operating Revenues.* Domestic contract drilling services revenues decreased \$3,098,000 due to a lower average dayrate on our semisubmersibles and fewer operating days on our jackups following the mobilization of four premium jackups out of the U.S. Gulf of Mexico to international locations since the beginning of 2003. These items were mostly offset by a higher average dayrate on our jackups, higher utilization and average dayrates on our submersibles, and additional operating days on our semisubmersibles. Market conditions for jackups and submersibles in the U.S. Gulf of Mexico improved during 2004 as the supply of such rigs has come closer into balance with demand following the industry's mobilization of jackup rigs out of this region for international opportunities and a moderate increase in demand. Utilization of our submersibles increased to 94 percent from 77 percent in 2003, while the average dayrate on these units increased 28 percent to \$25,840. Our submersibles contributed additional revenues of \$14,000,000 in 2004. Likewise, the average dayrate on our jackup rigs increased 51 percent, although the impact on our domestic contract drilling services revenues was mostly offset by 431 fewer operating days due to the mobilization of the three premium jackups to Mexico for long-term contracts with Pemex and the mobilization of another premium jackup to the Mediterranean Sea during 2003. The *Noble Homer Ferrington* was transferred to our West Africa division in July 2004 and began preparations for a two-year contract in Nigeria. The average dayrate on our semisubmersibles with water depth ratings of 6,000 feet or greater decreased 15 percent, which reduced revenues by approximately \$28,000,000, due to certain units operating on the spot-rate market with lower average dayrates than those earned while under previous long-term contracts. However, additional operating days on our semisubmersibles, primarily the *Noble Lorris Bouzigard* and *Noble Therald Martin*, resulted in additional revenues of approximately \$13,000,000. The decrease in engineering, consulting and other revenues of \$7,680,000 was attributable to the sale of our interest in certain deepwater oil and gas properties during the fourth quarter of 2003.

The demand for semisubmersibles in the U.S. Gulf of Mexico began to improve during the latter part of 2004, with significant dayrate increases and longer terms on contracts for these units as compared to earlier in the year. This improvement has been the result of increased demand for deepwater semisubmersibles due to operators' increased exploration spending and upcoming development projects in the region. The supply of these units is currently short of projected demand for the next two to three years as operators look to obtain the rig capacity necessary to meet their long-term exploration and development plans. In December 2004, we received a commitment from Shell Exploration & Production Company for a two-year contract on the *Noble Clyde Boudreaux*, an ultra-deepwater semisubmersible that upon completion of its upgrade will be capable of drilling in water depths of 10,000 feet. This upgrade is expected to be completed and the unit to commence operations in the third quarter of 2006. In addition to the *Noble Clyde Boudreaux*, we have three ultra-deepwater hulls in inventory, ready for upgrade. Notwithstanding the recent improvement in both the deepwater and shallow water markets in the U.S. Gulf of Mexico, the mobilization of the *Noble Homer Ferrington* semisubmersible and four premium jackups from the U.S. Gulf of Mexico to international locations was pursuant to our long-standing business strategy of deploying our assets in important geological regions as described earlier.

*Operating Costs and Expenses.* Domestic contract drilling services expenses increased \$604,000 due to a \$9,000,000 pre-tax charge related to costs incurred in 2004 to repair damage to three of our semisubmersibles in the U.S. Gulf of Mexico as a result of Hurricane Ivan. Excluding this charge, domestic contract drilling services expenses decreased \$8,396,000 due to the mobilization of four jackup rigs from the U.S. Gulf of Mexico to international locations and the transfer of the *Noble Homer Ferrington* semisubmersible to our West Africa division, partially offset by increased costs attributable to the activation of the *Noble Lorris Bouzigard* and *Noble Therald Martin* semisubmersibles, which were placed into service in March 2003 and November 2003, respectively. The mobilization of the four jackup rigs and transfer of the *Noble Homer Ferrington* semisubmersible to international locations reduced domestic contract drilling expenses by approximately \$16,000,000, whereas the activation of the *Noble Lorris Bouzigard* and *Noble Therald Martin* increased contract drilling expenses by approximately \$8,000,000. The lower engineering, consulting and other expenses of \$2,392,000 were due to the sale of our interests in certain deepwater oil and gas properties during the fourth quarter of 2003. Depreciation expense decreased \$1,907,000 due to the mobilization of four premium jackups out of the U.S. Gulf of Mexico and transfer of the *Noble Homer Ferrington* to our West Africa division, which reduced depreciation expense by

approximately \$7,000,000, partially offset by additional depreciation of approximately \$5,000,000 attributable to the activation of the Noble Lorris Bouzigard and Noble Therald Martin semisubmersibles. See the discussion below under “Other Items” regarding selling, general and administrative expenses.

#### *Engineering and Consulting Services*

The following table sets forth the operating revenues and the operating costs and expenses for our engineering and consulting services segment for 2004 and 2003:

(In thousands)	Operating Revenues		Operating Costs and Expenses	
	2004	2003	2004	2003
	Contract drilling services	\$ -	\$ -	\$ -
Reimbursables <sup>(1)</sup>	<b>7,557</b>	13,887	<b>7,509</b>	13,606
Labor contract drilling services	-	-	-	-
Engineering, consulting and other	<b>13,935</b>	9,658	<b>20,034</b>	21,270
Depreciation	<b>N/A</b>	N/A	<b>589</b>	610
Selling, general and administrative	<b>N/A</b>	N/A	<b>1,113</b>	1,235
Total	<b>\$ 21,492</b>	\$ 23,545	<b>\$ 29,245</b>	\$ 36,721

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

*Operating Revenues.* Excluding reimbursables, operating revenues for our engineering and consulting services segment increased \$4,277,000 due principally to the sale of a license of our OptiDrill™ drilling efficiency technology during 2004 for \$3,000,000 and additional project management engagements.

*Operating Costs and Expenses.* Excluding reimbursables, operating costs and expenses for our engineering and consulting services segment decreased \$1,379,000 due to fewer joint industry research projects conducted in 2004 by our Noble Technology Services Division, mostly offset by additional project management engagements in 2004.

#### *Other*

The following table sets forth the operating revenues and the operating costs and expenses for our other services for 2004 and 2003:

(In thousands)	Operating Revenues		Operating Costs and Expenses	
	2004	2003	2004	2003
	Contract drilling services	\$ -	\$ -	\$ -
Reimbursables <sup>(1)</sup>	<b>9,180</b>	4,743	<b>8,817</b>	4,561
Labor contract drilling services	<b>51,327</b>	28,492	<b>42,669</b>	22,642
Engineering, consulting and other	<b>8,793</b>	4,901	<b>8,935</b>	4,581
Depreciation	<b>N/A</b>	N/A	<b>3,456</b>	3,460
Selling, general and administrative	<b>N/A</b>	N/A	<b>1,659</b>	1,033
Total	<b>\$ 69,300</b>	\$ 38,136	<b>\$ 65,536</b>	\$ 36,277

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

*Operating Revenues.* Revenues from our labor contract drilling services increased \$22,835,000 due to additional operating days in the North Sea, mostly attributable to the start of a new labor contract for Apache North Sea Limited under which we commenced operations on three platforms in the Forties Field during 2004. The additional operating days in the North Sea represented approximately 90 percent of the increase in our labor contract drilling services revenues in 2004. Foreign exchange fluctuations related to our operations in Canada on the Hibernia project also resulted in higher revenues. We are paid for this work in Canadian dollars, and the Canadian dollar was stronger relative to the U.S. dollar in 2004 than in 2003. In addition, contractual provisions covering the Hibernia project allowed for increases in the labor, maintenance and administrative portions of the dayrate on the project during 2004. Engineering, consulting and other revenues increased \$3,892,000 due to increased activity on an engineering services engagement in the North Sea.

*Operating Costs and Expenses.* Excluding reimbursables, operating costs and expenses for our other services increased \$25,003,000 due to the additional labor contract operating days in the North Sea, the stronger Canadian dollar, higher labor, maintenance and administrative costs related to our Hibernia project in Canada, and the increased activity on an engineering services engagement in the North Sea. The

additional operating days on our North Sea labor contracts and increased activity on the engineering services engagement represented approximately 75 percent and 15 percent, respectively, of the increase in our other services operating costs and expenses.

#### Other Items

*Selling, General and Administrative Expenses.* Selling, general and administrative (“SG&A”) expenses increased \$7,080,000 due to additional professional fees associated with compliance under the requirements of the Sarbanes-Oxley Act of 2002, additional stock-based compensation expense, higher insurance premiums for corporate-related policies and additional pension expense. The additional professional fees related to the Sarbanes-Oxley Act of 2002 was the largest individual factor in our higher SG&A expenses in 2004, representing nearly 30 percent of the increase.

*Gain on Sale of Property and Equipment.* In 2003, we sold our interest in a deepwater oil and gas property in the U.S. Gulf of Mexico to ENI Petroleum for \$5,200,000 in cash. We realized a gain of \$3,472,000 upon the sale of our interest in this property. No sales of oil and gas properties were made in 2004.

*Interest Expense.* Interest expense decreased \$5,902,000 due to the continued retirement of debt since the beginning of 2003. Since January 1, 2003, we have made repayments of long-term debt totaling \$158,513,000, including \$77,933,000 in 2004.

*Other, net.* Other, net increased \$2,897,000 due to additional equity in income from our 50 percent equity interest in Noble Croscos Drilling Ltd., a joint venture which owns the *Panon* jackup rig, and additional interest income earned on our cash and investments in marketable debt securities due to higher interest rates in 2004 than in 2003. The *Panon* was in the shipyard for two months in 2003, whereas the rig operated the full year in 2004.

*Income Tax Provision.* Income tax provision decreased \$4,837,000 due to lower pretax earnings and the favorable resolution of income tax audits in 2004, which resulted in a lower effective tax rate in 2004 than in 2003. Excluding the impact of the favorable resolution of income tax audits, the effective tax rate was 15 percent in 2004 compared to 11 percent in 2003. This higher effective tax rate was a result of additional earnings during 2004 from rigs owned by U.S. subsidiaries which were operating in Mexico, India and the Mediterranean Sea and reduced earnings from our Brazil and North Sea divisions, which have lower effective tax rates.

#### 2003 Compared to 2002

##### General

Net income for 2003 was \$166,416,000, or \$1.25 per diluted share, on operating revenues of \$987,380,000, compared to net income of \$209,503,000, or \$1.57 per diluted share, on operating revenues of \$990,248,000 for 2002.

The following table sets forth operating revenues and operating costs and expenses for each of our reportable segments (for additional information regarding our reportable segments, see Note 16 of our accompanying consolidated financial statements) for the periods indicated:

(In thousands)	International Contract Drilling Services	Domestic Contract Drilling Services	Engineering & Consulting Services	Other	Total
<b>2003</b>					
<b>Operating Revenues:</b>					
Contract drilling services	\$ 646,949	\$ 242,654	\$ -	\$ -	\$ 889,603
Reimbursables	15,234	10,350	13,887	4,743	44,214
Labor contract drilling services	-	-	-	28,492	28,492
Engineering, consulting and other	1,138	9,374	9,658	4,901	25,071
	<u>\$ 663,321</u>	<u>\$ 262,378</u>	<u>\$ 23,545</u>	<u>\$ 38,136</u>	<u>\$ 987,380</u>
<b>Operating Costs and Expenses:</b>					
Contract drilling services	\$ 380,029	\$ 125,009	\$ -	\$ -	\$ 505,038
Reimbursables	11,135	9,722	13,606	4,561	39,024
Labor contract drilling services	-	-	-	22,642	22,642
Engineering, consulting and other	(614)	3,012	21,270	4,581	28,249
Depreciation	97,584	46,473	610	3,460	148,127
Selling, general and administrative	15,839	8,527	1,235	1,033	26,634
Gain on sale of property and equipment	-	(3,472)	-	-	(3,472)
	<u>\$ 503,973</u>	<u>\$ 189,271</u>	<u>\$ 36,721</u>	<u>\$ 36,277</u>	<u>\$ 766,242</u>

(In thousands)

	International Contract Drilling Services	Domestic Contract Drilling Services	Engineering & Consulting Services	Other	Total
<b>2002</b>					
<b>Operating Revenues:</b>					
Contract drilling services	\$ 620,289	\$ 290,130	\$ -	\$ -	\$ 910,419
Reimbursables	14,970	10,646	-	567	26,183
Labor contract drilling services	-	-	-	26,416	26,416
Engineering, consulting and other	1,610	4,066	14,569	6,985	27,230
	<u>\$ 636,869</u>	<u>\$ 304,842</u>	<u>\$ 14,569</u>	<u>\$ 33,968</u>	<u>\$ 990,248</u>
<b>Operating Costs and Expenses:</b>					
Contract drilling services	\$ 325,830	\$ 162,799	\$ -	\$ -	\$ 488,629
Reimbursables	13,341	9,253	-	464	23,058
Labor contract drilling services	-	-	-	20,951	20,951
Engineering, consulting and other	(716)	1,230	20,731	6,623	27,868
Depreciation	70,803	50,774	380	3,197	125,154
Selling, general and administrative	14,764	10,333	742	1,100	26,939
Gain on sale of property and equipment	-	(5,908)	-	-	(5,908)
	<u>\$ 424,022</u>	<u>\$ 228,481</u>	<u>\$ 21,853</u>	<u>\$ 32,335</u>	<u>\$ 706,691</u>

*Rig Utilization, Operating Days and Average Dayrates*

The following table sets forth the average rig utilization, operating days and average dayrates for our rig fleet for 2003 and 2002:

	Average Rig Utilization <sup>(1)</sup>		Operating Days <sup>(2)</sup>		Average Dayrate	
	2003	2002	2003	2002	2003	2002
International <sup>(3)</sup> :						
Jackups	82%	97%	9,620	8,480	\$ 51,614	\$ 58,149
Semisubmersibles - >6,000 <sup>(4)</sup>	100%	100%	365	365	\$ 149,217	\$ 129,472
Semisubmersibles - <6,000 <sup>(5)</sup>	95%	74%	347	269	\$ 44,131	\$ 61,882
Drillships	98%	86%	1,071	938	\$ 75,296	\$ 67,464
Total International	84%	95%	11,403	10,052	\$ 56,735	\$ 61,708
Domestic <sup>(6)</sup> :						
Jackups	91%	86%	1,144	2,832	\$ 30,271	\$ 28,723
Semisubmersibles - >6,000 <sup>(4)</sup>	87%	91%	1,580	1,667	\$ 120,784	\$ 120,217
Semisubmersibles - <6,000 <sup>(5)</sup>	29%	-	107	-	\$ 45,025	\$ -
Submersibles	77%	56%	613	435	\$ 20,188	\$ 19,271
Total Domestic	81%	84%	3,444	4,934	\$ 70,457	\$ 58,802

(1) Information reflects our policy of reporting on the basis of the number of actively marketed rigs in our fleet. Percentages reflect the results of rigs only during the period in which they are owned or operated by us.

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

(3) "International" encompasses contract drilling services conducted in the Middle East, Mexico, the North Sea, Brazil, West Africa, India and the Mediterranean Sea.

(4) These units have water depth ratings of 6,000 feet or greater depending on the unit.

(5) These units have water depth ratings less than 6,000 feet.

(6) "Domestic" encompasses contract drilling services conducted in the U.S. Gulf of Mexico.

### International Contract Drilling Services

The following table sets forth the operating revenues and the operating costs and expenses for our international contract drilling services segment for 2003 and 2002:

(In thousands)	Operating Revenues		Operating Costs and Expenses	
	2003	2002	2003	2002
Contract drilling services	\$ 646,949	\$ 620,289	\$ 380,029	\$ 325,830
Reimbursables <sup>(1)</sup>	15,234	14,970	11,135	13,341
Labor contract drilling services	-	-	-	-
Engineering, consulting and other	1,138	1,610	(614)	(716)
Depreciation	N/A	N/A	97,584	70,803
Selling, general and administrative	N/A	N/A	15,839	14,764
Total	\$ 663,321	\$ 636,869	\$ 503,973	\$ 424,022

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

*Operating Revenues.* International contract drilling services revenues increased \$26,660,000 due to additional operating days for our jackup rigs in Mexico and the Middle East, and a higher average dayrate in Brazil, partially offset by lower utilization rates on jackup rigs in West Africa and lower average dayrates in the North Sea. The additional operating days in Mexico, which resulted in additional international contract drilling services revenues of approximately \$94,000,000, were attributable to the mobilization of seven rigs to Mexico from the U.S. Gulf of Mexico beginning in September 2002. The increase in operating days in the Middle East provided additional revenue of approximately \$19,000,000 and was attributable primarily to the operations of the *Noble Roy Rhodes* and *Dhabi II* jackups, which we purchased in December 2002. The average dayrates on our *Noble Paul Wolff* semisubmersible and three drillships in Brazil increased from 2002 due to the receipt of performance bonuses for reducing operational downtime, which resulted in higher revenues in this region of approximately \$15,000,000. The lower utilization in West Africa and lower average dayrates in the North Sea impacted revenues by approximately \$55,000,000 and \$46,000,000, respectively. Engineering, consulting and other revenues decreased \$472,000 due to a special safety incentive bonus earned in West Africa during 2002.

*Operating Costs and Expenses.* International contract drilling services expenses increased \$54,199,000 due to the additional operating days in Mexico and the Middle East, and labor increases in all regions. In addition, these expenses increased due to stacked costs on two jackups we acquired in the Middle East during 2003, and the costs to mobilize one jackup rig to the Middle East from Brazil and one jackup rig to the Mediterranean Sea from the U.S. Gulf of Mexico. These increases were partially offset by lower insurance costs. Of these factors, the additional operating days in Mexico had the largest impact on our international contract drilling expenses, representing an increase of approximately \$38,000,000. We did not reduce our operating expenses in West Africa significantly during 2003 even though we experienced fewer operating days there, because we maintained a standard crew size on stacked units in order to perform repairs, maintenance, and asset preservation work. Depreciation expense increased \$26,781,000 due to the mobilization of seven rigs to Mexico from the U.S. Gulf of Mexico beginning in September 2002, the acquisition of the *Dhabi II* and *Noble Roy Rhodes* jackup rigs in December 2002 and the acquisition of the *Noble Gene House* and *Noble Charlie Yester* jackups in July 2003 and September 2003, respectively. See the discussion below under "Other Items" regarding selling, general and administrative expenses.

### Domestic Contract Drilling Services

The following table sets forth the operating revenues and direct operating expenses for our domestic contract drilling services segment for 2003 and 2002:

(In thousands)	Operating Revenues		Operating Costs and Expenses	
	2003	2002	2003	2002
Contract drilling services	\$ 242,654	\$ 290,130	\$ 125,009	\$ 162,799
Reimbursables <sup>(1)</sup>	10,350	10,646	9,722	9,253
Labor contract drilling services	-	-	-	-
Engineering, consulting and other	9,374	4,066	3,012	1,230
Depreciation	N/A	N/A	46,473	50,774
Selling, general and administrative	N/A	N/A	8,527	10,333
Gain on sale of property and equipment	N/A	N/A	(3,472)	(5,908)
Total	\$ 262,378	\$ 304,842	\$ 189,271	\$ 228,481

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

*Operating Revenues.* Domestic contract drilling services revenues decreased \$47,476,000 due to fewer operating days on our domestic jackup rigs following the mobilization of seven rigs from the U.S. Gulf of Mexico to Mexico beginning in September 2002. The fewer operating days on our domestic jackups resulted in a reduction in our domestic contracting drilling services revenues of approximately \$47,000,000. The mobilization of these jackup rigs was pursuant to our long-standing business strategy of deploying our assets in important geological regions as described earlier. Operating days on the *Noble Lorris Bouzigard*, which was activated in March 2003, and higher utilization on our submersibles were offset by lower utilization on our deepwater semisubmersibles. Engineering, consulting and other revenues increased \$5,308,000 due to additional revenue from interests in deepwater oil and gas properties, which began producing during the latter part of 2002, and revenue earned by the *Noble Homer Ferrington* semisubmersible while the unit was not operating, pursuant to its long-term contract.

*Operating Costs and Expenses.* Domestic contract drilling services expenses decreased \$37,790,000 due to the fewer operating days on our domestic jackup rigs, while lower insurance costs, due to no hull and machinery claims incurred during 2003, offset additional operating expenses attributable to the activation of the *Noble Lorris Bouzigard* and *Noble Therald Martin* semisubmersibles. Engineering, consulting and other expenses increased \$1,782,000 due to additional operating expenses related to our interests in deepwater oil and gas properties. Depreciation expense decreased \$4,301,000 due to the mobilization of seven rigs from the U.S. Gulf of Mexico to Mexico beginning in September 2002, partially offset by the activation of the *Noble Lorris Bouzigard* and *Noble Therald Martin* semisubmersibles in March 2003 and November 2003, respectively, following each unit's upgrade. The mobilization of jackup rigs out of the U.S. Gulf of Mexico reduced domestic depreciation expense by approximately \$8,000,000, whereas the activation of the two semisubmersibles increased depreciation expense by approximately \$4,000,000. See the discussion below under "Other Items" regarding selling, general and administrative expenses.

#### *Engineering and Consulting Services*

The following table sets forth the operating revenues and the operating costs and expenses for our engineering and consulting services segment for 2003 and 2002:

	Operating Revenues		Operating Costs and Expenses	
	2003	2002	2003	2002
Contract drilling services	\$ -	\$ -	\$ -	\$ -
Reimbursables <sup>(1)</sup>	13,887	-	13,606	-
Labor contract drilling services	-	-	-	-
Engineering, consulting and other	9,658	14,569	21,270	20,731
Depreciation	N/A	N/A	610	380
Selling, general and administrative	N/A	N/A	1,235	742
Total	\$ 23,545	\$ 14,569	\$ 36,721	\$ 21,853

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

*Operating Revenues.* Excluding reimbursables, operating revenues for our engineering and consulting services segment decreased \$4,911,000 due to fewer joint industry research projects undertaken by our Noble Drilling Technology Division, partially offset by additional project management engagements.

*Operating Costs and Expenses.* Excluding reimbursables, operating costs and expenses for our engineering and consulting services segment increased \$1,262,000 due to additional costs related to the testing and development of our Well Director™ automatic rotary steerable drilling system, additional project management engagements and higher depreciation and administrative expenses. These increases were partially offset by fewer joint industry research projects undertaken and reduced costs on certain drilling optimization software projects.

## Other

The following table sets forth the operating revenues and the operating costs and expenses for our other services for 2003 and 2002:

(In thousands)	Operating Revenues		Operating Costs and Expenses	
	2003	2002	2003	2002
Contract drilling services	\$ -	\$ -	\$ -	\$ -
Reimbursables <sup>(1)</sup>	4,743	567	4,561	464
Labor contract drilling services	28,492	26,416	22,642	20,951
Engineering, consulting and other	4,901	6,985	4,581	6,623
Depreciation	N/A	N/A	3,460	3,197
Selling, general and administrative	N/A	N/A	1,033	1,100
Total	\$ 38,136	\$ 33,968	\$ 36,277	\$ 32,335

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

*Operating Revenues.* Labor contract drilling services revenues increased \$2,076,000 as a result of foreign exchange fluctuation due in large part to our operations in Canada on the Hibernia project. We are paid for that work in Canadian dollars, and the Canadian dollar was stronger in 2003 as compared to the U.S. dollar. In addition, contractual provisions covering the Hibernia project allowed for increases in the labor, maintenance and administrative portions of the dayrate on the Hibernia project during 2003. These increases were partially offset by lower utilization on two of our North Sea labor contracts. The lower engineering, consulting and other revenues of \$2,084,000 were attributable to reduced activity on an engineering services engagement in the North Sea.

*Operating Costs and Expenses.* Excluding reimbursables, operating costs and expenses for other services decreased \$155,000 as higher labor contract drilling services expenses were mostly offset by lower engineering, consulting and other expenses. The higher labor contract drilling services expenses of \$1,691,000 were due to the stronger Canadian dollar and higher labor, maintenance and administrative costs related to our Hibernia project in Canada, partially offset by lower utilization on two of our North Sea labor contracts. The lower engineering, consulting and other expenses of \$2,042,000 were attributable to reduced activity on an engineering services engagement in the North Sea.

## Other Items

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses decreased \$305,000 due to nonrecurring professional fees and filing fees of approximately \$3,500,000 incurred during the first half of 2002 related to our corporate restructuring. This decrease was mostly offset by unrealized gains in 2002 on the assets in the Rabbi Trust for the Noble Drilling Corporation 401(k) Savings Restoration Plan, which increased the related liability for the plan in 2003, and higher pension expense in 2003 due to a lower discount rate and assumed long-term rate of return on plan assets for 2003.

*Gain on Sale of Property and Equipment.* Gain on sale of property and equipment decreased by \$2,436,000 due to a gain in 2002 of \$5,908,000 on the sale of our interest in one of our deepwater oil and gas properties to Pioneer Natural Resources USA, Inc. for \$6,200,000 in cash and the assumption of liabilities related to our share of drilling and development costs on this property. In 2003, we sold our interest in another deepwater oil and gas property to ENI Petroleum for \$5,200,000 in cash. We realized a gain of \$3,472,000 upon the sale of our interest in this property.

*Interest Expense.* Interest expense decreased \$2,331,000 due to the continued retirement of higher interest rate debt in 2003. We made payments of long-term debt totaling \$80,580,000 in 2003.

*Other, net.* Other, net increased \$3,747,000 as 2002 included a realized loss of \$9,758,000 on an investment in marketable equity securities resulting from a decline in value considered by management to be other than temporary. The 2002 loss was partially offset by additional interest income earned on our cash and marketable securities and equity in income of joint ventures in 2002 as compared to 2003. In 2003, interest income on our cash and marketable securities decreased \$2,007,000 due to a lower average balance of these investments and a 30 percent decrease in their average yield.

*Income Tax Provision.* Income tax provision decreased \$13,254,000 due to lower pre-tax earnings and a lower effective tax rate. The effective tax rate was 11 percent in 2003 compared to 14 percent in 2002. The lower effective tax rate in 2003 was a result of our corporate restructuring in April 2002 and a higher percentage of our pretax earnings being derived from our international operations, which generally have lower effective tax rates than our domestic operations.



## LIQUIDITY AND CAPITAL RESOURCES

### Overview

Our principal capital resource in 2004 was net cash provided by operating activities of \$332,221,000, which compared to \$365,308,000 and \$445,364,000 in 2003 and 2002, respectively. At December 31, 2004, we had cash and cash equivalents of \$58,790,000, marketable debt securities totaling \$132,788,000, and approximately \$184,279,000 of funds available under our bank credit facility. We had working capital, including cash, of \$211,117,000 and \$177,936,000 at December 31, 2004 and 2003, respectively. Total debt as a percentage of total debt plus shareholders' equity was 18 percent at December 31, 2004 and 21 percent at December 31, 2003.

During 2004, we repurchased 1,087,000 of our ordinary shares at an average price of \$36.54 per ordinary share for a total cost of \$39,714,000. We did not repurchase any of our ordinary shares during 2003. During 2002, we repurchased 1,055,000 of our ordinary shares at an average price of \$32.20 per ordinary share for a total cost of \$33,966,000. Additional repurchases, if any, may be made on the open market or in private transactions at prices determined by us.

We did not sell any put options covering our ordinary shares during 2004 or 2003. During 2002, we sold put options covering an aggregate of 1,300,000 of our ordinary shares in private transactions at an average price paid to us of \$2.81 per option. Of the 1,300,000 options sold during 2002, 300,000 expired unexercised and 400,000 were exercised during 2002, which resulted in 600,000 options outstanding at December 31, 2002. All of these options expired unexercised in the first quarter of 2003. At December 31, 2004 and 2003, we had no purchase requirements with regard to any put options previously sold by us.

These share repurchases and sales of put options were effected pursuant to the share repurchase program which our board of directors authorized and adopted and which we announced on January 31, 2002. The program authorization covers an aggregate of 15,000,000 ordinary shares. As of March 3, 2005, 9,162,000 shares remained available under this authorization.

In 2004, we made total fundings of \$1,389,000 to our domestic and international pension plans. We made total fundings of \$22,155,000 to our domestic and international pension plans in 2003, including a discretionary funding of \$17,100,000. This discretionary funding did not have a material impact on our 2003 selling, general and administrative expenses, but it reduced our unfunded pension liability. During 2002, we made fundings totaling \$5,327,000 to our pension plans. We expect fundings in 2005 to approximate \$1,500,000.

### Capital Expenditures

Capital expenditures totaled \$261,041,000 and \$307,134,000 for 2004 and 2003, respectively. Capital expenditures for 2004 included the acquisition of the *Noble Mark Burns* (formerly *Okhi*), a Livingston 111-S designed independent leg jackup unit, for \$29,500,000, and the exercise prices of options to purchase the *Noble Cees van Diemen* (formerly *Maersk Viking*) and the *Noble David Tinsley* (formerly *Maersk Valiant*) premium jackup rigs for \$32,900,000 and \$28,400,000, respectively. Capital expenditures during 2003 included capital upgrades to certain semisubmersibles of \$108,100,000, the exercise prices of options to purchase the *Noble Gene House* (formerly *Trident 19*) and *Noble Charlie Yester* (formerly *Trident 18*) jackup rigs for \$25,200,000 and \$32,900,000, respectively, and the acquisition of options for \$28,200,000 to purchase the *Noble Cees van Diemen* and *Noble David Tinsley*. In addition, deferred repair and maintenance expenditures totaled \$72,948,000 and \$36,984,000 for 2004 and 2003, respectively. We expect that our capital expenditures and deferred repair and maintenance expenditures for 2005 will aggregate approximately \$300,000,000 and \$85,000,000, respectively, which includes approximately \$100,000,000 for 2005 for the upgrade of the *Noble Clyde Boudreaux* semisubmersible in preparation for its commitment for a long-term contract with Shell Exploration & Production Company estimated to begin in the third quarter of 2006. We estimate our capital expenditures for 2006 to complete the upgrade of the *Noble Clyde Boudreaux* to approximate \$50,000,000. We had no joint venture fundings in 2004 and anticipate none in 2005. For more information on acquisitions, see Note 3 of our accompanying consolidated financial statements. For information on deferred repair and maintenance expenditures and joint venture fundings, see Notes 1 and 6 of our accompanying consolidated financial statements.

The *Noble Mark Burns* was recently mobilized from China to the Middle East, where additional upgrade work will include leg extension to 300 feet water depth capability, a 65 foot cantilever, a third mud pump, and quarters expansion for 160 personnel. We estimate the costs of this upgrade will approximate \$30,000,000.

In connection with several projects, we have entered into agreements with various vendors to purchase or construct property and equipment that generally have long lead times for delivery. Any equipment purchased for a project on which we do not proceed would be used, where applicable, as capital spares for other units in our fleet. As of December 31, 2004, we had approximately \$32,000,000 of outstanding purchase commitments related to these projects, which are included in the projected 2005 capital expenditure and deferred repair and maintenance amounts above.

Certain projects currently under consideration could require, if they materialize, capital expenditures or other cash requirements not included in the 2005 budget. In addition, we will continue to evaluate acquisitions of drilling units from time to time. Factors that could cause actual project capital expenditures to materially exceed the planned capital expenditures include delays and cost overruns in shipyards, shortages of equipment, latent damage or deterioration to hull, equipment and machinery in excess of engineering estimates and assumptions, and changes in design criteria or specifications during repair or construction.

### Credit Facilities and Long-Term Debt

Noble Drilling has in place a \$300,000,000 bank credit agreement (the "Credit Agreement"), which extends through November 30, 2009. In November 2004, we amended the Credit Agreement to increase the total commitment to \$300,000,000 from \$200,000,000 and extend the maturity date to November 30, 2009 from May 30, 2006. In connection with our corporate restructuring in 2002, Noble Corporation ("Noble") and its wholly-owned subsidiary, Noble Holding (U.S.) Corporation, have unconditionally guaranteed the performance of Noble Drilling under the Credit Agreement. As of December 31, 2004, we had outstanding borrowings and outstanding letters of credit of \$100,000,000 and \$15,721,000, respectively, under the Credit Agreement, with \$184,279,000 remaining available thereunder. Additionally, as of December 31, 2004, we had other letters of credit and third-party guarantees of \$35,916,000 and performance and customs bonds totaling \$46,949,000 supported by surety bonds.

At December 31, 2004, our debt had decreased to \$511,649,000, including current maturities of \$8,361,000, due to debt repayments during 2004 of \$77,933,000, including the repayment of \$25,000,000 of borrowings on our credit facility. At December 31, 2004 and 2003, we had no off-balance sheet debt. For additional information on long-term debt, see Note 7 to our accompanying consolidated financial statements.

We believe that our cash and cash equivalents, marketable securities, net cash provided by operating activities, available borrowings under lines of credit, and access to other financing sources will be adequate to meet our anticipated short-term and long-term liquidity requirements, including capital expenditures and scheduled debt repayments.

### Summary of Contractual Cash Obligations and Commitments

The following table summarizes our contractual cash obligations and commitments at December 31, 2004 (dollar amounts are in thousands):

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 Years
<b>Contractual Cash Obligations</b>					
Long-Term Debt	\$ 511,649	\$ 8,361	\$ 18,605	\$ 282,988	\$ 201,695
Interest Payments	288,617	33,076	64,273	51,972	139,296
Operating Leases	19,528	3,525	5,333	4,513	6,157
Pension Fundings	1,500	1,500	-	-	-
Purchase Commitments	32,000	32,000	-	-	-
<b>Total Contractual Cash Obligations</b>	<b>\$ 853,294</b>	<b>\$ 78,462</b>	<b>\$ 88,211</b>	<b>\$ 339,473</b>	<b>\$ 347,148</b>

	Amount of Commitment Expiration Per Period				
	Total Amounts Committed	Less than 1 year	1-3 years	3-5 years	After 5 Years
<b>Other Commercial Commitments</b>					
Letters of Credit	\$ 51,637	\$ 35,117	\$ 16,520	\$ -	\$ -
Surety Bonds	46,949	9,020	37,929	-	-
<b>Total Commercial Commitments</b>	<b>\$ 98,586</b>	<b>\$ 44,137</b>	<b>\$ 54,449</b>	<b>\$ -</b>	<b>\$ -</b>

### CORPORATE RESTRUCTURING

On April 30, 2002, Noble became the successor to Noble Drilling as part of the internal corporate restructuring of Noble Drilling and its subsidiaries approved by stockholders of Noble Drilling. The restructuring was accomplished through the merger of an indirect, wholly-owned subsidiary of Noble Drilling into Noble Drilling. Noble Drilling was the surviving entity in the merger and is now an indirect, wholly-owned subsidiary of Noble. In addition, as a result of the merger, all of the outstanding shares of common stock (and the related preferred stock purchase rights) of Noble Drilling were exchanged for ordinary shares (and related preferred share purchase rights) of Noble. We accounted for the restructuring as a reorganization of entities under common control. Consequently, the consolidated amounts of assets, liabilities and shareholders' equity did not change as a result of the restructuring.

### CRITICAL ACCOUNTING POLICIES

Our consolidated financial statements are impacted by the accounting policies used and the estimates and assumptions made by management during their preparation. Critical accounting policies and estimates that most significantly impact our consolidated financial statements are those related to our property and equipment, impairment of long-lived assets, insurance reserves, revenue recognition and income taxes.

### *Property and Equipment*

Property and equipment is stated at cost, reduced by provisions to recognize economic impairment in value whenever events or changes in circumstances indicate an asset's carrying value may not be recoverable. Major replacements and improvements are capitalized. When assets are sold, retired or otherwise disposed of, the cost and related accumulated depreciation, if determinable, are eliminated from the accounts and the gain or loss is recognized. Repair and maintenance costs are generally charged to expense as incurred; however, overhauls related to large-scale maintenance projects are deferred when incurred and amortized into contract drilling expense over a 36-month period. Drilling equipment and facilities are depreciated using the straight-line method over the estimated useful lives as of the in-service date or date of major refurbishment. Estimated useful lives of our drilling equipment range from three to twenty-five years. Other property and equipment is depreciated using the straight-line method over useful lives ranging from two to twenty years.

### *Impairment of Long-lived Assets*

We evaluate the realization of our long-lived assets, including property and equipment and goodwill, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We evaluate goodwill on at least an annual basis. An impairment loss on our property and equipment exists when estimated undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount. Any impairment loss recognized represents the excess of the asset's carrying value as compared to its estimated fair value. Prior to an impairment loss being recognized, an independent appraisal would be performed to determine the asset's estimated fair value. An impairment loss on our goodwill exists when the carrying amount of the goodwill exceeds its implied fair value, as determined pursuant to Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets*. No impairment losses were recorded on our property and equipment or goodwill balances during the years ended December 31, 2004, 2003 and 2002.

However, on March 31, 2002, we recognized an impairment loss of \$9,758,000 on an investment in equity securities resulting from a decline in value considered by management to be other than temporary. There were no other impairment losses during the years ended December 31, 2004, 2003 and 2002.

### *Insurance Reserves*

We maintain insurance coverage against certain marine liabilities, including liability for physical damage to our drilling rigs and personal injury to our drilling crews. Our marine package policy insures us for physical damage to our drilling rigs up to the fair value of each rig. During 2004, we retained the first \$10,000,000 per occurrence under this policy. Our protection and indemnity policy insures us for personal injury to our drilling crews. Since February 2004, our protection and indemnity policy has had a standard deductible of \$1,000,000 per occurrence and we retain \$5,000,000 of claims in the aggregate beyond the standard deductible. From January 2002 through January 2004, we had a standard deductible of \$100,000 per occurrence and we retained \$7,250,000 of claims in the aggregate beyond the standard deductible. We accrue for these deductibles during the year and the insurance retention reserve is adjusted based on our actual claims losses during the year.

### *Revenue Recognition*

Revenues generated from our dayrate-basis drilling contracts, labor contracts, and engineering services and project management engagements are recognized as services are performed. We may receive lump-sum fees for the mobilization of equipment and personnel. Mobilization fees received and costs incurred to mobilize an offshore rig from one market to another are recognized over the term of the related drilling contract. Costs incurred to relocate drilling units to more promising geographic areas in which a contract has not been secured are expensed as incurred. Lump-sum payments received from customers relating to specific contracts are deferred and amortized to income over the term of the drilling contract. We record reimbursements from customers for "out-of-pocket" expenses as revenues and the related cost as direct operating expenses.

### *Income Taxes*

Noble is a Cayman Islands company. The Cayman Islands does not impose corporate income taxes. Consequently, income taxes have been provided based on the laws and rates in effect in the countries in which operations are conducted, or in which Noble and/or its subsidiaries are considered resident for income tax purposes. Applicable U.S. and foreign income and withholding taxes have not been provided on undistributed earnings of Noble's subsidiaries. We do not intend to repatriate such undistributed earnings for the foreseeable future except for distributions upon which incremental income and withholding taxes would not be material. In certain circumstances, we expect that, due to changing demands of the offshore drilling markets and the ability to redeploy our offshore drilling units, certain of such units will not reside in a location long enough to give rise to future tax consequences. As a result, no deferred tax liability has been recognized in these circumstances. Should our expectations change regarding the length of time an offshore drilling unit will be used in a given location, we will adjust deferred taxes accordingly. Our recognition of a deferred tax liability in these circumstances would not have had a material effect on our results of operations for 2004, 2003 or 2002, and would have had no effect on our liquidity or our cash flows.

For additional information on our accounting policies, see Note 1 to our accompanying consolidated financial statements.

## **ACCOUNTING PRONOUNCEMENTS**

In December 2004, the FASB issued SFAS 123 (revised 2004), *Share-Based Payment* ("SFAS 123 (revised 2004)"). SFAS 123 (revised 2004) is a revision to SFAS No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"), and supercedes APB Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25"). SFAS 123 (revised 2004) establishes standards for accounting for exchanges of an entity's equity instruments for goods or services, focusing primarily on transactions in which an entity obtains employee services in share-based payment transactions.

The statement requires that entities measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award and that the cost is recognized over the period in which the employee services are performed, which is usually the equity instrument's vesting period. SFAS 123 (revised 2004) eliminates the alternative allowed under SFAS 123 in which equity instruments could be measured at their intrinsic value, as prescribed by APB Opinion 25, with only pro forma disclosure in the entity's notes to its financial statements of the impact on net income and earnings per share had the equity instruments been measured at fair value. SFAS 123 (revised 2004) is effective for public entities that do not file as small business issuers as of the beginning of the first interim or annual reporting period that begins after June 15, 2005. The impact that the adoption of SFAS 123 (revised 2004) will have on our consolidated results of operations will be determined primarily by the number of stock options issued to employees in future periods. Based on recent stock option issuances, we estimate that the adoption of this statement will reduce annual net income by approximately \$3,000,000 to \$5,000,000, or \$.02 to \$.04 per diluted share. We do not expect the adoption of SFAS 123 (revised 2004) to have a material impact on our consolidated cash flows or financial position.

## **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. We own investments in both marketable equity and debt securities. To mitigate the risk of losses, these investments are marked to market and are monitored by management to assure compliance with policies established by the Company. Under the Noble Drilling Corporation 401(k) Savings Restoration Plan, certain highly compensated employees may elect to defer compensation into the plan and invest among several alternatives, primarily mutual funds. Any change in the fair value of these investments would result in a comparable change in the deferred compensation plan obligation.

We are subject to market risk exposure related to changes in interest rates on our Credit Agreement. Interest on our Credit Agreement is at an agreed upon percentage point spread from LIBOR. At December 31, 2004, there were \$100,000,000 of outstanding borrowings under our Credit Agreement. An immediate change of one percent in the interest rate would cause a \$1,000,000 change in interest expense on an annual basis.

Although we conduct business internationally, a substantial majority of the value of our foreign transactions are denominated in U.S. Dollars. With minor exceptions, we structure our drilling contracts in U.S. Dollars to mitigate our exposure to fluctuations in foreign currencies. Other than trade accounts receivable and trade accounts payable, which mostly offset each other, we do not currently have any significant assets, liability or financial instruments that are sensitive to foreign currency exchange rates.

We periodically enter into derivative instruments to manage our exposure to fluctuations in interest rates and foreign currency exchange rates, and we may conduct hedging activities in future periods to mitigate such exposure. Our North Sea operations have a significant amount of their cash operating expenses payable in either the Euro or British Pound. To reduce our exposure to fluctuations in these currencies during 2004, we entered into forward contracts in March and April 2004 to purchase 1,400,000 Euros and 1,200,000 British Pounds, respectively, per month for the months April 2004 through December 2004. These forward contracts represented approximately 50 percent of our forecasted Euro and British Pound requirements for 2004 after the respective dates on which we entered into the forward contracts. These forward contracts were accounted for as cash flow hedges under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities (an amendment of FASB Statement No. 133)*, and SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*. Because all of these forward contracts expired during 2004, there is no cumulative net unrealized gain or loss on these contracts included in "Accumulated other comprehensive income" in our Consolidated Balance Sheet at December 31, 2004. We did not recognize a gain or loss due to hedge ineffectiveness in our Consolidated Statements of Income during 2004 related to these forward contracts. We did not utilize any derivative financial instruments or undertake any hedging activities in 2003 or 2002.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and  
Shareholders of Noble Corporation:

We have completed an integrated audit of Noble Corporation's 2004 consolidated financial statements and of its internal control over financial reporting as of December 31, 2004 and audits of its 2003 and 2002 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

### Consolidated financial statements

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of cash flows, of shareholders' equity and of comprehensive income present fairly, in all material respects, the financial position of Noble Corporation and its subsidiaries (the "Company") at December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

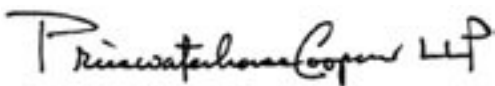
### Internal control over financial reporting

Also, in our opinion, management's assessment, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting under Item 9A, that the Company maintained effective internal control over financial reporting as of December 31, 2004 based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on criteria established in *Internal Control - Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP



Houston, Texas  
March 8, 2005

## CONSOLIDATED BALANCE SHEETS

(In thousands)

	December 31,	
	2004	2003
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 58,790	\$ 62,567
Investments in marketable securities	132,788	175,276
Accounts receivable	205,023	149,235
Inventories	4,013	4,086
Prepaid expenses	12,454	11,809
Other current assets	12,215	18,986
Total current assets	<u>425,283</u>	<u>421,959</u>
PROPERTY AND EQUIPMENT		
Drilling equipment and facilities	3,739,338	3,454,163
Other	65,550	64,591
	<u>3,804,888</u>	<u>3,518,754</u>
Accumulated depreciation	(1,061,268)	(892,888)
	<u>2,743,620</u>	<u>2,625,866</u>
INVESTMENTS IN AND ADVANCES TO JOINT VENTURES	18,804	19,868
OTHER ASSETS	120,266	121,940
	<u>\$ 3,307,973</u>	<u>\$ 3,189,633</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 8,361	\$ 47,666
Accounts payable	83,012	87,178
Accrued payroll and related costs	60,911	48,511
Taxes payable	22,883	31,734
Interest payable	8,981	9,384
Other current liabilities	30,018	19,550
Total current liabilities	<u>214,166</u>	<u>244,023</u>
LONG-TERM DEBT	503,288	541,907
DEFERRED INCOME TAXES	206,506	213,357
OTHER LIABILITIES	8,110	18,201
COMMITMENTS AND CONTINGENCIES (Note 13)	-	-
MINORITY INTEREST	(8,531)	(6,280)
	<u>923,539</u>	<u>1,011,208</u>
SHAREHOLDERS' EQUITY		
Ordinary Shares-par value \$0.10 per share; 400,000 shares authorized and 134,407 issued and outstanding in 2004; 400,000 shares authorized and 133,894 issued and outstanding in 2003	13,441	13,389
Capital in excess of par value	926,652	915,240
Retained earnings	1,452,974	1,306,888
Treasury stock, at cost	-	(49,121)
Restricted stock (unearned compensation)	(11,171)	(7,981)
Accumulated other comprehensive income	2,538	10
	<u>2,384,434</u>	<u>2,178,425</u>
	<u>\$ 3,307,973</u>	<u>\$ 3,189,633</u>

## CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)

	Year Ended December 31,		
	2004	2003	2002
OPERATING REVENUES			
Contract drilling services	\$ 937,414	\$ 889,603	\$ 910,419
Reimbursables	50,234	44,214	26,183
Labor contract drilling services	51,327	28,492	26,416
Engineering, consulting and other	27,256	25,071	27,230
	<u>1,066,231</u>	<u>987,380</u>	<u>990,248</u>
OPERATING COSTS AND EXPENSES			
Contract drilling services	562,508	505,038	488,629
Reimbursables	44,610	39,024	23,058
Labor contract drilling services	42,669	22,642	20,951
Engineering, consulting and other	27,339	28,249	27,868
Depreciation	168,219	148,127	125,154
Selling, general and administrative	33,714	26,634	26,939
Gain on sale of property and equipment	-	(3,472)	(5,908)
	<u>879,059</u>	<u>766,242</u>	<u>706,691</u>
OPERATING INCOME	187,172	221,138	283,557
OTHER INCOME (EXPENSE)			
Interest expense	(34,389)	(40,291)	(42,622)
Other, net	9,034	6,137	2,390
INCOME BEFORE INCOME TAXES	161,817	186,984	243,325
INCOME TAX PROVISION	(15,731)	(20,568)	(33,822)
NET INCOME	<u>\$ 146,086</u>	<u>\$ 166,416</u>	<u>\$ 209,503</u>
NET INCOME PER SHARE:			
Basic	\$ 1.10	\$ 1.26	\$ 1.58
Diluted	\$ 1.09	\$ 1.25	\$ 1.57

See accompanying notes to the consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year Ended December 31,		
	2004	2003	2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 146,086	\$ 166,416	\$ 209,503
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, and amortization of deferred repairs and maintenance	209,123	182,590	154,469
Deferred income tax provision	5,022	4,376	16,870
Loss on sales of marketable securities	129	382	168
Equity in income of joint venture	(3,931)	(2,307)	(1,780)
Distributions received from joint venture	2,700	-	-
Compensation expense from stock-based plans	5,753	4,627	4,878
Non-cash impairment of investment	-	-	9,758
Gain on sale of interest in deepwater oil and gas properties	-	(3,472)	(5,908)
Loss on debt repurchases	-	-	400
Dissolution of rabbi trust	11,945	-	-
Discretionary pension funding	-	(17,100)	-
Other	(4,028)	1,518	3,523
Other changes in current assets and liabilities, net of acquired working capital:			
Accounts receivable	(55,788)	15,378	4,395
Other current assets	1,187	(12,081)	4,942
Accounts payable	(4,164)	22,400	14,509
Other current liabilities	18,187	2,581	29,637
Net cash provided by operating activities	<u>332,221</u>	<u>365,308</u>	<u>445,364</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions and related capital upgrades	(110,548)	(194,400)	(356,854)
Other capital expenditures	(150,493)	(112,734)	(121,500)
Deferred repair and maintenance expenditures	(72,948)	(36,984)	(42,771)
Proceeds from sales of property and equipment	2,135	1,606	1,879
Proceeds from sale of interest in deepwater oil and gas properties	-	5,200	6,200
Repayments from joint venture	2,295	4,977	4,160
Investment in marketable securities	(233,216)	(210,020)	(115,082)
Proceeds from sales of marketable securities	265,352	239,285	83,219
Net cash used for investing activities	<u>(297,423)</u>	<u>(303,070)</u>	<u>(540,749)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
(Payments of) proceeds from borrowing on credit facility	(25,000)	-	125,000
Payments of other long-term debt	(52,933)	(80,580)	(60,772)
Proceeds from issuance of ordinary shares	79,072	9,432	15,367
Repurchase of ordinary shares	(39,714)	-	(33,966)
Proceeds from sales of put options on ordinary shares	-	-	3,658
Decrease in restricted cash	-	8,668	698
Net cash (used for) provided by financing activities	<u>(38,575)</u>	<u>(62,480)</u>	<u>49,985</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,777)</b>	<b>(242)</b>	<b>(45,400)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>62,567</b>	<b>62,809</b>	<b>108,209</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 58,790</b>	<b>\$ 62,567</b>	<b>\$ 62,809</b>



## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands)

	2004		2003		2002	
	Shares	Amount	Shares	Amount	Shares	Amount
<b>ORDINARY SHARES</b>						
Balance at beginning of year	<b>133,894</b>	<b>\$ 13,389</b>	133,534	\$ 13,353	138,175	\$ 13,818
Exercise of stock options	<b>3,048</b>	<b>305</b>	413	41	775	77
Treasury shares cancelled upon restructuring	<b>(1,625)</b>	<b>(162)</b>	-	-	(4,298)	(430)
Repurchase ordinary shares	<b>(1,087)</b>	<b>(109)</b>	-	-	(1,055)	(106)
Issuance of restricted shares	<b>238</b>	<b>24</b>	-	-	-	-
Other	<b>(61)</b>	<b>(6)</b>	(53)	(5)	(63)	(6)
Balance at end of year	<b>134,407</b>	<b>13,441</b>	133,894	13,389	133,534	13,353
<b>CAPITAL IN EXCESS OF PAR VALUE</b>						
Balance at beginning of year		<b>915,240</b>		905,865		1,041,017
Exercise of stock options		<b>78,767</b>		9,391		15,290
Tax benefit of stock options		<b>11,840</b>		820		4,664
Treasury shares cancelled upon restructuring		<b>(46,832)</b>		-		(122,729)
Repurchase ordinary shares		<b>(39,605)</b>		-		(33,860)
Issuance of restricted shares		<b>8,919</b>		-		-
Restricted shares surrendered for employee taxes		<b>(2,120)</b>		(1,430)		(1,369)
Sales of put options on ordinary shares		-		-		3,658
Other		<b>443</b>		594		(806)
Balance at end of year		<b>926,652</b>		915,240		905,865
<b>RETAINED EARNINGS</b>						
Balance at beginning of year		<b>1,306,888</b>		1,140,472		930,969
Net income		<b>146,086</b>		166,416		209,503
Balance at end of year		<b>1,452,974</b>		1,306,888		1,140,472
<b>TREASURY STOCK</b>						
Balance at beginning of year	<b>(1,700)</b>	<b>(49,121)</b>	(1,791)	(51,317)	(6,160)	(177,408)
Treasury shares cancelled upon restructuring	<b>1,625</b>	<b>46,994</b>	-	-	4,298	123,158
Contribution to employee benefit plans	<b>72</b>	<b>2,037</b>	79	2,076	102	3,579
Restricted stock plan shares returned	-	-	-	-	(15)	(219)
Other	<b>3</b>	<b>90</b>	12	120	(16)	(427)
Balance at end of year	-	-	(1,700)	(49,121)	(1,791)	(51,317)
<b>RESTRICTED STOCK (UNEARNED COMPENSATION)</b>						
Balance at beginning of year		<b>(7,981)</b>		(12,871)		(18,340)
Issuance of restricted shares		<b>(8,943)</b>		-		-
Compensation expense recognized		<b>5,753</b>		4,627		4,878
Other		-		263		591
Balance at end of year		<b>(11,171)</b>		(7,981)		(12,871)
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)</b>						
Balance at beginning of year		<b>10</b>		(6,292)		(11,737)
Other comprehensive income		<b>2,528</b>		6,302		5,445
Balance at end of year		<b>2,538</b>		10		(6,292)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>134,407</b>	<b>\$ 2,384,434</b>	132,194	\$ 2,178,425	131,743	\$ 1,989,210

See accompanying notes to the consolidated financial statements.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	Year Ended December 31, 2004
NET INCOME	<u>\$ 146,086</u>
OTHER COMPREHENSIVE INCOME, NET OF TAX:	
Foreign currency translation adjustments	3,079
Unrealized holding loss on securities arising during period	(490)
Minimum pension liability adjustment (net of tax benefit of \$33)	(61)
Other comprehensive income	<u>2,528</u>
COMPREHENSIVE INCOME	<u>\$ 148,614</u>
	Year Ended December 31, 2003
NET INCOME	<u>\$ 166,416</u>
OTHER COMPREHENSIVE INCOME, NET OF TAX:	
Foreign currency translation adjustments	192
Unrealized holding loss on securities arising during period	(296)
Minimum pension liability adjustment (net of tax provision of \$3,450)	6,406
Other comprehensive income	<u>6,302</u>
COMPREHENSIVE INCOME	<u>\$ 172,718</u>
	Year Ended December 31, 2002
NET INCOME	<u>\$ 209,503</u>
OTHER COMPREHENSIVE LOSS, NET OF TAX:	
Foreign currency translation adjustments	1,223
Unrealized holding loss on securities arising during period	(707)
Minimum pension liability adjustment (net of tax benefit of \$2,600)	(4,829)
Reclassification adjustment for impairment charge on investment included in net income	<u>9,758</u>
Other comprehensive income	<u>5,445</u>
COMPREHENSIVE INCOME	<u>\$ 214,948</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

#### Organization and Business

Noble Corporation (“Noble” or, together with its consolidated subsidiaries, unless the context requires otherwise, the “Company”, “we”, “our” and words of similar import) is primarily engaged in contract drilling services in key markets worldwide. We provide technologically advanced drilling-related products and services designed to create value for all our customers. We also provide labor contract drilling services, well site and project management services, and engineering services. Our operations are conducted in the Middle East, U.S. Gulf of Mexico, Mexico, the North Sea, Brazil, West Africa, India, the Mediterranean Sea and Canada.

#### Consolidation

The consolidated financial statements include the accounts of Noble and its wholly- and majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The equity method of accounting is used for investments in affiliates where we have a significant influence but not a controlling interest. (See Note 6.)

In connection with the preparation of the 2004 financial statements, we concluded that it was appropriate to classify our auction rate securities as marketable debt securities and include such investments in “Investments in marketable securities” on our Consolidated Balance Sheets. Previously, such investments had been classified as cash equivalents and included in “Cash and cash equivalents.” Accordingly, we have revised the classification in 2003 to report \$76,900,000 of these securities as “Investments in marketable securities” in the Consolidated Balance Sheet at December 31, 2003 and made corresponding adjustments to the Consolidated Statements of Cash Flows for the years ended December 31, 2003 and 2002 to reflect the beginning of year and end of year balances of cash and cash equivalents and to reflect the gross purchases and sales of these securities as investing activities rather than as a component of cash and cash equivalents. For the years ended December 31, 2003 and 2002, net cash provided by (used for) investing activities related to these current investments of \$52,800,000 and \$(1,200,000), respectively, was previously included in cash and cash equivalents in our Consolidated Statements of Cash Flows. This revision in classification does not affect previously reported net cash provided by operating activities or net cash (used for) provided by financing activities, or our previously reported Consolidated Statements of Income for any period.

Certain other reclassifications have been made in prior year consolidated financial statements to conform to the classifications used in the 2004 consolidated financial statements. These reclassifications have no impact on net income.

#### Foreign Currency Translation

We follow a translation policy in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 52, *Foreign Currency Translation*. In international locations where the U.S. Dollar has been designated as the functional currency (based on an evaluation of such factors as the markets in which the subsidiary operates, inflation, generation of cash flow, financing activities and intercompany arrangements), local currency transaction gains and losses are included in net income. In international locations where the local currency is the functional currency, assets and liabilities are translated at the rates of exchange on the balance sheet date, while income and expense items are translated at average rates of exchange. The resulting gains or losses arising from the translation of accounts from the functional currency to the U.S. Dollar are included in “Accumulated other comprehensive income” in the Consolidated Balance Sheets. We did not recognize any material gains or losses on foreign currency transactions or translations during the years ended December 31, 2004, 2003 and 2002. We use the Canadian Dollar and British Pound, respectively, as the functional currency for our labor contract drilling services in Canada and the North Sea.

#### Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits with banks and all highly liquid investments with original maturities of three months or less. Our cash, cash equivalents and short-term investments are subject to potential credit risk. Our cash management and investment policies restrict investments to lower risk, highly liquid securities and we perform periodic evaluations of the relative credit standing of the financial institutions with which we conduct business.

In accordance with SFAS No. 95, Statement of Cash Flows, cash flows from our labor contract drilling services in Canada and the United Kingdom are calculated based on their respective local functional currencies. As a result, amounts related to assets and liabilities reported on the Consolidated Statements of Cash Flows will not necessarily agree with changes in the corresponding balances on the Consolidated Balance Sheets. The effect of exchange rate changes on cash balances held in foreign currencies was not material in 2004, 2003 or 2002.

#### Investments in Marketable Securities

Our investments in marketable debt securities included auction rate securities of \$41,400,000 and \$76,900,000 at December 31, 2004 and 2003, respectively. These auction rate securities are recorded at cost, which approximates fair value due to their variable interest rates, which interest rates reset within a period of less than 60 days. Although these securities have long-term stated contractual maturities, we have the ability to quickly liquidate these securities. As a result, we classify these securities as current investments. Because these securities are recorded at cost, which approximates fair value, we had no realized or unrealized gains or losses related to these securities during the years ended December 31, 2004, 2003 and 2002. All income related to these current investments was recorded as interest income.

## 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 do not use derivative financial instruments for trading purposes. We designate and assign the financial instruments as hedges of specific assets, liabilities or anticipated transactions. Cash flows from hedge transactions are classified in the Consolidated Statements of Cash Flows under the same category as the cash flows from the underlying assets, liabilities or anticipated transactions.

Our North Sea operations have a significant amount of their cash operating expenses payable in either the Euro or British Pound. To reduce our exposure to fluctuations in these currencies during 2004, we entered into forward contracts in March and April 2004 to purchase 1,400,000 Euros and 1,200,000 British Pounds, respectively, per month for the months April 2004 through December 2004. These forward contracts represented approximately 50 percent of our forecasted Euro and British Pound requirements for 2004 after the respective dates on which we entered into the forward contracts. These forward contracts were accounted for as cash flow hedges under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities (an amendment of FASB Statement No. 133)*, and SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*. Because all of these forward contracts expired during 2004, there is no cumulative net unrealized gain or loss on these contracts included in "Accumulated other comprehensive income" in our Consolidated Balance Sheet at December 31, 2004. We did not recognize a gain or loss due to hedge ineffectiveness in our Consolidated Statements of Income during 2004 related to these forward contracts. We did not utilize any derivative financial instruments or undertake any hedging activities in 2003 or 2002.

## Inventories

Inventories consist of spare parts, material and supplies held for consumption and are stated principally at the lower of average cost or fair value.

## Property and Equipment

Property and equipment is stated at cost, reduced by provisions to recognize economic impairment in value whenever events or changes in circumstances indicate an asset's carrying value may not be recoverable. At December 31, 2004 and 2003, there was \$469,623,000 and \$361,663,000, respectively, of construction in progress. Such amounts are included in "Drilling equipment and facilities" in the accompanying Consolidated Balance Sheets. Major replacements and improvements are capitalized. When assets are sold, retired or otherwise disposed of, the cost and related accumulated depreciation, if determinable, are eliminated from the accounts and the gain or loss is recognized.

Scheduled maintenance of equipment and overhauls are performed on the basis of number of hours operated in accordance with our preventative maintenance program. Repair and maintenance costs are generally charged to expense as incurred; however, overhauls related to large-scale maintenance projects are deferred when incurred and amortized into contract drilling services expense over a 36-month period. The deferred portion of these large-scale maintenance projects is included in "Other assets" in the Consolidated Balance Sheets. Such amounts totaled \$88,621,000 and \$56,575,000 at December 31, 2004 and 2003, respectively. Total maintenance and repair expenses for the years ended December 31, 2004, 2003 and 2002 were \$154,018,000, \$122,105,000 and \$110,788,000, respectively. Drilling equipment and facilities are depreciated using the straight-line method over the estimated remaining useful lives as of the in-service date or date of major refurbishment. Estimated useful lives of our drilling equipment range from three to twenty-five years. Other property and equipment is depreciated using the straight-line method over useful lives ranging from two to twenty years.

We evaluate the realization of property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss on our property and equipment exists when estimated undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount. Any impairment loss recognized represents the excess of the asset's carrying value as compared to its estimated fair value. Prior to an impairment loss being recognized, an independent appraisal would be performed to determine the asset's estimated fair value. No material impairment losses were recorded on our property and equipment balances during the years ended December 31, 2004, 2003 and 2002.

## Goodwill and Other Assets

We evaluate the realization of our goodwill on at least an annual basis, and on our remaining long-lived assets whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. An impairment loss on our goodwill exists when the carrying amount of the goodwill exceeds its implied fair value, as determined pursuant to SFAS No. 142, *Goodwill and Other Intangible Assets*. Our goodwill balance was \$14,638,000 and \$13,138,000 at December 31, 2004 and 2003, respectively. All of our goodwill is attributable to our engineering and consulting services segment. The increase in goodwill during 2004 of \$1,500,000 was attributable to an earn-out payment for certain operating performance milestones achieved by the Well Director™ drilling tools, which we acquired in 2002. See Note 3 to our accompanying consolidated financial statements for additional information. No impairment losses were recorded on our goodwill balances during the years ended December 31, 2004, 2003 and 2002.

On March 31, 2002 we recognized an impairment loss of \$9,758,000 on an investment in marketable securities resulting from a decline in value considered by management to be other than temporary. There were no other impairment losses during the years ended December 31, 2004, 2003 and 2002.

Deferred debt issuance costs, which totaled \$2,194,000 and \$2,839,000 at December 31, 2004 and 2003, respectively, are being amortized over the life of the debt securities. Amortization related to debt issuance costs was \$645,000, \$1,016,000 and \$1,664,000 for the years ended

December 31, 2004, 2003 and 2002, respectively. Debt issuance costs are amortized using the straight-line method, which approximates the interest method. The amortization of debt issuance costs is included in interest expense.

### **Insurance**

We maintain insurance coverage against certain marine liabilities, including liability for physical damage to our drilling rigs and personal injury to our drilling crews. Our marine package policy insures us for physical damage to our drilling rigs up to the fair value of each rig. During 2004 and 2003, we retained the first \$10,000,000 per occurrence under this policy. In 2002, we retained the first \$1,000,000 per occurrence and continued to retain a portion of each loss in excess of \$1,000,000 to a maximum of \$10,000,000. Our protection and indemnity policy insures us for personal injury to our drilling crews. Since February 2004, our protection and indemnity policy has had a standard deductible of \$1,000,000 per occurrence and we retain \$5,000,000 of claims in the aggregate beyond the standard deductible. From January 2002 through January 2004, we had a standard deductible of \$100,000 per occurrence and we retained \$7,250,000 of claims in the aggregate beyond the standard deductible. We accrue for these deductibles during the year and the insurance retention reserve is adjusted based on our actual claims losses during the year. Prepaid insurance is amortized over the terms of our insurance policies.

### **Revenue Recognition**

Revenues generated from our dayrate-basis drilling contracts, labor contracts, technologically advanced drilling-related products, engineering services and project management engagements are recognized as services are performed.

We may receive lump-sum fees for the mobilization of equipment and personnel. Mobilization fees received and costs incurred to mobilize an offshore rig from one market to another are recognized over the term of the related drilling contract. Costs incurred to relocate drilling units to more promising geographic areas in which a contract has not been secured are expensed as incurred. Lump-sum payments received from customers relating to specific contracts are deferred and amortized to income over the term of the drilling contract.

We record reimbursements from customers for “out-of-pocket” expenses as revenues and the related cost as direct operating expenses.

### **Income Taxes**

Noble is a Cayman Islands company. The Cayman Islands does not impose corporate income taxes. Consequently, income taxes have been provided based on the laws and rates in effect in the countries in which operations are conducted, or in which Noble and/or its subsidiaries are considered resident for income tax purposes. Applicable U.S. and foreign income and withholding taxes have not been provided on undistributed earnings of Noble’s subsidiaries. We do not intend to repatriate such undistributed earnings for the foreseeable future except for distributions upon which incremental income and withholding taxes would not be material. In certain circumstances, we expect that, due to changing demands of the offshore drilling markets and the ability to redeploy our offshore drilling units, certain of such units will not reside in a location long enough to give rise to future tax consequences. As a result, no deferred tax liability has been recognized in these circumstances. Should our expectations change regarding the length of time an offshore drilling unit will be used in a given location, we will adjust deferred taxes accordingly. Our recognition of a deferred tax liability in these circumstances would not have had a material effect on our results of operations for 2004, 2003 or 2002, and would have had no effect on our liquidity or our cash flows.

### **Concentration of Credit Risk**

The market for our services is the offshore oil and gas industry, and our customers consist primarily of government-owned oil companies, major integrated oil companies and independent oil and gas producers. We perform ongoing credit evaluations of our customers and generally do not require material collateral. We maintain reserves for potential credit losses when necessary. Our results of operations and financial condition should be considered in light of the fluctuations in demand experienced by drilling contractors as changes in oil and gas producers’ expenditures and budgets occur. These fluctuations can impact our results of operations and financial condition as supply and demand factors directly affect utilization and dayrates, which are the primary determinants of our net cash provided by operating activities.

In 2004, one customer accounted for \$150,017,000 or 14 percent of consolidated operating revenues, of which all was included in our international contract drilling services segment. Another customer accounted for \$105,405,000 or 10 percent of consolidated operating revenues, of which all was also included in our international contract drilling services segment. No other customer accounted for more than 10 percent of consolidated operating revenues in 2004. In 2003, one customer accounted for \$138,254,000 or 14 percent of consolidated operating revenues, of which all was included in our international contract drilling services segment. Another customer accounted for \$129,473,000 or 13 percent of consolidated operating revenues, of which all was included in our international contract drilling services segment. No other customer accounted for more than 10 percent of consolidated operating revenues in 2003. In 2002, one customer accounted for \$149,258,000 or 15 percent of consolidated operating revenues, of which \$97,431,000 was included in our domestic contract drilling services segment, \$51,064,000 was included in our international contract drilling services segment and \$763,000 was included in our engineering and consulting services segment. Another customer accounted for \$123,251,000 or 12 percent of consolidated operating revenues, of which all was included in our international contract drilling services segment. No other customer accounted for more than 10 percent of consolidated operating revenues in 2002.

### **Net Income Per Share**

We compute and present earnings per share in accordance with SFAS No. 128, *Earnings Per Share*. Net income per share has been computed on the basis of the weighted average number of ordinary shares and, where dilutive, ordinary share equivalents outstanding during the indicated periods.

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

The following table summarizes the basic and diluted earnings per share computations for net income for the years ended December 31, 2004, 2003 and 2002:

	Net Income	Basic Shares	Basic EPS	Diluted Shares	Diluted EPS
<b>2004</b>	<b>\$ 146,086</b>	<b>132,897</b>	<b>\$ 1.10</b>	<b>134,115</b>	<b>\$ 1.09</b>
2003	166,416	131,948	1.26	133,007	1.25
2002	209,503	132,204	1.58	133,452	1.57

Included in diluted shares are ordinary share equivalents relating primarily to outstanding stock options covering 1,218,000, 1,059,000 and 1,248,000 shares for the years ended December 31, 2004, 2003 and 2002, respectively. The computation of diluted earnings per share for 2004, 2003 and 2002 did not include options to purchase 100,000, 1,804,000 and 1,913,432 ordinary shares, respectively, because the options' exercise prices were greater than the average market price of the ordinary shares.

### Supplemental Cash Flow Information

	Year Ended December 31,		
	2004	2003	2002
Cash paid during the period for:			
Interest	<b>\$ 33,911</b>	\$ 39,162	\$ 41,364
Income taxes (net of refunds)	<b>\$ 27,409</b>	\$ 10,509	\$ 8,667

### Stock-Based Compensation Plans

We have several stock-based compensation plans, which are described below. As permitted by SFAS No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"), and as amended by SFAS No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure* ("SFAS 148"), we have chosen to continue using the intrinsic value method of accounting for stock-based compensation awards in accordance with APB Opinion 25. No compensation expense was recognized in 2004, 2003 and 2002 related to stock option awards. For U.S. federal income tax purposes, we realized a reduction in income taxes related to the exercises of employee stock options of \$11,840,000, \$820,000 and \$4,664,000 in the years ended December 31, 2004, 2003 and 2002, respectively.

SFAS 123 was revised in December 2004 and the intrinsic method of valuing stock-based compensation awards will no longer be allowed effective with the first interim or annual reporting period that begins after June 15, 2005. See the "Accounting Pronouncements" section of this Note 1 for additional information related to the revision of SFAS 123.

#### 1991 Stock Option and Restricted Stock Plan

Our 1991 Stock Option and Restricted Stock Plan, as amended (the "1991 Plan"), provides for the granting of options to purchase our ordinary shares, with or without stock appreciation rights, and the awarding of restricted shares to selected employees. At December 31, 2004, 3,964,803 shares were available for grant or award under the 1991 Plan. In general, all options granted under the 1991 Plan have a term of 10 years, an exercise price equal to the fair market value of an ordinary share on the date of grant and vest one-third annually, commencing one year after the grant date.

#### 1992 Nonqualified Stock Option Plan

Our 1992 Nonqualified Stock Option Plan for Non-Employee Directors (the "1992 Plan") provides for the granting of nonqualified stock options to non-employee directors of Noble. At December 31, 2004, 234,500 shares were available for grant under the 1992 Plan. We grant options at fair market value on the grant date. The options are exercisable from time to time over a period commencing one year from the grant date and ending on the expiration of 10 years from the grant date, unless terminated sooner as described in the 1992 Plan.

A summary of the status of our stock options under both the 1991 Plan and 1992 Plan as of December 31, 2004, 2003 and 2002 and the changes during the year ended on those dates is presented below (actual amounts):

	2004		2003		2002	
	Number of Shares Underlying Options	Weighted Average Exercise Price	Number of Shares Underlying Options	Weighted Average Exercise Price	Number of Shares Underlying Options	Weighted Average Exercise Price
Outstanding at beginning of the year	<b>8,630,114</b>	<b>\$ 29.86</b>	9,187,658	\$ 29.64	8,494,250	\$ 28.40
Granted	<b>334,485</b>	<b>37.61</b>	45,000	32.11	1,630,000	31.53
Exercised	<b>(3,056,216)</b>	<b>25.87</b>	(413,079)	22.83	(775,118)	19.99
Forfeited	<b>(92,024)</b>	<b>33.69</b>	(189,465)	35.01	(161,474)	32.82
Outstanding at end of year	<b>5,816,359</b>	<b>\$ 31.99</b>	8,630,114	\$ 29.86	9,187,658	\$ 29.64
Exercisable at end of year	<b>5,005,471</b>	<b>\$ 31.83</b>	6,995,876	\$ 29.55	5,682,838	\$ 27.41

The following table summarizes information about stock options outstanding at December 31, 2004 (actual amounts):

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$ 5.01 to \$ 7.69	20,000	0.3	\$ 6.53	20,000	\$ 6.53
7.70 to 14.00	41,249	1.1	9.81	41,249	9.81
14.01 to 28.31	1,553,009	3.5	23.51	1,553,009	23.51
28.32 to 48.81	4,202,101	6.7	35.96	3,391,213	36.48
\$ 5.01 to \$ 48.81	5,816,359	5.8	\$ 31.99	5,005,471	\$ 31.83

Additional disclosures required by SFAS 123 are as follows:

	December 31,		
	2004	2003	2002
Weighted average fair value per option granted	<b>\$ 15.80</b>	\$ 13.41	\$ 11.57
Valuation assumptions:			
Expected option term (years)	<b>5</b>	5	5
Expected volatility	<b>42.27%</b>	43.32%	43.72%
Expected dividend yield	<b>0%</b>	0%	0%
Risk-free interest rate	<b>3.52%</b>	2.88%	4.42%

The following table reflects pro forma net income and earnings per share had we elected to adopt the fair value approach of SFAS 123:

	Year Ended December 31,		
	2004	2003	2002
Net income – as reported	<b>\$ 146,086</b>	\$ 166,416	\$ 209,503
Compensation expense, net of tax, as reported	<b>3,739</b>	3,008	3,171
Compensation expense, net of tax, pro forma	<b>(12,887)</b>	(20,085)	(22,450)
Net income – pro forma	<b>\$ 136,938</b>	\$ 149,339	\$ 190,224
Earnings per share:			
Basic – as reported	<b>\$ 1.10</b>	\$ 1.26	\$ 1.58
Basic – pro forma	<b>\$ 1.03</b>	\$ 1.13	\$ 1.44
Diluted – as reported	<b>\$ 1.09</b>	\$ 1.25	\$ 1.57
Diluted – pro forma	<b>\$ 1.02</b>	\$ 1.12	\$ 1.43

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

## Other Stock Based Compensation

In January 1998, we awarded selected employees 22,000 restricted (i.e., nonvested) shares that vested 20 percent per year over a five-year period commencing on the first anniversary date of the award. In January 1999, we awarded one employee 15,000 restricted shares that vested one-third per year over a three-year period commencing on the first anniversary date of the award. In February 1999 and October 1999, we awarded selected employees 190,000 restricted shares and 230,000 restricted shares, respectively, that vested 20 percent per year over a five-year period commencing on the first anniversary date of the award. In September 2000, we awarded one employee 25,000 restricted shares that vest 20 percent per year over a five-year period commencing on the first anniversary date of the award. In October 2000 and October 2001, we awarded selected employees 227,500 restricted shares and 215,500 restricted shares, respectively, that vest 20 percent per year over a five-year period commencing on the first anniversary date of the award. No restricted shares were awarded in 2002 or 2003. In April 2004, we awarded selected employees 95,237 restricted shares that vest one-third per year over a three-year period commencing on the first anniversary date of the award. In April 2004, we also awarded selected employees performance restricted shares that have a three-year performance period from the date of award. The actual number of shares awarded and available for vesting may vary depending on the degree of achievement of certain specified corporate performance criteria over the three-year performance period. The number of shares awarded as so determined then vests (subject only to future employment) at the rate of one-third thereof in April of each succeeding year. The maximum number of shares available for award is 142,852. Nonvested shares will be forfeited.

A summary of the restricted share awards and the amounts recognized as compensation expense for the years ended December 31, 2004, 2003 and 2002 is as follows:

	2004	2003	2002
Restricted shares:			
Shares awarded	95,237	-	-
Share price at award date	\$ 37.56	\$ -	\$ -
Performance restricted shares:			
Shares awarded (maximum available)	142,852	-	-
Share price at award date	\$ 37.56	\$ -	\$ -
Compensation expense recognized	\$ 5,753	\$ 4,627	\$ 4,878

## Put Options on Ordinary Shares

During 2002, we sold "European-style put options" covering 1,300,000 of our ordinary shares in 12 separate private transactions (11 transactions of 100,000 put options each and another transaction of 200,000 put options) at an average price paid to us of \$2.81 per option. "European-style" options give the holder the right to require us to purchase our ordinary shares from the holder at their respective exercise prices on their respective expiration dates, whereas "American-style" options can be exercised any time up to, and including, the respective exercise dates. Upon exercise of the options by the holder, we had the option to settle in cash or net shares of Noble. The strike price under each option represented between 90 and 95 percent of the spot price of the ordinary shares at the date of the transaction. Of the 1,300,000 options sold during 2002, 300,000 expired unexercised and 400,000 were exercised during 2002, which resulted in 600,000 options outstanding at December 31, 2002. All of these options expired unexercised in the first quarter of 2003. At December 31, 2004 and 2003, we had no put options outstanding to purchase any of our ordinary shares.

## Certain Significant Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## Accounting Pronouncements

In December 2004, the FASB issued SFAS 123 (revised 2004), *Share-Based Payment* ("SFAS 123 (revised 2004)"). SFAS 123 (revised 2004) is a revision to SFAS No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"), and supercedes APB Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25"). SFAS 123 (revised 2004) establishes standards for accounting for exchanges of an entity's equity instruments for goods or services, focusing primarily on transactions in which an entity obtains employee services in share-based payment transactions. The statement requires that entities measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award and that the cost is recognized over the period in which the employee services are performed, which is usually the equity instrument's vesting period. SFAS 123 (revised 2004) eliminates the alternative allowed under SFAS 123 in which equity instruments could be measured at their intrinsic value, as prescribed by APB Opinion 25, with only pro forma disclosure in the entity's notes to its financial statements of the impact on net income and earnings per share had the equity instruments been measured at fair value. SFAS 123 (revised 2004) is effective for public entities that do not file as small business issuers as of the beginning of the first interim or annual reporting period that begins after June 15, 2005. The impact that the adoption of SFAS 123 (revised 2004) will have on our consolidated results of operations will be determined primarily by the number of stock options issued to employees in future periods. Based on recent stock option issuances, we estimate that the adoption of this statement will reduce annual net income by approximately \$3,000,000 to \$5,000,000, or \$.02 to \$.04 per diluted share. We do not expect the adoption of SFAS 123 (revised 2004) to have a material impact on our consolidated cash flows or financial position.



## NOTE 2 – CORPORATE RESTRUCTURING

On April 30, 2002, Noble became the successor to Noble Drilling Corporation, a Delaware corporation (which we sometimes refer to as “Noble Drilling”), as part of the internal corporate restructuring of Noble Drilling and its subsidiaries approved by stockholders of Noble Drilling. The restructuring was accomplished through the merger of an indirect, wholly-owned subsidiary of Noble Drilling into Noble Drilling. Noble Drilling was the surviving entity in the merger and is now an indirect, wholly-owned subsidiary of Noble. In addition, as a result of the merger, all of the outstanding shares of common stock (and the related preferred stock purchase rights) of Noble Drilling were exchanged for ordinary shares (and related preferred share purchase rights) of Noble. We accounted for the restructuring as a reorganization of entities under common control. Consequently, the consolidated amounts of assets, liabilities and shareholders’ equity did not change as a result of the restructuring.

## NOTE 3 – ACQUISITIONS

In October 2004, we exercised our option to purchase the *Noble David Tinsley* (formerly *Maersk Valiant*) jackup rig for an exercise price of \$28,400,000. In June 2003, we paid an option fee of \$13,200,000 for the right to acquire the unit. Our aggregate purchase price for the rig was therefore \$41,600,000.

In July 2004, we exercised our option to purchase the *Noble Cees van Diemen* (formerly *Maersk Viking*) jackup rig for an exercise price of \$32,900,000. In June 2003, we paid an option fee of \$15,000,000 for the right to acquire the unit. Our aggregate purchase price for the rig was therefore \$47,900,000.

In June 2004, we purchased the *Noble Mark Burns* (formerly *Okhi*) jackup rig for \$29,500,000 in cash.

In September 2003, we exercised our option to purchase the *Noble Charlie Yester* (formerly *Trident 18*) jackup rig from a subsidiary of Schlumberger Limited for an exercise price of \$32,900,000 in cash. In December 2002, we had paid an option fee of \$14,100,000 in cash for the right to acquire the unit. Our aggregate purchase price for the rig was therefore \$47,000,000. In July 2003, we exercised our option to purchase the *Noble Gene House* (formerly *Trident 19*) jackup rig from this subsidiary of Schlumberger for an exercise price of \$25,200,000 in cash. In December 2002, we had paid an option fee of \$10,800,000 in cash for the right to acquire the unit. Our aggregate purchase price for this rig was therefore \$36,000,000. In December 2002, we purchased two jackup rigs, the *Dhabi II* and *Noble Roy Rhodes* (formerly *Trident III*), also from this subsidiary of Schlumberger, for an aggregate purchase price of \$95,000,000 in an all cash transaction.

On May 3, 2002, as part of our strategy to expand our technology initiative, we made several acquisitions. We acquired all of the shares of WELLDONE Engineering GmbH (“WELLDONE”) for \$5,750,000 in cash plus an agreement to pay an earn-out amount up to \$3,500,000 provided WELLDONE’s tools achieve certain operational and financial milestones during the period through May 3, 2004, of which \$500,000 was paid in 2003. We did not pay any of the remaining \$3,000,000, as these milestones were not achieved. WELLDONE’s primary asset is its ownership in the “Well Director™”, an automatic rotary steerable drilling system, which was designed by and is manufactured and marketed through DMT WELLDONE Drilling Services GmbH (“DMT WELLDONE”). As a result of our acquisition of WELLDONE, we acquired WELLDONE’s 50 percent joint venture interest in DMT WELLDONE, which is further described below. We paid \$2,650,000 to Deutsche Montan Technologie GmbH (“DMT”), the other joint venturer in DMT WELLDONE, for the remaining 50 percent interest in the joint venture.

In connection with the above described transaction, we also acquired 24 Well Director™ drilling tools and related assets owned by Phoenix Technology Services, Ltd. (“Phoenix”) for \$6,000,000 in cash plus an agreement to pay an earn-out amount up to \$3,000,000 provided certain operating performance milestones are achieved during the period through May 3, 2005, of which \$1,500,000 and \$500,000 was paid in 2004 and 2003, respectively. In the transaction we also acquired from Phoenix its worldwide marketing rights to the Well Director™ drilling tools. The aggregate purchase price of \$14,400,000 for these related acquisitions was allocated to goodwill (\$7,863,000) and property and equipment (\$6,537,000).

Pursuant to a related agreement, we and DMT each committed to fund 2,100,000 Euros to a new joint venture in which each party has a 50 percent interest. The joint venture was to use such funds to retain DMT to conduct research and development. This joint venture was terminated in 2003.

On March 27, 2002, we purchased two semisubmersible baredecks, Bingo 9000 Rig 3 and Bingo 9000 Rig 4, from subsidiaries of Ocean Rig ASA (“Ocean Rig”) for an aggregate purchase price of \$45,000,000 in an all cash transaction.

On March 26, 2002, we purchased two semisubmersible drilling rigs, the *Noble Lorris Bouzigard* (formerly *Transocean 96*) and *Noble Therald Martin* (formerly *Transocean 97*), from subsidiaries of Transocean Inc. for an aggregate purchase price of \$31,000,000 in an all cash transaction. During 2003, we completed upgrades to the living quarters and drilling equipment on both units.

## NOTE 4 – MARKETABLE SECURITIES

As of December 31, 2004 and 2003, we owned marketable equity securities with a fair market value of \$528,000 and \$9,703,000, respectively, of which \$9,458,000 of the December 31, 2003 balance was included in a Rabbi Trust for the Noble Drilling Corporation 401(k) Savings

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

Restoration Plan. This Rabbi Trust was liquidated and terminated in December 2004. The marketable securities included in the Rabbi Trust were classified as trading securities and were included in "Investment in marketable securities" in the Consolidated Balance Sheet at December 31, 2003 at their fair market value. Upon liquidation of the Rabbi Trust, we recognized in earnings a net realized gain of \$895,000 related to these assets in 2004. The remaining investment in marketable equity securities at December 31, 2004 is classified as available for sale and is included in "Other assets" in the Consolidated Balance Sheet at its fair market value. On March 31, 2002, we recognized in earnings a realized loss of \$9,758,000 on this investment resulting from a decline in value considered by management to be other than temporary. We recognized in other comprehensive income an unrealized holding gain of \$283,000 on this investment during 2004. Gross unrealized holding losses on this investment at December 31, 2004 and 2003 were \$681,000 and \$964,000, respectively, and are included in "Accumulated other comprehensive income" in the Consolidated Balance Sheets.

As of December 31, 2004 and 2003, we owned marketable debt securities with a fair market value of \$132,788,000 and \$165,818,000, respectively. These investments are classified as available for sale and are included in "Investment in marketable securities" in the Consolidated Balance Sheets at their fair market value. Our balance of marketable debt securities at December 31, 2004 includes \$33,280,000 that mature within one year, \$61,008,000 that mature between one and five years and \$38,500,000 that mature beyond five years. We recognized in other comprehensive income a net unrealized holding loss of \$773,000 and in earnings a net realized loss of \$129,000 related to these investments in 2004. In 2003 and 2002, we recognized realized losses on these securities of \$382,000 and \$168,000, respectively. Realized gains and losses on sales of marketable securities are based on the specific identification method. The following table highlights additional information applicable to our investments in marketable debt securities classified as available for sale as of December 31, 2004 and 2003:

	December 31,							
	2004				2003			
	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
U.S. Government obligations	\$ 8,764	\$ 8,728	\$ -	\$ (36)	\$ 4,137	\$ 4,126	\$ -	\$ (11)
Corporate debt securities	81,866	81,467	11	(410)	136,709	136,635	47	(121)
Asset-backed securities	42,989	42,593	5	(401)	25,075	25,057	15	(33)
Total	\$ 133,619	\$ 132,788	\$ 16	\$ (847)	\$ 165,921	\$ 165,818	\$ 62	\$ (165)

The credit quality of each of our investments in marketable debt securities is rated no lower than "A" or "A2" by Standard & Poor's and Moody's Investors Service ("Moody's"), respectively.

#### NOTE 5 – COMPREHENSIVE INCOME

We report and display comprehensive income in accordance with SFAS No. 130, Reporting Comprehensive Income ("SFAS 130"), which establishes standards for reporting and displaying comprehensive income and its components. Components of comprehensive income are net income and all changes in equity during the period except those resulting from transactions with owners. SFAS 130 requires enterprises to display comprehensive income and its components in the enterprise's financial statements, to classify items of comprehensive income by their nature in the financial statements and display the accumulated balance of other comprehensive income in shareholders' equity separately from retained earnings and additional paid-in capital.

The following table sets forth the components of accumulated other comprehensive income (loss):

	Foreign Currency Items	Unrealized (Losses) Gains on Securities	Minimum Pension Liability	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2001	\$ 25	\$ (9,777)	\$ (1,985)	\$ (11,737)
2002-period change	1,223	9,051	(4,829)	5,445
Balance at December 31, 2002	1,248	(726)	(6,814)	(6,292)
2003-period change	192	(296)	6,406	6,302
Balance at December 31, 2003	1,440	(1,022)	(408)	10
2004-period change	3,079	(490)	(61)	2,528
Balance at December 31, 2004	\$ 4,519	\$ (1,512)	\$ (469)	\$ 2,538

Included in the 2002–period change for unrealized (losses) gains on securities above was a reclassification adjustment of \$9,758,000 for an impairment charge on an investment included in net income resulting from a decline in value considered by management to be other than temporary.

## NOTE 6 – INVESTMENTS IN AND ADVANCES TO JOINT VENTURES

On June 13, 2000, we formed Noble Crosco Drilling Ltd. (“Noble Crosco”) with our joint venture partner. We acquired a 50 percent equity interest in Noble Crosco by investing \$14,300,000 in cash. Our joint venture partner contributed the *Panon*, a Livingston 111-S independent leg designed jackup, for its 50 percent equity interest. We also agreed to lend Noble Crosco up to \$7,000,000 pursuant to a credit agreement (the “Noble Crosco Credit Agreement”) to finance part of the upgrade costs of the *Panon*. In 2001, we loaned Noble Crosco \$7,000,000 under the Noble Crosco Credit Agreement. Any funds required for the maintenance and operation of the *Panon* in excess of those funds generated from operations of the joint venture and available under the Noble Crosco Credit Agreement would be loaned by us to Noble Crosco. In 2001, we loaned Noble Crosco \$4,800,000 of such funds. At December 31, 2004, the balance due to us from Noble Crosco under the Noble Crosco Credit Agreement and the additional loan in excess of the Noble Crosco Credit Agreement had been repaid. We managed the upgrade of the *Panon* from a slot to a cantilever configuration, and we are managing the operation of the unit. During 2004, we received distributions from Noble Crosco related to the operations of the *Panon* of \$2,700,000. We account for this investment using the equity method.

Balances related to joint ventures for 2004 and 2003 are reflected in the table below:

	2004	2003
Equity in income of joint ventures <sup>(1)</sup>	\$ 3,931	\$ 2,307
Investment in joint ventures <sup>(2)</sup>	18,804	17,585
Advances to joint ventures <sup>(2)</sup>	-	2,283

(1) Balance included in “Other, net” in the Consolidated Statements of Income. Amounts exclude management fees and interest income related to joint ventures of \$1,253,000 and \$1,838,000 in 2004 and 2003, respectively.

(2) Balance included in “Investments in and advances to joint ventures” in the Consolidated Balance Sheets.

## NOTE 7 – DEBT

In 2002, we borrowed \$125,000,000 from our \$300,000,000 bank credit facility, of which \$25,000,000 was repaid during 2004. In November 2004, we amended our bank credit facility to increase the total commitment to \$300,000,000 from \$200,000,000 and extend the maturity date to November 30, 2009 from May 30, 2006. Deferred costs related to this amendment were \$475,000, which are being amortized over the remaining term of the bank credit facility. The interest rate on this borrowing from our bank credit facility, which adjusts periodically with LIBOR, was 3.46 percent at December 31, 2004. (See Note 8 for additional information.)

On March 16, 1999, we issued \$150,000,000 principal amount of our 6.95% Senior Notes due 2009 and \$250,000,000 principal amount of our 7.50% Senior Notes due 2019 (together, the “Notes”). Interest on the Notes is payable on March 15 and September 15 of each year. The Notes are redeemable, as a whole or from time to time in part, at our option on any date prior to maturity at prices equal to 100 percent of the outstanding principal amount of the notes redeemed plus accrued interest to the redemption date plus a make-whole premium, if any is required to be paid. The Notes are senior unsecured obligations and the indenture governing the Notes contains covenants that, among other things, limit our ability to create certain liens, engage in certain sale and lease-back transactions and merge, consolidate and sell assets, except under certain conditions.

In 2002, we purchased and retired \$5,000,000 principal amount of our 7.50% Senior Notes due 2019 for \$5,350,000, which resulted in a loss of \$400,000. This loss represents the difference between the acquisition price and the net carrying value of the notes purchased, including unamortized debt issuance costs, and was included in “Other, net” in the Consolidated Statement of Income in 2002. Prior to 2002, we purchased and retired \$43,305,000 principal amount of our 7.50% Senior Notes.

In connection with the acquisition of a majority interest in Arktik Drilling Limited, Inc. (“Arktik”) in 1999, we recorded Arktik’s indebtedness to a minority equity owner in Arktik in the amount of \$7,900,000 (the “Minority Owner Debt”). Arktik’s principal asset is the *Noble Muravlenko* drillship. We repaid the Minority Owner Debt in full in March 2004.

In December 1998, Noble Drilling (Jim Thompson) Inc., an indirect, wholly-owned subsidiary of Noble and owner of the *Noble Jim Thompson*, issued \$115,000,000 principal amount of its fixed rate senior secured notes (the “Thompson Notes”) in four series. The Thompson Notes bear interest at rates of 5.93 percent to 7.25 percent per annum. The Thompson Notes are secured by a first naval mortgage on the *Noble Jim Thompson*, are guaranteed by Noble, and can be prepaid, in whole or in part, at a premium at any time.

In July 1998, Noble Drilling (Paul Wolff) Ltd., an indirect, wholly-owned subsidiary of Noble and owner of the *Noble Paul Wolff*, issued \$145,000,000 principal amount of its fixed rate senior secured notes (the “Wolff Notes”) in three series. We repaid the Wolff Notes in full in December 2004.

The following table summarizes our long-term debt:

	December 31,	
	2004	2003
6.95% Senior Notes due 2009, net of unamortized discount of \$46 in 2004 and \$55 in 2003	<b>\$ 149,954</b>	\$ 149,945
7.50% Senior Notes due 2019	<b>201,695</b>	201,695
Bank Credit Facility	<b>100,000</b>	125,000
Project Financings:		
Wolff Notes	-	28,228
Thompson Notes	<b>60,000</b>	76,805
Minority Owner Debt	-	7,900
	<b>511,649</b>	589,573
Current Maturities	<b>(8,361)</b>	(47,666)
Long-term Debt	<b>\$ 503,288</b>	\$ 541,907

The fair value of our Senior Notes at December 31, 2004 was \$402,891,000, based on the quoted market prices for similar issues or on the current rates offered to us for debt of similar remaining maturities. The fair value of the indebtedness outstanding under our floating interest rate Bank Credit Facility and Project Financings approximates their carrying values.

Aggregate principal repayments of long-term debt for the next five years and thereafter are as follows:

	2005	2006	2007	2008	2009	Thereafter	Total
6.95% Senior Notes due 2009, net of unamortized discount of \$46 in 2004	\$ -	\$ -	\$ -	\$ -	\$ 149,954	\$ -	\$ 149,954
7.50% Senior Notes due 2019	-	-	-	-	-	201,695	201,695
Bank Credit Facility	-	-	-	-	100,000	-	100,000
Thompson Notes	8,361	8,975	9,630	10,334	22,700	-	60,000
Total	\$ 8,361	\$ 8,975	\$ 9,630	\$ 10,334	\$ 272,654	\$ 201,695	\$ 511,649

#### NOTE 8 – CREDIT FACILITIES

We have an unsecured revolving bank credit facility totaling \$300,000,000 (the “Credit Agreement”), including a letter of credit facility totaling \$50,000,000, through November 30, 2009. In November 2004, we amended the Credit Agreement to increase the total commitment to \$300,000,000 from \$200,000,000 and extend the maturity date to November 30, 2009 from May 30, 2006. In connection with our restructuring, Noble and one of its wholly-owned subsidiaries, Noble Holding (U.S.) Corporation (“Noble Holding”), have unconditionally guaranteed the performance of Noble Drilling under the Credit Agreement. We are required to maintain various affirmative and negative covenants, including two financial covenants relating to interest coverage and debt to capital ratios. The Credit Agreement contains restrictive covenants, including restrictions on incurring additional indebtedness, and restrictions on permitting additional liens, payment of dividends, transactions with affiliates, and mergers or consolidations. As of December 31, 2004, we had outstanding borrowings and outstanding letters of credit of \$100,000,000 and \$15,721,000, respectively, under the Credit Agreement, with \$184,279,000 remaining available thereunder. Additionally, as of December 31, 2004, we had other letters of credit and third-party guarantees of \$35,916,000 and performance and customs bonds totaling \$46,949,000 supported by surety bonds.

#### NOTE 9 – INTERESTS IN DEEPWATER OIL AND GAS PROPERTIES

In 2000, we received interests in several deepwater oil and gas properties from Mariner Energy Inc. and Samedan Oil Corporation pursuant to the settlements of a lawsuit with Mariner Energy and Samedan over employment of the *Noble Homer Ferrington* semisubmersible and upon entering into a long-term contract with each of these companies for use of the unit in the U.S. Gulf of Mexico. Certain of these properties are currently in production. We reported income before income taxes from such properties of \$743,000, \$3,246,000 and \$2,638,000 in 2004, 2003 and 2002, respectively.

In December 2003, we sold our interest in Mariner Energy’s Green Canyon property to ENI Petroleum for \$5,200,000 in cash. We realized a gain of \$3,472,000 upon this sale.

In March 2002, we sold our interest in Mariner Energy’s Falcon property to Pioneer Natural Resources USA, Inc. for \$6,200,000 in cash and the assumption of liabilities related to our share of drilling and development costs subsequent to June 30, 2001. We realized a gain of \$5,908,000 upon this sale.

## NOTE 10 – SHAREHOLDERS' EQUITY

In June 1995, we adopted a stockholder rights plan designed to assure that our stockholders receive fair and equal treatment in the event of any proposed takeover of Noble Drilling and to guard against partial tender offers and other abusive takeover tactics to gain control of Noble Drilling without paying all stockholders a fair price. The rights plan was not adopted in response to any specific takeover proposal. Prior to our corporate restructuring, we amended our rights plan to provide for the earlier expiration of the rights in the event that Noble Drilling merges with a subsidiary company in connection with changing the parent corporation of the Noble corporate group to a non-U.S. company. Immediately prior to such a merger as part of our corporate restructuring, the Noble Drilling stockholder rights plan expired. Upon such merger, a new shareholder rights plan became effective for the new parent company, Noble Corporation, that is substantially similar to the previous Noble Drilling stockholder rights plan. Under the rights plan, one right ("Right") is attached to each of our ordinary shares. Each Right will entitle the holder to purchase one one-hundredth of a share of new Series A Junior Participating Preferred Shares, par value \$1.00 per share, at an exercise price of \$120.00. The Rights are not currently exercisable and will become exercisable only in the event a person or group acquires beneficial ownership of 25 percent or more of our ordinary shares. The Rights expire on July 10, 2005.

In connection with our corporate restructuring (see Note 2), treasury shares of Noble Drilling were either cancelled and retired or contributed to trusts for the purpose of Company employee benefit plans. Any ordinary shares of Noble repurchased by it are automatically cancelled and retired pursuant to Cayman Islands law. These employee benefit plan trusts were liquidated and terminated in December 2004. Ordinary shares of Noble held by the trusts were cancelled and retired upon dissolution of the trusts. These trusts held 1,700,000 ordinary shares of Noble at December 31, 2003.

Share repurchases and sales of put options were effected pursuant to the share repurchase program which our board of directors authorized and adopted and which we announced on January 31, 2002. The program authorization covers an aggregate of 15,000,000 ordinary shares. As of March 3, 2005, 9,162,000 shares remained available under this authorization.

## NOTE 11 – INCOME TAXES

Noble is a Cayman Islands company. The Cayman Islands does not impose corporate income taxes. Consequently, income taxes have been provided based on the laws and rates in effect in the countries in which operations are conducted, or in which Noble and/or its subsidiaries are considered resident for income tax purposes. Our U.S. subsidiaries are subject to a U.S. corporate tax rate of 35 percent.

In certain circumstances, management expects that, due to changing demands of the offshore drilling markets and the ability to redeploy our offshore drilling units, certain of such units will not reside in a location long enough to give rise to future tax consequences. As a result, no deferred tax liability has been recognized in these circumstances. Should management's expectations change regarding the length of time an offshore drilling unit will be used in a given location, we will adjust deferred taxes accordingly.

The components of and changes in the net deferred taxes were as follows:

	<b>December 31, 2004</b>	December 31, 2003
Deferred tax assets:		
United States:		
Net operating loss carryforwards	<b>\$ 28,295</b>	\$ 11,576
Tax credit carryforwards	<b>24,570</b>	23,403
International:		
Net operating loss carryforwards	-	-
Deferred tax assets	<b>52,865</b>	34,979
Less: Valuation allowance	<b>(12,118)</b>	(8,343)
Net deferred tax assets	<b>\$ 40,747</b>	\$ 26,636
Deferred tax liabilities:		
United States:		
Excess of net book basis over remaining tax basis	<b>\$ (246,892)</b>	\$ (232,642)
International:		
Excess of net book basis over remaining tax basis	<b>(361)</b>	(7,351)
Deferred tax liabilities	<b>\$ (247,253)</b>	\$ (239,993)
Net deferred tax liabilities	<b>\$ (206,506)</b>	\$ (213,357)

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

Income before income taxes consisted of the following:

	Year Ended December 31,		
	2004	2003	2002
United States	\$ (12,310)	\$ (3,996)	\$ 34,966
International	174,127	190,980	208,359
Total	\$ 161,817	\$ 186,984	\$ 243,325

The income tax provision consisted of the following:

	Year Ended December 31,		
	2004	2003	2002
Current - United States	\$ (8,403)	\$ (2,561)	\$ 160
Current - International	19,112	18,753	16,792
Deferred - United States	11,546	14,878	13,020
Deferred - International	(6,524)	(10,502)	3,850
Total	\$ 15,731	\$ 20,568	\$ 33,822

A reconciliation of statutory and effective income tax rates is shown below:

	Year Ended December 31,		
	2004	2003	2002
Statutory rate	0.0%	0.0%	0.0%
Effect of:			
U.S. tax rate which is different than the Cayman Islands rate	9.8	3.6	4.5
International tax rates which are different than the Cayman Islands rate	10.9	7.3	8.3
Resolution of tax authority audits	(6.7)	-	-
Change in tax status of international subsidiaries	(2.7)	-	-
U.S. and international return to provision adjustments	(1.8)	-	-
Other	0.2	0.1	1.1
Total	9.7%	11.0%	13.9%

During 2004, we generated net operating losses (“NOLs”) of \$21,767,000 and \$53,950,000 for U.S. Regular and Alternative Minimum Tax (“AMT”) purposes, respectively. Our total U.S. NOLs at December 31, 2004 were \$59,454,000 for U.S. Regular tax purposes and \$136,728,000 for AMT purposes. These NOLs can be carried forward 20 years and begin to expire in 2022. Based on current market conditions, the reversal of temporary differences and forecasts of future U.S. income, we expect to fully utilize these NOLs. Therefore, there is no valuation allowance offsetting the deferred tax asset for these NOLs.

During 2003, we generated NOLs of \$23,943,000 and \$61,826,000 for U.S. Regular and AMT purposes, respectively. During 2002, we generated NOLs of \$13,744,000 and \$47,024,000 for U.S. Regular and AMT purposes, respectively. Due to our corporate restructuring in 2002, \$13,744,000 of the Regular NOL and \$20,952,000 of the AMT NOL were subject to the Separate Return Limitation Year limits and could not be carried back to prior tax years. The remaining AMT NOL of \$26,072,000 was carried back to 2001 and generated cash refunds of \$5,019,000. Certain components of the Net deferred tax liabilities in the table above were based on our estimates of NOLs and tax credit carryforwards at December 31, 2003. The Net deferred tax liabilities at December 31, 2004 reflect the actual NOLs and tax credit carryforwards from 2003.

We had AMT credit carryforwards of \$17,444,000 at December 31, 2004 and 2003. We expect to fully utilize these credits, which can be carried forward indefinitely. Therefore, there is no valuation allowance offsetting this asset. We had foreign tax credit carryforwards of \$7,126,000 at December 31, 2004. These credits can be carried forward ten years, and begin to expire in 2010. Because the majority of our international operations are conducted by non-U.S. subsidiaries, we have offset the asset for these credits with a valuation allowance of \$4,632,000. Our estimated foreign tax credits and offsetting valuation allowance at December 31, 2003 were \$5,959,000 and \$3,873,000, respectively.

Certain of our subsidiaries file stand alone tax returns in the U.S. During 2004, these subsidiaries generated NOLs of \$4,074,000 for U.S. Regular and AMT purposes. Our total U.S. NOLs at December 31, 2004 for Regular and AMT purposes for these subsidiaries were

\$21,389,000 and \$21,294,000, respectively. Due to insufficient earnings history with these subsidiaries, we have fully offset the deferred tax asset attributable to the U.S. Regular NOLs with a valuation allowance of \$7,486,000 and \$4,470,000 at December 31, 2004 and 2003, respectively. These NOLs can be carried forward 20 years, and begin to expire in 2023.

During 2004, we recorded a tax benefit of \$10,803,000 due to the resolution of certain tax authority audits. Also during 2004, two of our subsidiaries were granted approval by an international tax authority to be taxed on a deemed profit basis in its jurisdiction. We recorded a one-time tax benefit of \$4,431,000 due to the change in tax status of these subsidiaries in such jurisdiction.

Due to our ability to redeploy units between Mexico and other jurisdictions, we do not expect our rig-owning subsidiaries operating in Mexico to incur income tax liability in Mexico. Therefore, no deferred tax has been recorded for these subsidiaries. Should our expectations change regarding these subsidiaries, we will adjust deferred taxes accordingly. Our recognition of a deferred tax liability in these circumstances would not have had a material effect on our results of operations for 2004, 2003 or 2002, and would have had no effect on our liquidity or our cash flows.

Applicable U.S. and foreign income and withholding taxes have not been provided on undistributed earnings of \$808,000,000 for Noble's subsidiaries. Management does not intend to repatriate such undistributed earnings for the foreseeable future except for distributions upon which incremental income and withholding taxes would not be material. It is not practicable to estimate the amount of deferred income taxes associated with these undistributed earnings.

On October 22, 2004, The American Jobs Creation Act of 2004 ("the Act") was signed into law in the U.S. The Act creates a temporary incentive for U.S. corporations to repatriate accumulated income earned abroad by providing an 85 percent dividends received deduction for certain dividends from controlled foreign corporations. The deduction is subject to a number of limitations. We have reviewed this incentive under the Act. We believe it is in our best interest to continue to keep these undistributed earnings permanently reinvested outside the U.S. and do not intend to repatriate any undistributed earnings for the foreseeable future except for distributions upon which incremental income and withholding taxes would not be material.

#### NOTE 12 – EMPLOYEE BENEFIT PLANS

We have a U.S. noncontributory defined benefit pension plan which covers substantially all salaried employees and a U.S. noncontributory defined benefit pension plan which covers certain field hourly employees, whose initial date of employment is prior to August 1, 2004 (collectively referred to as our "qualified domestic plans"). These plans are governed by the Noble Drilling Corporation Retirement Trust (the "Trust"). The benefits from these plans are based primarily on years of service and, for the salaried plan, employees' compensation near retirement. These plans 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 to the qualified domestic plans when required. The benefit amount that can be covered by the qualified domestic 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 all employees at the formula level in the qualified domestic plans. We refer to the qualified domestic plans and the excess benefit plan collectively as the "domestic plans."

Each of Noble Drilling (U.K.) Limited, Noble Enterprises Limited and Noble Drilling (Nederland) B.V., all indirect, wholly-owned subsidiaries of Noble, maintains a pension plan which covers all of its salaried, non-union employees (collectively referred to as our "international plans"). Benefits are based on credited service and the average of the highest three years of qualified salary within the past 10 years of participation.

In 2004, we made total fundings of \$1,389,000 to our domestic and international pension plans. We made total fundings of \$22,155,000 to our domestic and international pension plans in 2003, including a discretionary funding of \$17,100,000. During 2002, we made fundings totaling \$5,327,000 to our plans. We expect fundings in 2005 to approximate \$1,500,000.

All of our plans use December 31 as the measurement date.

A reconciliation of the changes in projected benefit obligations for our international and domestic plans is as follows:

	As of December 31,			
	2004		2003	
	International	Domestic	International	Domestic
Benefit obligation at beginning of year	\$ 41,542	\$ 68,945	\$ 36,600	\$ 54,227
Service cost	2,411	4,455	1,957	3,504
Interest cost	2,418	4,097	2,015	3,486
Actuarial losses	1,060	1,415	1,078	9,586
Benefits paid	(898)	(2,072)	(598)	(1,858)
Plan participants' contribution	216	-	178	-
Foreign exchange rate changes	3,507	-	312	-
Other	-	367	-	-
<b>Benefit obligation at end of year</b>	<b>\$ 50,256</b>	<b>\$ 77,207</b>	<b>\$ 41,542</b>	<b>\$ 68,945</b>

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

A reconciliation of the changes in fair value of plan assets is as follows:

	As of December 31,			
	2004		2003	
	International	Domestic	International	Domestic
Fair value of plan assets at beginning of year	\$ 44,171	\$ 53,386	\$ 26,764	\$ 37,251
Actual return on plan assets	2,998	5,173	3,330	7,878
Employer contribution	802	587	12,040	10,115
Plan participants' contribution	216	-	178	-
Benefits and expenses paid	(963)	(2,072)	(618)	(1,858)
Foreign exchange rate changes	5,337	-	2,477	-
Fair value of plan assets at end of year	\$ 52,561	\$ 57,074	\$ 44,171	\$ 53,386

The funded status of the plans is as follows:

	As of December 31,			
	2004		2003	
	International	Domestic	International	Domestic
Funded status	\$ 2,305	\$ (20,133)	\$ 2,629	\$ (15,559)
Unrecognized net loss	991	17,501	225	17,887
Unrecognized prior service cost	-	1,695	-	1,588
Unrecognized transition obligation	1,326	-	1,452	-
Net amount recognized	\$ 4,622	\$ (937)	\$ 4,306	\$ 3,916

Amounts recognized in the Consolidated Balance Sheets consist of:

	As of December 31,			
	2004		2003	
	International	Domestic	International	Domestic
Prepaid (accrued) pension cost	\$ 4,622	\$ (3,611)	\$ 4,306	\$ 2,404
Intangible asset	-	1,953	-	885
Accumulated other comprehensive loss	-	721	-	627
Net amount recognized	\$ 4,622	\$ (937)	\$ 4,306	\$ 3,916

Pension cost includes the following components:

	Year Ended December 31,					
	2004		2003		2002	
	International	Domestic	International	Domestic	International	Domestic
Service cost	\$ 2,411	\$ 4,455	\$ 1,957	\$ 3,504	\$ 2,424	\$ 3,392
Interest cost	2,418	4,097	2,015	3,486	1,970	3,552
Return on plan assets	(3,023)	(4,273)	(1,856)	(3,376)	(2,025)	(3,532)
Amortization of prior service cost	-	260	-	217	52	189
Amortization of transition obligation	168	-	530	-	93	-
Recognized net actuarial (gain) loss	(58)	900	(358)	697	(19)	391
Net pension expense	\$ 1,916	\$ 5,439	\$ 2,288	\$ 4,528	\$ 2,495	\$ 3,992



Other information regarding our international and domestic plans is summarized below:

	As of December 31,			
	2004		2003	
	International	Domestic	International	Domestic
Projected benefit obligation	\$ 50,256	\$ 77,207	\$ 41,542	\$ 68,945
Accumulated benefit obligation	48,716	63,327	39,490	53,275
Fair value of plan assets	52,561	57,074	44,171	53,386
Increase in minimum liability included in other comprehensive income	-	721	-	627

The key assumptions for the plans are summarized below:

	As of December 31,			
	2004		2003	
	International	Domestic	International	Domestic
Weighted-average assumptions used to determine benefit obligations:				
Discount rate	4.75%-5.70%	5.75%	5.50%	6.00%
Rate of compensation increase	3.70%-3.88%	5.00%	3.50%-3.88%	5.00%

	Year Ended December 31,					
	2004		2003		2002	
	International	Domestic	International	Domestic	International	Domestic
Weighted-average assumptions used to determine net periodic benefit cost:						
Discount rate	5.25%-5.50%	6.00%	5.25%-5.50%	6.50%	5.50%	7.00%
Expected long-term return on plan assets	5.25%-6.25%	8.00%	5.25%-6.25%	8.00%	5.50%-6.25%	9.00%
Rate of compensation increase	3.50%-3.88%	5.00%	3.50%-3.88%	5.00%	3.50%	5.00%

The projected benefit obligation for the unfunded excess benefit plan was \$8,547,000 and \$7,850,000 at December 31, 2004 and 2003, respectively, and is included under "Domestic" in the above tables.

Additional information regarding our qualified domestic plans is summarized below.

The Trust invests in equity securities, fixed income debt securities, and cash equivalents and other short-term investments. The Trust may invest in these investments directly or through pooled vehicles, including mutual funds.

The targeted and actual weighted average asset allocations by asset category for the two U.S. defined benefit pension plans are as follows:

	Year Ended December 31,					
	2004			2003		
	Target Allocation or Range	Actual Allocation	Assets	Actual Allocation	Assets	
Asset category:						
Equity securities	65%	68%	\$ 39,114	68%	\$ 36,102	
Debt securities	32%	28%	15,910	29%	15,517	
Real estate	0%	0%	-	0%	-	
Cash	3%	4%	2,050	3%	1,767	
Other	0%	0%	-	0%	-	
Total plan assets	100%	100%	\$ 57,074	100%	\$ 53,386	

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

Any deviation from the target range of asset allocations must be approved by the Trust's governing committee. The performance objective of the Trust is to outperform the return of the Total Index Composite as constructed to reflect the target allocation weightings for each asset class. This objective should be met over a market cycle, which is defined as a period not less than three years or more than five years. Domestic equity securities (common stock, convertible preferred stock and convertible bonds) should achieve a total return (after fees) that exceeds the total return of an appropriate market index over a full market cycle of three to five years. International equity securities (common stock, convertible preferred stock and convertible bonds), either from developed or emerging markets, should achieve a total return (after fees) that exceeds the total return of an appropriate market index over a full market cycle of three to five years. Fixed income debt securities should achieve a total return (after fees) that exceeds the total return of an appropriate market index over a full market cycle of three to five years. Cash equivalent and short-term investments should achieve relative performance better than the 90-day Treasury bills. When mutual funds are used by the Trust, those mutual funds should achieve a total return that equals or exceeds the total return of each fund's appropriate Lipper or Morningstar category. Lipper and Morningstar are independent mutual fund rating and information services.

For investments in equity securities, no individual options or financial futures contracts are purchased unless approved in writing by the Trust's governing committee. In addition, no private placements or purchases of venture capital are allowed. No direct investments in foreign securities are made unless available in ADRs on a U.S. exchange. The maximum commitment to a particular industry, as defined by Standard & Poor's, may not exceed 20 percent. The Trust's equity managers vote all proxies in the best interest of the Trust without regards to social issues. The Trust's governing committee reserves the right to comment on and exercise control over the response to any individual proxy solicitation.

For fixed income debt securities, corporate bonds purchased are limited to investment grade securities as established by Moody's or Standard & Poor's. At no time shall the lowest investment grade make up more than 20 percent of the total market value of the Trust's fixed income holdings. The total fixed income exposure from any single non-government or government agency issuer shall not exceed 10 percent of the Trust's fixed income holdings. The average duration of the total portfolio shall not exceed seven years. All interest and principal receipts are swept, as received, into an alternative cash management vehicle until reallocated in accordance with the Trust's core allocation.

For investments in cash equivalent and short-term investments, the Trust utilizes a money market mutual fund which invests in U.S. government and agency obligations, repurchase agreements collateralized by U.S. government or agency securities, commercial paper, bankers' acceptances, certificate of deposits, delayed delivery transactions, reverse repurchase agreements, time deposits and Euro dollar obligations. Bankers' acceptances shall be made in larger banks (ranked by assets) rated "AA" or better by Moody's and in conformance with all FDIC regulations concerning capital requirements.

Equity securities include Noble's ordinary shares in the amounts of \$2,736,000 (5% of total Domestic plan assets) and \$1,968,000 (4% of total Domestic plan assets) at December 31, 2004, and 2003, respectively. Noble does not expect that it will be required to make a mandatory contribution to its domestic plans in 2005, although Noble has made discretionary contributions in prior years and expects it will consider making a discretionary contribution to its domestic plans in 2005. Estimated benefit payments from our domestic plans are \$2,255,000 for 2005, \$2,440,000 for 2006, \$2,567,000 for 2007, \$2,950,000 for 2008, \$3,039,000 for 2009 and \$17,685,000 in the aggregate for the five years thereafter.

The expected rate of return on plan assets was based on historical returns on each asset type and weighted based on the target asset allocation.

Additional information regarding our international plans is summarized below.

Our international pension plans invest in equity securities, fixed income debt securities, and cash equivalents and other short-term investments.

The weighted average asset allocations by asset category for the international pension plans are as follows:

Asset category:	Year Ended December 31,			
	2004		2003	
	Actual Allocation	Assets	Actual Allocation	Assets
Equity securities	62%	\$ 32,700	62%	\$ 27,225
Debt securities	31%	16,339	34%	15,240
Real estate	0%	-	0%	-
Cash	7%	3,446	4%	1,706
Other	0%	76	0%	-
<b>Total plan assets</b>	<b>100%</b>	<b>\$ 52,561</b>	<b>100%</b>	<b>\$ 44,171</b>

Both the Noble Enterprises Limited and Noble Drilling (Nederland) B.V. pension plans have a targeted asset allocation of 100 percent debt securities. The investment objective for the Noble Enterprises Limited plan assets is to earn a favorable return against the Salomon Brothers U.S. Government Bond Index for all maturities greater than one year. The investment objective for the Noble Drilling (Nederland) B.V. plan assets is to earn a favorable return against the Salomon Brothers EMU Government Bond Index for all maturities greater than one year. We evaluate the performance of these plans on an annual basis. In establishing an expected rate of return for these plans' assets, the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and expectations for future returns of each asset class were all considered. The expected return for each class was then weighted based on the target asset allocation (100 percent debt securities for both of these plans at December 31, 2004) to develop the expected long-term rate of return on assets assumption for the plans.

There is no target asset allocation for the Noble Drilling (U.K.) Limited pension plan. However, the investment objectives of the plan, as adopted by the plan's trustees, is to achieve a favorable return against the Combined Actuarial Performance Service ("CAPS") pooled fund median. The CAPS pooled fund is a benchmark that attempts to reflect the performance of all pooled pension funds in the United Kingdom. By achieving this objective, the trustees believe the plan will be able to avoid significant volatility in the contribution rate and provide sufficient plan assets to cover the plan's benefit obligations were the plan to be liquidated. To achieve these objectives, the trustees have given the plan's investment managers full discretion in the day to day management of the plan's assets. The plan's assets are divided between two investment managers. The performance objective communicated to one of these investment managers is to achieve upper quartile performance over a rolling five-year period against the CAPS pooled fund benchmark. The performance objective communicated to the other investment manager is to exceed the CAPS pooled fund benchmark by one percent per annum over a rolling three-year period. This investment manager is prohibited by the trustees from investing in real estate. The trustees meet the investment managers periodically to review and discuss their investment performance. The expected rate of return on the plan's assets is based on the plan's asset allocation at December 31, 2004 and assumes that equity securities will outperform fixed interest bonds issued by the United Kingdom government by approximately 1.75 percent per annum.

Noble expects to contribute \$1,500,000 to its international plans in 2005. Estimated benefit payments from our international plans are \$720,000 for 2005, \$746,000 for 2006, \$900,000 for 2007, \$969,000 for 2008, \$1,046,000 for 2009 and \$9,363,000 in the aggregate for the five years thereafter.

We presently sponsor the Noble Drilling Corporation 401(k) Savings Restoration Plan ("Restoration Plan"). The Restoration Plan is a nonqualified, unfunded employee benefit plan under which certain highly compensated employees of the Company may elect to defer compensation in excess of amounts deferrable under the Company's 401(k) savings plan, and receive employer matching contributions (which are made in ordinary shares). The employer matching amount is limited in the same manner as are employer matching contributions under the Company's 401(k) savings plan. Our liability for this plan was \$15,591,000 and \$11,750,000 at December 31, 2004 and 2003, respectively, and is included in "Accrued payroll and related costs" in the accompanying Consolidated Balance Sheets. Although not considered plan assets, a grantor trust was established from which payments for obligations under the Restoration Plan were made prior to the trust's dissolution in December 2004. The grantor trust had a balance of \$9,458,000 at December 31, 2003 and is included in "Investments in marketable securities" in the accompanying Consolidated Balance Sheet at that date. We also maintained a trust that held ordinary shares of Noble for purposes of funding our obligations under the benefit plans, including the Restoration Plan. This trust was also dissolved in December 2004. This trust held 1,700,000 ordinary shares of Noble at December 31, 2003. These shares are classified as "Treasury stock" in the accompanying Consolidated Balance Sheet at December 31, 2003.

We presently sponsor a 401(k) savings plan, a medical plan and other plans for the benefit of our employees. The cost of maintaining these plans aggregated \$22,193,000, \$20,220,000 and \$18,167,000 in 2004, 2003 and 2002, respectively. We do not provide post-retirement benefits (other than pensions) or any post-employment benefits to our employees.

#### **NOTE 13 – COMMITMENTS AND CONTINGENCIES**

In August 2004, an indirect, wholly-owned subsidiary of Noble was served as a named defendant in two lawsuits filed in the Circuit Courts of the State of Mississippi involving numerous other companies (not affiliated with Noble) as co-defendants. In December 2004, such subsidiary was served as a named defendant in a third lawsuit filed in Mississippi Circuit Court. The lawsuits seek an unspecified amount of monetary damages on behalf of approximately 130 named individuals alleging personal injury or death, including claims under the Jones Act, purportedly resulting from exposure to asbestos on drilling rigs and associated facilities during the period 1965 through 1986. The lawsuits are in preliminary stages and we have not confirmed the number of plaintiffs, if any, that were employed by our subsidiary or otherwise associated with our drilling operations during the relevant period. We intend to defend vigorously against the litigation, and based on information currently available, we do not believe the resolution of these lawsuits will have a material adverse effect on our financial position, results of operations or cash flows.

Noble Asset Company Limited ("NACL"), a wholly-owned, indirect subsidiary of Noble, was named one of 21 parties served a Show Cause Notice issued by the Commissioner of Customs (Prev.), Mumbai, India in August 2003. The Show Cause Notice concerns alleged violations of Indian Customs laws and regulations regarding one of our jackup drilling rigs. The Commissioner alleges certain violations to have occurred before, at the time of, and after NACL acquired the rig from the rig's previous owner. We maintain that NACL has acted in accordance with all Indian Customs laws and regulations and believe the Show Cause Notice is without merit as against NACL. In the purchase agreement for the rig, NACL received contractual indemnification against liability for Indian customs duty from the rig's previous owner. In connection

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

with the export of the rig from India in 2001, NACL posted a bank guarantee in the amount of \$3,300,000 and a customs bond in the amount of \$21,340,000, both of which remain in place. NACL filed its initial replies to the Show Cause Notice in December 2003. NACL appeared through counsel before the Commissioner in September 2004 and made oral arguments and written submissions. The Commissioner has not ruled to date. We do not believe the resolution of this matter 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 normal course of business. In the opinion of management, uninsured losses, if any, will not be material to our financial position, results of operations or cash flows.

In connection with several projects, we have entered into agreements with various vendors to purchase or construct property and equipment that generally have long lead times for delivery. Any equipment purchased for a project on which we do not proceed would be used, where applicable, as capital spares for other units in our fleet. As of December 31, 2004, we had approximately \$32,000,000 of outstanding purchase commitments related to these projects.

At December 31, 2004, we had certain noncancelable, long-term operating leases, principally for office space and facilities, with various expiration dates. Future minimum rentals under these leases aggregate \$3,525,000 for 2005, \$2,889,000 for 2006, \$2,444,000 for 2007, \$2,257,000 for 2008, \$2,256,000 for 2009 and \$6,157,000 thereafter. Rental expense for all operating leases was \$4,896,000, \$4,038,000 and \$3,688,000 for the years ended December 31, 2004, 2003 and 2002, respectively.

We have entered into employment agreements with each of our executive officers, as well as certain other employees. These agreements become effective upon a change of control of Noble (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.

#### NOTE 14 – UNAUDITED INTERIM FINANCIAL DATA

Unaudited interim consolidated financial information for the years ended December 31, 2004 and 2003 is as follows:

	Quarter Ended			
	March 31	June 30	Sept. 30	Dec. 31
<b>2004</b>				
Operating revenues	\$ 245,433	\$ 253,009	\$ 265,638	\$ 302,151
Operating income	38,842	46,561	44,015	57,754
Net income	28,260	34,381	30,571	52,874
Net income per share <sup>(1)</sup> :				
Basic	\$ 0.21	\$ 0.26	\$ 0.23	\$ 0.39
Diluted	0.21	0.26	0.23	0.39
<b>2003</b>				
Operating revenues	\$ 245,008	\$ 247,920	\$ 254,646	\$ 239,806
Operating income	54,718	58,670	67,157	40,593
Net income	39,421	43,738	52,957	30,300
Net income per share <sup>(1)</sup> :				
Basic	\$ 0.30	\$ 0.33	\$ 0.40	\$ 0.23
Diluted	0.30	0.33	0.40	0.23

(1) Earnings per share is computed independently for each of the quarters presented. Therefore, the sum of the quarters' earnings per share may not agree to the total computed for the year.

#### NOTE 15 – PARENT GUARANTEE OF REGISTERED SECURITIES ISSUED BY SUBSIDIARY

Noble and Noble Holding are guarantors for certain debt securities issued by Noble Drilling. These debt securities include Noble Drilling's 6.95% Senior Notes due 2009 and its 7.50% Senior Notes due 2019. The outstanding principal balances of the 6.95% Senior Notes and the 7.50% Senior Notes at December 31, 2004 were \$149,954,000 and \$201,695,000, respectively. Noble Drilling is an indirect, wholly-owned subsidiary of Noble and a direct, wholly-owned subsidiary of Noble Holding. Noble's and Noble Holding's guarantee of these securities is full and unconditional.

The following consolidating financial statements of Noble, Noble Holding, Noble Drilling and all other subsidiaries are included so that separate financial statements of Noble Drilling are not required to be filed with the United States Securities and Exchange Commission. These consolidating financial statements present Noble's and Noble Holding's investments in both consolidated and unconsolidated affiliates using the equity method of accounting.

## CONSOLIDATING BALANCE SHEET

December 31, 2004

(In thousands)

	Noble (Guarantor)	Noble Holding (Subsidiary Guarantor)	Noble Drilling (Issuer)	Other Subsidiaries	Consolidating Adjustments	Total
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$ 8,130	\$ -	\$ -	\$ 50,660	\$ -	\$ 58,790
Investments in marketable securities	23,707	-	-	109,081	-	132,788
Accounts receivable	-	-	7,434	197,589	-	205,023
Inventories	-	-	-	4,013	-	4,013
Prepaid expenses	-	-	1,285	11,169	-	12,454
Accounts receivable from affiliates	177,091	-	588,705	-	(765,796)	-
Other current assets	19,918	-	262	11,963	(19,928)	12,215
Total current assets	<u>228,846</u>	<u>-</u>	<u>597,686</u>	<u>384,475</u>	<u>(785,724)</u>	<u>425,283</u>
<b>PROPERTY AND EQUIPMENT</b>						
Drilling equipment and facilities	-	-	99,624	3,639,714	-	3,739,338
Other	-	-	-	65,550	-	65,550
	-	-	99,624	3,705,264	-	3,804,888
Accumulated depreciation	-	-	(51,581)	(1,009,687)	-	(1,061,268)
	-	-	48,043	2,695,577	-	2,743,620
NOTES RECEIVABLE FROM AFFILIATES	492,139	-	44,159	-	(536,298)	-
INVESTMENTS IN AFFILIATES	1,664,904	1,987,843	1,773,952	-	(5,426,699)	-
INVESTMENT IN AND ADVANCES TO JOINT VENTURES	-	-	-	18,804	-	18,804
OTHER ASSETS	-	-	5,929	114,337	-	120,266
	<u>\$ 2,385,889</u>	<u>\$ 1,987,843</u>	<u>\$ 2,469,769</u>	<u>\$ 3,213,193</u>	<u>\$ (6,748,721)</u>	<u>\$ 3,307,973</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Current maturities of long-term debt	\$ -	\$ 19,682	\$ -	\$ 8,361	\$ (19,682)	\$ 8,361
Accounts payable	-	-	2,374	80,638	-	83,012
Accrued payroll and related costs	26	-	15,222	45,663	-	60,911
Taxes payable	1,429	-	-	21,454	-	22,883
Interest payable	-	-	7,912	1,315	(246)	8,981
Accounts payable to affiliates	-	114,330	-	651,466	(765,796)	-
Other current liabilities	-	-	809	29,209	-	30,018
Total current liabilities	<u>1,455</u>	<u>134,012</u>	<u>26,317</u>	<u>838,106</u>	<u>(785,724)</u>	<u>214,166</u>
LONG-TERM DEBT	-	-	451,650	51,638	-	503,288
NOTES PAYABLE TO AFFILIATES	-	492,139	-	44,159	(536,298)	-
DEFERRED INCOME TAXES	-	(2,700)	15,083	194,123	-	206,506
OTHER LIABILITIES	-	1,043	4,674	2,393	-	8,110
COMMITMENTS AND CONTINGENCIES	-	-	-	-	-	-
MINORITY INTEREST	-	-	-	(8,531)	-	(8,531)
	<u>1,455</u>	<u>624,494</u>	<u>497,724</u>	<u>1,121,888</u>	<u>(1,322,022)</u>	<u>923,539</u>
<b>SHAREHOLDERS' EQUITY</b>						
Ordinary Shares-par value \$0.10 per share	13,441	-	-	-	-	13,441
Capital in excess of par value	926,652	870,744	870,744	691,289	(2,432,777)	926,652
Retained earnings	1,452,974	492,605	1,101,301	1,397,478	(2,991,384)	1,452,974
Treasury stock, at cost	-	-	-	-	-	-
Restricted stock (unearned compensation)	(11,171)	-	-	-	-	(11,171)
Accumulated other comprehensive loss	2,538	-	-	2,538	(2,538)	2,538
	<u>2,384,434</u>	<u>1,363,349</u>	<u>1,972,045</u>	<u>2,091,305</u>	<u>(5,426,699)</u>	<u>2,384,434</u>
	<u>\$ 2,385,889</u>	<u>\$ 1,987,843</u>	<u>\$ 2,469,769</u>	<u>\$ 3,213,193</u>	<u>\$ (6,748,721)</u>	<u>\$ 3,307,973</u>

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

## CONSOLIDATING BALANCE SHEET

December 31, 2003

(In thousands)

	Noble (Guarantor)	Noble Holding (Subsidiary Guarantor)	Noble Drilling (Issuer)	Other Subsidiaries	Consolidating Adjustments	Total
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$ 33,991	\$ -	\$ -	\$ 28,576	\$ -	\$ 62,567
Investments in marketable securities	24,798	-	-	150,478	-	175,276
Accounts receivable	-	-	3,144	146,091	-	149,235
Inventories	-	-	-	4,086	-	4,086
Prepaid expenses	-	-	3,376	8,433	-	11,809
Accounts receivable from affiliates	17,239	-	487,693	-	(504,932)	-
Other current assets	26,098	-	3,977	14,926	(26,015)	18,986
Total current assets	<u>102,126</u>	<u>-</u>	<u>498,190</u>	<u>352,590</u>	<u>(530,947)</u>	<u>421,959</u>
<b>PROPERTY AND EQUIPMENT</b>						
Drilling equipment and facilities	-	-	100,647	3,353,516	-	3,454,163
Other	-	-	-	64,591	-	64,591
	-	-	100,647	3,418,107	-	3,518,754
Accumulated depreciation	-	-	(47,380)	(845,508)	-	(892,888)
	-	-	53,267	2,572,599	-	2,625,866
NOTES RECEIVABLE FROM AFFILIATES	511,821	-	169,159	4,629	(685,609)	-
INVESTMENTS IN AFFILIATES	1,563,494	1,864,823	1,643,124	-	(5,071,441)	-
INVESTMENT IN AND ADVANCES TO JOINT VENTURES	-	-	-	19,868	-	19,868
OTHER ASSETS	-	-	7,333	114,607	-	121,940
	<u>\$ 2,177,441</u>	<u>\$ 1,864,823</u>	<u>\$ 2,371,073</u>	<u>\$ 3,064,293</u>	<u>\$ (6,287,997)</u>	<u>\$ 3,189,633</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Current maturities of long-term debt	\$ -	\$ 17,951	\$ -	\$ 47,666	\$ (17,951)	\$ 47,666
Accounts payable	(6)	-	4,180	83,004	-	87,178
Accrued payroll and related costs	-	-	11,412	37,099	-	48,511
Taxes payable	(958)	-	-	32,692	-	31,734
Interest payable	-	8,064	7,799	1,585	(8,064)	9,384
Accounts payable to affiliates	-	57,527	-	447,405	(504,932)	-
Other current liabilities	(20)	-	668	18,902	-	19,550
Total current liabilities	<u>(984)</u>	<u>83,542</u>	<u>24,059</u>	<u>668,353</u>	<u>(530,947)</u>	<u>244,023</u>
LONG-TERM DEBT	-	-	476,640	65,267	-	541,907
NOTES PAYABLE TO AFFILIATES	-	511,821	-	173,788	(685,609)	-
DEFERRED INCOME TAXES	-	-	16,264	197,093	-	213,357
OTHER LIABILITIES	-	-	5,085	13,116	-	18,201
COMMITMENTS AND CONTINGENCIES	-	-	-	-	-	-
MINORITY INTEREST	-	-	-	(6,280)	-	(6,280)
	<u>(984)</u>	<u>595,363</u>	<u>522,048</u>	<u>1,111,337</u>	<u>(1,216,556)</u>	<u>1,011,208</u>
<b>SHAREHOLDERS' EQUITY</b>						
Ordinary Shares-par value \$0.10 per share	13,389	-	-	-	-	13,389
Capital in excess of par value	915,240	870,744	870,744	693,687	(2,435,175)	915,240
Retained earnings	1,306,888	398,716	978,281	1,259,259	(2,636,256)	1,306,888
Treasury stock, at cost	(49,121)	-	-	-	-	(49,121)
Restricted stock (unearned compensation)	(7,981)	-	-	-	-	(7,981)
Accumulated other comprehensive loss	10	-	-	10	(10)	10
	<u>2,178,425</u>	<u>1,269,460</u>	<u>1,849,025</u>	<u>1,952,956</u>	<u>(5,071,441)</u>	<u>2,178,425</u>
	<u>\$ 2,177,441</u>	<u>\$ 1,864,823</u>	<u>\$ 2,371,073</u>	<u>\$ 3,064,293</u>	<u>\$ (6,287,997)</u>	<u>\$ 3,189,633</u>

## CONSOLIDATING STATEMENT OF INCOME

Year Ended December 31, 2004

(In thousands)

	Noble (Guarantor)	Noble Holding (Subsidiary Guarantor)	Noble Drilling (Issuer)	Other Subsidiaries	Consolidating Adjustments	Total
<b>OPERATING REVENUES</b>						
Contract drilling services	\$ -	\$ -	\$ 30,423	\$ 906,991	\$ -	\$ 937,414
Reimbursables	-	-	28	50,206	-	50,234
Labor contract drilling services	-	-	-	51,327	-	51,327
Engineering, consulting and other	-	-	17	27,239	-	27,256
	<u>-</u>	<u>-</u>	<u>30,468</u>	<u>1,035,763</u>	<u>-</u>	<u>1,066,231</u>
<b>OPERATING COSTS AND EXPENSES</b>						
Contract drilling services	(334)	-	9,749	553,093	-	562,508
Reimbursables	-	-	28	44,582	-	44,610
Labor contract drilling services	-	-	-	42,669	-	42,669
Engineering, consulting and other	-	-	-	27,339	-	27,339
Depreciation	-	-	4,641	163,578	-	168,219
Selling, general and administrative	578	-	1,038	32,098	-	33,714
	<u>244</u>	<u>-</u>	<u>15,456</u>	<u>863,359</u>	<u>-</u>	<u>879,059</u>
<b>OPERATING INCOME</b>	<b>(244)</b>	<b>-</b>	<b>15,012</b>	<b>172,404</b>	<b>-</b>	<b>187,172</b>
<b>OTHER INCOME (EXPENSE)</b>						
Equity earnings in affiliates (net of tax)	101,280	123,020	130,828	-	(355,128)	-
Interest expense	-	(47,472)	(27,935)	(6,454)	47,472	(34,389)
Other, net	47,928	-	911	7,667	(47,472)	9,034
	<u>148,964</u>	<u>75,548</u>	<u>118,816</u>	<u>173,617</u>	<u>(355,128)</u>	<u>161,817</u>
<b>INCOME BEFORE INCOME TAXES</b>	<b>148,964</b>	<b>75,548</b>	<b>118,816</b>	<b>173,617</b>	<b>(355,128)</b>	<b>161,817</b>
<b>INCOME TAX (PROVISION) BENEFIT</b>	<b>(2,878)</b>	<b>18,341</b>	<b>4,204</b>	<b>(35,398)</b>	<b>-</b>	<b>(15,731)</b>
<b>NET INCOME</b>	<b>\$ 146,086</b>	<b>\$ 93,889</b>	<b>\$ 123,020</b>	<b>\$ 138,219</b>	<b>\$ (355,128)</b>	<b>\$ 146,086</b>

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

## CONSOLIDATING STATEMENT OF INCOME

Year Ended December 31, 2003

(In thousands)

	Noble (Guarantor)	Noble Holding (Subsidiary Guarantor)	Noble Drilling (Issuer)	Other Subsidiaries	Consolidating Adjustments	Total
<b>OPERATING REVENUES</b>						
Contract drilling services	\$ -	\$ -	\$ 13,544	\$ 876,059	\$ -	\$ 889,603
Reimbursables	-	-	350	43,864	-	44,214
Labor contract drilling services	-	-	-	28,492	-	28,492
Engineering, consulting and other	-	-	-	25,071	-	25,071
	<u>-</u>	<u>-</u>	<u>13,894</u>	<u>973,486</u>	<u>-</u>	<u>987,380</u>
<b>OPERATING COSTS AND EXPENSES</b>						
Contract drilling services	(27)	1	10,348	494,716	-	505,038
Reimbursables	-	-	350	38,674	-	39,024
Labor contract drilling services	-	-	-	22,642	-	22,642
Engineering, consulting and other	-	-	(150)	28,399	-	28,249
Depreciation	-	-	3,851	144,276	-	148,127
Selling, general and administrative	300	-	1,025	25,309	-	26,634
Gain on sale of property and equipment	-	-	-	(3,472)	-	(3,472)
	<u>273</u>	<u>1</u>	<u>15,424</u>	<u>750,544</u>	<u>-</u>	<u>766,242</u>
OPERATING (LOSS) INCOME	(273)	(1)	(1,530)	222,942	-	221,138
<b>OTHER INCOME (EXPENSE)</b>						
Equity earnings in affiliates (net of tax)	120,460	164,802	180,861	-	(466,123)	-
Interest expense	-	(48,956)	(27,782)	(16,259)	52,706	(40,291)
Other, net	<u>49,166</u>	<u>-</u>	<u>4,606</u>	<u>5,071</u>	<u>(52,706)</u>	<u>6,137</u>
INCOME BEFORE INCOME TAXES	169,353	115,845	156,155	211,754	(466,123)	186,984
INCOME TAX (PROVISION) BENEFIT	<u>(2,937)</u>	<u>17,135</u>	<u>8,647</u>	<u>(43,413)</u>	<u>-</u>	<u>(20,568)</u>
NET INCOME	\$ 166,416	\$ 132,980	\$ 164,802	\$ 168,341	\$ (466,123)	\$ 166,416



## CONSOLIDATING STATEMENT OF INCOME

Year Ended December 31, 2002

(In thousands)

	Noble (Guarantor)	Noble Holding (Subsidiary Guarantor)	Noble Drilling (Issuer)	Other Subsidiaries	Consolidating Adjustments	Total
<b>OPERATING REVENUES</b>						
Contract drilling services	\$ -	\$ -	\$ 11,336	\$ 899,083	\$ -	\$ 910,419
Reimbursables	-	-	-	26,183	-	26,183
Labor contract drilling services	-	-	-	26,416	-	26,416
Engineering, consulting and other	-	-	276	27,230	(276)	27,230
	<u>-</u>	<u>-</u>	<u>11,612</u>	<u>978,912</u>	<u>(276)</u>	<u>990,248</u>
<b>OPERATING COSTS AND EXPENSES</b>						
Contract drilling services	217	-	9,923	478,765	(276)	488,629
Reimbursables	-	-	-	23,058	-	23,058
Labor contract drilling services	-	-	-	20,951	-	20,951
Engineering, consulting and other	-	-	-	27,868	-	27,868
Depreciation	-	-	5,718	119,436	-	125,154
Selling, general and administrative	3,087	-	(4,012)	27,864	-	26,939
Gain on sale of property and equipment	-	-	-	(5,908)	-	(5,908)
	<u>3,304</u>	<u>-</u>	<u>11,629</u>	<u>692,034</u>	<u>(276)</u>	<u>706,691</u>
OPERATING (LOSS) INCOME	(3,304)	-	(17)	286,878	-	283,557
<b>OTHER INCOME (EXPENSE)</b>						
Equity earnings in affiliates (net of tax)	193,105	207,291	220,381	-	(620,777)	-
Interest expense	-	(20,952)	(25,988)	(16,634)	20,952	(42,622)
Other, net	<u>20,959</u>	<u>-</u>	<u>5,867</u>	<u>(3,484)</u>	<u>(20,952)</u>	<u>2,390</u>
INCOME BEFORE INCOME TAXES	210,760	186,339	200,243	266,760	(620,777)	243,325
INCOME TAX (PROVISION) BENEFIT	<u>(1,257)</u>	<u>7,333</u>	<u>7,048</u>	<u>(46,946)</u>	<u>-</u>	<u>(33,822)</u>
NET INCOME	\$ 209,503	\$ 193,672	\$ 207,291	\$ 219,814	\$ (620,777)	\$ 209,503

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

## CONSOLIDATING STATEMENT OF CASH FLOWS

Year Ended December 31, 2004

(In thousands)	Noble (Guarantor)	Noble Holding (Subsidiary Guarantor)	Noble Drilling (Issuer)	Other Subsidiaries	Consolidating Adjustments	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Net income	\$ 146,086	\$ 93,889	\$ 123,020	\$ 138,219	\$ (355,128)	\$ 146,086
Adjustments to reconcile net income to net cash (used for) provided by operating activities:						
Depreciation, and amortization of deferred repairs and maintenance	-	-	5,939	203,184	-	209,123
Deferred income tax provision	-	-	-	5,022	-	5,022
Loss on sales of marketable securities	-	-	-	129	-	129
Equity in income of joint ventures	-	-	-	(3,931)	-	(3,931)
Distributions received from joint venture	-	-	-	2,700	-	2,700
Compensation expense from stock-based plans	5,753	-	-	-	-	5,753
Equity earnings in affiliates	(101,280)	(123,020)	(130,828)	-	355,128	-
Dissolution of rabbi trust	11,945	-	-	-	-	11,945
Other	-	(1,657)	(188)	(2,183)	-	(4,028)
Changes in current assets and liabilities, net of acquired working capital:						
Accounts receivable	-	-	(4,290)	(51,498)	-	(55,788)
Accounts receivable from affiliates	(146,459)	-	23,409	-	123,050	-
Other current assets	6,180	-	5,806	(10,799)	-	1,187
Accounts payable	6	-	(1,806)	(2,364)	-	(4,164)
Accounts payable to affiliates	-	56,803	-	66,247	(123,050)	-
Other current liabilities	2,433	(8,064)	4,064	19,754	-	18,187
Net cash (used for) provided by operating activities	(75,336)	17,951	25,126	364,480	-	332,221
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Acquisitions and related capital upgrades	-	-	-	(110,548)	-	(110,548)
Other capital expenditures	-	-	334	(150,827)	-	(150,493)
Deferred repair and maintenance expenditures	-	-	(460)	(72,488)	-	(72,948)
Repayments from affiliates	17,951	-	-	-	(17,951)	-
Proceeds from sales of property and equipment	-	-	-	2,135	-	2,135
Repayments from joint ventures	-	-	-	2,295	-	2,295
Investment in marketable securities	(168,300)	-	-	(64,916)	-	(233,216)
Proceeds from sales of marketable securities	160,466	-	-	104,886	-	265,352
Net cash provided by (used for) investing activities	10,117	-	(126)	(289,463)	(17,951)	(297,423)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Payments of borrowing on credit facility	-	-	(25,000)	-	-	(25,000)
Payment of other long-term debt	-	(17,951)	-	(52,933)	17,951	(52,933)
Proceeds from issuance of ordinary shares	79,072	-	-	-	-	79,072
Repurchase of ordinary shares	(39,714)	-	-	-	-	(39,714)
Net cash provided by (used for) financing activities	39,358	(17,951)	(25,000)	(52,933)	17,951	(38,575)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(25,861)	-	-	22,084	-	(3,777)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	33,991	-	-	28,576	-	62,567
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 8,130	\$ -	\$ -	\$ 50,660	\$ -	\$ 58,790

## CONSOLIDATING STATEMENT OF CASH FLOWS

Year Ended December 31, 2003

(In thousands)

	Noble (Guarantor)	Noble Holding (Subsidiary Guarantor)	Noble Drilling (Issuer)	Other Subsidiaries	Consolidating Adjustments	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Net income	\$ 166,416	\$ 132,980	\$ 164,802	\$ 168,341	\$ (466,123)	\$ 166,416
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation, and amortization of deferred repairs and maintenance	-	-	4,636	177,954	-	182,590
Deferred income tax provision	-	-	194	4,182	-	4,376
Loss on sales of marketable securities	-	-	-	382	-	382
Equity in income of joint venture	-	-	-	(2,307)	-	(2,307)
Compensation expense from stock-based plans	4,627	-	-	-	-	4,627
Gain on sale of interest in deepwater oil and gas properties	-	-	-	(3,472)	-	(3,472)
Discretionary pension funding	-	-	(6,900)	(10,200)	-	(17,100)
Equity earnings in affiliates	(120,460)	(164,802)	(180,861)	-	466,123	-
Other	-	-	(2,430)	3,948	-	1,518
Other changes in current assets and liabilities, net of acquired working capital:						
Accounts receivable	-	-	(1,771)	17,149	-	15,378
Accounts receivable from affiliates	-	-	41,865	-	(41,865)	-
Other current assets	(9,681)	-	(7,094)	4,694	-	(12,081)
Accounts payable	(6)	-	3,161	19,245	-	22,400
Accounts payable to affiliates	(15,408)	40,147	-	(66,604)	41,865	-
Other current liabilities	(1,026)	8,064	3,678	(8,135)	-	2,581
Net cash provided by operating activities	24,462	16,389	19,280	305,177	-	365,308
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>						
Acquisitions and related capital upgrades	-	-	-	(194,400)	-	(194,400)
Other capital expenditures	-	-	(16,411)	(96,323)	-	(112,734)
Deferred repair and maintenance expenditures	-	-	(2,869)	(34,115)	-	(36,984)
Repayments from affiliates	16,389	-	-	-	(16,389)	-
Proceeds from sales of property and equipment	-	-	-	1,606	-	1,606
Proceeds from sale of interest in deepwater oil and gas properties	-	-	-	5,200	-	5,200
Repayments from joint venture	-	-	-	4,977	-	4,977
Investment in marketable securities	(97,385)	-	-	(112,635)	-	(210,020)
Proceeds from sales of marketable securities	71,776	-	-	167,509	-	239,285
Net cash used for investing activities	(9,220)	-	(19,280)	(258,181)	(16,389)	(303,070)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Payment of long-term debt	-	(16,389)	-	(80,580)	16,389	(80,580)
Proceeds from issuance of ordinary shares	9,432	-	-	-	-	9,432
Decrease in restricted cash	-	-	-	8,668	-	8,668
Net cash provided by (used for) financing activities	9,432	(16,389)	-	(71,912)	16,389	(62,480)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>						
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,317	-	-	53,492	-	62,809
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 33,991	\$ -	\$ -	\$ 28,576	\$ -	\$ 62,567

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

## CONSOLIDATING STATEMENT OF CASH FLOWS

Year Ended December 31, 2002

(In thousands)

	Noble (Guarantor)	Noble Holding (Subsidiary Guarantor)	Noble Drilling (Issuer)	Other Subsidiaries	Consolidating Adjustments	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Net income	\$ 209,503	\$ 193,672	\$ 207,291	\$ 219,814	\$ (620,777)	\$ 209,503
Adjustments to reconcile net income to net cash provided by (used for) operating activities:						
Depreciation, and amortization of deferred repairs and maintenance	-	-	6,449	148,020	-	154,469
Deferred income tax provision	-	-	(576)	17,446	-	16,870
Loss on sales of marketable securities	-	-	-	168	-	168
Equity in income of joint venture	-	-	-	(1,780)	-	(1,780)
Compensation expense from stock-based plans	3,208	-	1,670	-	-	4,878
Non-cash loss on impairment of investment	-	-	-	9,758	-	9,758
Gain on sale of interest in deepwater oil and gas properties	-	-	-	(5,908)	-	(5,908)
Loss on debt repurchase	-	-	400	-	-	400
Equity earnings in affiliates	(193,105)	(207,291)	(220,381)	-	620,777	-
Other	-	-	6,471	(2,948)	-	3,523
Other changes in current assets and liabilities, net of acquired working capital:						
Accounts receivable	-	-	(560)	4,955	-	4,395
Accounts receivable from affiliates	10,972	-	(85,777)	-	74,805	-
Other current assets	(29)	-	992	3,979	-	4,942
Accounts payable	-	-	396	14,113	-	14,509
Accounts payable to affiliates	-	17,459	-	57,346	(74,805)	-
Other current liabilities	-	-	1,172	28,465	-	29,637
Net cash provided by (used for) operating activities	<u>30,549</u>	<u>3,840</u>	<u>(82,453)</u>	<u>493,428</u>	<u>-</u>	<u>445,364</u>
<b>CASH FLOWS USED FOR INVESTING ACTIVITIES</b>						
Acquisitions and related capital upgrades	-	-	(46,423)	(310,431)	-	(356,854)
Other capital expenditures	-	-	-	(121,500)	-	(121,500)
Deferred repair and maintenance expenditures	-	-	(905)	(41,866)	-	(42,771)
Repayment from affiliates	3,840	-	-	-	(3,840)	-
Proceeds from sales of property and equipment	-	-	-	1,879	-	1,879
Proceeds from sale of interest in deepwater oil and gas properties	-	-	-	6,200	-	6,200
Repayments from joint venture	-	-	-	4,160	-	4,160
Investment in marketable securities	-	-	-	(115,082)	-	(115,082)
Proceeds from sales of marketable securities	-	-	-	83,219	-	83,219
Net cash provided by (used for) investing activities	<u>3,840</u>	<u>-</u>	<u>(47,328)</u>	<u>(493,421)</u>	<u>(3,840)</u>	<u>(540,749)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Proceeds from borrowing on credit facility	-	-	125,000	-	-	125,000
Payment of long-term debt	-	(3,840)	(5,350)	(55,422)	3,840	(60,772)
Proceeds from issuance of ordinary shares	6,275	-	9,092	-	-	15,367
Repurchase of ordinary shares	(33,966)	-	-	-	-	(33,966)
Proceeds from sales of put options on ordinary shares	2,619	-	1,039	-	-	3,658
Decrease in restricted cash	-	-	-	698	-	698
Net cash (used for) provided by financing activities	<u>(25,072)</u>	<u>(3,840)</u>	<u>129,781</u>	<u>(54,724)</u>	<u>3,840</u>	<u>49,985</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>						
	9,317	-	-	(54,717)	-	(45,400)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>						
	-	-	-	108,209	-	108,209
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>						
	\$ 9,317	\$ -	\$ -	\$ 53,492	\$ -	\$ 62,809

## NOTE 16 – SEGMENT AND RELATED INFORMATION

We provide diversified services for the oil and gas industry. Our reportable segments consist of the primary services we provide, which include domestic and international offshore contract drilling and engineering and consulting services. Although these segments are generally influenced by the same economic factors, each represents a distinct service to the oil and gas industry. Each of our drilling rigs is considered by us to be an operating segment within our domestic and international offshore contract drilling services reportable segments, and these operating segments are aggregated to comprise our domestic and international contract drilling services reportable segments in accordance with SFAS No. 131, *Disclosure about Segments of an Enterprise and Related Information* (“SFAS 131”).

Our international contract drilling services segment conducts contract drilling services in the Middle East, Mexico, the North Sea, Brazil, West Africa, India and the Mediterranean Sea. Our domestic contract drilling services segment conducts contract drilling services in the U.S. Gulf of Mexico. Our engineering and consulting services segment, as represented by our Noble Technology Services Division, provides drilling products and drilling-related software programs, well site management, project management, technical services, and operations support for our downhole technology tools.

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies (see Note 1). All intersegment sales pricing is based on current market conditions. We evaluate the performance of our operating segments based on operating revenues and net income. Summarized financial information of our reportable segments for the years ended December 31, 2004, 2003 and 2002 is shown in the following table (in thousands). The “Other” column includes results of labor contract drilling services, other insignificant operations and corporate related items.

	International Contract Drilling Services	Domestic Contract Drilling Services	Engineering & Consulting Services	Other	Total
<b>2004</b>					
Revenues from external customers	\$ 720,412	\$ 255,027	\$ 21,492	\$ 69,300	\$ 1,066,231
Depreciation	119,608	44,566	589	3,456	168,219
Interest expense	16,997	16,500	117	775	34,389
Equity in income of joint venture	3,931	-	-	-	3,931
Income tax provision (benefit)	16,012	11,655	315	(12,251)	15,731
Segment profit (loss)	103,523	34,966	(8,363)	15,960	146,086
Total assets	1,834,385	1,243,063	38,366	192,159	3,307,973
Capital expenditures	244,172	8,973	1,620	6,276	261,041
<b>2003</b>					
Revenues from external customers	\$ 663,321	\$ 262,378	\$ 23,545	\$ 38,136	\$ 987,380
Depreciation	97,584	46,473	610	3,460	148,127
Interest expense	19,548	19,899	147	697	40,291
Equity in income of joint venture	2,307	-	-	-	2,307
Income tax provision (benefit)	13,252	14,201	286	(7,171)	20,568
Segment profit (loss)	131,379	40,470	(12,737)	7,304	166,416
Total assets	1,578,736	1,283,662	30,322	296,913	3,189,633
Capital expenditures	135,986	79,816	637	90,695	307,134
<b>2002</b>					
Revenues from external customers	\$ 636,869	\$ 304,842	\$ 14,569	\$ 33,968	\$ 990,248
Depreciation	70,803	50,774	380	3,197	125,154
Interest expense	18,676	23,405	361	180	42,622
Equity in income of joint venture	1,780	-	-	-	1,780
Income tax provision (benefit)	22,674	16,509	(191)	(5,170)	33,822
Segment profit (loss)	177,223	44,636	(5,754)	(6,602)	209,503
Total assets	1,448,572	1,377,386	30,631	209,125	3,065,714
Capital expenditures	249,924	97,232	15,669	115,529	478,354

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

The following table is a reconciliation of reportable segment profit or loss to consolidated totals:

	2004	2003	2002
PROFIT OR LOSS			
Total profit for reportable segments	\$ 130,126	\$ 159,112	\$ 216,105
Other profits (losses)	15,960	7,304	(6,602)
Total consolidated net income	\$ 146,086	\$ 166,416	\$ 209,503

The following tables present revenues and identifiable assets by country based on the location of the service provided:

	Revenues			Identifiable Assets		
	Year Ended December 31,			December 31,		
	2004	2003	2002	2004	2003	2002
United States	\$ 265,767	\$ 283,097	\$ 317,059	\$ 1,483,844	\$ 1,528,333	\$ 1,514,619
Bahrain	5,502	8,110	7,180	-	-	29,821
Brazil	105,405	138,623	123,157	456,079	427,375	443,823
Canada	26,741	24,755	19,445	11,479	10,116	16,674
China	-	-	-	84,225	78,660	78,632
Croatia	12,809	-	-	28,141	35,307	-
Denmark	21,213	22,359	32,307	41,980	44,498	44,909
Germany	4,377	7,257	771	9,440	1,569	17,025
India	38,396	14,318	11,380	87,443	99,211	28,267
Mexico	150,030	129,473	34,818	167,766	172,471	111,742
Nigeria	81,357	61,218	132,378	136,609	130,891	145,126
Qatar	78,556	48,853	62,272	213,788	127,203	114,621
The Netherlands	99,125	100,984	141,571	134,958	148,503	149,002
United Arab Emirates	83,366	72,216	40,946	290,670	219,246	192,160
United Kingdom	91,783	74,955	66,174	151,310	150,434	164,312
Other	1,804	1,162	790	10,241	15,816	14,981
Total International	800,464	704,283	673,189	1,824,129	1,661,300	1,551,095
Total	\$ 1,066,231	\$ 987,380	\$ 990,248	\$ 3,307,973	\$ 3,189,633	\$ 3,065,714

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

## CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures

Noble's Chairman, Chief Executive Officer and President, James C. Day, and Noble's Chief Operating Officer, Senior Vice President and Chief Financial Officer, Mark A. Jackson, have overseen and participated in an evaluation of the Company's disclosure controls and procedures as of the end of the period covered by this report. On the basis of this evaluation, Mr. Day and Mr. Jackson have concluded that the Company's disclosure controls and procedures are effective. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that it files with or submits to the Securities and Exchange Commission is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms.

### Changes in Internal Control over Financial Reporting

There was no change in the Company's internal control over financial reporting that occurred during the quarter ended December 31, 2004 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

### Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) promulgated under the Securities Exchange Act of 1934, as amended. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on management's assessment, the Company maintained effective internal control over financial reporting as of December 31, 2004.

PricewaterhouseCoopers LLP, the independent registered public accounting firm that audited the Company's financial statements included in this annual report, has audited management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2004 as stated in their report which is provided in this annual report.

## BOARD OF DIRECTORS



Front row (left to right): Marc E. Leland, Mary P. Ricciardello, Jack E. Little, James C. Day  
Back Row (left to right): Michael A. Cawley, Lawrence J. Chazen, Luke R. Corbett, William A. Sears

### **MICHAEL A. CAWLEY** <sup>2,4</sup>

President and Chief Executive Officer – The Samuel Roberts Noble Foundation, Inc.  
Director since 1985.

### **LAWRENCE J. CHAZEN** <sup>1,3,4</sup>

Chief Executive Officer – Lawrence J. Chazen, Inc.  
Director since 1994.

### **LUKE R. CORBETT** <sup>2,3,4</sup>

Chairman of the Board and Chief Executive Officer – Kerr-McGee Corporation.  
Director since 2001.

### **JAMES C. DAY**

Chairman of the Board, Chief Executive Officer and President – Noble Corporation.  
Director since 1983

### **MARC E. LELAND** <sup>2,3,4</sup>

President – Marc E. Leland & Associates, Inc.  
Director since 1994.

### **JACK E. LITTLE** <sup>1,4,5</sup>

Former President and Chief Executive Officer, Shell Oil Company.  
Director since 2000.

### **MARY P. RICCIARDELLO** <sup>1,4</sup>

Former Senior Vice President and Chief Accounting Officer, Reliant Energy, Inc.  
Director since 2003.

### **WILLIAM A. SEARS** <sup>1,3,4</sup>

Former Director of Operations, British Petroleum Exploration.  
Director since 1998.

### **DIRECTORS EMERITUS:**

#### **JOHNF. SNODGRASS,**

Snodgrass Interest

#### **TOMMY C. CRAIGHEAD,**

T.C. Craighead & Company

(1) Audit Committee, (2) Compensation Committee, (3) Finance Committee, (4) Nominating and Corporate Governance Committee, (5) Lead Director

## EXECUTIVE OFFICERS

### **James C. Day**

Chairman of the Board, Chief Executive Officer and President

### **Mark A. Jackson**

Senior Vice President, Chief Operating Officer and Chief Financial Officer

### **Danny W. Adkins**

Senior Vice President - Operations and Engineering, Noble Drilling Corporation

### **Julie J. Robertson**

Senior Vice President - Administration and Corporate Secretary

## CORPORATE INFORMATION

### **Transfer Agent and Registrar**

UMB Bank, N.A.  
Kansas City, Missouri

### **Independent Auditors**

PricewaterhouseCoopers LLP  
Houston, Texas

Shares Listed on New York Stock Exchange  
Trading Symbol “NE”

### **Credit Rating**

Standard & Poor’s – A-  
Moody’s Investors Service – Baa1

### **Annual Meeting**

The Annual General Meeting of Members of Noble Corporation will be held on April 28, 2005, at 10:00 a.m. at The St. Regis Hotel, 1919 Briar Oaks Lane, Houston, Texas. All members are cordially invited to attend.

### **Form 10-K**

A copy of the Company’s 2004 Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, will be furnished without charge to any member upon written request to:

Julie Robertson, Senior Vice President  
Noble Corporation  
13135 South Dairy Ashford, Suite 800  
Sugar Land, Texas 77478

## Key Investor Information

You can learn more about our operations and our company by visiting our website at [www.noblecorp.com](http://www.noblecorp.com). Among other information we have provided there, you will find:

- our code of business conduct and ethics
- our corporate governance guidelines
- our articles and memorandum of association
- information concerning our business and recent news releases
- information concerning our Board of Directors and member (shareholder) relations

Contact the Noble Board of Directors  
If you would like to contact the Noble Board of Directors, write to: Noble Corporation Board of Directors  
13135 South Dairy Ashford, Suite 800  
Sugar Land, Texas 77478  
or send an e-mail to  
[Nobleboard@noblecorp.com](mailto:Nobleboard@noblecorp.com).

For additional information about Noble Corporation, please refer to our proxy statement which is being mailed with this Annual Report.



Noble Corporation  
13135 South Dairy Ashford, Suite 800  
Sugar Land, Texas 77478  
281-276-6100